

Health care reform may further boost medical space growth

By YUDISLAIDY FERNANDEZ

The Obama administration's health care reform is expected to boost further growth of the medical office sector — already outperforming traditional office space.

The demand for more medical outpatient centers, office buildings and clinics, and diagnostic centers is projected to grow with more uninsured Americans getting access to medical services once health care measures are in place, commercial real estate professionals say.

Alex Zylberglait, vice president of investments at commercial realty firm Marcus & Millichap, said his industry expects more use of medical services, more office visits and more pharmaceutical products “to the degree the access is made available and costs come down.”

Mr. Zylberglait says he already sees a trend in the use of outpatient facilities, where patients receive faster service and tend to spend less money on care because they don't have to stay at a hospital for days.

Kenneth Weston, president and CEO of Kenneth Weston & Associates, a commercial realty firm specializing in medical office properties, agrees more procedures previously done on hospital campuses are now performed off campus such as in urgent care centers and ambulatory surgical facilities.

“That's going to have tremendous impact on medical office space,” he said. “New facilities will open to house these types of uses.”

Greater affordability for medical care is also on the horizon.

With a higher demand for medical services from people previously uninsured and aging baby boomers, Mr. Zylberglait says some reports forecast the cost of medical care coming down.*



Photo by Maxine Usdan

Kenneth Weston sees more physicians looking to expand into the suburbs to be closer to patients.

cal complex close to Baptist Health South Florida's new Homestead Hospital, which sits about a mile from the project.

Mr. Bosch said in light of the tanking real estate market and large supply of residential inventory, his company felt it was the most viable use of the land.

One parcel is designated to build a sit-down restaurant of about 5,000 square feet.

The two other parcels are reserved to build two three-story buildings each totaling 40,000 square feet of medical offices for lease.

Blok has received letters of intent from potential tenants and is now working to iron out leases. Developers hope to begin construction later this year to deliver the first medical office building by early 2011.

Tibor Hollo, who is building a 35-story hotel in Miami's Omni neighborhood, opted to reserve 45,000 square feet to build medical offices because he sees the growing demand. The space is slated for medi-

office space.

The Obama administration is setting aside in its budget about \$630 billion over the next 10 years for financing reforms to the health care system, the report says.

Mr. Weston, whose company does tenant representation, says physicians are looking to expand into suburban areas such as Doral, West Kendall, Pembroke Pines and Miramar to be close to patients.

*Although land in South Florida is scarce, he says accelerated demand for medical offices offers developers the opportunity to build more class A space. The majority of the medical office sector is now comprised of older class B and C, he said.

“I think there is an opportunity for developers, under the right circumstances, to build a larger product,” he said.

Locations near major medical institutions such as the University of Miami Hospital, Jackson Health System and Baptist Health South Florida are optimal options to “take an advantage of the economy of scale but yet to be off campus,” he said.

Some local developers are already seeing the potential in building office space.

Ashley Bosch, managing director of Miami-based Blok Urban Development, is planning to build a five-acre medical complex called Grove Professional Center at 30401 SW 137th Ave. in Homestead.

Blok bought the parcel in late 2004 with plans to build a medi-

Medical office space in Miami-Dade is renting, full service, at \$30-plus a foot for class A office space and \$22 to \$25 for class B, he said. Medical office condo prices are ranging from \$200 to \$500 per square foot.

“We still have lenders willing to provide for 90% to 100% financing to physicians,” he said, adding that medical office is currently obtaining better financing than office projects.

The American Recovery and Reinvestment Act includes measures to allow unemployed persons to get a tax credit to continue their health insurance and the reauthorization of the Children's Health Insurance Program for the next 4½ years, the report states.

The federal investment includes an allocation for prevention and wellness care as well, Mr. Weston said.

“That's going to press stronger focus on primary care physicians that will generate increased demand for medical services and offices.”

cal offices with the concept that patients visiting for cosmetic surgery and other treatments can then stay and recover at the hotel, which is to feature two restaurants and a full-service spa, said Jerome Hollo, vice president of Florida East Coast Realty.

Financing is in place to begin construction soon, the firm says, with construction expected to take about 22 months.

Many physicians are waiting to see the outcome of health care reform, said Mr. Weston, of Weston & Associates.

With 46 million Americans uninsured, individuals in lower-income brackets are spending 15% or more of their pre-tax income on health care, a Marcus & Millichap Outlook Report shows.

The federal health care reform includes proposals such as a new public insurance plan that would allow individuals and small businesses to buy affordable health care coverage, the report shows, which would increase visits to primary and specialty care physicians, heightening demand for medical of-