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Pre-pandemic panel predicted a plentiful period

Prior to COVID-19, developers at InterFace conference were upbeat



The InterFace development panel included (from left to right): Andrew Fogg of Cox Castle & Nicholson, Todd Varney of NexCore Group, Nancy Moses of Trammell Crow, Scott Mackey of Devenney Group, John Grossman of Millie & Severson and Connor Lewis of Ryan Companies.

Photo courtesy of InterFace

LOS ANGELES -- On Feb. 19, prior to the onset of the COVID-19 pandemic, a group of healthcare real estate (HRE) and medical office building (MOB) development professionals gathered for a panel session in Los Angeles to talk about what was going on in their world.

The panelists expressed plenty of excitement, noting that a variety of HRE property types were in demand and that many new projects were taking place as part -- or even the focal point -- of mixed-use developments with retail, entertainment, residential and other uses.

Of course, at the time, the panelists were blissfully unaware of the extent of the crisis ahead. Yet their comments still ring true and relevant for thinking about what might be ahead when HRE development activity rebounds.

MOB "development certainly hasn't gone away," Scott Mackey, executive director with Phoenix-based Devenney Group Ltd. Architects, said at the time. "It's morphed into different directions and different styles, but really what's happening is the focus on not just one particular type, but multiples,"

Mr. Mackey, whose firm is fully focused on healthcare facilities, added that the opportunities to develop healthcare facilities in mixed-use projects continue to increase.

"We've heard through the course of the morning (during other panel discussions) that you've got some residential and retail side to it, you've got some hotel and office side to it. So a lot of this is being looked at in a broader picture, and I think markets like Texas and Florida are kind of leading the way on those," Mr. Mackey said.

"We see a lot of that here in California, as well, with a lot of mixed-use development opportunities that really want to focus and center on healthcare," he added. "The primary reason for that is healthcare is driving that as a result of higher paying jobs... Communities interested in investing in these things are looking at those as being very viable opportunities."

Mr. Mackey was part of a panel session during the 11th annual InterFace Healthcare Real Estate West conference at the Omni Los Angeles. The session's title -- of course ironic in retrospect -- was "Development is Back! What Kinds of Projects are Happening and What Trends & Market Forces will Drive Activity in 2020?"

Also on the panel were: moderator Andrew Fogg, a partner with Los Angeles-based law firm Cox Castle & Nicholson; Todd Varney, chief development officer and managing partner with Denver-based NexCore Group LP; Nancy Moses, senior VP in the Los Angeles office of Trammell Crow Company; Connor Lewis, VP of real estate development, healthcare, with Minneapolis-based Ryan Companies; and John Grossman, senior VP with Los Alamitos, Calif.-based Millie & Severson Inc., a general contractor with a long history of HRE projects.

Among a number of other points raised during the session, Mr. Varney of NexCore noted that HRE development activity was ramping up in Florida after the state dropped its Certificate of Need (CON) law in 2019 for new healthcare projects.

"We're seeing a lot of action in Florida since the CON deregulation has taken place," Mr. Varney said, "as it seems to be a little bit like Texas and a lot of people are positioning for land and future hospitals, as well as micro-hospitals."

Mr. Varney noted that at NexCore, "we currently have five senior living properties under development in Florida," adding at the time that he was planning a trip there in mid-February, "looking at a big outpatient campus and wellness campus. And, of course, somebody else wants to do a micro-hospital. So, that seems to be the new Wild West for us: the East."

Mr. Mackey added that surgery centers have been a "hot commodity" of late, as he has worked on the design of 10 such facilities in the past two years.

"We're kind of in the next renaissance of surgery centers," he told the audience. "The first renaissance was in the '90s, so all those facilities are outdated and need to be replaced. Then, that push in insurance to the outpatient model has fueled more physicians and physician JVs with hospitals, and so we're seeing a big boom with surgery centers involved in that."

For a longer version of this story, with more points raised by the panelists, please visit [HREInsights.com](https://www.hreinsights.com). (Subscription required)