



RETAIL, NEXT NEW FRONTIER FOR HEALTHCARE REAL ESTATE

Online shopping and economic changes have dramatically affected the retail landscape in the US. Where people used to go to a physical store to make purchases, more and more people are turning to online stores instead. In this environment, retail shopping centers face an enormous problem.

How do you keep foot traffic high and retain tenant interest when people aren't shopping?

Without sufficient foot traffic, shops discontinue their leases, fewer businesses look for a brick-and-mortar presence, and the problem spirals out of control with the result being empty buildings. There are a few approaches that retail real estate owners are taking to combat the foot traffic issue and remain profitable. One of these approaches is the controversial introduction of healthcare facilities into retail spaces.

HRE Increases Traffic

Healthcare facilities in malls and other retail shops isn't a new trend, but it's been gaining momentum lately as the retail problem grows. This is an effective solution because it brings a higher number of visitors to the area. Even those who aren't coming primarily to shop may be more inclined to stop in at a store while they're bringing a patient or attending an appointment.

Vacated free-standing big box stores and strip malls alike that carve out space for healthcare tenants tend to find more businesses related to healthcare services to fill up surrounding store spaces. When a health service provider acts as the anchor tenant in a mall, for instance, it's natural for complementary businesses that deal in pharmaceuticals, nutrition, healthy food, supplements, fitness, relaxation, and other related fields to show up.

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Retail, Next New
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This is the plan for Tampa's University Mall. Following new management, the mall is targeting healthcare tenants as part of a service-based model that replaces the traditional retail-based model.

Medical services are a necessity, not a luxury. Demand for medical services is growing in Tampa and around the US in general. Whereas retail real estate traditionally focused on tenants who were likely to increase traffic to the area, the new strategy is to look for stable medical clients.

Satellite Clinics and Service Providers

It's unlikely that a hospital would locate its main facilities in a mall or retail space. Instead, satellite clinics and other medical service centers take advantage of these spaces. These smaller medical facilities focus on providing specific services to patients. Some examples may be Urgent Care's, Primary Care, MRIs, laboratory testing, or chiropractic service. These offer exclusively outpatient services with no emergency clinics or inpatient services.

Many health service providers are conscious of high-priced medical services offered at hospitals. People with higher deductibles are more likely to look for cheaper options outside of the hospital. That's why urgent care clinics, laboratories, imaging centers, and others are popping up in retail spaces. People value the pricing transparency and the cheaper services they can receive outside of the hospital.

Why Retail Areas Appeal to Healthcare Providers

Retail spaces may not be an obvious choice for medical services, but malls and other shopping centers do offer a number of advantages for these businesses. With wide, open spaces the provider can come in and create any type of clinical setup they need for their operation. The buildings have a lot of space and ample parking.

Retail real estate is traditionally located around residential areas. Medical service providers could gain better access to larger numbers of customers. Road systems are also set up to make it convenient to enter and leave the facilities. Mixed-use properties like the proposed Tampa Road development replace industrial processing space with medical office space, residential apartments, and smaller retail shops. Employees, patients, residents, and everyone else have easy access with the existing infrastructure.

Renting a retail space could turn out to be cheaper for many medical service providers. If in a mall, they'll choose the space they need and won't be renting out an entire building for themselves. Outside of a mall, they'll have great visibility and accessibility. Retail real estate may also offer more competitive rates than HRE.

Challenges in the Retail Approach

Despite the advantages both sides can gain from a "medical mall" setup, there are some specific challenges in the arrangements. Zoning and facility specifications are some of these challenges.

Shopping centers are not always properly zoned for HRE. There's a difficult question about how to zone for medical service providers. While some offer services similar to a hospital or doctor's office, others operate more like a retail business with a focus on walk-in customers. Medical providers or landlords may have to go to the municipality and seek re-zoning to allow their business in. This can be a lengthy process with no assurance of success.

Not all managers and owners of retail spaces are interested in medical tenants. Medical services may not offer the customer experience that they're trying to promote. Even if the decision is between vacant space, lower-quality tenants, and medical tenants, some managers may still be hesitant to choose medical tenants. This hesitancy is with good cause. Medical services have more expensive, complex and regulated facilities needs than a typical retail location. This means there could be considerations around aspects related to patient centered care, sterile treatment areas, re-enforced structures and medical technologies that makes retro-fitting existing spaces more difficult.

Are medical tenants taking over Tampa's shopping centers by storm? No. It's a growing trend that's worth looking into, but most shopping centers currently still focus on primarily retail tenants. However, so-called medical malls do offer one solution to the "retail apocalypse" that's plaguing shopping centers around the county and the country at large.



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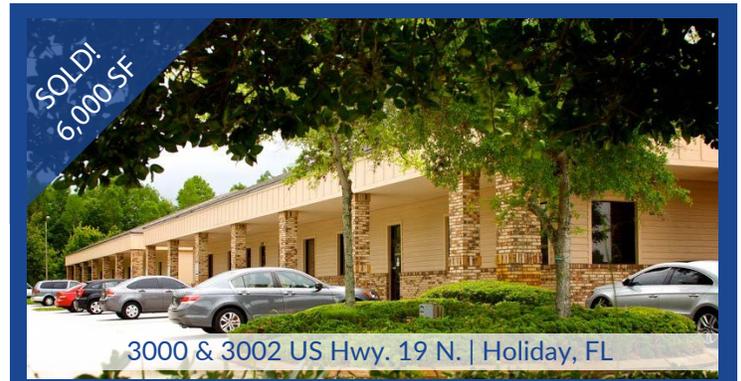
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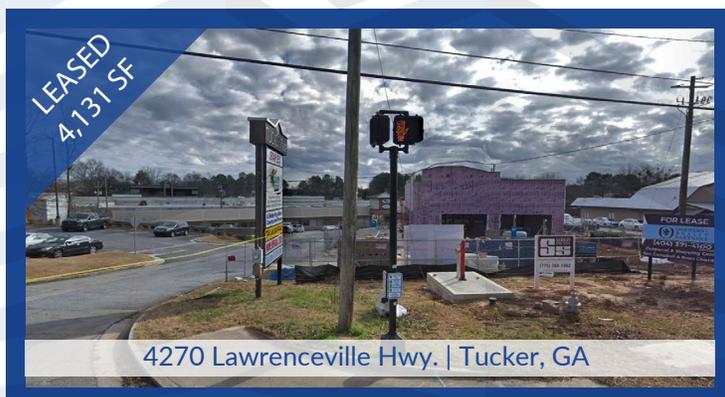
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