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By Donald Greenhalgh - Proving that the right type of construction project can still be built in today's economy

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As a CPA working closely with real estate owners and developers, one sees first-hand how tight financing and vacancies have impacted the market, especially in the healthcare industry. There is relatively little new development in the local pipeline right now. One exception, however, is The Beal Companies who recently broke ground on a new 90,000 s/f clinic for Massachusetts Eye and Ear. This project illustrates how the right project can still be built in spite of market constraints.

From a business advisor's perspective, several factors came into play for this project to come to fruition:

Location

Location, of course, is always key. Mass. Eye and Ear was looking to expand into the heart of Boston's Longwood medical district and Beal's property at 800 Huntington Ave. meets that requirement perfectly. In addition, Mass. Eye and Ear Infirmary (MEEI) already has a close relationship with Mass. General Hospital, which is adjacent to the MEEI on Charles St. A Longwood location creates an opportunity to expand its market by locating closer to the other major teaching hospitals in the Longwood Medical Area

Terms

Lease terms and communication with local officials further set the stage. Beal was able to finance the project in an economic cycle where few projects are being finalized in part because of the premiere location, but also because Mass. Eye and Ear has agreed to a long-term lease. At the same time, Beal worked with local officials and the community to make sure that the size and scope of the project was appropriate and was then able to obtain the necessary permits.

Reputation

Beal's reputation for building first-rate medical facilities instills confidence. Of the 3.5 million square feet of commercial space owned and managed by the company in the Boston area, 1.5 million s/f are life science and medical offices. Massachusetts General Hospital West in Waltham is just one example. The Beal Cos. and Mass. Eye and Ear plan to make the new facility a top-notch medical clinic that incorporates the latest technology. To ensure the highest quality, Beal principals will remain involved through every step as the project is built.

Strategy

Beal is also looking at ways to further enhance the success of this venture. For example, the company may undertake a cost-segregation study, which is used to accelerate depreciation on various components of a project. Rather than depreciating the entire project over 39 years, using the straight-line depreciation method, the cost-segregation study will break out land improvements, which can be depreciated over 15 years, and personal property, which can be depreciated over five or seven years.

As the old adage goes, you don't necessarily have to work harder, just smarter. Taken individually, none of the factors involved with this project are new. Collectively, however, they demonstrate how real estate owners and developers have to be that much more precise in terms of their business strategies.

Whereas maybe one or two of these things would have been enough to land a project in the past, now you need all of them and then some to maintain a competitive edge. The right project can still be built. It just requires the ability to identify opportunities and anticipate challenges further in advance.

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