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December 11, 2019

Key Takeaways from the Houston Hospital, Outpatient Facilities & Medical Office Buildings Summit

Reported by Kyle Hagerty, kyle.hagerty@gmail.com, a freelance writer who covers business and real estate in Houston

► Houston Needs More Medical Facilities



(left to right)

Jill Pearsall, Vice President, Facilities Planning & Development, Texas Children's Hospital

Brandy Bellows Spinks, Senior VP/Healthcare Services, CBRE (Leasing)

Beth Young, First VP/Health Service Group (Sales & Dispositions), Colliers

Moderator: **Ralph Bivins**, Editor/Publisher, RealtyNewsReport

(Medical building data supplied by Revista)

- Houston is adding lots of jobs, and the need for healthcare has not slowed in any way. It's been a record year in the healthcare facility sector.
- Because Millennials are not having as many children as past generations, it's changing today's healthcare needs.
- More construction can be expected as Baby Boomers age. In five years, 1 in 5 Americans will be over 65.
- Who's buying healthcare real estate? For projects under \$20M, it's private investors; over \$20M, it's REITs.
- Average caps rates are roughly 6.4%. On-campus cap rates closer to 6.2%, while off-campus cap rates closer to 6.8%.
- The Bellaire and Museum District are the two areas in Houston to watch.
- Changing reimbursements are having a drastic impact on level of investment. Facilities can only afford what they can bill.
- Retailization of healthcare is real. In fact, retail rents tend to be higher than MOB rents.



Summit Draws Packed House

ATTENDEE COMMENTS

"The location was better than I expected. Real estate broker panel, security panel, and avoiding compliance pitfalls were all good"

"Networking and learning of latest products and strategies affecting our industry in Texas"

"Venue and format"

"Great turnout"

"I enjoyed the size and being able to meet the panelists and attendees. The venue was GREAT"

"True decision makers were on panels"

"The location"

"Convenient and well-appointed location"

"The speakers and healthcare leaders in the room"

"Very informative on what's coming down the pipeline"

"Very informative"

"Informative"

"The applications of pre-fab solutions"

"Different, good topics"

"Skilled labor crisis"

"Speakers and networking"

"Fantastic summit!"

"Tips, Tricks, & Traps to Avoid session"

"Cool room with a view; Good topics"

"Networking; Great Info!"

"The speakers"



Sheree Ockman of nora systems and **Peter Stojkovic**

► Healthcare Security: Guns, Guards, Gates & Technology



(left to right)

Keith McGlen, Director Safety & Security Services, Memorial Hermann
William Adcox, Associate VP, Chief of Police and Chief Security Officer, MD Anderson
Steve Nibbelink, Vector Security Networks

- Most health systems (61%) report that their security budget is increasing, and 82% report that they find security to be more challenging today than ever.
- Three big keys to security: Recruitment and selection; education and training; policy and procedure.
- Crime prevention is possible through environmental design, so include security teams in the design phase and trust their expertise.
- Violence in the workplace, particularly against nurses, is one of many reasons behind the national nursing shortage. It's critical that facilities protect nurses better.
- Have a plan in place before implement technology. Health systems can't afford to waste money on "shiny security toys."
- Technology is great, but it will always take a person to get something done.
- These presenters say yes to guns on medical campuses but advise be prepared. There are risks, and you must accept the risk. It's a very touchy decision, so be prepared to defend it.

► Total Cost of Ownership: What It Really Means and Tips, Tricks & Traps to Avoid



(left to right)

Thomas Morgan, Assa Abloy
Thomas Barnard, AD Systems
Craig Fairbetter, STARC Systems
Dave Blackwell, Camfil
Pam Teel, Debner

- Keep your key suppliers involved early and often to leverage their expertise.
- Operational costs can be hidden in faulty equipment.

"Great Job!"

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McMorrowReports
 Facility Management & Design Insights



- When initial costs become an overriding concern, you may suffer with on a life cycle basis lower quality product.
- When possible, select products together with the design team. The result will be lead to more effective product choices.
- Future-proof whatever decision you make.
- Keep an eye on new standards.
- Think outside traditional methods to innovate and improve.



