

THE SIXTEENTH ANNUAL

# TAYLOR JOHNSON REAL ESTATE TRENDS REPORT



Commercial Edition



# TREND 5:

## A SHOT IN THE ARM FOR HEALTHCARE, LIFE SCIENCES

*The healthcare sector was growing before the pandemic, and its outperformance over the past two years will drive investment in the months ahead, helping to backfill vacancies in patient-proximate retail corridors. Meanwhile, the COVID-19 vaccine race, along with broader changes in how drugs and treatments for other medical conditions are developed, spurred significant investment in life sciences real estate, which, despite a lack of historical data, will be a preferred asset class among institutional investors in 2022.*

With many offices and retail stores vacant or underutilized, creative adaptation of these spaces for life sciences and healthcare may increase in 2022. Jim Adler, executive vice president of the Office Services Group of [NAI Hiffman](#), recently represented Mira Care in the sale/leaseback of a 48,000-square-foot office building in Tinley Park, Ill., that is being converted to a 30-bed acute psychiatric hospital and outpatient center for children and adolescents. The buyer of the facility, Store Capital, is providing Mira with funding to convert the asset to a hospital as part of the long-term leaseback. As COVID-19 continues to transform companies' use of office space, expect to see more such conversions in the coming year.



Look for MOB investment tailwinds to gain speed heading into 2022, fueled by growing demand for healthcare services. Underscoring the desirability of these assets, [HSA PrimeCare](#), the national healthcare real estate division of [HSA Commercial Real Estate](#), recently acquired a freestanding medical center in Wauwatosa, Wis., whose tenants include an affiliate of Children's Wisconsin, one of the nation's top children's hospitals. The property benefits from amenities at The Mayfair Collection, an adjacent 69-acre mixed-use project developed by HSA Commercial with 400,000 square feet of retail and restaurants, along with apartments and a hotel. "Of particular interest to investors are medical offices in established commercial corridors, as their accessible locations make them convenient for patients and, therefore, desirable to providers," said John Wilson, president of HSA PrimeCare. "Several hospitals and providers are looking to implement their growth strategies in 2022, with new facility development focusing on outpatient services."

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Rising demand for medical services, shifting care delivery models and lingering uncertainty over inflation and interest rates will fuel demand for healthcare assets in 2022, according to real estate investment firm **Alliance Consolidated Group of Companies**. Why does Alliance, which specializes in net-leased medical properties, believe this is a sector to watch? “Healthcare real estate was already performing well prior to COVID-19 and has so far weathered the pandemic better than most commercial property sectors,” said Alliance CEO Ben Reinberg. “We anticipate a very active first half of 2022 as investors look to acquire assets while the cost of borrowing remains low, and as existing owners look to sell before expected changes to the capital gains tax law.”



With investment pouring into life sciences, there is a tremendous rush for readily available lab and office space, but a gap in the number of real estate professionals with the specialized knowledge to execute ground-up research centers. **Mark Goodman & Associates, Inc.** has tapped a cadre of professionals with in-depth industry knowledge to create what will be one of the only buildings in Chicago designed exclusively for the specialized work of life sciences pursuits. Scheduled to break ground in the Fulton Market neighborhood in 2022, 400 N. Elizabeth St. will offer nearly 500,000 square feet of office and lab space and aims to bring 1,350 high-tech jobs to the area, along with neighborhood enhancements including improved streetscaping, a ground-level café and a pedestrian greenway with landscaping and gathering areas.

The **West Central Association** (WCA), the Chamber of Commerce for Fulton Market as well as 12 other neighborhoods just west of downtown Chicago, notes the area is ripe for further biotech industry growth, with projects like 400 N. Elizabeth St. playing a pivotal role in the area's business cultivation. “Endeavors like the life sciences center align with the city of Chicago's desire, through its Fulton Market Innovation District plan, to bring high-value jobs and investment to the area by prioritizing healthcare and life sciences,” said WCA Executive Director Rod Burch.

As part of its expanding focus on science and technology real estate, global real estate group **Lendlease** recently entered into a joint venture with Ivanhoé Cambridge to develop a state-of-the-art life science project at 60 Guest St., located at the vibrant Boston Landing campus in Allston/Brighton, Mass. Scheduled to break ground next summer, the nine-story, 320,000-square-foot project will feature next-generation office and lab space, as well as world-class amenities that include a multi-purpose ground floor and outdoor spaces. The transit-oriented development will contribute to Boston Landing's diverse mix of uses and strengthen the area's reputation as an emerging life science cluster. Lendlease brings four decades of experience to this venture, as it has partnered with leading pharmaceutical companies and academic medical centers to complete more than 500 facilities in the U.S., such as the Renzo Piano-designed Jerome L. Greene Science Center at Columbia University (pictured here), amounting to approximately 18 million square feet. Heading into 2022, Lendlease plans for continued growth across life science sectors in markets with favorable long-term demand drivers.



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