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N. Austin medical offices in the works

New office building a rarity in recession

Austin Business Journal - by [Kate Harrington](#) ABJ Staff



Submitted Rendering

Cedar Bend is about 30 percent pre-leased. Once a few more tenants are secured, dirt will turn.

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An Austin developer is planning a new medical office building that will capitalize on the medical growth occurring in North Austin.

Live Oak-Gottesman LLC is developing and marketing the Cedar Bend Professional Center, which will span 70,000 square feet and house medical and professional offices. The building will sit at the northeast corner of Cedar Bend Drive and MoPac Expressway near St. David HealthCare's North Austin Medical Center.

"Our goal is to take advantage of the demand that will come from physicians wanting highly visible office space and to be in close proximity to the hospital," said Sage Gortmaker, senior leasing associate for Cedar Bend Professional Center and Live Oak-Gottesman. "Cedar Bend is easy for patients to find and easy for doctors to get to. ... We intend to work with our neighbor, St. David's, to achieve our goal."

In April, the North Austin Medical Center opened a 121,000-square-foot addition dedicated to women's care and neonatal units.

Steve Younkman, principal and chief financial officer of Live Oak-Gottesman, said the company has a site development permit for the planned building and is trying to increase the number of pre-leased tenants before breaking ground.

Cedar Bend's pre-leased tenants are Capital Otolaryngology, Renu Austin and the Nasal and Sinus Center, which bring it to 30 percent pre-leased. Younkman said Live Oak-Gottesman is talking to several other prospects that, if they sign on, will spur the building's groundbreaking. Once construction starts, it will take about a year to complete, he said.

STG Design is the building's architect and Consort Inc. is the civil engineer.

According to an April market report from Marcus & Millichap Real Estate Investment Services Inc., the medical office sector has remained relatively healthy in the down economy. Medical office properties continue to garner investment demand, the report said, in large part due to the health care industry itself.

The nation spends more than \$2 trillion on health care annually, the report said, and it predicts that people will continue to seek medical care for illness and preventive reasons.

Norman Gelfand, president of the Gelfand Group, which specializes in medical office properties, agrees that health care is the bright spot of the real estate industry, but that "it's not a bright bulb."

The medical office sector could be headed for a slowdown because medical groups are putting plans on hold and are nervously adopting a wait-and-see attitude about potential federal changes to the national health care landscape, Gelfand said.

Younkman said Live Oak-Gottesman has been working on the building's plans for more than a year, and despite the down economy, the company is hoping to take advantage of lower construction costs. The building has received Leadership in Energy and Environmental Design Silver pre-certification, which he said should give it a boost in the leasing process. He declined to say how much will be invested to build Cedar Bend.

"When we first thought about this project a year and a half ago, we wondered if we wanted to do this," Younkman said of pursuing LEED certification. "But as we've gone down the path, it's become a major issue. For some larger companies, it's a must-have. ... I think if you're not LEED certified, you're behind the competition."

Courtesy of JB Goodwin