

Broker Insights

Increasing demand for retail health & wellness

Retailers and health care providers have responded to the evolving health needs of consumers for over a decade, but there is enormous room for improvement. There is not a single approach to retail health, wellness and medical retailization, however, with its neighborhood access, each project has the opportunity to create economically vibrant clusters focused on lifestyle.

Retail owners should be cognizant of the health and lifestyle driven formula by combining healthy dining options, wellness services, medical services and personal services. This fresh combination of retail use cannot be replicated in an online format. Reimagining and transforming dated centers into one-stop health and wellness centers provides retail investors stable tenants with favorable lease terms.

Colorado's Front Range urban corridor is a regional hub for health and wellness. According to Metro Denver Economic Development



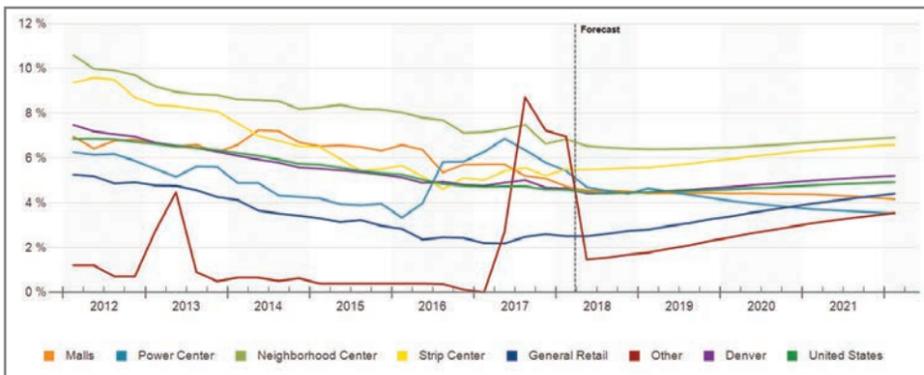
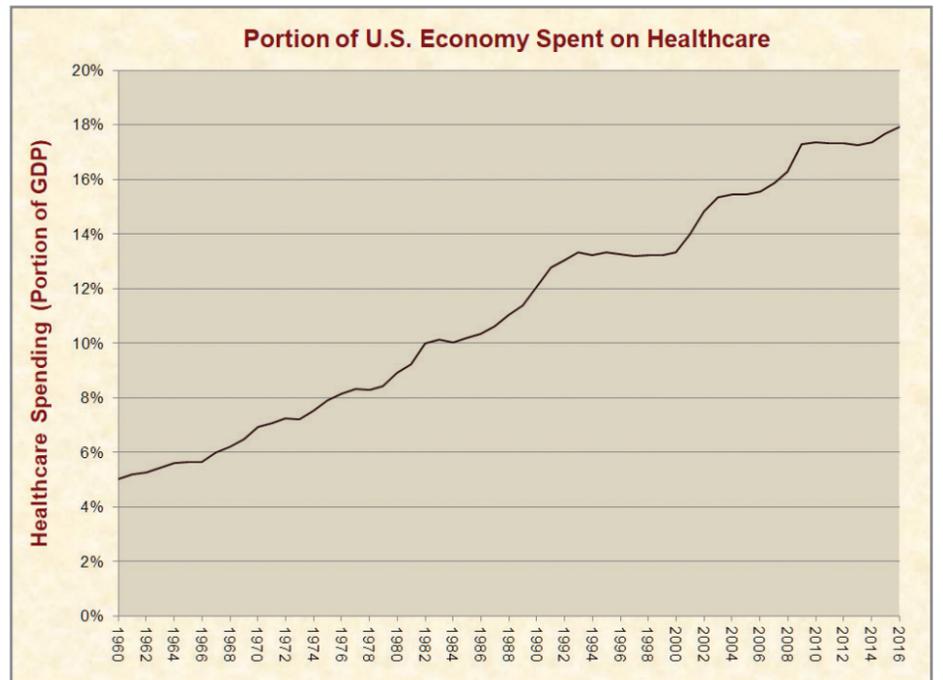
Cheryl Powell
President, Sperry Commercial Global Affiliates, Rocky Mountain Associates

Corp.'s Industry Report, "Demand for health care and wellness services is expected to increase due to a growing and aging population, a higher prevalence of chronic conditions such as heart disease and diabetes, and changes in residents' behavior and lifestyle choices." Retailers

must respond to the growth trajectory and market demand in order to remain competitive and relevant.

