

What is Medical Office Space?

As the name suggests, a medical office space asset is an office building designated for medical purposes. A medical office building (MOB) can range from a small, 1,000-square-foot dental office to a modern hospital complex that spans millions of square footage.

In general, assets are determined to be medical office buildings or typical office buildings according to three factors – location, internal characteristics and tenant mix. Most MOBS are located near medical centers, hospitals or nursing homes. In addition, most are configured into exam room areas with waiting rooms and house a population consisting largely of physicians and related healthcare tenants.

More specifically, there are three core categories of MOBS-Class A, Class B and Stand-alone. The main characteristics of each of these types of MOBS are as follows:

- **Class A:** This MOB is a recently or newly constructed building of the highest quality. Class A medical office spaces are located immediately adjacent to a hospital or major medical clinic and were usually developed for the hospital or leased from a parent corporation or healthcare REIT.
- **Class B:** A Class B medical office space is a well-managed, low- to mid-rise building located either on or near a hospital or medical center campus. The owners of Class B MOBS could be a hospital, a physician partnership or an individual healthcare property investor.
- **Stand-alone:** Stand-alone MOBS are small buildings typically built to accommodate a single practice or a group practice. Most often, the physicians own the building.



The Top 3 Benefits of Medical Office Real Estate Investment

The sections below will consider the most persuasive reasons for investing in medical office real estate.

1. The Healthcare Industry is Resilient

The necessity of healthcare makes it more resilient than many other industries. While consumers may cut down on entertainment and dining during a recession, a healthcare issue will need to be treated regardless of the circumstances. The vitality of healthcare makes investing in MOB assets less risky than other types of investments.

Although technological advancements have given rise to telecommuting and telehealth options, video conferencing is a poor substitute for meeting your physician for an in-person appointment. In addition, a patient typically needs to be physically present for treatments and procedures. The demand for in-person appointments indicates MOBS have solidified their purpose and value as an asset.

2. Diversification

The diverse nature of MOB investments is a huge advantage for investors. A medical office space could house tenants of all sorts, including primary doctors, dentists, dermatologists, plastic surgeons, urgent care centers, dialysis centers, laboratory services and digital imaging services. Tenants from the healthcare industry often have a healthy income stream and strong patient followings that may attract complementary tenants. These characteristics can enhance the appeal of the investment for everyone involved.

3. Dependable Demand

The aging baby boomer population assures that the demand for healthcare services outside of a traditional hospital setting will likely continue to rise. Baby boomers make up a large portion of the population, meaning healthcare providers can rely on steady stream of clients for years to come. In fact, the healthcare industry will likely need to expand to accommodate aging baby boomers and continue offering preventiv healthcare services.

Invest in MOBS to add stability to your portfolio. While dining, entertainment and other small businesses can often lose money and fail to pay rent on their buildings, medical tenants tend to earn a higher income. This means that their business is less likely to fail, and they are more likely to be reliable tenants.

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- Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits