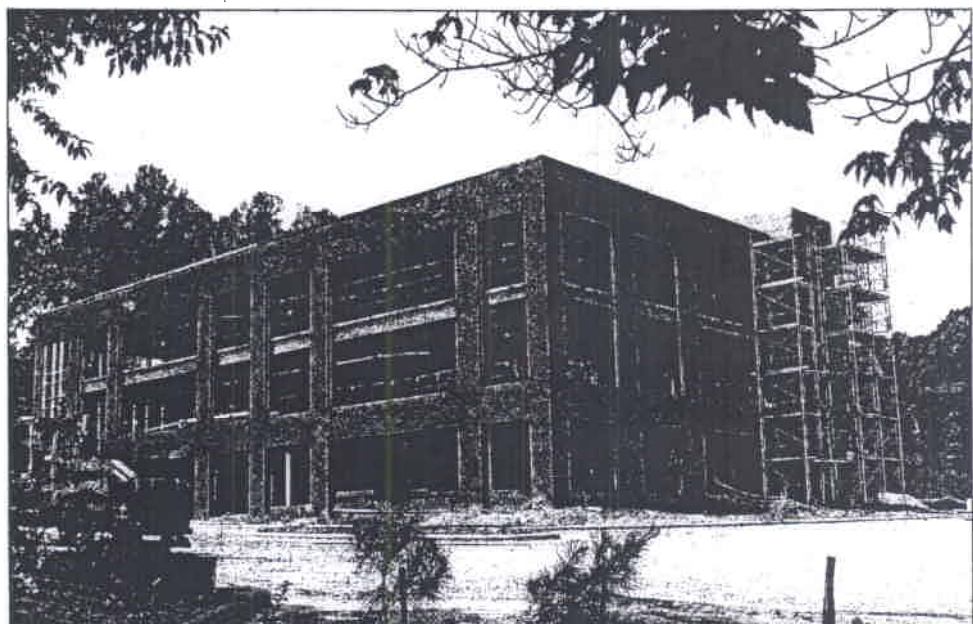


White Oak
reels more

Business Commercial Real Estate

MEDICAL PRACTICES | DEVELOPERS ARE BUILDING MORE



David Ammons says most of the space in his medical building off Lake Boone Trail in Raleigh is preleased. The Triangle's growth has led to an influx of doctors needing space, and developers have taken notice.

STAFF PHOTOS BY JOHN ROTTET

The doctors are in

Offices a bulwark for recovering builders

By STEVE CANNON
STAFF WRITER

Four months before he's scheduled to finish building a 38,000-square-foot medical office building off Lake Boone Trail in Raleigh, David Ammons has preleased most of the space to physician practices and is already planning his next project.

"I'm real tempted to just go and do five more buildings like I've done," said Ammons, who runs Retirement Living Associates, manager of Springmoor Life Care Retirement Community in Raleigh.

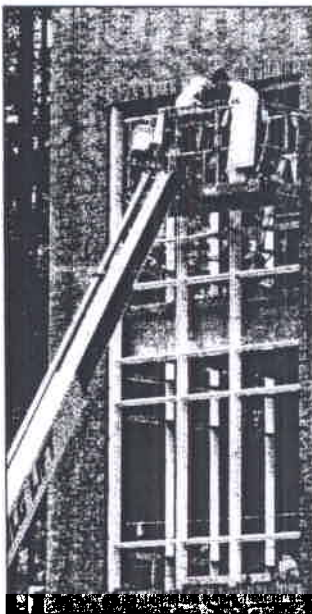
In Garner, Access Development is planning to buy 50 acres in White Oak Crossing to build housing, medical office space and potentially a wellness center for Rex Healthcare.

In Cary, JF Properties and Mikels & Jones Properties are planning 60,000 square feet of doctors' offices near Western Wake Medical Center.