Navigating the competitive marketplace and determining success is daunting. Following three key strategies enables you to stay competitive and reduce vacancies, which ultimately yields higher return.

• **Consult with a retail health and wellness expert.** Your strategy should begin by engaging a real estate



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team, which provides critical analytics, understands the market influences beyond mere supply and demand, is consumer focused like a retail owner and, lastly, has a specific understanding of the variety of health care sectors and how partners can enhance and/or anchor the center.

By creating a tenant mix strategy that promotes health, happiness and well-being, this real estate sector is equipped to meet the needs of evolving consumer demands. In consulting with an expert, retail owners will understand the needs of future consumers as they rethink the role of the center and how their strategy is vital to long-term success.

• **Understanding the changing consumer.** According to the Nielsen Strategic Health Perspectives study, 87 percent of U.S. adults are engaging in some activity to proactively manage their wellness or to address an existing health issue. Taking the time to understand demographics and key factors driving consumers is the beginning of a robust retail health and wellness strategy.

Key factors include: age consideration; baby boomers or millennials; promoting wellness or mitigating chronic health issues; household income and median home value; disposable income; medical insur-

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noted sectors. In 2017, the United Health Foundation ranked Colorado among the top 10 healthiest states in the nation and had the lowest prevalence of obesity and physical inactivity.

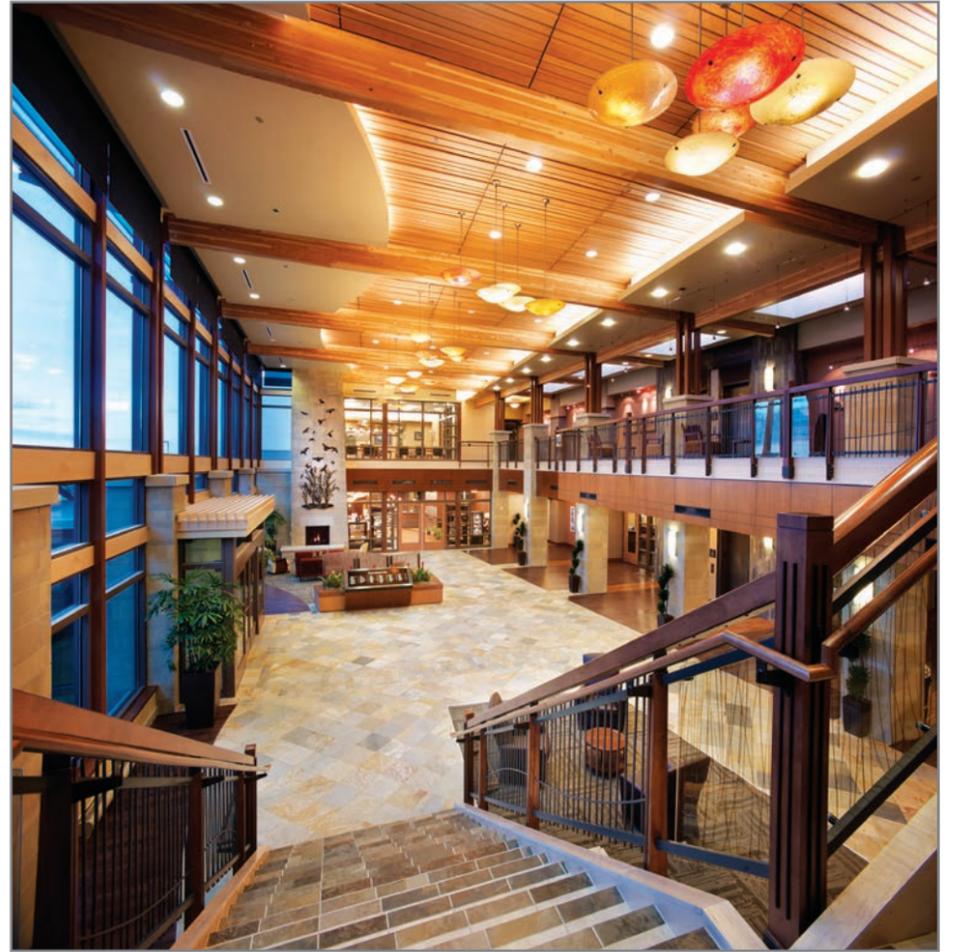
Healthy living requires state-of-the-art health care systems to provide the best medical services to the population in demand. Medical companies and physician groups are taking advantage of this increased demand and expanding their presence in the Denver metro area. SimonMed Imaging, one of the largest outpatient medical imaging providers and largest physician radiology practices in the United States, is one of the most recent health care companies to move into Denver. SimonMed Imaging has a strong footprint in Arizona, Nevada, California and Florida. We presented Denver's growth and opportunities to the company and SimonMed now has a presence in one of our buildings in the Lone Tree area, with more plans to expand throughout the metro Denver region with its state-of-the-art equipment and best-in-class care. In addition to SimonMed, HTA has recently signed leases with two other Western U.S. regional companies establishing their first locations in Colorado.

