

## The Boom Goes On

### Trends in Medical Office and Healthcare Facility Development and Management Highlighted at Recent Conference

By Lorie Damon, Ph.D., director of education, BOMA International

**B**ooms in healthcare construction, tightening operating margins for healthcare organizations and shifting patient and treatment demographics trends shaped the discussion at BOMA's recent Medical Office Buildings and Healthcare Facilities Seminar in Anaheim.

More than 170 health care real estate industry professionals gathered for the annual event. Keynote speaker Greg Scrine, senior vice president, Sg2, Chicago, Ill., provided an overall framework for discussing trends in the healthcare industry that have direct and indirect bearing on the development and management of medical office buildings. He noted that despite the recent boom in health care construction, many hospitals continue to face tight operating margins and struggle to maintain strong financial performance. He also highlighted some of the ways that the aging baby boomer population and their health care needs are expected to affect health care delivery. Scrine noted that many experts anticipate a surge in outpatient procedures as new technologies enable treatment to be delivered outside of traditional, acute-care hospital environments.

Other industry experts echoed Scrine's observations, noting that increasingly the distinction between medical office buildings, ambulatory surgery centers and traditional hospitals has become blurred, a change that's expected to continue and perhaps accelerate. Both the keynote session and the closing session, "Healthcare: Current Diagnosis and Prognosis for 2006 and Beyond," focused on trends in health care organizations' financial strength and methods for delivering health care. This session featured Brenda Bush Moline, AIA, ASHE, vice president, VOA

Associates, Inc., Chicago; Bud Pate, practice director, clinical operations improvement, HC Pro, Pacific Palisades, Calif.; Chuck Runyon, partner, Hammes Co., Los Angeles, Calif.; and Gordon Soderlund, senior vice president, strategic relations, DASCO Companies, Chicago.

The two-day program featured education sessions on nearly every facet of health care real estate development, leasing and management. Education sessions addressed such issues as how physicians determine their real estate strategies and what motivates them to buy rather than lease. Physician consultants Larry Preston, president, Professional Medical Consultants, Las Vegas, Nev., and Robert Cimasi, president, Health Capital Consultants, St. Louis, Mo., shared insights from their clients. Jonathan Winer, managing director, real estate

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Healthcare Realty Trust's Joyce Tyler is presented with an Energy Star label, the first MOB property manager to receive such distinction. Pictured from left are Deborah Cloutier, Boyd Zoccola, chair, Medical Office Buildings and Healthcare Facilities SIG, Joyce Tyler and Clark Reed.

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advisory services group, Ernst & Young, moderated the discussion and highlighted a new "free equity" model that has recently been deployed as a means of providing physicians with ownership stakes in new developments.

John Falco and Nick Murray, both of Kingsley Associates, Atlanta, Ga., shared techniques for surveying physician tenants and using results to improve performance and their satisfaction. Another session, led by Thomas Tift, president and CEO of Health America Realty Corp., Atlanta, and Dan Prosky, assistant vice president-asset management, Health Care Property Investors, Inc., Newport Beach, Calif., offered strategies for repositioning MOBs in the face of nearby hospital closures or corporate bankruptcy. In light of the recent increase in hospital construction, another session provided tips for managing an acute care construction project. Featured speakers were Peter Shannon, AIA, senior manager, Construction Advisory Services, Ernst & Young LLP, Chicago; Shane Miller, president, and Isabel Choi, director of consulting services, both of Shane Miller Co., Los Angeles; Bush Moline; and Mark Johnson, Hammes Co., Brookfield, Wis.

Other sessions addressed such operational challenges as crafting shared service agreements with hospitals and implementing energy savings initiatives to trim operating costs. Julie Wilson, associate vice president and director of operations, and Tom Easley, corporate engineering director, both of Healthcare Realty Trust, were joined by Clark Reed, national healthcare manager, Energy Star, Environmental Protection Agency, Washington, D.C., and Deborah Cloutier, principal, Real Estate Technologies Group, Vienna, Va.

A case study of the Pacific Medical Building's recent purchase of the Catholic Healthcare West MOB portfolio covered recent trends in financing and ownership as well as the discussion of ground leases and how they can be structured to assure that the needs of the hospital and developer are met. Mark Toothacre,



partner and executive vice president, Pacific Medical Buildings, San Diego, Calif.; Charles Vogt, chief strategy officer, Bremner & Wiley, Indianapolis, Ind.; and Ashish Shah, vice president, GE Healthcare Financial Services, Chicago, led the discussion of the financing of the deal, highlighting the financial pressures that are driving hospitals to divest their medical office buildings (known as monetization) and real estate investors to acquire those properties. For the ground leases session, Mark Toothacre was joined by Jim Maloney, managing director, Cain Brothers, San Francisco, and attorneys David Meckler and Andy Dawson, both of Latham & Watkins, Costa Mesa, Calif.

This year's program also included a building tour of St. Joseph's Medical Plaza in nearby Orange, Calif. Owned by St. Joseph's Hospital and managed by PM Realty Group, the 214,000 square foot building was built in 1992 and includes a surgery center with 10 operating rooms and an endoscopy center with four operating rooms.

The program closed with a celebration of an important industry milestone, the presentation of the first Energy Star label to a medical office building. Joyce Tyler, property manager, Healthcare Realty Trust, was lauded for her efforts to reduce energy consumption in the building she manages, Spring Branch Professional Building in Houston, Texas.

The Medical Office Buildings and Healthcare Facilities Special Interest Group develops and hosts this seminar yearly. Plans are underway for the 2006 Medical Office Buildings and Healthcare Facilities Seminar, which will be held June 22-23, 2006 in Dallas, Texas. For more information about this SIG or the seminar, please contact Lorie Damon, director of education, at [ldamon@boma.org](mailto:ldamon@boma.org) or call (202) 326-6351. |