MEDICAL OFFICE

FEBRUARY NEWSLETTER

IS EVERY OFFICE SPACE POTENTIAL MEDICAL OFFICE SPACE?

Demand for office space in the commercial real estate industry has again become noticeably quiet. The decline is so prominent that GlobeSt.com reports that demand is at its lowest rate since the first quarter of 2021. Nationally, the need for offices is down 30% by some estimates. With this lull and the follow-on excess inventory, it would seem that all the space could be put to a profitable alternative use.

To capitalize on the office space glut, some investors have devoted their resources to re-purposing inventory into food distribution centers, storage spaces, boutique gyms, classrooms for micro-schools, and co-working spaces. Miami-based startup Silofit, for instance, has profitably turned one-time cubicle space into a network of micro-gyms.

What about healthcare?

In light of our current pandemic, intra-country migrations, and an aging population, it's easy to think that an abundance of office space can be profitably turned into medical office space. After all, for at least half a decade,


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HEALTHCARE REALTY GROUP
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medical office space has weathered all sorts of encumbrances and become a safe harbor for investors. So, why not turn office space into medical space?

It's been said that "All that glitters is not gold." The aphorism, derived from a line in William Shakespeare's play The Merchant of Venice, has been expressed in various ways since the 12th century. While the Bard gave us the most popular form of the saying, influential entities from Chaucer to Led Zeppelin have twisted the phrase to suit their contexts. The cautionary verse may also hold meaning for investors considering converting office space into space for healthcare professionals.

Typically health care practitioners are good "bets" as tenants. The cost of setting up the office, developing clients (patients), and establishing their brand within a community means that MDs, radiologists, chiropractors, and optometrists will not quickly vacate a space once they've set up shop. For the building owner and investors, that means longer leases and revenue predictability—the holy grail for leasing space.

Allured by the perceived upside benefits, many building owners and investors are running toward the opportunity to convert their under-utilized office spaces to medical office space. In theory, these conversions make sense, but these may kill profitability in practice.

Inherent Complexity

It would be nice if converting existing office space to medical office space was as simple as changing the buildout. In theory, it would be a matter of adding some consultation spaces, setting up reception and waiting areas, and maybe a few other areas for clinicians and staff. In reality, converting existing space, by and large, requires significantly more effort.

Converting existing structures into a medical facility usually requires strategic planning and consideration of structural elements. Slab to slab heights, lead lining of walls, floor loads, and the like are all considerations in office space conversions. As Healthcare Construction+Operation News puts it, "Even the most raucous of office parties can't shake the ceilings of a building the way an MRI machine or ultrasound device can." That kind of vibration means serious structural reinforcement is required.

In addition to those elements, health professionals seeking medical real estate have to consider zoning, location factors, and healthcare-specific legislation. In Tampa, according to city code, "The minimum size zoning lot for a medical office shall be ten thousand (10,000) square feet in area". Similarly, parking for medical office space also comes with strict requirements.

Conversion Opportunities Do Exist

Despite the seeming complexity of converting existing commercial space to medical office space, there are opportunities for medical office investors. A good example is the transformation of a former Borders bookstore in south Tampa to a Florida Orthopaedic Institute location. While not technically an office space conversion, the building has housed medical professionals for nearly a decade now.

As a current example, San Diego-based ShareMD plans to convert about 5,000 square feet of office space into shared medical office space in Coral Gables. And, Tampa General is taking over the former Hillsborough Community College Davis Islands building to create space for administration, education, and training—a medical conversion without many of the structural considerations associated with certain types of practices.

Medical professionals and investors should always review their options before embarking on any real estate transaction. Most importantly, they should consult a healthcare real estate advisor who has the experience and resources to best guide them on their options.

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MARKET ACTIVITY

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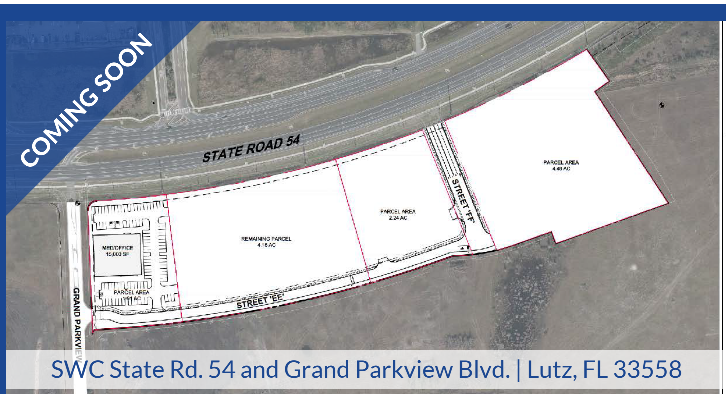
RECENT ACTIVITY

