

New office project eyed for Med Center

Health care hotbed of city continues to expand

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San Antonio's growth may be spreading in all directions, but there is further evidence that the hub of its health care research and treatment remains firmly planted atop some rolling hills on the Northwest Side. More importantly, that hub, like the city, is growing as new corridors of activity continue to attract more players.

The latest player to take interest in the South Texas Medical Center area is Cary, N.C.-based Oaks Development Group. That firm is currently laying the groundwork for what will be its first San Antonio office project.

Kerry Angus, partner and general counsel for Oaks Development, has unveiled plans for a new medical office structure that would be situated on one of the four corners where Floyd Curl Drive intersects Hamilton Wolfe Road -- just outside the boundaries of the Medical Center.

The project will span roughly 105,000 square feet of space over three floors. And construction is set to begin as soon as Oaks has 50 percent of the project pre-leased.

Based on the interest generated thus far, Angus believes his firm could begin to turn dirt as soon as this fall.

Sarah B. Teel is the exclusive broker for Oaks and its Texas projects -- including the medical office building planned for San Antonio.

She is also president of San Antonio-based MSL Investments.

"Oaks is truly committed to the San Antonio market," she says, noting that the Alamo City project will be developed under a hybrid ownership model that differs from more common office condo approaches.

Development costs were unavailable at press time.

Red hot

Although San Antonio, in the eyes of the development world, was off the radar screen for years, Teel and others say the Alamo City is now recognized as a hotbed of real estate activity.

And one of its hot zones is health care.

Jim Reed is president of the San Antonio Medical Foundation, a nonprofit organization largely responsible for helping to create what is now the Medical Center. The organization continues to control hundreds of acres of real estate in the Medical Center area.

Late last month, Reed released the Medical Foundation's 2007 Medical Center Area Progress Report. Reed says, in summarizing the report, that the area is experiencing "continued robust growth."

Reed says his organization currently controls roughly 200 acres on the remaining three corners at the Floyd Curl/Hamilton Wolfe intersection. At one point, he says the Medical Foundation considered acquiring the land where the Oaks project is slated to be built.

"I inquired about buying that property," Reed explains, adding that the cost proved to be too great.

Others have taken a strong interest in the Floyd Curl corridor stretching from Hamilton Wolfe to Huebner Road. That corridor is already home to the San Antonio Spurs practice facility, a 133,000-square-foot Texas Center for Athletes, the Texas Cancer Clinic and a new 62-bed LifeCare Hospital.

The Oaks project would anchor the opposite end of that corridor. And there is plenty of undeveloped land nearby.

The Medical Foundation, Reed explains, will ultimately determine how -- or if -- much of that land is developed.

"We have received numerous inquiries on that land," Reed notes. "But we're a nonprofit looking to improve the Medical Center.

"Our interest is in education and research," he continues. "We're not a for-profit looking to do commercial development."

Ownership plan

In its Submarket Profiles report on medical office space, NAI REOC Partners notes that new development is pushing the footprint of the Medical Center area into new territory.

According to that report, nearly half of the 5.3 million square feet of tracked medical office space that currently exists in the city is situated in the Medical Center area.

Teel says Oaks is eyeing individual physicians, physician groups and rehabilitation centers for the San Antonio project.

In addition to providing tenants a first-rate property in proximity to the Medical Center, Oaks is offering them a stake in the limited liability company that will own the development. Under the Oaks model, 50 percent of each LLC that owns a property is controlled by the tenants.

The remaining 50 percent ownership is split between the development firm and its pool of investors.

To date, Oaks boasts 297 investment partners and 42 properties. Its portfolio of properties is presently 88 percent occupied.

Both Angus and Teel stress that, unlike some developers who build an asset with an intent to sell, Oaks' plan is to be a long-term investor in the San Antonio project.

Reed says this latest project along Floyd Curl could spur interest among developers looking to do a project that does fit the Medical Foundation's criteria. But other factors could impact such expansion.

Reed says fiscal realities are pushing more nonprofit health care entities to team up with for-profit partners, complicating real estate deals involving Medical Foundation land.

Says Reed, "That's a new challenge for us moving forward."

Emerging health care corridor

Where: Floyd Curl Drive between Hamilton Wolfe Road and Huebner Road

What: Stretch of real estate just beyond the borders of the South Texas Medical Center that is home to a growing number of health care facilities

New development: North Carolina-based Oaks Development Group plans to construct a 105,000-square-foot medical office building at Floyd Curl and Hamilton Wolfe.