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## Dated retail centers fill doctors' prescriptions for space

by Jill Jamieson-Nichols

A Denver-based real estate investment company is at the forefront of a move to turn dated, largely vacant retail centers into medical office space.

Baseline Investments successfully converted and sold a 100,000-square-foot property in South Bend, Ind., last year and has another project under way in Dallas. It's now trying to find a project that works in Denver.

"I would call it a true adaptive reuse of property," said Baseline Managing Partner David Puchi. "You can take a property that might be a current blight on the community, and instead of putting in a flea market, you put in a group of doctors. It really revitalizes that part of the community."

There are many reasons shopping centers no longer viable for retail can be good candidates for medical office, but the bottom line is there has to be demand.

"Doctors are looking for more convenience for their patients, and they're looking for lower rents because their reimbursements are being pushed down," said Puchi. A retail location could put them in close proximity to patients – with good parking and access – at a significantly lower cost than traditional medical office space, he said.

"What's great about it is we're providing space at 30 percent to 40 percent discounts over competing office product, so it's a significant discount," Puchi added.

The Indiana project was a good test case for the concept,



Denver-based Baseline Investments converted a 100,000-square-foot retail center in South Bend, Ind., to medical office space. It recently purchased another center in Dallas for medical conversion and is looking for prospects in Denver.

he said. Baseline Investments purchased the shopping center, which was outdated and 60 percent vacant, out of foreclosure. It identified a group of medical practices that agreed to purchase it after conversion.

The property was in a strategic location, away from the nearest hospital campus, but still close enough for easy access. The structure provided a good shell that Baseline was able to extensively renovate to create modern medical space with a look and feel suitable for medical practices. It sold the property for \$4.9 million. "It turned out to be an extremely good investment," said Puchi.

Because retail buildings almost always are single-story, convert-

ing them to medical office uses is far less expensive than trying to convert a multilevel office building, Puchi said.

The 37,000-sf Dallas property is in an area that has lost retail tenants to newer, more modern retail buildings. But the building is in a densely populated neighborhood with good demographics, on a main thoroughfare with good visibility. "At one time it was a pretty good retail center," said Puchi.

Because hospital systems are acquiring medical practices and wanting to maintain a presence close to their patients, Baseline Investments is talking to the city's four large hospital systems about establishing a satellite operation there.

"What's interesting about doing this and what we are finding is that doctors are looking for fairly simple things to improve their practices and provide better service to their clients. The basic concept of parking is a big deal," Puchi said. In addition to good parking, retail centers typically have good access and visibility, which doctors are looking for.

Baseline Investments, which has invested heavily in retail over the years, also sees another parallel between retail and medical properties. "With medical now driving traffic to their practices, having a good tenant mix is becoming more and more important," Puchi said.▲