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Wellness Real Estate Market Nearly Doubles In Last Few Years

George Oliver's CASA project in Phoenix signed more new leases during COVID than any other building in Arizona.

By **Paul Bergeron** | September 30, 2021 at 07:02 AM

Wellness real estate is well on its way in moving from elective to essential, according to New Global Wellness Institute (GWI) research that revealed the sector grew 22% during the pandemic year, particularly as it relates to residential projects.

Three years ago, "wellness real estate was a concept not well understood by consumers, builders, developers or investors," according to GWI senior research fellow Ophelia Yeung.

Wellness residential projects have since quickly tripled, from 740 worldwide in 2017 to over 2,300 today; while overall construction projects shrank -2.5%;

The GWI defines wellness real estate as the construction of residential and commercial/institutional properties (including office, hospital, mixed-use/multifamily, medical and leisure) that incorporate intentional wellness elements in their design, materials and building, as well as their amenities, services and/or programming.

"So many macro forces—our fast-aging world, our stress and loneliness crises, the rise of remote work, a consumer demanding more sustainable living—means the growth trajectory for wellness homes and building design will only rise," said Katherine Johnston, GWI senior research fellow. "But COVID-19 forced us to see our homes and built environment in a radically new light, as the protectors and enablers of our very health and wellbeing."

If the GWI identified 740 wellness residential projects in 2018, the sector has since grown so fast that the projects are too numerous to properly count. Today, the GWI conservatively estimates that there are over 2,300 wellness projects worldwide (either built, partially built, or in development).

Wellness living concepts are being developed in all types of residential projects: master-planned communities; multifamily projects (apartments, condominiums); urban districts and mixed-use projects; resort/spa/hospitality-based wellness real estate; affordable/subsidized housing; and other wellness concepts based on eco-communities, co-living, senior living, and more—taking an increasingly dizzying number of "wellness angles."

Extraordinary Growth

From 2017-2020, the global market grew 22% on average annually, expanding from $148 billion in 2017 to $225 billion in 2019 to $275 billion in 2020. Wellness residential projects skyrocketed in those three short years, from 740 in 2017 to over 2,300 today.

The market surged in the two years before the pandemic (2017-2019): Wellness real estate grew 23% each year compared with 5.4% growth for construction overall (and this disconnect remained true for every global region). The new research also makes it clear the pandemic further fueled the shift in the real estate and construction industries toward wellness: from 2019-2020, wellness real estate continued to grow by over 22%, even as overall construction shrank by -2.5%.

The new report, "Wellness Real Estate: Looking Beyond COVID-19," provides market data and growth rates for both 2017-2019 and 2019-2020 (to capture "the pandemic effect") for every global region and the top 20 national markets—as well as forecasting key shifts that will define the market post-COVID.

"We predicted [three years ago that] demand would soon hit like a tsunami," Young said. "That moment has arrived. The pandemic has driven the idea of 'building for human health' into the mainstream consumer consciousness, and the recent market growth far exceeded our predictions, as well as general economic growth trends."

Rethinking Wellness and Office Space

Commercial real estate investment and operating company George Oliver founder and managing partner Curt Kremer tells GlobeSt that the pandemic permanently altered how employees and employers view the workplace and that wellness inspired programming and collaborative workspaces are adding value.

"Our experiential office creates a pathway to personal growth that you won't find in other Class A office environments – delivering all of the comforts people have grown to love in their home office, as well as giving them the perfect canvas for safe and productive on-site team collaboration and growth," Kremer said.

George Oliver has also included design philosophies in response to more stringent health and wellness standards like improved air quality systems, touchless entries to common areas and a heavy blend of outdoor work spaces.

"This new office standard also benefits small to mid-sized companies who do not have the scale to build highly amenitized corporate campuses – giving them the shared amenities and programming that allow them to compete on a larger scale when recruiting employees. The recent performance of our properties tells us we're hitting the mark."

Its CASA project in Phoenix, for example, signed more new leases during COVID than any other building in Arizona, and recently sold in a highly competitive transaction that underscores investor preference for this type of wellness-focused, experiential office product.

Implementing New Viral Response Standards

Rob Naso, managing director and head of asset management, BentallGreenOak (BGO), tells GlobeSt that BGO has been taking preventive measures through the certification of a record number of office buildings across its U.S. and Canadian portfolio to Fitwel's new viral response standards to mitigate the spread of infectious diseases.

"This has led to new capital expenditures, modernization initiatives, new operating policies and procedures, and perhaps most importantly, increased cooperation and collaboration with our tenants," Naso said.

"But wellness extends beyond pandemic response for us and we are thinking about the amenitization of our spaces that create unique environments for mental wellness, healthy social interaction and enhanced fitness offerings.

"With respect to fitness, BGO is finalizing a new nationwide initiate to curate a bespoke set of fitness facilities across our managed assets that cater to the distinct needs of our tenant base. These types of cooperative efforts between tenant and landlord are part of how we will build new capacities for mental and physical wellness in our office settings."

Japan, Canada Among Standout Markets

Wellness real estate is heavily concentrated in North America, Asia-Pacific and Europe, and each market clocked exponential recent growth, with the North American and Asian markets essentially doubling from 2017-2020.

Seven countries—the United States, China, Australia, UK, Japan, France and Germany—account for 82% of the wellness real estate market; the U.S. and China alone comprise roughly 60%.

But the full data on the top 20 markets reveals striking 2017-2020 growth across the board. Japan (360% growth) and Canada (240% growth) are standouts, while the U.S., China, UK, France, Netherlands, Denmark, Switzerland, Singapore, Norway, Italy and Finland essentially doubled their markets.

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