16688 N. Dale Mabry Hwy. | Tampa, FL 33618

Approximately 2,500 SF
Represented Landlord

2044 Trinity Oaks Blvd. | New Port Richey, FL 34655

Approximately 5,769 SF
Represented Tenant



SWC State Rd. 54 and Grand Parkview Blvd. | Lutz, FL 33558

15,000 SF New Medical Facility
Represented Tenant

See our recent market activity and lease/sale opportunities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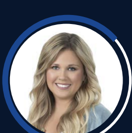
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LEASE/SALE OPPORTUNITIES

11911 N Dale Mabry Hwy | Tampa, FL 33618

Newly Constructed Surgery and Overnight Recovery Center
Available Space: 2nd Floor - 2,962 SF
Asking Rate: $23 PSF NNN
Click for More Details

2560 Gulf To Bay Blvd | Clearwater, FL 33765

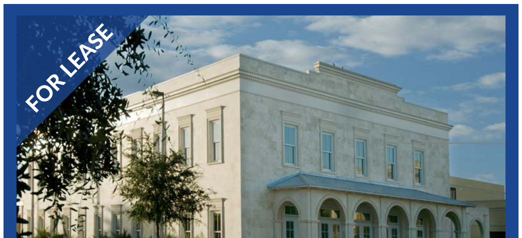
Excellent NORTH PINELLAS LOCATION for Medical/Office Use
Available Space: 2nd Floor - 1,016 SF, 3rd Floor - 5,213 SF
Asking Rate: $20 PSF (Mod. Gross)
Click for More Details

1513 6th St SE | Winter Haven, FL 33880

Medical Professional Office
Available Space: 1,698 SF
Asking Rate: $20 PSF (Mod. Gross)
Click for More Details

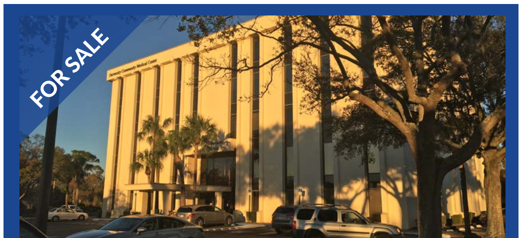
519 E. Bloomingdale Ave | Brandon, FL 33511

Excellent BLOOMINGDALE LOCATION for Medical/Office Use
Available Space: Approx. 1,800 SF
Asking Rate: $22 PSF (Mod. Gross)
Click for More Details



6043 Winthrop Commerce Ave | Riverview, FL 33578

Medical/Office Use
Available Space: 1st Floor - 10,776 SF, 2nd Floor - 7,167 SF
Asking Rate: $20 PSF NNN
Click for More Details



13801 Bruce B. Downs Blvd. Unit 304 & 305 | Tampa, FL 33613

Medical/Office Condo
Available Space: 2,990 SF
Asking Price: $500,000
Click for More Details

Recent Testimonial

"Carleton was amazing and great to work with, it felt like I was his only client. Also he really knows his stuff! Between the level of service and all the small things that his experience brings to the table, there's no other place to turn to if you're looking to sell your medical office or condo."
- Michael Wasylik M.D.

Listening... And Providing...Quality Real Estate Solutions

Working in healthcare real estate shouldn't be a part-time thing. While some companies claim to "also handle" healthcare, working in this industry requires specialized knowledge, proven experience, and a network of tenants, owners, investors, managers, administrators, physicians, and other healthcare advisors and real estate experts. At Healthcare Realty Group, healthcare is not something we also do. It's the only thing we do.

In an industry that continues to evolve through technological innovation, Healthcare Realty Group still believes in the tenets that underpin commercial real estate. For us, an expansive network of industry professionals, market insight, hard work, and a strong ethical bearing are the pillars that support a successful business, particularly one that's focused on helping professionals find uncompromising solutions in Healthcare Real Estate.

Since 2005, we have developed an understanding of the specific needs of the healthcare industry and know how to deliver solutions with real benefits. Unlike the mega-firms that try to be everything to everybody, our team provides personalized, and ethical services focused on your healthcare real estate needs.

See our recent market activity and lease/sale opportunities

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