

# Healthcare

## REAL ESTATE MARKET UPDATE

The year 2024 represents a significant turning point for the healthcare industry and its associated real estate sector. Transformative shifts are driven by an amalgamation of factors, including technological breakthroughs, evolving patient expectations, and a strategic pivot towards proactive health management strategies. This paradigm shift necessitates a collaborative effort between healthcare and real estate stakeholders to address immediate needs and anticipate and adapt to the evolving landscape of healthcare dynamics.

Looking ahead, several prominent trends are shaping the trajectory of the healthcare real estate market, each backed by data and market insights:

### **1. Demand for Flexible and Adaptive Spaces:**

The unpredictable nature of healthcare demand underscores the need for agile real estate solutions. Data reveals a surge in the adoption of modular designs, movable walls, and multipurpose spaces, aiming to swiftly adapt to changing patient volumes and healthcare service requirements while maximizing space utilization efficiency. For instance, recent data from M Health Fairview showcases a modular, prebuilt space that accommodates 16 beds for short-stay and observation purposes. These modular constructions facilitate rapid transformations, which are crucial for addressing fluctuations and unforeseen crises such as pandemics. Additionally, the rise of medical coworking spaces offers practitioners a flexible alternative to traditional clinical settings, enabling on-demand rental of office or clinical space.

### **2. Rise of Ambulatory Surgery Centers (ASCs):**

Market data projects a substantial 22% growth in ambulatory surgery centers (ASCs) over the next decade, driven by the increasing shift towards outpatient healthcare delivery models. ASCs are gaining traction due to their convenience, cost-effectiveness, and the broad range of outpatient services they offer. In 2024, these centers are poised to expand their service scope to include more complex procedures traditionally exclusive to hospitals, such as rheumatology, gastroenterology, endocrine, and dermatology services, as indicated by Provista.

**Real estate, uncomplicated.**

### **3. Sustainability and Wellness in Real Estate:**

Sustainability has emerged as a core consideration in healthcare real estate development. Market research indicates a growing emphasis on green building practices, energy-efficient designs, and carbon-neutral objectives in new construction projects within health systems. Reports from PwC highlight the integration of sustainability objectives into healthcare real estate, encompassing LEED-certified buildings, renewable energy integration, and waste reduction strategies. Furthermore, there is a notable focus on enhancing the well-being of healthcare professionals through ergonomic designs, mental health support initiatives, and work-life balance considerations. This "humanization" of healthcare spaces includes wellness rooms, meditation spaces, and nature-inspired designs to foster healing environments beyond traditional clinical settings.

### **4. Investment Opportunities and Financial Innovations:**

Despite economic challenges and inflationary pressures, medical outpatient buildings and other healthcare real estate properties remain attractive to investors seeking stable, long-term opportunities. Financial innovations such as healthcare Real Estate Investment Trusts (REITs) have gained momentum, offering diversified investment avenues in healthcare properties. Notably, Morgan Stanley's upcoming launch of a REIT focused on healthcare, industrial, and retail properties underscores the growing interest in long-term net-leased assets within the healthcare sector.

### **5. Challenges and Opportunities Ahead:**

While promising trends abound, the healthcare real estate sector faces persistent challenges, including shrinking margins, rising construction costs, regulatory complexities, and the imperative to balance technological advancements with patient privacy concerns. However, these challenges also present opportunities for innovation and adaptation, particularly in technological integration, patient-centric design, and financial innovation.

In conclusion, the confluence of data-driven insights and market trends paints a nuanced picture of the evolving landscape of healthcare real estate in 2024. The synergy between healthcare and real estate stakeholders is pivotal in shaping a future where healthcare spaces evolve dynamically to meet patients, practitioners, and investors' changing needs.