Developers are carving out niches as trusted advisers and partners to healthcare systems.

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here are many locations throughout the country that offer “clean slates” to encourage healthcare projects, which can be particularly helpful when assembling the next generation of healthcare. Medical providers partner with real estate solution providers to create efficient and convenient delivery of services, all while lowering their expenses. One approach has been to establish healthcare facilities or micro hospitals off campus in suburban areas and away from major hospitals in metro regions.

“Most systems want to manage a patient’s care throughout their life span,” says Duke Realty Executive Vice President of Healthcare Keith Konkoli. “You can imagine there are various places along that continuum of care where you need real estate to support that care.”

Duke Realty’s portfolio consists of 138 million sq. ft. (12.8 million sq. m.) of commercial real estate in 21 US metros. Konkoli says demand is particularly strong in the western portion of the US, where population increases are driving thriving markets such as Phoenix and Denver, and states such as California and Texas.

Duke Realty is developing four micro hospital facilities in the Denver metro for SCL Health, one of Denver’s largest healthcare systems. These hospitals feature eight to 10 beds and emergency care services. “In the case of SCL, we looked at locations that were very retail-oriented and convenient for places that SCL needed to complete its network to best serve its patients,” Konkoli says.

It Takes a Village

A development in Henderson, Nevada, is billed by developer Union Village LLC as the world’s first master-planned integrated health village. The project is expected to create 17,000 direct, indirect and construction jobs and generate nearly $10 billion in tax revenues over 25 years.

Henderson Hospital is the anchor facility at the village, and is scheduled to open its doors in October; construction on additional projects will begin next year. The 170-acre (69-hectare) Union Village site will feature medical offices, wellness facilities, park space, and a senior village with assisted, independent and memory care living options.

“We are looking for longevity — we are not a warehouse where people come and live out their lives,” Union Village partner Gary
For Medline, a manufacturer and distributor of medical supplies, real estate is viewed as an asset. Deciding where to site a distribution center is a 30- to 40-year commitment, with long-term value preservation a priority.

“Other companies try to preserve capital flexibility and prefer to lease rather than own,” says Medline Industries Inc. Vice President of Real Estate Dmitry Dukhan.

Medline is building in 10 strategic market locations, where it is constructing more than 7 million sq. ft. (650,300 sq. m.) of new distribution space. The markets include Atlanta, Dallas, Houston, Denver, Phoenix, and Northern California and Southern California. The company partners with developers such as Prologis. Medline purchases the land and bids out the construction work. The company often will lease a portion of the facility until it needs additional capacity. Dukhan says the industrial parks have well-maintained infrastructure and landscaping, excellent security and access to public transportation, as well as room to expand. These advantages are important to Medline, which maintains its own truck fleet and drivers. Industrial parks preserve long-term value better than stand-alone facilities.

Among the company’s site selection criteria are site within a four- to five-hour delivery time of customers. “We may pay a premium today, but it will pay dividends for years to come,” Dukhan says. — Rachel Duran