



TIGHT

MEDICAL OFFICE SPACE GETS

The swelling demand for healthcare services is undebatable. The age 65-and-older cohort will rise to just over 56 million by 2020, comprising 17% of the nation's total population. This represents an annual growth rate of 3.5%, which is approximately 14 times the rate of those aged 64 and younger.

As the senior age bracket grows, it will drive physician growth and subsequent need for medical office space.

Through 2019, expenditures on professional medical services is projected to grow 5.2% annually, compared to 4.3% historically. Those 65 and older will require more healthcare services, as this group visits doctors well above the rate of any other age group.

Anticipated growth in healthcare workers could result in demand for space outpacing existing healthcare real estate supply in some markets.

POPULATION AGED 65 AND UP

Top 10 Metro Areas

40.3M



2010

47.7M



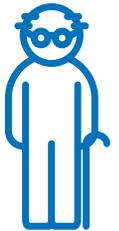
2015

56.1M



2020

65.2M



2025

Source: U.S. Census, Transwestern.

More Doctors in the House

Given rising demand for healthcare services, current projections estimate that just over 150,000 healthcare practitioners will be added to the economy over the next two years.

The required space demanded by most practitioners ranges from 1,000 square feet to 1,500 square feet, dependent on if they are starting their own practice or adding additional practitioners to their staff, per MedScape. Therefore, total demand for medical office space across the U.S. could range from 150.5 million square feet to 225.8 million square feet by 2019.

PRIMARY CARE MEDICAL OFFICE VISITS

By Age Group | 2015

🏠 = 10 VISITS PER 100 PERSONS PER YEAR



<15



15 - 24



25 - 44



45 - 64



65+

Source: National Center for Health Statistics, Transwestern.

Re-thinking the Doctor's Office

There is an estimated 110 million square feet of available medical office space in existing and under-construction buildings in the U.S. as of the second quarter of 2018. If all healthcare practitioners added to the economy through 2019 aim to locate within medical office space, absorption of this demand is impossible.

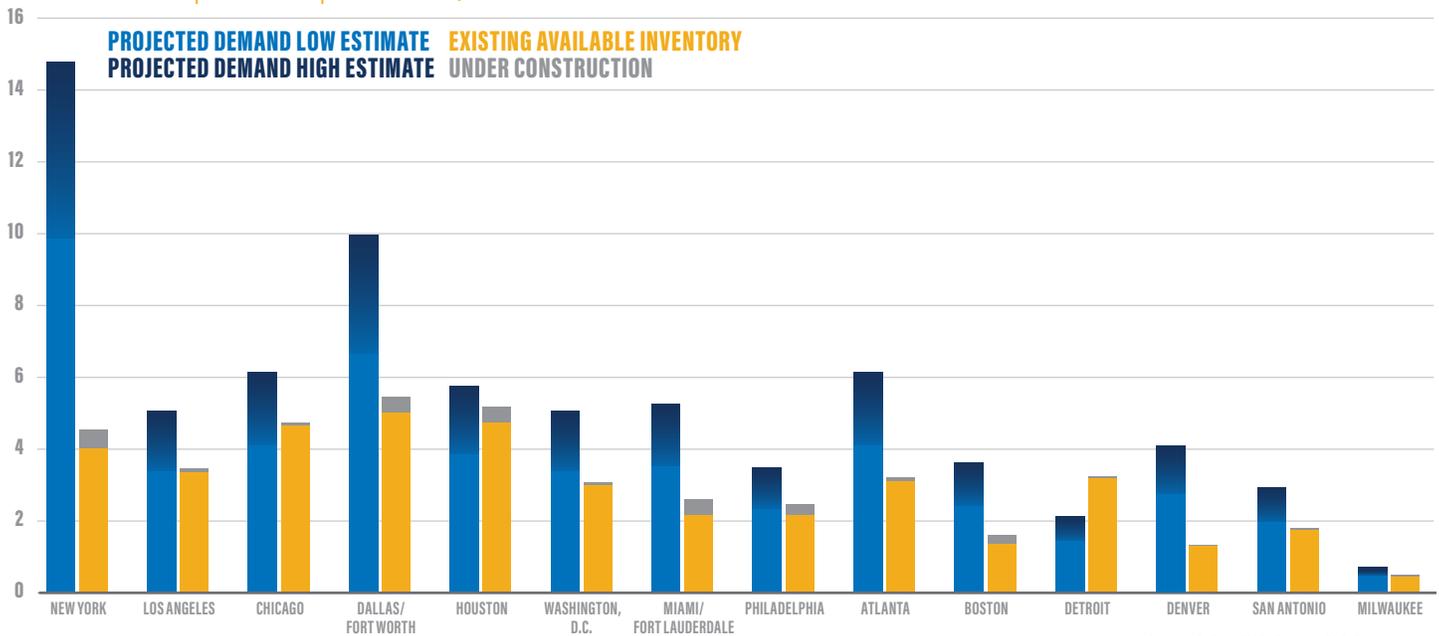
More specifically, when drilling down to the top 10 most populous metros and several other select markets, for most areas the ability to handle this increased demand is unlikely – even at the low end of the projected range – without a major shift in how people expect and receive healthcare. New York, Dallas/Fort Worth, Atlanta, Denver, and Miami/Fort Lauderdale would be the most challenging for practitioners wishing to locate within medical office space.

However, medical practitioners could explore leasing space in conventional office buildings, of which there is currently ample space available, or accelerate the trend of repurposing empty retail space for medical uses. In addition, the emergence of new forms of healthcare, such as telemedicine, digital health, and shared service centers, could suppress future demand to some degree, depending on how quickly these new approaches are adopted by the healthcare industry.

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MEDICAL OFFICE SPACE DEMAND VS. SUPPLY

Select Metro Areas | 2018 – 2019 | Millions of Square Feet



Source: CoStar, EMSI, Revista, BLS, Transwestern.

1. Includes Physician and Clinical Services, Dental Services, and other professional services such as podiatrist, chiropractor, and mental health practitioners.
2. NAICS codes 6211, 6212, 6213 were analyzed. These categories include only those practitioners likely to use medical office space, per the Bureau of Labor Statistics. The job growth projections, and therefore demand projections, exclude those practitioners that would work for the government, school system, hospitals, or other location.
3. This analysis only covers medical office buildings. It is important to note, practitioners could lease office space in non-medical office buildings, if the landlord agrees. Alternatively, to a lesser degree, the practitioner could locate within select retail or multifamily buildings.

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