

Patient care required



The Portneuf Medical Center, seen in this rendering, is under construction in Pocatello and expected to be completed in 2011. When done it will consolidate PMC's two current locations.

COURTESY OF PORTNEUF MEDICAL CENTER

Medical service providers put off expansion plans

By Dani Grigg

IDAHO BUSINESS REVIEW

Unemployment is staying tame in the health care industry, but health care offices are still nervous about making a move. That has led to a medical office market that has not been hit as hard as the rest of the commercial real estate market, but that is soft nonetheless.

"Most people assume that doctors are recession proof or recession resistant, but that is not at all the case," said Lew Manglos, an office specialist for Boise real estate firm Colliers International.

He said most doctors have been affected by the down economy, especially those who perform elective procedures. That has led to hesitation in expansion plans.

But Manglos pointed out that medical office users need a certain amount of space for patients no matter how many staff they have. So even if layoffs occur, medical offices are not likely to downsize in office space.

"The medical sector is in a position to weather this economic time better than other property types," added his associate Karen Warner, another office specialist. "but they're nervous—they're in a holding pattern, waiting to make a move."

Real estate agent Debbie Martin of DK

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Medical services being patient

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Commercial, Meridian, said the nervousness stems in part from uncertainty about federal health care reform.

She said she's seeing a lot fewer transactions, and at the medical conferences she attends doctors have voiced desires to hang tight to wait and see how any new health care legislation would affect them.

"I think so much of it is not knowing and not understanding exactly what's going to happen," she said. "It's just kind of a loose cannon."

Manglos said lease rates are dropping across the board, and some medical space users are taking advantage of that.

Chiropractors and dentists are especially sensitive to location, so some of them are taking the opportunity of reduced rates in high-traffic areas to increase their visibility while keeping the same rent.

Saltzer Medical Group recently took advantage of the down market to consolidate two Meridian office spaces into one highly visible space at the Portico development at Franklin and Eagle, also in Meridian.

"There's a lot of space out there," said

Saltzer CEO Bill Savage. "It's a buyer's or leasee's market right now, and that was very much in our favor."

The group wasn't looking for new space when the Portico opportunity arose, but the location of the development suited its needs and leaves room to grow.

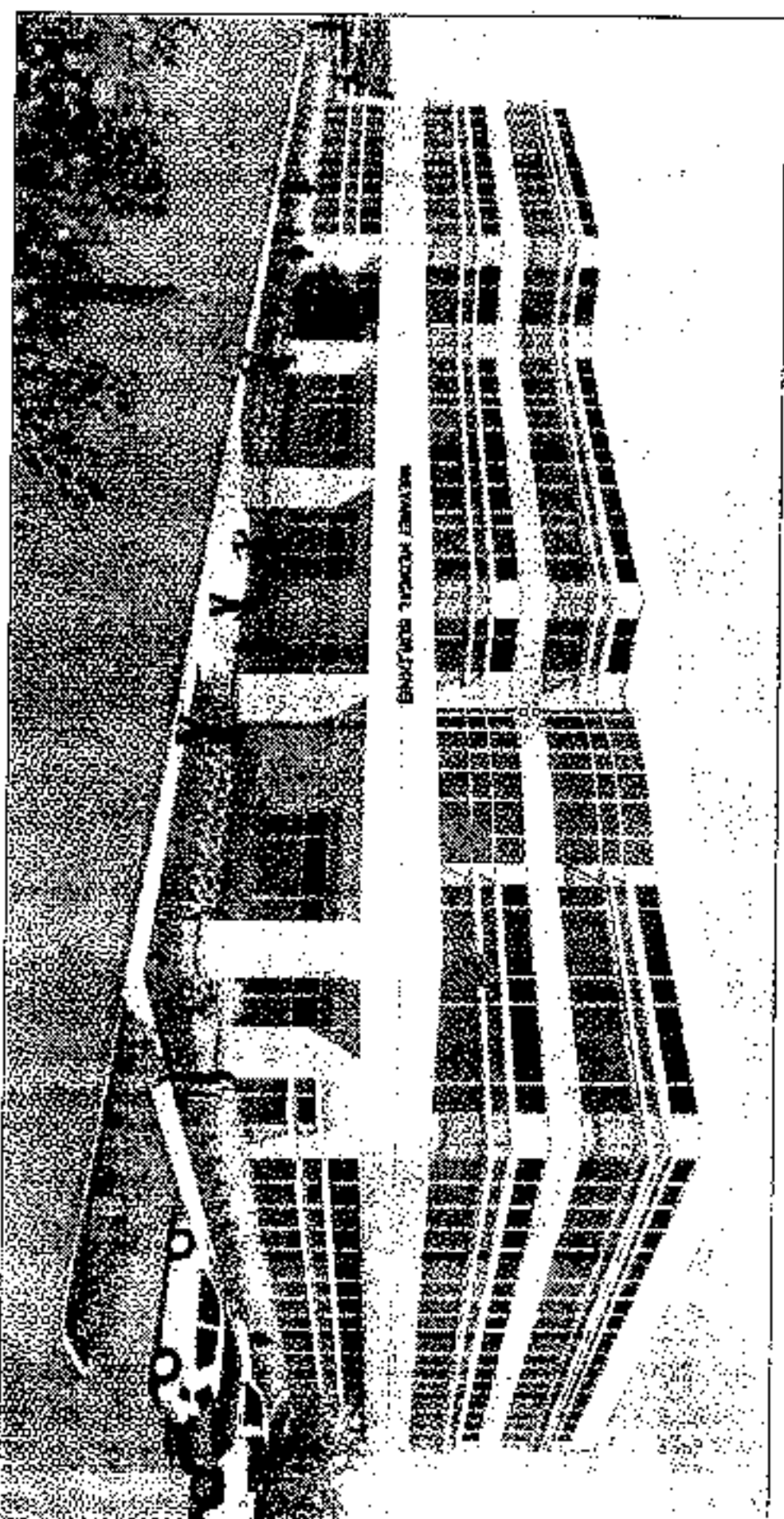
He agreed that medical practices are nervous about making the investment in a move, both because of uncertainty about health care reform and because of the economy.

He said his industry hasn't been affected as much by the recession as fields like construction or real estate have, but medical groups have felt the impact as people lose jobs and health insurance benefits.

Real estate agent Joe Fabiano of Windermere Coeur d'Alene/Post Falls said the medical market is pretty strong in northern Idaho. That's due largely in part to the growing Kootenai Medical Center, on whose board he serves.

The center built a new cancer treatment facility in Post Falls this year, and Fabiano said there are plans to keep building.

"Medical space is in pretty high demand, although like all space our sup-



The Mulvaney Medical Building on the Boise Saint Alphonsus campus was completed earlier this year.

COURTESY CSHQA

ply does exceed demand, just a little," he said.

In the Idaho Falls area, demand is in a full right now. Real estate broker Douglas Pago of Idaho Falls-based Sperry Van Ness/High Desert Commercial said it's a timing issue: several years ago, there was a building boom accompanied by a moving boom. Now everyone is happy and not looking to move, he said.

Overall, the medical leasing market is soft but not scary. New buildings like the Mulvaney medical office building on the Saint Alphonsus campus and those at the Portico development in Meridian are

doing well. New hospitals are on their way to Pocatello (the \$150 million Portneuf Medical Center) and Twin Falls (the \$104 million St. Luke's Magic Valley Medical Center), making up some of the largest new construction projects in Idaho right now.

And subleasing, a good indication of market strength, is staying low.

"There haven't been any really significant transactions done of late, but we really feel like there's a strong market there," Martin said, "a market that's going to continue to grow."