



### Leasing Medical Office Space

From assessing medical office locations to understanding the physician pain points in the lease process, the complexity of the healthcare real estate industry can be challenging to navigate. Establishing a relationship with a healthcare real estate advisor is essential to gaining market insights, awareness of current trends, and knowledge in the evolving real estate industry. Working with a healthcare real estate expert is the first step in making the right decisions.

#### **Location Specifics**

There are two general types of medical office building locations: Those that are located on-campus (or near-campus) and off-campus of a hospital. The on-campus buildings have traditionally been owned and operated by the hospital. Although there are many ownership variations, recent trends have been for hospitals to monetize the value of these buildings while maintaining ownership in the land and partial control of tenancy. An on-campus medical office building and/or one affiliated with a hospital will have the strategic goal of promoting the hospital's mission, and negotiating a lease will be complicated by the hospital's ground lease and regulatory environment. The off-campus buildings are usually owned and operated by non-hospital affiliated entities, including physicians, private developers, syndications and real estate investment trusts. The ownership goal is to maximize rents through quality management and maintaining the proper mix of physicians –generalists and specialists.

With changes in healthcare services and the shift in medical care from an inpatient to an outpatient focus, many physicians are relocating and/or expanding their practices in locations other than on-campus or near-campus medical buildings. Growth in the off-campus sector is fueled by consumer demand as on-campus physicians seek to expand their practices and referral networks by relocating to growing suburban areas and along growth corridors where people work, live, shop and play.

The location of the physician's practice is crucial to attracting patients. Good alternatives will be based on demographics that indicate underserved prospective patients within a reasonable travel time, traffic ingress/egress, parking ratios, signage, elevator and building mechanicals which are important to most office space users and are also important to the medical office building tenant. Awareness of specific building issues for each medical specialty often relate to the physical condition of the patients and will contribute to the real estate decision-making process.

Primary care physicians often refer patients to medical specialists for complicated ailments such as heart disease and cancer. It is a benefit to the primary care physician to have different specialties located in the same building. Most physicians also benefit by having service providers such as pharmacy, X-ray, imaging and laboratory on site as well. A complimentary tenant mix, just like in a retail center, is important to the success of the physicians in the medical office building. Quality tenants for a medical office building will often produce an enhanced property referral matrix, a longer term lease with good credit, and a growing patient base.

### **Physician Pain Points in Evaluating Medical Office Space**

The typical physician practice operates as a small business in the form of a sole proprietorship, partnership or limited liability corporation. As a result, they focus their resources, time, and capital on the areas that provide the highest benefit to patient care and ongoing business concerns—profit. The medical leasing professional acknowledges this and demonstrates through market knowledge and specialized health care experience how specific locations will help build the doctor’s practice. Concerns lie in increasing patient visits and increasing the amount of time to see patients while receiving a fair market rental rate based on competitive buildings, amenities and services.

As small business operators, physicians are price sensitive. Comprehensive market studies and specific knowledge of lease terms, conditions and concessions of competing buildings is critical. Negotiations based on comparables in light of specific amenities, tenant mix and property attributes will insure rent expectations are met.

### **Connecting with a Healthcare Real Estate Advisor**

To provide the best healthcare real estate tenant services, the leasing representative must have complete and ongoing knowledge of the medical office market(s), and knowledge of local hospital specialties, physicians, doctor networks, healthcare agencies and medical service providers who are growing and expanding.

*Quantum Commercial Real Estate (QCRE)* is a full service commercial real estate firm offering Brokerage, Investment, and Management services. With years of experience in healthcare real estate related transactions and locations in North and South Atlanta, QCRE is ready to serve you in the Metro Atlanta area and beyond. For more information and to discuss your needs with a Quantum Commercial Real Estate Representative contact 770-486-8200 or visit [QuantumCRE.com](http://QuantumCRE.com).

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