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**A healthy approach to your
new medical office building**

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Have you outgrown your medical office? Do your patients complain there isn't enough parking? Has your practice evolved but not your space? Did your patient population move? Perhaps you're just tired of paying rent and not building equity in your practice. Whatever the reason, if you're considering making a change in your office or clinic space -- renovating, leasing a new building or building from the ground up -- there are many things to consider before you engage a real estate professional, architect, general contractor or designer.

Start with a solid foundation

Whether you are a pediatrician or podiatrist caring for 300 patients or 3,000, the foundation for your new space should be laid upon some solid ground work: A thorough examination of your current practice, its operations, goals and principles. This is a business decision that will speak volumes about your philosophy of patient care. It is the perfect time to create your dream practice.

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Start by analyzing your current operations. Identify ways in which you can improve and streamline processes, eliminate waste, increase efficiencies, enhance patient access, and ultimately give patients the best care possible. Determine how many



Inside the Idaho Neurosurgeon's offices, a VERTICAL project completed in 2001.

and what kind of patients you want to care for and what types of amenities you want and need to provide for them. Consider administration and medical staffing levels now and in the future. Evaluate current and emerging medical and office technologies. Contemplate environmental concerns and how you might address them in your new office space.

This initial evaluation will help you determine patient and staff levels, visualize access and flow, determine the number and size of exam rooms, clinical, reception and waiting areas, the need for privacy



and special needs areas, file and pharmaceutical storage needs and much more. These factors will be the key to determining where your practice should be located, how much overall square footage and parking you will need and how accessible you are to your patients.

It's a lot to consider. And you don't have to go it alone.

Convening a planning committee comprised of staff, trusted advisors and patients is an excellent way to garner feedback and ideas. But it's crucial that you appoint a lead person to represent your vision.

"When it comes time to communicate your ideas to your building team, it's important to have a lead spokesperson so that your message is clear, concise and consistent," says Todd Weltner, president of VERTICAL Corporation, a Boise-based general contracting company. "In the end, it will save you time and money."



Photo: The new lobby of the Idaho Neurosurgeons offices located on the St. Al's campus in Boise, ID. A VERTICAL Construction project., this renovation was completed in 2001.

Armed with a clear vision about your dream practice, the next step is to decide whether to renovate your current space, lease and improve another building or build from the ground up.

Renovating your current space

It's possible that renovating your existing space will allow you to meet your goals for patient care. It is the least risky option from a financial standpoint and can be a very cost-effective solution. Reconfiguring walls, offices and exam rooms, reception areas and even hallways can improve efficiency, update the look of your facility and lead to better patient care. It's worth consideration because a renovation or tenant improvement ("T.I." in construction lingo) is by far the least

expensive option when compared to the alternatives. "Often times people think that they need more space when really they need a space that is better designed," says Weltner. "And a remodel is by far, the least expensive option." However, according to Weltner, this option is not without drawbacks. "Obviously, a remodel will have an impact on your daily operations. But if you have a contractor who manages it well, the impact can be minimized by doing the work during off hours and weekends."

Leasing versus ownership

If renovating your current space is not an option, there are several others to evaluate. Choosing which option is the best for your medical practice is a complicated question that often requires the help of a professional.

"When a doctor comes to me and says, for example, he or she needs 5,000 square feet of office space but isn't sure whether to lease, buy or build, I ask them a series of questions to help them come to the right decision," says Tim Reid, president of Grubb & Ellis Idaho Commercial Group. "I find out about their current operations, what their goals for growth are, what type of ownership the practice has, the tax implications, their present financial conditions, special requirements and much more," says Reid. "There are so many factors that go into this decision and there are advantages and disadvantages to every option."



*Photo: Inside Idaho
Neurosurgeons.*

For example, a doctor may think that owning a building is very important. But when the analysis is complete, it may not be the best alternative. In fact, many physicians find that leasing a new space provides a clean slate from which to work, a better location, more parking and an overall improved image. But leasing is a trade off. You avoid the risk of building ownership and its inherent consequences – maintenance, utilities, and taxes -- but you're not building equity.

