



Q2 2020

# THE PORTLAND PULSE

Portland, Oregon's Healthcare  
Real Estate Update



## PORTLAND'S HEALTHCARE MARKET SNAPSHOT

### PORTLAND MEDICAL OFFICE MARKET



#### RENTAL RATE RANGE

OFF CAMPUS:  
\$18.00-\$36.00 FSE  
ON CAMPUS:  
\$32.00-\$46.00 FSE



#### AVERAGE VACANCY

5.0% ↓  
(PRIOR PERIOD 5.3%)



#### NET ABSORPTION

-2,611 SF ↓  
(PRIOR PERIOD 1,024 SF)



#### AVERAGE CAP RATE

5.7%

### MARKET FORECAST



RENTAL RATE



VACANCY



NET ABSORPTION



CAP RATE

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## WORD ON THE STREET

### QUOTES FROM MOB INVESTORS/BUYERS ACROSS THE NATION

“

Majority of the successful transactions over the past 90 days have been with Core, Core+ assets. Investors are passing on value-add assets as a result of difficulty acquiring favorable financing terms and sellers haven't adjusted pricing yet.

”

“

COVID-19 has forced providers into the world of digital health. Telehealth services will likely support, not replace on-site visits and may lead to an increase in follow-up in-person visits. Physicians that adopt telehealth technologies and new patient experience platforms early-on will be in the best position to succeed.

”

“

We feel better than we felt 90 days ago. Tenancy has stabilized, rent collections are in the high 90% range with limited rent deferral, and deals are still getting done. We're gearing up for a bigger second half.

”

### RECENT MOB SALE ACTIVITY

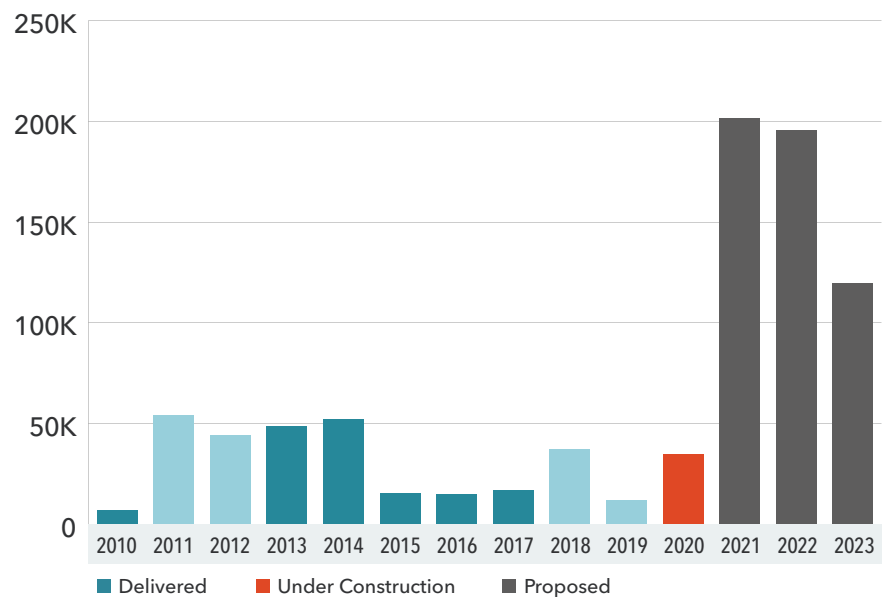


#### MT. SCOTT PROFESSIONAL CENTER I

9200 SE 91st Ave, Happy Valley, OR

Status	Under Contract
Rentable SF	38,858
Occupancy	100% (Multi-tenant)

### MOB CONSTRUCTION DELIVERIES 2010-2020



Virtually all of the medical office construction deliveries since 2010 have been off campus.

12 of the 20 buildings delivered were build-to-suit projects; 5 of which were dialysis clinics; 7 were for specialty physician groups.



## MEDICAL OFFICE MARKET ACTIVITY

### TENANT ACTIVITY

June saw a sharp increase in in-person office space tours; majority of requirements are amongst smaller physician groups under 3-4k sf with slated for occupancy in 2021. Actual leasing activity is low as many of the larger requirements have been put on hold.

### LANDLORD ACTIVITY

Despite initial concerns regarding rental relief requests, landlords are reporting a higher than anticipated rental collection rate with some buildings reporting 90%+ rental collections. In several cases, rental relief requests initially submitted were rescinded and paid back in full.

### OBSERVATIONS: SHORT-TERM ISSUES

Gov. Kate Brown lifted ban on medical practices providing elective procedures on May 1st. While in-person visits have increased, telehealth appointments have increased dramatically and account for up to 30-50% of total visits for certain clinics. On June 23rd, Brown announced that major health insurers will continue to reimburse telehealth visits at the same rate as in-person visits through the end of the year. A coalition of independent medical providers across the state are applying pressure on Oregon legislature to enact a permanent telehealth parity law similar to the state of Washington's.

### OBSERVATIONS: LONG-TERM ISSUES

Telehealth will likely require reconfiguration of existing space (e.g. secure, HIPAA compliant call rooms to accommodate telehealth visits, smaller waiting rooms with online check-in options, etc.). A big question will be around long-term telehealth visit reimbursement rates. Telehealth visits will likely continue post-pandemic and provide added value to rural patients with limited access to clinics. Long-term, telehealth will likely benefit owners and users of healthcare real estate and lead to an uptick in in-person visits as a result of increased communication between the physician and patient.



## HEALTHCARE NEWS



### INDEPENDENT OREGON CLINICS SEEK PERMANENT REQUIREMENT FOR TELEHEALTH COVERAGE

Gov. Kate Brown earlier this week said expanded telehealth coverage would extend to the end of the year, but that doesn't go far enough for provider groups.

[VIEW ARTICLE](#)

### MEDICAL OFFICE RENTS WEATHER THE STORM

The medical office sector hasn't been immune from issues caused by COVID-19. But Kyle O'Connor, president and founder of MLL Capital, would still rather be in that commercial real estate asset class than any other part right now.

[VIEW ARTICLE](#)

### PREPARING YOUR FACILITIES FOR THE FUTURE - COVID AND MEDICAL OFFICE BUILDINGS

In a post COVID-19 world, it is critical that building owners and operators establish trust with tenants-providers and patients by demonstrating a commitment to reduce risks of transmitting infectious diseases.

[VIEW ARTICLE](#)

## MEDICAL OFFICE DEVELOPMENT



### WORD ON THE STREET - CONSTRUCTION UPDATE

Construction costs have remained steady. Pricing hasn't shifted yet. Material prices have raised some, but the largest issue is the unavailability of materials. Items such as glass and lighting take a long time to source. The result is that schedules have been affected more than pricing. Schedules have also been negatively affected by the time it takes to get permitting. It is difficult to get a permit in under 8 weeks. The process takes even longer for medical office space which seems to be coming under more scrutiny over the past few months. To submit a new project, it takes 2 ½ weeks, from time of "Request for Intake", until you are assigned an "Intake Date." When you receive the "Intake Date", it is currently 5-6 weeks out, from that point. So as of July, it takes 6-7 weeks, to get a permit submitted.

### PROPOSED MOB DEVELOPMENT LIST

## NEED HELP WITH HEALTHCARE REAL ESTATE IN OREGON?

With more than 48 years of experience, Mark Fraser and Sean Brennecke are Oregon's go-to experts for healthcare tenant representation. Additionally, they specialize in the leasing, acquisition, and disposition of healthcare real estate.

[CONTACT TEAM](#)