







Q3 2020

THE PORTLAND PULSE





Oregon's Statewide Healthcare Real Estate Update



PORTLAND MEDICAL OFFICE MARKET

 <p>RENTAL RATE RANGE</p>	 <p>AVERAGE VACANCY</p>	 <p>NET ABSORPTION</p>	 <p>CAP RATE RANGE</p>
<p>OFF CAMPUS: \$18.00-\$40.00 FSE ON CAMPUS: \$32.00-\$41.00 FSE</p>	<p>4.6% (PRIOR PERIOD 4.5%)</p>	<p>-2,569 SF (PRIOR PERIOD 2,511 SF)</p>	<p>5.3 - 5.7%</p>

OREGON STATEWIDE MEDICAL OFFICE MARKET

 <p>RENTAL RATE RANGE</p>	 <p>AVERAGE VACANCY</p>	 <p>NET ABSORPTION</p>	 <p>CAP RATE RANGE</p>
<p>OFF CAMPUS: \$18.00-\$40.00 FSE ON CAMPUS: \$32.00-\$41.00 FSE</p>	<p>3.2% (PRIOR PERIOD 3.0%)</p>	<p>-21,485 SF (PRIOR PERIOD 20,181 SF)</p>	<p>6.0 - 6.5%</p>

Source: CoStar, Kidder Mathews Research Team

Provided by

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WORD ON THE STREET

QUOTES FROM MOB INVESTORS/BUYERS ACROSS THE NATION

“

Traditional and non-traditional investors continue to chase the resilience of medical office which has supported a continuation of peak pricing for the best assets in the top markets.

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Uncertainty surrounding the tax regime following the upcoming election has prompted some ownership groups to expedite their exit before year end. This may result in an uptick of the sector’s Q4 sales volume.