Looking out from Cherie Flores Garden Pavilion, the Summit Venue

► How Health Systems & AEC Industry are Handling the Skilled Labor Crisis



(top to bottom)

Sidney J Sanders, Senior VP, Construction, Facilities Design and Real Estate, Houston Methodist

David Syphard, Vice President, Jacobs

Jim Stevenson, President, McCarthy Builders/Houston Division

Tuan Tran, President, Kenmor Electric

Michael Vaughn, President, Vaughn Construction



- The labor crisis continues to grow. Today, 84% of contractors are having trouble staffing hourly roles.
- Solving this challenge depends on developing three key areas for labor: high schools, veterans and immigrants.
- Changing the perception of the industry is important. Part of that will depend upon making job sites more welcoming.
- The next five years in construction will be about IT system and productivity enhancements on the jobsite.
- Expect to see job sites look different as many more women join AEC roles. In addition, by 2050 expect half the workforce to be Hispanic.
- Institutional agreements and safe building incentives are possible. Client pays an extra dollar for every safe hour worked.
- Certification of workers can be a game-changer, particularly for credentials that transfer.
- Some firms are returning to the master/apprentice approach, with training in interpersonal skills as well as job expertise.

► How Healthcare Providers & Landlords Can Avoid Costly Compliance Pitfalls in Clinics, MOBs and Retail Locations

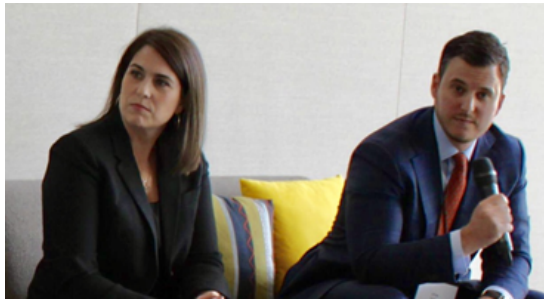


(left to right)

Kevin Wood, Attorney/Healthcare Practice Leader, Clark Hill Strasburger
John Trabold III, Managing Director, MAI-Real Estate Services, VMG Health

- Healthcare facilities in new locations (like retail strips) are creating problems for landlords not accustomed to the regulations affecting these types of operations.
- Understanding STARK Law is critical. Remember, nothing is free. No service or product can be received without exchange of fair market value. If a financial relationship exists between a physician and institution, the parties MUST adhere to STARK Law.
- Hospitals are competing to buy large physicians groups. Expect that soon 50% of physicians will work for hospitals.
- Get to know lease deficiencies, such as the lack of formal lease agreement, missing signatures, wrong square foot/shared space calculations, expired lease, or a rental rate not at fair market value.

► Healthcare Is Reshaping Houston's Future: Beyond Texas Medical Center



(left to right)

Moderator: **Kurt Neubek**, Principal, Healthcare Sector Leader at Page
Abbey Roberson, ACIP, Vice President Planning, Texas Medical Center; Chair ULI Houston
Chris Wadley, VP/Healthcare, JLL

- Houston is the "guinea pig" city for healthcare. Trends in Houston shape other cities. And in Houston, healthcare is following real estate development, with a lot of growth outside Beltway 8.
- Healthcare must serve people closer to where they live to remain competitive.
- Houston's economy is interdependent. Development all over the Houston metro is driving the overall regional economy.
- Texas Medical Center is getting denser but building in other commercial uses is critical.

► Experiencing Real-Time Savings with Prefabrication



(left to right)

Jeff Griffin, DPR Construction
Joe Burrus, DPR Construction

- About 70% of contractors are struggling to meet deadlines as labor shortages persist. Prefabrication is increasingly a method for overcoming labor shortage problems in local markets. It can help solve labor issues with easy training and installation.
- Prefab components can be produced in advance and shipped to the job site ready for installation. Experts are finding that it's possible to achieve three times faster installation on the construction site using prefabrication.
- Several levels of building - sub assemblies, non-volumetric, volumetric and modular - can now be handled off-site, and then delivered to the construction site.
- Kingwood Medical Center's ICU vertical expansion timeline was accelerated by eight weeks using modular and prefabrication components.

► **The Rise of Convenience Care: Setting the Stage for the Future - How Doctors Will Work and Patients Select Medical Care**



(left to right)

Jeff Carr, Vice President/Finance, Administration & Managed Care, Houston Methodist

Brian Gray, Principal/Healthcare Director, Page

Marissa Yu, Principal/Director of Interiors, Page

Josh Sol, Director, Ambulatory Clinical Systems & Digital Innovation, Houston Methodist

Xavier Escobar, HMPO Manager, Design/Construction, Houston Methodist

- Evolving patient needs are fundamentally changing the entire system.
- In addition, consumer technology is changing the industry. Patients are demanding convenient care at any time. They're accustomed to Amazon-like services.
- The cost of care is driving people out of the traditional institution. Today, half of healthcare encounters are at one-day clinics.
- High-tech, high-touch and interoperability are the future of healthcare facilities.



Centennial McGovern Gardens in internationally acclaimed Texas Medical Center