And in Durham, Gary Hock leased a 21,000-square-foot building to Duke University Health System for its growing staff of doctors. Hock says he will start a new building next door after he has a signed lease from another Durham doctor group.

If that doesn't sound like a real-estate slump, it's because the health-care business in the Triangle is growing while other segments of the economy are stuck in a tepid recovery.

Rex Healthcare, for example, says it has about 900 doctors on staff this year, compared with 850 last summer. WakeMed has 789 doctors, up from 727 a year ago. The hospitals say that additional doctors and outpatient facilities they are building in Cary, North Raleigh and southern Wake and Johnston counties are needed to catch up with the Triangle's population growth and the spread of housing.



The work continues at Westvill Medical Center near Lake Boone Trail in Raleigh.

The hospitals' new construction makes lots of space for X-ray machines and surgery rooms, but not much for doctors.

That opens the door for private developers. Doctor groups make appealing renters because they have avoided economic slowdowns and generally seek leases of 10 years or more; many office leases turn over in three to five years.

Prokers and developers who specialize in medical offices estimate that vacancy has

remained near 5 percent, while vacancy in the general office market has jumped to nearly 14 percent in the last year. High vacancy has frozen most new office construction and left real-estate companies scrambling to find new projects.

Vacancy has stayed low in medical offices because of the strength of the health-care industry and because it didn't attract massive office development projects, even during the building boom in the late 1990s.

"The supply side never got way out of hand," said Joe Meir, president of Blue Ridge Realty, which is building a 40,000-square-foot medical building on Hardin and Blue Ridge roads. "What you don't see in medical office space is 100,000-square-foot speculative buildings getting dumped on the market."

The Triangle's biggest developers generally avoid the medical office market because it is a minor part of the commercial real-estate market — some brokers estimate that it makes up less than 10 percent of the Triangle's office space.

Most developers also avoid the medical office market because tenants can make peculiar demands on landlords, depending on what type of medical practice needs the space. For example, a pediatrician might need many small exam rooms, while a radiology practice would ask for a larger room for x-ray equipment.

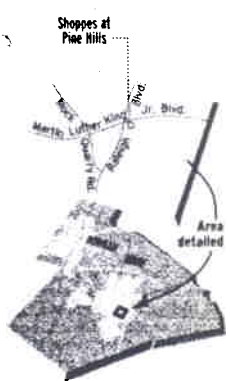
At Independence Park, across Roxboro Road from Durham Regional, Hock said he had a building sit empty for a year after a tenant moved out because he couldn't find another medical user that matched the space.

"You can't just go in and start building patient rooms," Hock said. "You've got to have a layout before you start; there's no way you could second-guess what the tenant wants."

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ON SITE

Each week we'll update a project in the Triangle.



WHAT: 70,000-square-foot shopping center

WHO: Ralph Urban Development I

DATES: Construction started November 2001, will open in October 2002

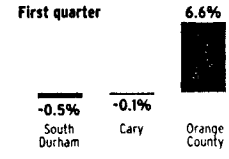
MAJOR TENANTS: Kroger

FOR THE RECORD

A weekly snapshot of various trends in the commercial real-estate market

OFFICE ABSORPTION*

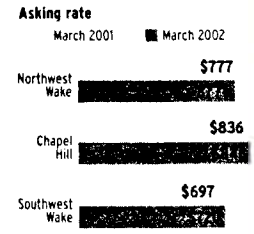
Most of the office space absorbed in the Orange County market came from companies moving into new buildings at Meadowmont on N.C. 54.



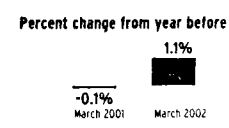
* Absorption is the increase or decrease in the amount of space leased in a market.

APARTMENT RENTS

Little demand for apartments and the opening of new communities in Northwest Wake, especially near Crabtree Valley Mall and in Brier Creek, helped push down asking rents in that market.



TRIANGLE JOB GROWTH



Source: Kames Research Co.