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RECENT MOB SALE ACTIVITY



LAKE OSWEGO MEDICAL PLAZA

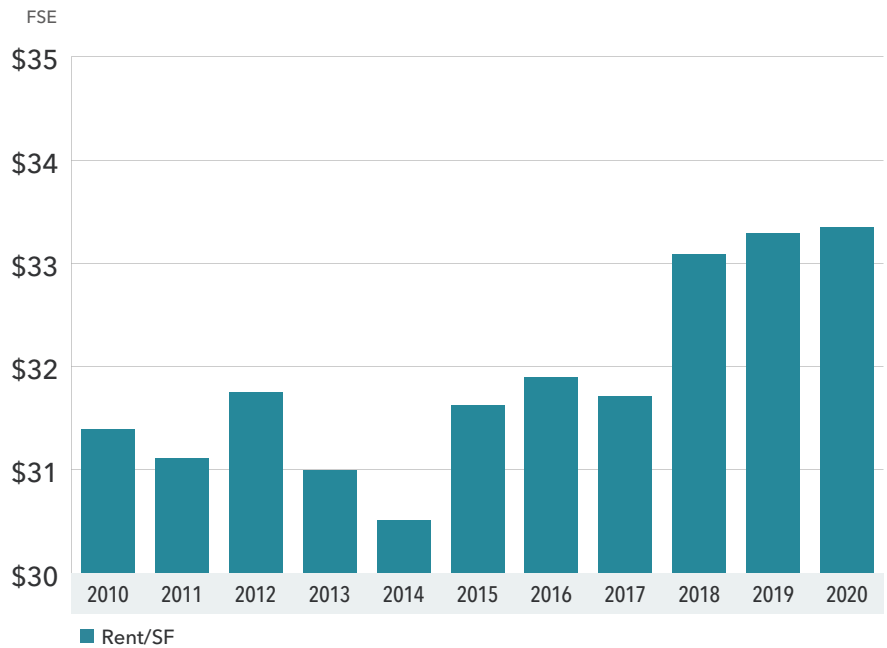
9200 SE 91st Ave, Happy Valley, OR

Status **Under Contract with Owner-User**

Rentable SF **15,744**

Occupancy **55%**

AVG. MOB RENTAL RATES - 2010-2020



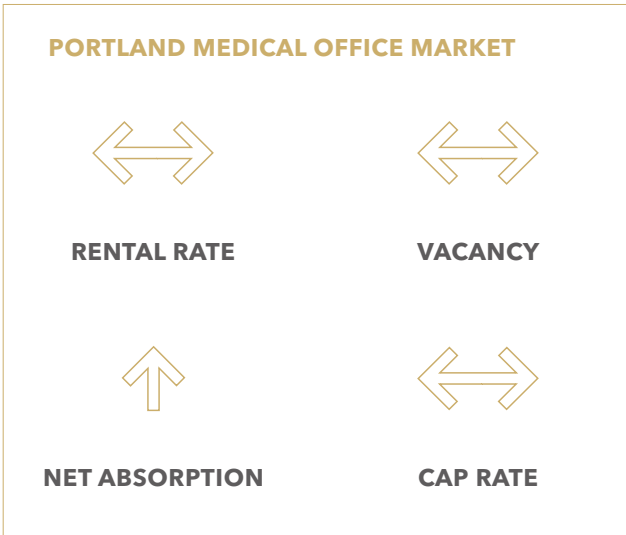
From 2010 to 2020, medical office rental rates increases by an average of \$1.96/SF/YR

In 2020, medical office rates have risen to their highest point on record with rents achieving \$35-\$41/SF/YR for quality medical office space

Source: CoStar, Kidder Mathews Research Team



MARKET FORECAST



MEDICAL OFFICE MARKET ACTIVITY

LEASING ACTIVITY

In-person tour activity continued to build momentum throughout Q3. QoQ, leasing velocity remained slower with roughly 11 leases executed (compare to 25 leases executed Q3 2019). The majority of near-term requirements were in the 2-4k sf range and have arisen mostly out of necessity (e.g. lease expiration, reduction in staff/physical space needs, relocation to suburban MOB, etc.). **Clinics that initially paused expansion/relocation efforts are back in the market** and have requirements slated for Q1/Q2 2021. We expect leasing velocity to increase steadily in Q4.

Overall, rental rates for medical office buildings have remained stable throughout the quarter. Landlords are starting to offer more competitive TI

packages in exchange for longer-term leases.

MARKET OBSERVATIONS & TRENDS

While it's not a new trend, COVID-19 has accelerated physician preference for off-campus locations in 2020. Increasing remote work opportunities has led to a shift in population growth from urban city cores to suburban communities. Since healthcare clinics follow rooftops, **off-campus clinic locations are becoming more favorable**, and provide better street-side branding opportunities, and better parking.

Q3 continued to show an increase in medical office lease and sale listings. As medical office real estate is traditionally "recession resistant," owners of traditional office and retail buildings are starting to reposition their assets to target the use.

Demand for telehealth is expected to remain high in 2021. Overall, telehealth is proving to be a win-win for the patient/physician experience. Patients get the convenience of the initial virtual visit (e.g. brief check-ins, prescriptions, etc.), while physicians are able to attract and retain new patients; especially in rural communities which helps drive more in-person follow-up visits. **The looming question will be whether or not insurers will continue to cover virtual visits.**



HEALTHCARE NEWS



CO-SHARING MEDICAL SPACES GAIN IN POPULARITY DURING THE PANDEMIC

The co-working concept is evolving, and has now spread to outpatient medical practices, with some companies offering this model for tenants. At least one of them plans to expand nationwide.

[VIEW ARTICLE](#)



MOB SECTOR REMAINS RESILIENT; REVISTA WEBCAST, DATA INDICATES STABILIZED OCCUPANCIES DESPITE COVID-19

The fallout from the COVID-19 pandemic has taken its toll on the country's healthcare systems as well as the healthcare real estate (HRE) sector, even though the industry and property type continue to show resiliency.

[VIEW ARTICLE](#)



DJC WEBINAR: HEALTH CARE DOWNTURN HITS BUILDING PROJECTS

The pipeline of health care projects is beginning to slow as hospitals experience dramatically reduced revenues.

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MEDICAL OFFICE DEVELOPMENT



WORD ON THE STREET - CONSTRUCTION UPDATE

There haven't been any major shifts in construction costs since Q2. Pricing for materials are starting to increase due to supply chain issues; labor costs have softened somewhat. The market is flat right at this time.

[PROPOSED MOB DEVELOPMENT LIST](#)

NEED HELP WITH HEALTHCARE REAL ESTATE IN OREGON?

With more than 48 years of experience, Mark Fraser and Sean Brennecke are Oregon's go-to experts for healthcare tenant representation. Additionally, they specialize in the leasing, acquisition, and disposition of healthcare real estate.

[CONTACT TEAM](#)