

INDUSTRY EXPERT OPINION REPORT

Michael Abrams President of Foulger Pratt Rockledge Medical Properties, LLC

Michael Abrams, President of Foulger Pratt Rockledge Medical Properties, LLC, Rockville MD, a major medical office building development company in the metropolitan Washington DC area.

Formerly Mr. Abrams was a principal at Rockledge Realty Partners. Mr. Abrams twenty-year career represents a cross section of experience in real estate development, acquisition, finance and management on both a principal and third party basis. Prior to forming Rockledge he served as founder and President of Carey Winston Realty Advisors an asset management and investment advisory subsidiary of the largest full service real estate company in Metropolitan Washington, DC.

AS A DEVELOPER, WHAT IS YOUR PREDICTION OF DEMAND FOR NEW MEDICAL CONDOMINIUMS IN THE WASHINGTON METRO AREA FOR THE NEXT YEAR OR TWO?

ABRAMS: There are several conflicting forces impacting the medical condo market over the immediate and near term. On the positive front, certain financing markets are becoming very attractive with practices able to borrow funds at about 5% and up to 90% of the project cost. This compares favorably with the cost to lease. Physician practices have also experienced generally good conditions compared to other aspects of the economy which have suffered worse over the past few years. For example you don't hear about large layoffs by hospitals or physician groups. However, healthcare uncertainty - while better since the passage of the 2010 healthcare bill - still permeates the decision making process for individual practitioners.



AS YOU KNOW, THERE ARE SIGNIFICANT SHIFTS IMPACTING MEDICAL DELIVERY SYSTEMS: OUTSOURCED MEDICAL SERVICES FROM HOSPITALS, THE ADVANCING AGE OF THE BABY BOOMER GENERATION, THE RECENT HEALTHCARE LEGISLATION. CAN YOU COMMENT ON THE IMPACT OF THESE TRENDS ON DEVELOPING MEDICAL BUILDINGS?

ABRAMS: We see a trend toward consolidating practice groups into larger sizes and toward greater hospital employment of physicians. Both of these trends point away from the condo model as a vehicle for physician occupancy. Larger groups tend not to own in this manner and hospitals tend to own entire buildings



NOTABLE MEDICAL TRANSACTIONS

- » GW looks to add 450 doctors and buys 120,000 SF
- » Inova to add 200 doctors
- » Medstar to buy Cardiology Associates
- » Kaiser buys vacant buildings in Tysons Corner and Gaithersburg

RECENT CLOSING



Price: \$1,950,000 | Cap Rate: 7.67%

Closed 4/2010

ALL PEDIATRICS | LORTON VA (Medical Office Condo)

Stable income producing, new asset. Buyer had an immediate 1031 requirement. Seller maximized returns on a medical condo net lease.

or lease space. We anticipate a greater orientation by health care systems to delivering services off campus in integrated settings where a variety of medical services are provided in a more unified way rather than a building with a collection of unrelated physicians who may or may not be part of an integrated approach to care.

GIVEN THESE TRENDS, WHAT IS YOUR PREDICTION OF DEMAND FOR NEW FREE-STANDING OUTPATIENT, URGENT CARE, AND MEDICAL CLINIC FACILITIES?

ABRAMS: I think there will be a greater demand for these services but they will not be isolated from other services such as primary care imaging and other major practice types. Providers are being incentivized to provide “accountable care organizations” which are networks of hospitals and doctors with financial responsibility for their care. This will likely reshape how doctors and hospitals physically organize and where they will locate. We anticipate a much more “retail” approach to the delivery of services under this model.

FOR MORE INFORMATION

MICHAEL ABRAMS | *President*
Foulger Pratt Rockledge Medical Properties, LLC
Tel. (222) 222-2222 | Fax (222) 222-2222
email

WINSTON ORZECOWSKI | *Research Director*
Calkain Companies, Inc.
Tel. (703) 787-4714 | Fax (703) 787-4783
worzechowski@calkain.com

**CALKAIN
COMPANIES,
INC.** | WASHINGTON, DC
FLORIDA
MARYLAND
DELAWARE