While it was noted that construction costs are going up in Denver and trending above other Western U.S. markets, it is not affecting the medical office space demand. Rather, we are seeing tenants sign

longer leases to minimize their out-of-pocket costs while building out a functional, operationally efficient space. Most of the new leases HTA has signed in Denver have term lengths between five and 10 years.

University health systems across the nation have risen to the forefront of the health care industry's growth and demand. One such university is the University of Colorado, which we recognize as one of the most progressive universities in the nation, specifically on the health care side. University of Colorado Hospital is ranked in the Top 15 adult hospitals in the U.S. (US News and World Report) and ranked the No. 1 Academic Medical Center for quality (University Health Consortium). Its Anschutz Medical Campus located at Fitzsimons has been recognized as the largest academic health center in the Western U.S. Like several other strong health systems in core markets, the University of Colorado has been actively acquiring prominent physician groups and expanding hospitals throughout the Denver metro area, which is driving more demand for medical office space throughout the market.

With over half a million sf of medical office buildings, Denver is one of our key core markets. We anticipate our footprint in Denver will continue to grow, as will the demand for medical office space for lease. All of HTA's properties in Denver are leased and managed in-house as part of our nationally recognized asset management platform. This platform consists of on-site leasing, property management,



SimonMed Imaging chose the Lincoln Medical Center at 11970 Lioness Way for its first Colorado location.

engineering and building services, and development capabilities to create complete, state-of-the-art facilities in each market. This drives efficiencies, strong tenant and

health system relationships, and strategic partnerships that result in high levels of tenant retention, rental growth and long-term value creation. ▲

Powell

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ance coverage; service offered, product or experience; and health care spending.

In North America, the wellness community market is worth an estimated \$52.5 billion, with an annual growth rate of 6.4 percent. Globally, it is valued at \$134 billion and is expected to reach \$180 billion by 2022, according to Fast Co. CMS reports the overall share of gross domestic product related to health care spending was 17.9 percent in 2016.

In 2017, the Front Range posted a low retail vacancy rate of 4.6 percent with a 5 percent increase in average rents. Capitalizing on projected

growth by considering key factors will contribute to retail real estate sustainability and expansion.

• Rethinking the role of the asset.

