

JULY 2020

Metropolitan Detroit MEDICAL REAL ESTATE

UPDATE

Metro Detroit health care real estate in the national spotlight

As the Covid-19 pandemic spread across the nation, Metropolitan Detroit stepped squarely into the national spotlight as the area became a hotspot for the Covid-19 pandemic thus putting tremendous stress on the healthcare systems while Governor Whitmer closed the State down in order to limit the spread of the virus; thus putting the brakes on all non-essential business activity including commercial real estate leasing and sales.

Both Beaumont and Henry Ford Hospitals gained national recognition for its efforts in treating a seemingly endless stream of patients stricken with the virus. Like other categories of commercial real estate, owners of medical office buildings received rent relief requests from many of their tenants. Unlike many other businesses, medical tenants have the opportunity to recapture the income as patients will be rescheduling their appointments and procedures for later in the year. Many landlords are reporting that rent collections have been better than originally expected as fewer rent deferrals have been granted.

Healthcare real estate will prove to be more resilient than other segments of investment real estate; while many retail and restaurant tenants may not find it possible to continue on, medical tenants have an existing patient base that will carry them through.

Healthcare real estate investment came off of a strong 2019; 2020 had been expected to be just as strong but the Covid-19 pandemic put a pause on activity. Investors are expected to quickly re-engage as new opportunities may present themselves as a result of the pandemic. Physicians/Owners of medical office buildings may seek to monetize their assets and reinvest in more liquid investments as a result of the pandemic. Many sellers are expecting pre-Covid pricing for their assets while buyers and lenders are seeing a different risk profile which will affect their pricing. As of yet, we have not seen a material change in capitalization rates; as the markets continue to open up, we may see some adjustment.

Space use in physician offices is expected to be affected as elective patient visits may be converted to tele/video visits with the physician; social distancing will affect patient waiting rooms and the space needed to accommodate them.

On a bright note, in January Denver based Nexcore Group in alliance with Beaumont Hospital broke ground on a 109,630 square foot medical office and ambulatory care facility in Lenox Township with plans to also break ground in July 2020 on a 127,379 square foot medical office and ambulatory care facility in Livonia. Both buildings are approximately 70% pre-leased.



« FEATURED PROPERTY Class A | Bingham Farms Medical Center

Etkin proudly took over the management and leasing duties of the 52,000-square-foot 31500 Telegraph Road along with 31350 and 31370 Telegraph Road in February 2015. Having been built in 1983 and at the end of its economic life, RBK Investments engaged Etkin to create and execute a plan to renovate and reposition their asset. Etkin worked closely with the owner RBK Investments, on planning, budgeting and implementing plans for a complete renovation of the common areas, new parking lot, upgraded security system and new landscaping.

These improvements, along with an aggressive and comprehensive leasing program brought the occupancy up to 98%.



FOR MORE INFO

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