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How has COVID-19 affected local, medically zoned commercial real estate?

--Lesley Sheinberg, NAI/Merin Hunter Codman medical commercial real estate specialist discusses current trends in the local medical real estate market. —

It's no secret that the effects of COVID-19's social distancing and shelter-in-place mandates have resulted in challenges for the commercial real estate market locally and beyond. One would think that medical properties would thrive during a health-related crisis. However, the real estate market is no more resilient than other sectors, and despite their high demand, not even medical properties are immune.

South Florida, a cited COVID-19 hot spot, put local stay-at-home and social distancing orders in place earlier and longer than other areas of Florida. The March 20, 2020 Executive Order prohibiting medical professionals from performing "unnecessary, non-urgent or non-emergency procedures or surgery" are just now being lifted. These orders resulted in patients refraining from visiting their local doctors for normal basic services as well as non-urgent matters. Simultaneously, urgent care and hospital providers themselves faced sharp increases in costs. The American Hospital Association's recent report, Hospitals and Health Systems Face Unprecedented Financial Pressures Due to COVID-19, cited, "a total four-month financial impact of \$202.6 billion in losses for America's hospitals and health systems, or an average of \$50.7 billion per month".

As we all wait and hope for a return to normal and improving economic conditions, those making real estate decisions need to be cognizant of the near-term impacts on the medical commercial real estate market. These include:

1. A large number of leasing, acquisition and dispositions being put on hold;
2. Fewer previously planned developments being likely to break ground;
3. Fewer healthcare firm mergers and acquisitions are likely to take place.

On a positive note, healthcare should be one of the few economic sectors to accelerate staffing, and there may be increased funding available for research, facilities/equipment, and preparedness planning.

If your practice is at a point where you want to consider long term growth or resizing, this may be a prime time to:

- a. Negotiate an advantageous lease rate for a longer term with better build-out concessions to accommodate square footage needs.

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- b. Consider purchasing a property at a lower price point than prior to the pandemic, as many second quarter 2020 deals have fallen through or are on hold.

If your practice is struggling, my best piece of advice is to have an open and honest line of communication with your current landlord. Landlords are generally taking a realistic approach with clients that they believe will be assets to their properties over the long term. As a medical real estate specialist, I am happy to counsel my clients regarding their options including a lease review, and an identification of potential opportunities to expand, contract, trade-up, acquire or dispose of commercial real estate. Working with my colleagues at NAI/Merin Hunter Codman, we can utilize our expertise to assist tenants and landlords as they work through today's challenges. Whether your question is big or small, don't hesitate to reach out for a free consultation.

To reach Lesley Sheinberg please call 561-254-7810 or 561-471-8000.

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About NAI/Merin Hunter Codman

NAI/Merin Hunter Codman, www.mhcreal.com, is one of South Florida's leading commercial real estate firms with over three decades of experience advising clients on strategic acquisitions and dispositions and providing landlord representation, tenant representation, property management and construction management services. The firm has expertise in all commercial property sectors including office, retail, industrial, multifamily, hotels and land. NAI/Merin Hunter Codman's client base includes some of the nation's most prestigious institutional and private equity investors. Operating as part of the NAI Global network, NAI/Merin Hunter Codman can facilitate property transactions around the nation and the world, serving as a single point of contact for its clients' counsel and execution. NAI/Merin Hunter Codman is headquartered in West Palm Beach, Florida with regional offices in Boca Raton, Fort Lauderdale, Palm Beach Gardens and Wellington.