

# Staking a bigger claim in med office

FAULKNER REAL ESTATE LOOKS TO ACQUIRE, DEVELOP \$100 MILLION ANNUALLY

By Jessica Griffith

**F**red Faulkner thought his years of experience as a developer of Class A office buildings would transfer easily to the medical office market.

## COMPANY PROFILE

"I thought it would be something like Coke introducing Diet Coke; I would just have a new customer base," says Mr. Faulkner, president and CEO of Faulkner Real Estate in Louisville, Ky. "We would just take what we knew about suburban office and lay it over medical office. But the two weren't similar at all."

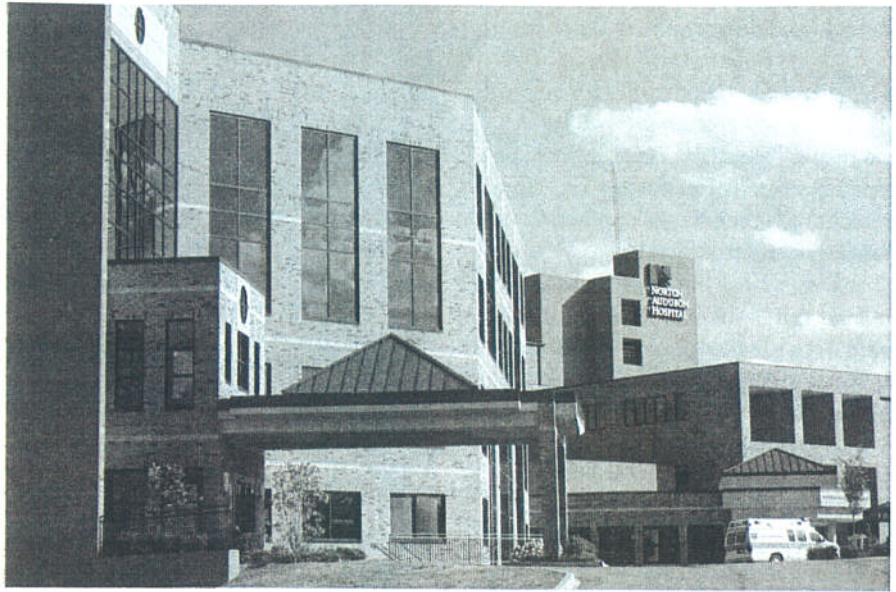
He says it took seven or eight years to get comfortable with medical real estate. Now, with multiple medical office buildings (MOBs) in his firm's portfolio and a solid local client, Mr. Faulkner is introducing a spinoff company and plans to develop or acquire \$100 million in medical office each year.

Mr. Faulkner hired David Laird, former managing director of Louisville-based Norton Enterprises, as executive vice president of the newly created Faulkner Healthcare Real Estate, which was formally launched May 1.

Faulkner's relationship with Norton Healthcare dates to the early 1990s, when the company developed its first MOB for what was then known as Galen Health Care.

"The relationship with Norton had the most to do with this decision," Mr. Faulkner says.

"It put us in the position to grow the healthcare division and gave us expertise in the industry."



Faulkner Real Estate's long relationship with Norton Healthcare has included projects on the campus of Norton Audubon Hospital in Louisville, Ky.

Photo courtesy of Faulkner Healthcare Real Estate.

## Timing was right

Faulkner Real Estate began developing office buildings in 1986, and the company, then known as HFH Inc., specialized in suburban office and grocery-anchored retail centers. Faulkner also developed large, mixed-use developments such as Landis Lakes TowneCenter in Louisville, which has more than 100,000 square feet of retail and office space.

In 1992, Faulkner developed an MOB for what is now Norton Suburban Hospital in Louisville, then purchased the existing MOB on campus and built the Women's Pavilion. Faulkner owns all three buildings in a partnership with Health Care Property Investors Inc. (NYSE: HCP), a real estate investment trust (REIT) based in Long Beach, Calif.

The timing of that first MOB deal was fortuitous. Healthcare systems were just beginning to divest their hospital real estate, and with reimbursement rates falling, they needed new ways to be profitable.

"We were ahead of the trend instead of pursuing it," Mr. Faulkner says. "We were fortunate in that we were already involved and committed when the market started coming into its own."

Mr. Faulkner recognized the potential of the healthcare market at the same time that Norton was preparing to sell some of its non-hospital real estate.

"As a hospital system, you need medical office buildings," says Russell Cox, chief operating officer of Norton Healthcare.

"We never wanted to get out of our involvement with those facilities, but we wanted to take the capital that we had invested in bricks and mortar and invest it in technology and patient-centric assets.

"Our relationship with Faulkner Real Estate was a key component in our ability to grow into the largest healthcare system in the region," he adds.

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