

Medical office project planned in Buckhead



BYRON E. SMALL

Buckhead: Dr. John Dalton, Lynn Wolff of Georgia Hand, Shoulder & Elbow and Kyle Jenks of Parkside Partners at the site of the new development.

A medical office development of up to 140,000 square feet is being planned near Piedmont Hospital - the latest in a series of similar projects popping up around the city.

Their first phase of 2061 Peachtree involves a \$15 million medical office building. The 50,000-square-foot building is expected to house eight to 10 practices, including anchor tenant and majority owner, Georgia Hand, Shoulder & Elbow.

Longer term, and depending on demand, plans call for a \$25 million second medical office building of up to 90,000 square feet, said Kyle Jenks, principal at Parkside Partners, the property's developer.

Technology improvements and patient

convenience are driving medical care from expensive and congested hospitals into easier-to-navigate medical office buildings.

Nationwide, inpatient hospital admissions are forecast to grow only 1.4 percent over the next decade, according to Sg2, a Skokie, Ill.-based health-care research firm. By contrast, outpatient services (including imaging, procedures, physician visits and physical therapy) are projected to jump 21.6 percent by 2019.

Growth in the outpatient setting stems partly from the expansion of coverage, which will provide greater access to preventive-care services, diagnostics and physician visits, Sg2 noted.



2061 Peachtree: The first phase involves a \$15 million medical office building. Longer term, plans call for a second medical office building of up to 90,000 square feet costing \$25 million.

Medical office development is also being fueled by hospital systems acquiring physician practices and consolidating them on campus under one roof, said Dave Smith president of Kearny Street Consulting Inc. Health systems are moving labs, diagnostic services and surgery centers out of cramped hospitals and into more spacious medical office buildings, Smith said.

There's a financial motive behind the exodus, too. Surgery can cost at least 50 percent less in an outpatient medical office setting, compared with a hospital that has significant overhead, Smith said.

The medical office development landscape stretches from Atlanta's southern suburbs to the northern suburbs.

Wellstar Health System Inc. is developing an 80,000-square-foot medical office building, the second on its 33-acre Hiram, Ga., campus. Piedmont Medical Plaza L.P. is developing a 125,000-square-foot medical office building on the planned Piedmont Newnan Hospital campus. The \$20 million-plus medical office building, scheduled to open in February, will be owned by a partnership that includes Meadows & Ohly LLC, and physicians who are tenants of the building.

Ed Bowen, the founder of Atlanta developer E.W. Bowen & Co., plans a roughly \$17.5 million medical office development downtown on Edgewood Avenue. Bowen said "it's still early in the process for us," and offered no timetable for the proposed 238,000-square-foot project.

But, as nearby Grady Memorial Hospital, Children's Healthcare of Atlanta and Atlanta Medical Center grow, Bowen said, "we will

be in a good position, having a location close to those campuses."

Medical office development nationwide is experiencing a slight uptick, said Lee Asher, an executive with real estate giant's CB Richard Ellis Inc.'s health-care capital markets practice. Health-care providers are moving away from major campus locations and expanding into surrounding affluent communities, Asher said. They are focused on areas where they population is growing and the patient base is well insured. Buckhead is poised to see a greater share of new projects because it has wealthy baby boomers who will demand greater access to outpatient centers for hip and knee replacements, to feel young and stay active.

Duke Realty Corp. (NYSE:DRE) broke ground on 70,000 square feet of medical office projects in 2010 across the southeast and almost doubled that total this year, said Jason Hinkel, an executive with the developer's Southeast health-care group.

Duke and others have aligned themselves with health systems that might not have the capital to develop medical buildings, but their doctors need additional office space to expand. The health systems offer the land on which to build, and a publicly traded real estate investment trust, as Duke, offers the capital to shoulder the development costs. Using that model, Duke has increased its focus on the Southeast, working with Eastside Medical Center in Snellville; Rex Healthcare in Raleigh, N.C.; and others.

Construction on Parkside's projects is expected to begin in September, with completion scheduled within 14 months. The devel-

opment, on the site of a former T.G.I.Friday's restaurant, is a joint venture between Georgia Hand, Should & Elbow and Parkside Partners.

The five-surgeon orthopedic practice will consolidate and relocate its practice at 1819 Peachtree Road and a nearby surgery center, into 21,000 square feet in the proposed development.

The decision to build and own was motivated by health-care economics, Georgia Hand, Shoulder * Elbow CEO Lynn Wolff said. Lease Costs continue to increase, while insurance reimbursements decline - squeezing margins, Wolff said.

"We can't just raise prices for patients because we have negotiated rates with insurers, she said.

The intent to build the development is not to "flip it," Wolff said, noting the plan is to stay in the building to help control costs for the long term.

The development hopes to attract "boutique practices" - solo practitioners, or small specialist physician groups such as imaging practices, dentists and plastic surgeons, Parkside's Jenks said. The building is 65 percent pre leased and Jenks expects it to be fully leased when it opens.



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the road that they might need additional property? We would welcome the opportunity to discuss their needs."

Kyle Jenks
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The location, near a bustling hospital campus, is strategic for another reason: Piedmont Hospital is land locked.

While it hasn't had any discussions with 2061 Peachtree, the development could be an attractive asset if Piedmont needs to expand.

"Piedmont has already expanded across Peachtree," Jenks said. "Is there some potential five, 10, 20 years down the road that they might need additional property? We would welcome the opportunity to discuss their needs."