



### HEALTHCARE SHOWS CONTINUED PROMISE IN 2021

It seems an end is in sight for the dust-up with COVID-19. As the air clears, so to speak, more and more businesses have opened, and slowly people have resumed their routines (albeit while wearing masks and socially distancing).

Restaurants are opening their doors to larger numbers. In some places catering halls are again welcoming larger gatherings to celebrate weddings, bar and bat mitzvahs, and similar affairs.

People are traveling again. The unbelievably low fares of \$11 for a flight from New York to Orlando are gone and remain part of fanciful dreams for impromptu visits to Disney theme parks.

So, what does any of this have to do with commercial real estate? Not a whole lot, frankly. But, as we find ourselves squarely in the 2nd quarter of this year, the indicators that "normalcy" is at hand prompt a brief look at what we might expect from the healthcare real estate market going forward.

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### Recapping Where We've Been

Over the last few years, Florida's medical real estate has been stalwart. As the state with the country's highest concentration of citizens over 65, it's not surprising that healthcare is a driver locally for the commercial real estate industry. As more people migrate to Florida, the pressure for healthcare will continue to grow. However, as early as 2018, the Miami Herald cautioned about the precarious nature of this sector, "As the aging population continues to shape the future of healthcare real estate in South Florida, healthcare real estate developers will face challenges related to finding land and existing buildings at a reasonable price."

While the prognostication that inventory will be hard to find was an impending concern for some investors, 2019 showed us that healthcare real estate continued to be a good investment. Stable vacancy rates and steady interest in healthcare REITs continued to fuel additional demand for more medical office space, outpatient facilities, and community clinics. Even though rent growth settled back from a high of 2.6%, it remained reliably positive.

The anomaly of last year's pandemic took its toll, but it also punctuated how much society relies on healthcare services. Sure, telehealth emerged as an accepted means for practitioners to consult with patients. Practical medicine, however, still required face-to-face visits. Again, investment in the sector remained high. As proof, one need look no further than Moffitt Cancer Center in Tampa, Fla., which broke ground last July on a \$400 million expansion that will include a new 10-story, 498,000-square-foot inpatient surgical hospital.

### Looking Forward in 2021

For certain, healthcare real estate has a strong base in the Tampa area. That trend will likely continue, though possibly in different forms. The former University Mall site, for instance, is being transformed into a massive mixed-use space that will include medical specialties, clinics, and pavilions in addition to recreational, entertainment, hospitality, and education tenants.

Other projects by Tampa General Hospital, Pfizer, AdventHealth, and the Veteran's Administration are just a tiny sampling of the billions of dollars being invested into the local healthcare real estate market. This signals opportunity for investors for the foreseeable future.

Owners looking to hedge against market uncertainty or an unfavorable lending environment will consider sale-leasebacks as avenues to liquidity. Here again, this creates a plum situation for investors, providing them with a long-term, stable tenant and an ongoing revenue stream.

With all the news about telehealth lately, it would be remiss not to address it in looking at 2021. According to the Center for Disease Control, COVID-19 was a launchpad for telehealth. During the last week of March 2020, according to the agency, there was a 154% increase in telehealth visits. This was at the height of the pandemic, but market research firm, Statista, projects up to a 17% compounded growth rate through 2022. While some see this as bad news for CRE, others feel differently.

 See our recent market activity and lease/sale opportunities



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Global commercial real estate powerhouse, JLL, sees telehealth as a trend that will supplement, not supplant medical real estate. The firm looks at technology as a way to “expand the pie”. By providing more opportunities to meet with physicians and caregivers, patients become invested in the healthcare process. This, in turn, leads to more in-person visits, follow-ups, or outpatient procedures at physical facilities.

### Other Things to Keep an Eye On

It's impossible to predict precisely what the future holds for the healthcare real estate market in Tampa or anywhere else. The trends discussed above will most likely be the most significant drivers for the sector, but some other items to include:

**Senior housing:** This growing population that is overwhelmingly vaccinated will drive a rebound in demand for properties of this type. Look for projects similar to this one in West Tampa.

**Infrastructure projects:** Projects that help to gentrify neighborhoods, increase patient access, connect cities, or create multi-use living areas are all worth watching.

**Affordable housing:** Hospital systems, as well as other members of the healthcare ecosystem (like CVS Pharmacies), are becoming more entrenched in population health and non-health factors, including affordable housing. Look for related projects or land recovery projects like this one on the West River, which is expected to kickstart Tampa's affordable housing.

If you're considering making a move in healthcare real estate, be sure to contact a CRE professional today. A firm specializing in the sector will advise you best and point you in the direction of the most suitable opportunities.

*Carleton Compton heads up Healthcare Realty Group which provides a full breadth of commercial real estate services to healthcare companies, medical practices, hospitals, and investors. By combining his expansive network of industry professionals with his own deep market knowledge, hard work, and ethical bearing he delivers to the industry a firm created explicitly for the healthcare market.*

### Resources:

<https://www.miamiherald.com/latest-news/article221824430.html>

<https://www.cpexecutive.com/post/florida-cancer-center-starts-400m-expansion/>

<https://www.businessobserverfl.com/article/momentum-builds-at-massive-shopping-mall-transformation>

<https://www.cdc.gov/mmwr/volumes/69/wr/mm6943a3.htm>

<https://www.statista.com/statistics/820756/number-of-telehealth-visits-in-us/>

<https://www.us.jll.com/content/dam/jll-com/documents/pdf/research/healthcare-real-estate-outlook-2020-jll.pdf>

<https://www.tampabay.com/news/tampa/2020/09/24/west-tampa-hits-milestone-with-opening-of-first-west-river-apartment-complex/>

<https://www.tampabay.com/news/tampa/2020/11/09/tampa-seeks-to-parlay-city-land-in-booming-west-river-to-kickstart-affordable-housing/>



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### RECENT MARKET ACTIVITY



Suite 100  
Size: 2,147 SF  
Represented the Buyer



Unit 22  
Size: 1,560 SF  
Represented Seller



Suite 303  
Size: 2,954 SF  
Represented Seller



Suite 305  
Represented Tenant

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