



Healthcare Reform Means Scrutinizing Medical Office Buildings Fair Market Value

Recent healthcare reforms have created new considerations for all parties surrounding the sale and leasing of medical office space. These changes, coupled with the recent growth of healthcare systems and the increasing demand for community centered care, has the commercial real estate industry for this sector reeling. In particular, uncertainty about regulations, specifically around fair market value, has both medical centers and practitioners looking for new ways to work together and maintain compliance.

Why the concern about Fair Market Value?

Investopedia tells us that Fair Market Value (FMV), in simplest terms, is the price that one party that is reasonably interested in buying or leasing a given property would pay to another party reasonably interested in selling or leasing it. Pretty straightforward stuff by and large. Given this, the price of a particular space or building should represent its actual worth. So, if party A is interested in leasing space from party B, the \$35 / square foot that is paid should generally be an accurate representation of the value of the space on the open market.

Over time, within the healthcare industry, this free market style approach got messy. As hospitals and medical centers grew, they found themselves increasingly in the position of having to focus on real estate concerns. The reason for the shift was the growth in the healthcare industry due to an aging population, general population growth (particularly around urban centers) and the dramatic consolidation of the industry by healthcare systems. To meet demand, stay competitive

[Read More](#) →

Developed by Your Medical
Office Market Leader

Carleton Compton | Vice President Equity Inc.
Mobile: (813) 789-7729 | Email: ccompton@equity.net
4107 W. Spruce Street Suite 101 | Tampa, FL 33607

Equity Inc. – Columbus | Cincinnati | Dayton | Tampa | Orlando
SW Florida | Charleston | Austin | San Antonio

Healthcare Reform Means Scrutinizing MOB Fair Market Value

and to staff their facilities, hospitals and medical centers entered into feudal style property arrangements with practitioners. For various considerations like surgical referrals or affiliating their practice with a healthcare center, practitioners were able to utilize office space that was arguably below fair market value.

Impact on Industry

Today, with the passing of legislation surrounding kickbacks and the Stark laws, which prohibits physician self-referrals, referral incentives and other “off-book” considerations can no longer be accounted for in the price of medical office space. These changes have caused a certain amount of marketplace uncertainty. Healthcare tenants are taking a more wait and see approach to medical office buildings (MOBs) leases and rentals as they attempt to navigate healthcare reforms and digest the increases in prices as the effects of fair market value come into play. Individual providers that are making moves are looking for significantly larger suites, in order to bring more providers into the practice and offset the increase in property costs.

Another area of interest for individual practitioners is medical timeshares. While not ideal for every practitioner, the overall benefit might outweigh the cost for many physicians enabling them to cope with the fair market value on rent.

Hospitals with attached or adjacent MOBs are rethinking their property usage in the wake of the new rules and adherence to fair market value. In fact, according to CCIM Institute, “Health-care industry experts at a recent Health Care Facilities Institute conference predicted that 20 percent to 30 percent of U.S. hospitals will close or undergo a radical use change within the next two years.” That spells new opportunities for individual health care providers and medical groups which may be looking to introduce new practices or service offerings within hospital or health care systems.

With the immersion of healthcare more deeply into individual communities look to off-campus MOBs to shift from aging 1970's and 1980s era facilities which are not compliant technologically with regulations such as the Health Insurance Portability and Accountability Act (HIPPA) to other community friendly spaces. Off-campus facilities decrease construction costs and operating costs for the hospitals and can provide added convenience to patient. Additionally, since physicians and practitioners are typically employees of the owner organization this eliminates worry about self-referral laws and risk associated with leasing space to doctors at what could be construed as below FMV.

Navigating the waters of new regulations

Medical professionals, hospital and other facilities need to consult with experienced real estate partners in assessing opportunity, risk and compliance. Some providers have gotten in trouble recently and faced 7-figure penalties because they have conducted “business as usual”. By working with an experienced commercial real estate professional, they could have avoided some of this pain. For instance, many medical institutions and professionals don't realize that the opinion of value from a certified broker is an alternative to fair market appraisals and cost less. It is important to navigate the waters of new regulations carefully and take the time to explore all options available to you.

