

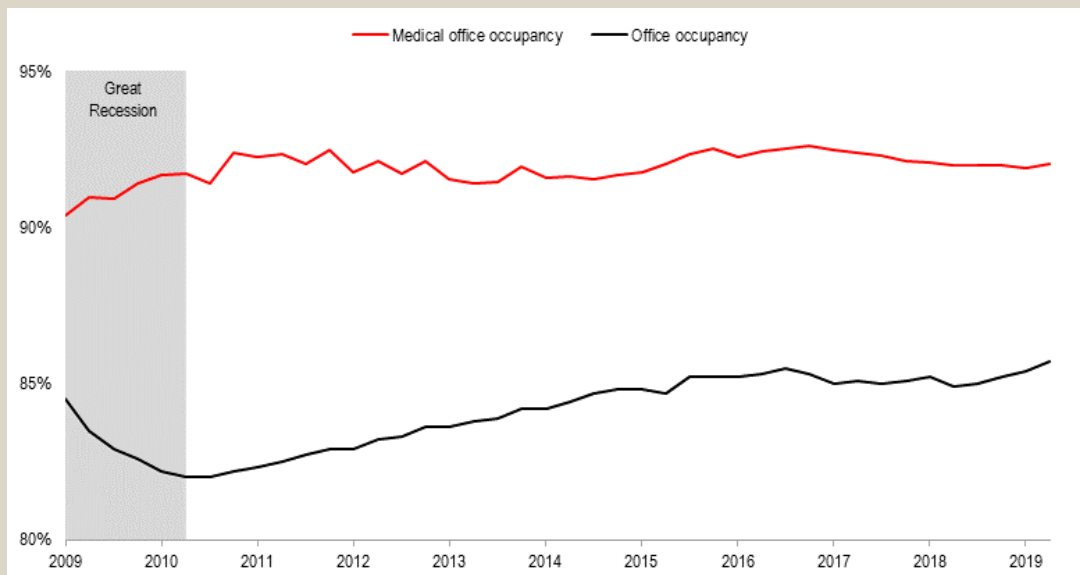
# Medical Office

## Perspectives

September 2019

### U.S. medical office vs. office occupancy rates

Medical occupancy went up 1.4% during the Great Recession while office occupancy went down 5%









Source: Revista, JLL research

#### Key points:

- The durable qualities of medical office occupancy continues to drive investment capital to this highly-sought after alternative real estate class. U.S. medical office occupancy fluctuated in a narrow band between 91.0% and 92.5% over the last 10 years, a positive comparison to the more volatile general office sector as illustrated by the 5% occupancy drop during the recession in 2009-10. Medical office offers “recession resistant” performance and experienced only one negative quarter of occupancy during the recession – and just barely negative at -0.3%!
- Steady occupancy in medical office space is underpinned by longer term net leases with physicians and health systems. Many providers have invested in higher suite infrastructure and buildout. Strategic locations on or near a hospital campus stay in place. Complimentary specialties and amenities in a building create a fertile medical ecosystem for tenants’ business and convenience for patients with multiple services under one roof. The beauty of this dynamic is that, once in place, landlords enjoy a high retention rate with lease extensions and lower capital investment than traditional office. Medical tenants face challenges with moving state licenses; if they relocate, they often require a new certificate of need that is location-specific. Therefore, renewal is most often the best option for a location that was deemed most desirable in the first place. High tenant retention leads to greater net cash flow with lower leasing costs.
- Supporting the occupancy and values of medical office in new supply is the fact that there is virtually no speculative development. The vast majority of new medical office construction is build-to-suit with a minimum 50% pre-leasing of the project, usually with anchor provider, and often single tenant to the provider. The special purpose fit-out of medical space, on-campus locations in many instances, limits supply growth and stabilizes occupancy levels.

### Recent 2019 activity

New listing - Investment Advisory	New listing - Investment Advisory	New listing - Investment Advisory
		
<b>Piedmont Healthcare MOB Campus</b> 91,844 s.f. Statesville, NC	<b>Summit Medical Group</b> 60,000 s.f. Warren, NJ	<b>Wylie Medical Plaza</b> 49,151 s.f. Wylie, TX
New listing - Investment Advisory	Closed - Investment Advisory	Closed - Investment Advisory
		
<b>Emerson Hospital Center for Specialty Care</b> 46,350 s.f. Concord, MA	<b>Medical Dental Building</b> 296,536 s.f. Seattle, WA	<b>Saxon Woods</b> 232,357 s.f. Harrison, NY

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