



## MID-YEAR REPORT 2021

# THE PORTLAND PULSE

### Oregon's Statewide Healthcare Real Estate Update



#### PORTLAND MEDICAL OFFICE MARKET



##### RENTAL RATE RANGE

OFF CAMPUS:  
\$18.00-\$40.00 FSE  
ON CAMPUS:  
\$32.00-\$41.00 FSE



##### AVERAGE VACANCY

3.5%  
(PRIOR PERIOD 3.2%)



##### NET ABSORPTION

8,569 SF  
(PRIOR PERIOD 27,260 SF)



##### CAP RATE RANGE

5.3-5.7%

#### OREGON STATEWIDE MEDICAL OFFICE MARKET



##### RENTAL RATE RANGE

OFF CAMPUS:  
\$18.00-\$40.00 FSE  
ON CAMPUS:  
\$32.00-\$41.00 FSE



##### AVERAGE VACANCY

3.2%  
(PRIOR PERIOD 3.1%)



##### NET ABSORPTION

22,985 SF  
(PRIOR PERIOD 21,633 SF)



##### CAP RATE RANGE

6.0-6.7%

Source: CoStar, Kidder Mathews Research Team

#### Provided by

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## WORD ON THE STREET

“Since the depth of the pandemic, institutional capital focused on US commercial real estate has flocked to housing and nice property sectors with sustainability of income and lower volatility. The medical office sector has been the beneficiary of this capital migration, with both record setting pricing and owner motivation to sell large portfolios of assets. The performance of sector investments and stickiness of the tenancy are factors that resonate with this type of capital. Given fragmented ownership of assets across the US, the aggregation of high quality portfolios is an investment approach that has paid off for those investors who’ve taken the time to learn local markets and build networks of relationships across these same markets. For the balance of 2021, the outlook is bright for continued sales volume both large and small, as well as strong operational performance of owned assets.”

- James Schmid, CIO, Anchor Health Properties

## RECENT MOB SALE ACTIVITY



### **GRESHAM STATION MEDICAL PLAZA** 831 NW Council Dr Gresham, OR 97030

Sale Type	Investment
Sale Price	\$30,900,000
Price/SF	\$307.71
Sale Date	4.09.21
Building SF	100,419 SF
Occupancy	79% Leased







## MARKET FORECAST

### PORTLAND MEDICAL OFFICE MARKET



RENTAL RATE



VACANCY



NET ABSORPTION



CAP RATE

## MEDICAL OFFICE MARKET ACTIVITY

### MARKET OVERVIEW

The **first half of 2021 is in the rear-view mirror but the same can't yet be said for COVID-19**. Q2 was a very strong quarter on the leasing front with 17 leases completed (almost approaching pre-pandemic levels of 22 leases completed in Q1 2020) and 8,569 sf of positive net absorption across Portland Metro. As Oregonians continued to receive their vaccinations, comfort levels continued to rise in public settings and **tour velocity spiked** as a result. We also have started to see **a few of the postponed 2020 requirements** enter back into the market.

### 2021 OUTLOOK FOR HEALTH CARE REAL ESTATE

**Outlook for the 2nd Half of 2021** July 2nd was a big milestone for Oregonians as we hit the 70% vaccination goal. This provided many with a **much-needed glimpse into the post-pandemic era**. The recent uptick in COVID-19 cases (Delta Variant) and threat of looming mask mandates have cast a shadow across the community. That being said, the outlook for the 2nd half of the year remains **"cautiously optimistic."**

**LEASING ACTIVITY** Leasing velocity should remain **steady** and **rental rates** will continue to attract **top-of-market rent for Class A/B assets** (\$30-\$41 Full-Service Equivalent for Class A Medical Office space).

**INVESTMENT** Investment interest in fully leased/owner-user MOB's will remain at an **all time high**. We may even see a higher **compression in cap rates** (mid-to-low 5's) for fully leased assets with **higher W.A.L.T. (weighted average lease term)**.

The **low supply of quality off-campus medical office space** in Portland has been an ongoing issue. Q2/Q3 finally saw an **increase in discussions for proposed MOB** developments across Portland Metro to address this.





## HEALTHCARE NEWS



### MEDICAL OFFICE PRICING IS AT A PREMIUM

As investors moved toward real estate sectors with better growth opportunities, they turned towards the medical office sector. Now pricing is at a premium relative to suburban offices.

[VIEW ARTICLE](#)

### MEDICAL OFFICE DRAWS MORE INVESTORS POST PANDEMIC

The rise in population aged 65 and older and a rise in elective procedures and routine appointments could increase the number of buyers of sub-\$10 million on- and off-campus assets this year.

[VIEW ARTICLE](#)

### MEDICAL TENANTS' APPETITES FOR RETAIL SPACE REMAINS ROBUST

Shopping centers continue to appeal to medical clinics seeking to increase market exposure and accessibility.

[VIEW ARTICLE](#)

## MEDICAL OFFICE DEVELOPMENT



### WORD ON THE STREET - CONSTRUCTION UPDATE

"From Bust to Boom". When Covid restrictions lifted, the construction market lifted like a skyrocket at the same time. All the pent-up construction needs over the past year are all coming up at the exact same time.

Prices are flattening out although they have not gone down yet. Unfortunately, we are now experiencing a period where the demand is outpacing the supply and, thus, keeping prices up. As this current wave of construction starts to wind down (probably first quarter of next year), you should see a corresponding drop in pricing.

Veterinary Care is a hot market right now with clinics going up everywhere. If you are interested in opening a vet clinic this is the time to secure that prime real estate before its gone.

Source: BnK Construction

[PROPOSED MOB DEVELOPMENT LIST](#)

## NEED HELP WITH HEALTHCARE REAL ESTATE IN OREGON?

With more than 50 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](#)