RECENT MARKET ACTIVITY

- NexCore To Break Ground on Women’s Care Florida women’s health center in Tampa
- BayCare Urgent Care (St. Pete Beach) Opening Soon
- Plans Revealed For A New Bay Area Cancer Center For Veterans
- Moffitt Cancer Center Plans To Construct A Clinical Support Building

Developed by Your Medical
Office Market Leader

Carleton Compton | Vice President Equity Inc.
Mobile: (813) 789-7729 | Email: ccompton@equity.net
4107 W. Spruce Street Suite 101 | Tampa, FL 33607

NEW LISTING



11031 - 11033 N Countryway Blvd

For Sale
Asking Price: \$595,000
Area: 3,000 SF
Features 2 suites, 1,500 SF each

FOR LEASE OPPORTUNITIES



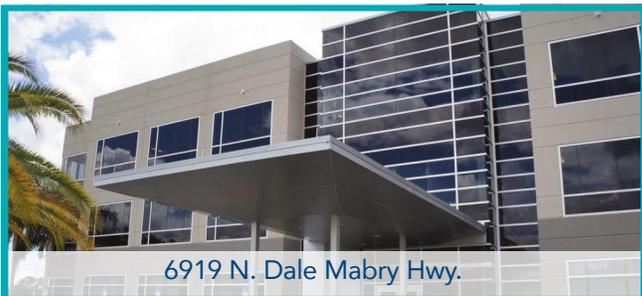
3440 W Dr Martin Luther King Jr Blvd

Class A, Medical Office Building
\$23 PSF NNN
Near Baycare's St. Joseph Hospital
Campus



110 S Macdill Ave

2,677 SF Office Building
\$16 PSF NNN
Excellent opportunity for dental or
medical office use



6919 N. Dale Mabry Hwy.

Class A, 3-Story Medical Office Building
\$22 PSF NNN / \$7.50
TI Allowance Negotiable
Customized Build Outs



14460 Bruce B. Downs Blvd.

1,000 SF Available
\$18 PSF / Modified Gross
Near Florida Hospital Main Campus

Developed by Your Medical Office Market Leader

Carleton Compton | Vice President Equity Inc.
Mobile: (813) 789-7729 | Email: ccompton@equity.net
4107 W. Spruce Street Suite 101 | Tampa, FL 33607

Equity Inc. – Columbus | Cincinnati | Dayton | Tampa | Orlando
SW Florida | Charleston | Austin | San Antonio

RECENT SUCCESS

Current Market Conditions Drive Value of Office Medical For Sale & Lease



RECENT MARKET ACTIVITY



- Trinity Square located at 2433-2455 Country Place Blvd. in Trinity, Florida, sold for \$2,350,000
- Trinity Square consists of three single-story office buildings with 13,665 net rentable square feet.
- The buildings were originally constructed in 2006, (renovated in 2011) on approximately 2.34 in an office park setting



Listening... And Providing... Quality Real Estate Solutions

The Equity Healthcare Real Estate Team specializes in helping healthcare professionals find great solutions in Healthcare Real Estate. Lead by Carleton Compton, VP of Brokerage Services. The Equity Healthcare Real Estate Team provides solutions for Corporate Healthcare Professionals including; Private Equity backed Medical Groups, Hospitals, Local and National Urgent Care Clinics, Dental Groups, Private Practices and Ambulatory Surgery Centers. Our comprehensive market strategy and site selection process includes evaluating market demographics, identifying retail benchmarks, mapping referral sources, analyzing competition, disposition and reviewing available inventory. These elements are all key components to identifying the right location for a new healthcare practice or expansion opportunity.

Developed by Your Medical Office Market Leader

Carleton Compton | Vice President Equity Inc.
Mobile: (813) 789-7729 | Email: ccompton@equity.net
4107 W. Spruce Street Suite 101 | Tampa, FL 33607

Equity Inc. – Columbus | Cincinnati | Dayton | Tampa | Orlando
SW Florida | Austin | San Antonio | Charleston