According to Reid, the trend locally for medical office buildings is one of the few bright spots in the current real estate market. "The outlook for leasing or improving another building is good and physicians can get favorable terms, but it all depends on variables," says Reid. "The downside would be putting money into a space and location that may not be what you need in the future, and if you have to or want to move, sub-leasing space may be difficult."

Build-to-suit

Another option, whether you are looking to own or lease a building, is build-to-suit. In this arrangement, the entity selling or leasing the property or building takes the lead in developing and constructing your new office to your exact specifications. They are responsible for obtaining entitlements (jurisdictional approvals, easements, building permits, etc.), hiring the architect, contractor, engineers and designers, constructing the building or tenant improvement and finalizing the inspections, approvals and occupancy requirements. Although this is a more expensive option, for busy doctors, it's an attractive alternative because it saves you from dealing with a complex and time-consuming process.

From the ground up

The final, and riskiest option of all, is building from the ground up. Developing and building your own medical office space means you get exactly what you want and you reap the rewards of equity and autonomy. On the flip side, you get all the headaches and costs associated with property management and maintenance.

But if this option pencils out, your tolerance for risk is high and you're willing to endure a lengthy process, building your own medical office space will give you an asset that will likely increase in value.

Anatomy of a dream practice

Building ownership was very important to dermatologist Dr. Randall Burr when it came to planning his dream practice, Ada West Dermatology. Dr. Burr built a 26,000 square foot facility in 2005 near Eagle road in Meridian. Like many physicians, Dr. Burr



*Photo: Ada West
Professional
Center in Meridian, ID.*



had occupied several locations since establishing his practice in downtown Boise in 1992. Prior to building, his practice was located on the third floor of St. Luke Regional Medical Center in Meridian.

"I wanted autonomy and an investment for myself, my patients and my future. I wanted room to grow," says Dr. Burr. Buying land and building a brand new facility allowed Dr. Burr to design exactly what he wanted, where he wanted from the ground up. He chose the Meridian location because it was near a major medical center and the freeway, which accommodated his patients from the Nampa, Caldwell, and Ontario area.

"It took me seven years to decide what I wanted my building to be," says Burr. "I visited hundreds of offices to find out what I wanted and what I didn't want. I also asked patients what they thought."



Photo: The main lobby leading to Ada West Dermatology.

What Burr designed was a two-story, steel-framed building that is patient-centric, airy and bright. An elegant, vaulted foyer and reception area features a skylight, flat-screen televisions and a waterfall that suppresses office noise. Large, windowed, state-of-the-art exam rooms located on the peripheral provide well-lit rooms that make it easier to spot skin disorders and cancers. Wide hallways accommodate wheelchairs and busy ingresses and egresses. There is a centralized

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- Todd Weltner*

nursing station and a private waiting room specially designed for cancer patients featuring comfortable leather couches, nature art, adjustable lighting, HD television and food and beverage amenities.

Ada West Dermatology has tripled the number of patients it serves since moving into the new building.

Burr has advice for other doctors who are thinking

about building. "Choose your builder carefully because you get what you pay for. Become a partner with them, but make sure you oversee the process," says Burr.

Weltner agrees. "I would choose a builder as carefully as I would choose my doctor," says Weltner. He adds that although finding a good contractor is very important "this is a decision that you must include all of your business partners in -- your real estate broker, building contractor, architect, accountant, banker, insurance agent -- everyone has to be involved in order for your project to be successful."

"Put away your fears and remember your dreams," adds Burr. "Nothing ventured, nothing gained."



A healthy asset in an unhealthy economy?

Despite the downturn in the economy, the real estate dimension of our healthcare system is experiencing growth, largely because health care needs are impervious to economic conditions. This and other key factors are contributing to a healthy prognosis for medical office buildings:

- Aging baby boomers continue to require more and more medical attention. In fact, the number of people ages 55 years and older is expected to expand by nearly 11 million by 2012. While they may be aging, this segment of our population is physically active for longer, which will necessitate the demand for more doctors and more medical facilities.
- As people migrate away from the urban core, new opportunities arise for health care providers in suburban areas.
- Procedures are also migrating from hospitals to new outpatient locations.
- Because medical office tenants tend to be more stable and stay for longer terms than other tenants, real estate investor's demand for medical office properties remains strong.

