

WEEKLY HEALTH CARE REAL ESTATE BRIEFING: 'TRANSIT-ORIENTED' HEALTH CARE FACILITY UNDERWAY IN NJ | PROVIDERS RESPOND TO INCREASED CONSTRUCTION COSTS IN NEW ASHE SURVEY

1. Average MOB cap rates have **increased** for five consecutive quarters, ending Q4 2023 at 6.9%. Average MOB triple-net asking rent increased by 0.4% year-over-year to \$23.66 per sf.
2. Hackensack Meridian Health (NJ) **broke ground** on a \$200M health and wellness facility being built adjacent to a public transit facility to enhance access for patients. The 240,000-sf development includes primary care, urgent care, a spine center, advanced imaging, a retail pharmacy and 230 residential units.
3. Cincinnati Children's **expanded its partnership** with Parkview Health (IN) through an initiative that would bring together the operations of Parkview's current pediatric hospital services, pediatric primary care and pediatric specialty services with those of Cincinnati Children's. The pair also have aspirations to build a new pediatric hospital.
4. University of Maryland Medical System, the largest health system in Maryland, **is building** a 400,000-sf logistics operations center which will serve its 13 hospitals by storing and deploying thousands of supplies and pharmaceuticals to its facilities around the state.
5. The American Society for Healthcare Engineering **released the results** of its 2024 hospital construction survey. Key takeaways include: (1) a majority of hospitals are increasing capital budget allowances for renovations and infrastructure upgrades while decreasing spending on new construction; (2) the most prevalent specialty hospital projects are behavioral health and cancer treatment facilities; and (3) the most common tactics to overcome cost increases and delays are reducing project scope and moving to design-bid-build delivery models.
6. At a recent conference, New York City health care executives **spoke about how to surmount** construction challenges in the post-Covid environment. Ideas put forth included embracing modular construction, adaptive reuse of general office space for health care and an emphasis on virtual care.
7. Lawmakers in Connecticut **heard testimony** on several recent bills aimed at curtailing private equity ownership of health care facilities in the state. One proposal included a measure that would require hospitals to obtain state permission when they sell 10% or more of their assets.
8. Lincoln County (NE) **denied property tax exemptions** for seven clinic buildings owned by Great Plains Health, which had applied for exemption under the hospital and charitable sections of the state statute. The county assessor said the Nebraska Department of Revenue has been taking a stricter view of eligibility requirements for such exemptions.
9. Clark County (NV) **purchased a vacant 24-bed psychiatric hospital** for \$10.4M. The county plans to reopen the facility later this year as a crisis stabilization unit offering short-term behavioral health care funded through a state and county partnership.
10. Healthcare Design Magazine **highlighted** the recently opened Essentia Health-St. Mary's Medical Center in Duluth, Minnesota. The 930,000-sf, \$900M project implements a "hospitality-inspired" interior design and includes several technological and operational advancements to streamline services and improve patient experience.

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