Providing a one-stop convenience for consumers offering food, fitness, health and fun reduces the need for shopping around and increases center synergy. Encouraging a tenant mix provides the opportunity for business collaboration and referrals without the need to leave the center. Promoting cross-branding and tenant collaboration inevitably drives more traffic. While offering a variety, maintaining a complementary theme among the center will provide a one-stop effect for the consumer.

There are many retail malls that

have utilized health and wellness to revive the asset. Vanderbilt Health leased 450,000 square feet at the One Hundred Oaks Mall in Nashville for 22 clinics, a pharmacy and lab. The Atrium Mall, near Boston, transformed into a health, wellness and medical destination with the help of a 286,000-sf Lifetime Fitness center.

Transitioning a retail space solely for use as a health care space provides challenges to owners such as frequently changing regulations, hefty build-out costs and security. Owners and operators of large centers are hesitant to invest in such projects given the ever-changing health care landscape. With that in mind, diversifying the market space offerings within a center lends itself

to less long-term risk and overall costs.

Some considerations for sole health care use are: proximity to major medical centers, urban vs. suburban, does the provider emphasize customer service and experience, and the percentage of private insurance vs. Medicare and Medicaid in the area.

There is tremendous opportunity for the health and wellness health care real estate and development community. Following the considerations presented when determining retail health and wellness space will improve your experience, reduce vacancies, provide owners with a competitive market stance and ability to meet the demands of the consumer. ▲

Hagan

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to be drawn and respected by all staff within the pharmacy. At a minimum, separate areas for hazardous drug compounding, nonhazardous drug compounding, buffer area, storage and an ante room are needed. It might surprise you, but the regulations for hazardous drug compounding areas within a pharmacy are more stringent

than those required for sterilization in an operating room – think cleanroom environment vs. sterile environment.

The importance of an ante room is not something to be ignored. Staff need adequate space to don and doff gowns, goggles, face shields, gloves (often two pairs are required) and other necessary personal protective equipment. Not only is the space needed, but also the proper air pres-

sure and quantity of air changes need to be provided to keep airborne hazardous materials from entering patient and public areas. The HD compounding room should be negative to the adjacent ante room (ISO Class 7). These air requirements can be challenging to an existing facility, as they may require upsizing of ductwork that travels throughout other areas. A dedicated exterior exhaust

connection is critical.

The ideal pharmacy layout is one of adequate separation of drug types and safety for the pharmacists and staff handling the drugs while meeting the functional operations. We recommend you not take these regulations and recommendations lightly and strive to keep your clinicians and staff safe for the general health of all. ▲

Cooper

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requirements. This allows for new synergies to partner with fitness, retail and primary care partners in a truly integrated health and wellness campus setting. This also allows optimization of the traditional hospital

environment to be focused on providing acute, diagnostic and treatment areas that allow for flexibility and continuous modernization. The next evolution in challenging the paradigm is further leveraging efficiencies while balancing code requirements that often require the separation and

duplication between outpatient and inpatient service lines. Allowing these services to coexist together while preserving what's best for the patient via the code process is underway in many locales resulting in the reduction in the cost of patient care and the built environment.

Innovations in design and technology, and collaboration with key stakeholders are the central themes required when embarking on the development of a new health care facility. This applies to the design, build, operation and full continuum of the facility. ▲

Mohlenkamp

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• **Hearts and crafts.** Another popular modern social or date activity involves painting, crafting or otherwise making things together. For instance, "sipping and painting," or

guided painting classes paired with a cocktail or glass of wine, have become very popular as social activities. For recreating these opportunities in a senior living community, you don't need much more than a multipurpose room with tables and chairs. Outside

companies can be hired to present the craft. Afterward, the room can be transformed into a temporary gallery space, where residents can display and view their work.

From mingling at happy hour to creating painted masterpieces together,

there are plenty of opportunities to bring romantic social experiences into the senior living space. Through thoughtful use of existing spaces, both architects and senior community staff can help bring these experiences to life. ▲