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SECTION B

## HEALTH CARE & MEDICAL OFFICE BUILDINGS



Courtesy Cooperthwaite Photography and Productions

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### New trends in health care practices are impacting the real estate market

A focus on patient-centered care is driving changes in the way health care is provided, which in turn spurs changes to the health care real estate market. For example, Craig Hospital is nearing completion on the hospital's expansion from 135,000 to 220,000 square feet, but the patient capacity will remain the same. The new facility will offer private suites instead of the traditional format that put two to three patients in every room. The new suites are designed to provide ample room for family to visit and confer with physicians and the rehabilitation team.



# Trends in action: Craig Hospital nears completion

**A**fter 51 months, with initial planning in winter 2012 and a target completion date set for late 2016, Craig Hospital's \$90 million expansion and renovation is nearing its conclusion. In addition, the hospital announced that it exceeded its \$68 million fundraising target by \$5 million.

The success of the Craig Hospital expansion is the result of the deep collaboration that took place early in the design process between architect of record RTA Architects and partner firm SmithGroupJJR, as well as general contractor GE Johnson and hospital rehabilitation staff. The team united to resolve an extremely complex problem: How to build a new facility in and around an occupied traumatic brain injury and spinal cord injury rehabilitation hospital with minimal disruption to patients and staff.

A critical starting point of the process was to pull in experts from all disciplines and break the enormous project into 22 phases. The planning phase took a full year, which began with a week of immersion at Craig Hospital by the design team. Using an integrated project approach with the general contractor, the team co-located at the Craig Hospital campus during concept and pre-schematic



**Sue Rose**

Principal, Construction Writers Collaborative, Denver

design to build the project plan, design and budget. The project team continues to meet on a routine basis at the on-site project trailers to provide a collaborative environment through to the completion of the project.

This theme of collaboration now extends throughout the facility. The new staff workstations are designed to encourage a team-oriented environment for therapists, doctors and nurses. Cozy bistros are located on each patient level of the hospital, offering space for families and staff to share meals with



Courtesy Cooperthwaite Photography and Productions

*Serene, nature-inspired décor was designed to give a calm atmosphere to all of Craig Hospital.*

patients. Patient hallways are flared to widen at the north end to create family and patient sitting areas while accommodating expansive windows that stream natural daylight into and down the length of the hallway.

The details and finishes reflect the thoughtfulness and collaborative nature of the design process. The building is incredibly aesthetic with sand-colored walls that feature thematic nature-based artwork, and sound absorptive rubber flooring and acoustical ceiling tiles that create a tranquil serene atmosphere for patients. Even the lighting is designed

to bathe the walls with warm, indirect light so that patients in wheelchairs don't have the harsh experience of looking up into glaring ceiling lights.

Because the needs of traumatic brain injury patients differ from those who have sustained spinal cord injuries, the two groups have been given separate levels of the hospital. The top floor (level four) houses spinal cord injury patients and their brightly colored, active therapy gym. Traumatic brain injury patients are on level three, a quieter floor with an equally tranquil gym. According to RTA Architects' Paul Reu, all of the

52 beds are occupied, and the hospital maintains a waiting list.

Outside the front entrance, the architects designed a sensory garden, with wheelchair paths and raised plant containers positioned at the height of a patient seated in a wheelchair so they can touch and smell the growing foliage. Water features provide an inviting node and add serene sounds to stimulate auditory development. The chapel – which is nearly complete – features a cork floor and white stone accent wall with recessed shelves that can be adorned

*Please see Craig, Page 15B*

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## Trends

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Many new construction projects offer residents greater access to a wide range of health care services. For example, the SCL Health Community Hospitals are located in residents' neighborhoods and are smaller than typical hospital campuses but offer the same type of health care services. This includes emergency medical care, labor and delivery services, inpatient care, a wide range of surgical procedures, on-site laboratory and radiology services and other comprehensive services.

**Investors are bullish.** Investors continue to be interested in Denver area medical properties. In the past 12 months, there were a number of large sales transactions, led by the 444,209-sf Anthem Building, which sold for \$70 million, and the 56,349-sf The Urology Center of Colorado, which sold

for \$35.2 million.

It is anticipated that investor interest will continue in 2016 and beyond because of the health of the local market and a shift in the buyer landscape. It's a competitive environment and there are more buyers than ever, including new sources of capital such as private equity, real estate investment trusts, retailers and employers investing in networks.

**Consistent demand results in increased lease rates.** Health systems, hospitals and physician groups are demanding more high-quality medical facilities in the Denver area. However, there is limited quality space available, which is driving up lease rates.

By the end of last year, according to CBRE, overall direct asking lease rates reached \$27.43 per sf full-service gross, an increase of 2.7 percent for the year. On-campus lease rates were

\$30.18 per sf FSG (up 3 percent), and off-campus lease rates were \$26.21 per sf FSG (up 1.7 percent).

**Growth and positive environment will result in increased activity.** Many real estate experts expect that medical facility construction and investment in the Denver market will continue at a healthy pace well into next year for a number of reasons.

The area has excellent population growth and consistently is ranked as one of the fastest-growing areas of the nation. Between 2004 and 2014, area population grew by 1.5 percent. By 2040, it's predicted that more than 7.7 million people will live in Colorado, an increase of nearly 3 million people since 2004.

The Denver/Boulder area also has a low unemployment rate and continues to add new jobs, including nearly 8,400 health care and wellness jobs in 2015. As of last fall,

It's a competitive environment and there are more buyers than ever, including new sources of capital such as private equity, real estate investment trusts, retailers and employers investing in networks.

the seasonally adjusted unemployment rate in the Denver/Boulder metro area was 3.5 percent, below the overall Colorado rate of 3.8 percent and well below the national rate of 5 percent.

The Denver market also consistently receives high marks in a number of areas from national organizations and publications. In their Emerging Trends in Real Estate 2015, the Urban Land Institute and PricewaterhouseCoopers ranked Denver fourth out of 75 cities in the categories of investment, development and homebuilding.

In summary, Denver's favorable demographics, low unemployment, and positive living and working environment, plus its reputation as a national leader in innovative technology and health care, should continue to fuel increased health care real estate activity in the years ahead.

## Craig

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with items from any faith.

Craig's PEAK Community Outpatient Rehabilitation Center doubled in size and

now features technology in the space. The floor of the therapy pool functions as an automated lift so that clients and patients in wheelchairs can be lowered into the pool, eliminating the

need for a separate transfer lift.

Although the footprint of Craig has expanded from 135,000 to 220,000 square feet, the patient capacity remains the same because the new

facility now offers private suites with ample space for family to visit and confer with physicians and the rehabilitation team. Reu said that the only pieces remaining to be completed

are Craig's outpatient clinic, outpatient therapy center, resident doctor's office, and kitchen and serverey renovations at the main cafeteria.

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