

Rewarding Real Estate

BECOMING AN EXPERT ON MEDICAL PROPERTIES

Health care reform is expected to add 32 million uninsured Americans to the health care market. A tidal wave of Baby Boomers will need increasing medical care as they age. And a predicted decrease in the number of

nurses and doctors — 40,000 fewer by 2030 — won't be there to serve them. All these are factors, says **Will Strong ('03 finance)**, which will drastically affect the small yet competitive niche of the health care real estate market.

"It's an exciting and well-respected market to be in," he says. "I'm not a doctor working on individual patients, but instead I'm giving many doctors a space to work. I am helping doctors help their patients, and it feels very rewarding."

Strong works for Pacific Medical Buildings as a leasing executive for existing properties. The company, though based in San Diego, develops and manages medical office buildings as far east as Louisiana and as far west as Hawaii.

During 2010, Pacific Medical Buildings negotiated and executed just shy of 100 leases with doctors. These leases filled about 250,000 square feet of medical office space. Strong says the company is planning on surpassing both of those figures this year.

Pacific Medical works with the nation's largest hospital systems and also has a strategic partnership with the REIT Nationwide Health Properties (NHP). Recently, Pacific Medical has broken ground on a few new development projects in Mission Hills, Calif., and Lakeway, Texas. There are a few more new developments slated for later in 2011 in Orange County, Calif., and Vancouver, Wash.

A partnership with Nationwide Health, a publicly traded entity, gives his

company an edge. "We are much more visible in these days of uncertainty," Strong says. "Since NHP is publicly traded, we are tracked more than most companies. This gives us reliability and longevity, and none of the worries other companies see when trying to invest in any product."

The nuances of working in health care real estate are many. Strong is involved in the leasing process from start to finish. He markets the space, organizes the showings, and does lease analysis and tenant relations. Also, he works on configuring the space to meet the specific needs a doctor might have for an office or clinic.

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"The tenant improvement costs are higher than any other real estate space, except for some types of restaurants," Strong says. "Based on the allowance we are giving the tenants to fix the space that could mean anything from walls, counters, tile, paint, or flooring. In many cases, we completely refigure the office layout and there are some things you don't even see that make it more financially capital intensive, like lead walls to protect other patients from X-ray machines and other doctor specific hardware."

He also must consider how many

physicians will be in the office, from anything with one doctor with a couple of administrators and nurses to up to 10 doctors with different specialties in a single office.

Additionally, "Their offices are usually water intensive. They need proper drainage, they deal with medical waste, and there are specific regulations and disposal characteristics," he explains. "Also, doctors lease for a lot longer than a typical client. A large corporation might lease for five to 10 years, but once a doctor finds a location, they typically plan on staying put for the duration of their entire time practicing. So a lease might be more than 10 years, with options in

order to be convenient for their patients. They do not like to move."

Sometimes doctors work with large hospital systems and want to lease property adjacent to a hospital so all a patient's medical needs can be met in one location. For example, a client may ask to be the only cardiologist in the area so he or she doesn't compete with other cardiologists.

Strong says he originally wasn't sure about pursuing a real estate career, but thanks to his business school education and real estate experience, he now hopes to become an expert in this niche market.

"The Leeds School had out-of-the-box classes, and they taught me to look at business situations from a different angle because the solution may not always be obvious," he says. "Considering the current health care situation, I can anticipate making myself a better asset to my community and to my company. That wide range of education I received at CU has taught me to grow on that concept ever since."

