

Things to Watch in the Medical Office Space



At the beginning of the pandemic, there was much talk circulating the industry regarding medical spaces.

This was a natural response to a health-centric global crisis and as all eyes fell on CRE's medical sector, it was still a time of great uncertainty. During the early months of COVID when nobody knew how intense the stakes may get or how long it all would last, medical office tenants were planning to expand their ground presence while simultaneously flexing their digital capacities.

But it's been months, and the conversation has veered towards other sectors as new trends unfolded and the situation evolved. How's the medical office space doing right now? At this point, experts are reporting that there's been a cool down in the previously laid plans for medical office expansion.

Let's take a look at what data is emerging from the medical space and also at what commercial real estate professionals should be keeping their eye on:

Unexpected Revenue Declines

The projected growth of the medical space was severely stunted by the pandemic's decline in revenue. When the returns began to fall, many of the previously optimistic medical tenants were forced to pivot in order to meet the moment's needs. Right now, many medical tenants are choosing short-term leasing options and pausing their expansion plans.

After all, it seems like those rapid growth plans didn't happen as quickly as CRE expected.

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Demand for Independent Medical Offices Still Strong

Don't think that the slowed plans of med-space expansion reflect a decreased value in independent healthcare offices. In fact, recent survey data displays a stable demand for medical offices that are not connected to a larger hospital site.

A REIT Physicians Realty Trust survey, cited in NAI James E. Hanson's Q2 Medical Report, states that 46.2% of respondents said that they would request a procedure to take place at a surgery center away from a hospital, while 6.5% said they preferred to go to medical offices for their health concerns over a hospital.

Leveraging Technology

Due to COVID, PropTech within the physical medical space has been deployed for health care purposes.

However, many of these adoptions are new and still require troubleshooting. These past months of 2020 have spurred massive innovation within this area and we're learning new ways to adopt technology while mitigating the instance of error.

For example, AI powered temperature screening technologies embedded into a building's existing smart tech infrastructure have been known for a wide error margin, as covered in the Q2 Medical Report.

However, the proper use of these tools as per official guidelines is something that the medical arena is learning - and as these innovations become the new norms, we're quickly getting used to it.

Is Growth on the Horizon?

Nearly every goal is met with challenges - a sentiment that's especially true during the COVID era. Before the med-space could expand, healthcare operators needed to perfect their existing assets. At first, lofty goals were set. Next, the plans slowed down and stalled. Now, the question is, what's next for CRE's medical sector?

