

MIXED-USE PRESCRIPTION

Health care services can be a positive addition to projects.

Darren Wagner

While it was once somewhat of a rarity to find health care resources located in retail and mixed-use developments, today such a sight is becoming more and more commonplace, and there is a growing link between health care and mixed use. A closer look at some of the driving forces behind this trend, and an analysis of the factors that promote that link, can reveal some intriguing new insights into the state of health care, retail and mixed-use development, and the future of two industries that seem to have forged a fruitful and enduring connection.

The emergence of hospitals, doctors' offices and health care service facilities as an increasingly common element in mixed-use projects is a relatively recent phenomenon. While this phenomenon has accelerated in recent years, the origins of the underlying social and economic dynamics that sparked the trend, and are still contributing to its growing popularity today, first became evident nearly two decades ago.

In the early 1990s, as commercial real estate began to emerge from what had been an unquestionably challenging period, many commercial developers began to reevaluate what had previously been at times a fairly rigid and formulaic approach to the design and development of commercial properties. Savvy developers appreciated that an effective way to minimize the impact of future economic downturns was to diversify their mixed-use offerings. This realization coincided with the growing recognition within the industry that there was a potentially robust market appeal for mixed-use developments with a greater mix of offerings.

Mixed-use developments began to move beyond exclusively retail offerings (with perhaps a token restaurant or two) and started to incorporate more diverse lifestyle elements. By moving toward a development model that embraced a true mix of uses, the industry was fundamentally expanding the definitions of commercial development. From more dining and entertainment options, to greater representation from service and specialty retailers and greater focus on leisure time offerings and thoughtful design touches, mixed-use projects began to evolve from retail conveniences into vibrant destinations; diverse and appealing spaces and places that function as more than just retail conveniences, but inviting and appealing community resources for people to live, work and play.

In the mid-to-late 90s, with managed care and an increasingly complex thicket of regulatory issues and insurance and liability concerns helping to squeeze health care profit margins tighter and tighter, hospitals and big medical centers began finding it a financial necessity to add suburban satellite locations as a complement to their high-profile urban "headline" sites. At about the same time, Certificate of Need laws (state regulations generally required for the construction of a medical facility) began to be somewhat relaxed, a convenient development which has enabled doctors and medical personnel to be a bit more flexible and enterprising in their site selection and facilities development.

It was not too long before both commercial developers and health care experts began to put two and two together and realize that, in many ways, mixed-use developments provide the ideal venue for a wide range of medical facilities and services. As the health care industry has necessarily evolved toward a more entrepreneurial model, it has become increasingly obvious that health care and retail share similar requirements to become successful: a great location with first-rate infrastructure; clear, highly visible signage; convenient access; and attractive, high-quality facilities.

While the initial connection between health care and mixed-use developments may have been inspired in-part by necessity and circumstance, the relationship between the two has proven to be a mutually satisfying one, with developers increasingly viewing health care options as desirable tenants. In fact, the attraction of medical tenants has motivated some developers to establish and maintain close relationships with doctors and health care entities. With the health care industry on the rise as the population ages and the demographic bubble of the Baby Boomer generation continues to grow, developers want doctors and medical services in their mixed-use developments not only because it creates a further destination appeal and an additional draw, but also because health care is seen as a commercial segment that is somewhat recession proof. No matter what ups or downs the regional or national economic landscape may experience in the future, health and well-being will always be a priority and there will always be a market for health care. With the challenging financial circumstances of the past year understandably fresh in many developers' minds, the wisdom of building for leasing to a diverse, appealing and resilient tenancy is especially resonant.

From the perspective of both doctors and health care executives, locating their practices in or adjacent to a mixed-use development makes a lot of sense as well. In terms of patient access and overall practice appeal, mixed-use projects offer a virtually unparalleled range of options and opportunities. A telling observation is that today, medical facilities feature a far greater abundance of way-finding and identity signage compared to 10 or 20 years ago. Though it may seem like a small detail, it is a reflection of the growing realization within the medical community that, to succeed, hospitals, clinics and other medical facilities must adopt the same basic strategies for success that commercial tenants think about every day. It is not enough to offer a desirable product or service, that product or service must be visible, accessible and appealing. Designing a medical facility, from the layout to the location, is becoming more and more comparable to embarking on a similar retail endeavor. Hospitals and health care organizations must consider regional and local demographics, as well as a number of site parameters that any retailer would immediately recognize as a key part of their operational metrics: visibility, affordability of the space, ease of access, quality way-finding, and visual and architectural appeal.

The compatibility of health care facilities and mixed-use developments is such that there are few, if any, specialized design challenges needed to accommodate a health care tenant. While a medical office building might generally work better with warmer, softer, more organic design materials in lieu of potentially clinical steel and glass in order to ensure a more welcoming design presentation, these considerations are small in the overall scope of development. From a functionality standpoint, there are obvious benefits to a centrally located medical facility with convenient access to places where employees, patients and patients' families can comfortably eat, drink or relax. These mixed-use medical facilities appeal to doctors with nearby offices, as the

luxury of being able to send patients to get their tests or other specialized services at a convenient nearby facility creates greater efficiencies of service.

Even technological improvements have played a part in fostering the growth of health care facilities in mixed-use projects. As medical advances have made it possible for a much greater range of procedures to be covered on an outpatient basis, the type and scope of medical care and services that can be provided in a clinical setting away from major hospitals and surgical centers has increased dramatically. Additionally, outpatient care is a strong profit center for hospitals and health care organizations, which are understandably enthusiastic about the opportunity to generate additional service options with new locations in mixed-use projects.

With their ability to serve as not just a local resource, but also a regional draw, medical facilities seem sure to be high on the list of desired tenants as commercial real estate moves forward. The proven potential for reciprocal appeal, with health care facilities both generating their own foot traffic and also benefiting in turn from visitors to the project, indicates that there is a medical-mixed-use synergy at work. All signs point to a lasting and mutually beneficial connection, with health care facilities continuing to be both highly sought-after components and enthusiastic tenants in quality mixed-use developments for the foreseeable future.

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