

# 10 QUESTIONS TO ASK BEFORE YOU SELECT A DEVELOPER FOR YOUR HOSPITAL OR MOB

By Murray W. Wolf

During the past five years, the staff of **Healthcare Real Estate Insights™** has interviewed hundreds of healthcare real estate developers and their clients. Naturally, every developer is happy to explain why their firm is different and better. In reality, however, they all have their strengths and weaknesses. So how can a prospective client make a first-rate selection?

Fortunately for the staff at **HREI™**, we don't actually hire developers; we only write about them.

But, if you do need to make that difficult decision, we can at least offer some questions that we think might help you make an informed choice.

**1 How much healthcare real experience does the firm have?** We have done several telephone interview projects and focus groups on this topic during the past several years, gathering insights from hundreds of clients. Nearly every client we have spoken to insists that sector-specific real estate experience is probably the single most important factor in the success or failure of a project. There are significant differences between healthcare and mainstream real estate developments, they contend, and it takes a bona fide expert to deliver optimal results.

**2 What is the scope of the developer's capabilities?** If you require a range of services, can the developer deliver? Clients typically need development, financing and program management capabilities and, for medical office buildings (MOBs) and other leased spaces, marketing, leasing and property management services. Up-to-date, specialized capabilities are required in every functional area.

**3 How much experience does the developer have with this specific product type?** General healthcare facility development experience is good, but not enough. Clients say that a developer should have experience with the specific product type, whether it is an MOB, ambulatory surgery center (ASC), acute care hospital or some other type of healthcare facility.

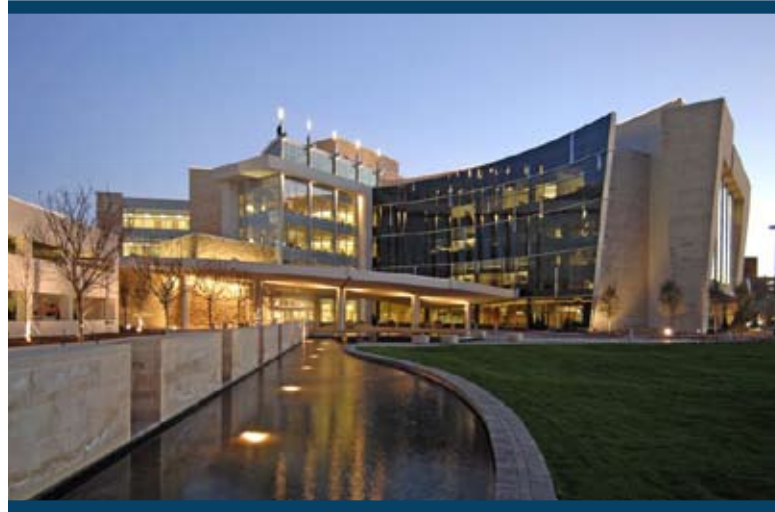
**4 Does the developer understand healthcare?** The developers and clients we have spoken with say it's not enough for a developer to understand healthcare real estate, it must also understand the healthcare industry. Developers should have a clear grasp of healthcare trends as well as regulatory, compliance and reimbursement issues, and they need to understand how those issues affect facilities planning, design and development.

**5 How are their finances?** Does the developer have the resources and relationships necessary to assist with financing, if necessary? Or, if the developer will end up owning the property, does it have the financial strength required to persevere as a long-term owner?

**6 What is the developer's reputation?** Does the developer have a strong reputation for quality and professionalism? This can be verified by touring past projects, as well as talking with references and other current and former clients.

**7 How will the developer treat physicians?** Physicians are the lifeblood of every hospital, so it is crucial to assess how a developer will interact with physician tenants. Even if the developer becomes the third-party owner, our sources tell us that the hospital will still be held accountable for the facility in the eyes of many physician tenants. Check with references and other current and former clients – including physician tenants – to get a handle on how a would-be developer measures up.

**For a serious medical condition  
you'd consult a specialist.**



**8 Will the developer finish the job on time, on budget and with quality?** Most clients don't even bother to mention this as a key issue, simply because it is treated as a given. Completing a project on time, on budget and with quality is a prerequisite simply for being considered. But a developer should be able to prove that it can satisfy this basic requirement through references, testimonials and project cases studies. Go ahead and talk to the developer's references; after all, in many cases they are hospital folks just like you, with the same concerns and needs.

**9 Is the developer's price competitive?** Surprisingly, our research with clients indicates that price is usually not one of top criteria for selecting a developer. The lowest price won't necessarily win the business for a developer – and might not yield the best results for the hospital client. But clients agree that prices need to be competitive and that price can be a deciding factor if all else is roughly equal.

**10 Will this be a good fit?** Even if a firm offers all of the above, the project probably won't be successful without a good cultural and personality fit between the developer and the client, clients insist. A developer should be easy to work with, compatible and responsive to the client's needs. Many clients have told us that they consider this to be the single most important factor in their decision.

These 10 questions, while important, are just the tip of the iceberg when it comes to conducting a thorough developer selection process.

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