

Strategic Real Estate Services for the Healthcare Community

Our conversation with David G. Laird, Partner and Executive Vice President of Faulkner Healthcare Real Estate, a healthcare real estate development, management and construction firm.

David Laird joined Faulkner Healthcare Real Estate in 2006, following a long career inside the healthcare industry. His broad expertise encompasses being president of five different hospitals. Most notably, Laird worked with Norton Healthcare and University Hospital here in Louisville. "My experience as a hospital administrator included 18 years with Humana and eight years at Norton Healthcare. I guess in Louisville, I'm pretty unique in the fact that I've run three hospitals: Suburban Hospital from 1983 to 1986, University Hospital from 1986 to 1990, and Norton for two years of my eight-year tenure."



David G. Laird

Laird's Humana experience included his involvement in the development of hospital networks in Europe, including facilities in London, Geneva and Madrid. He was also responsible for managing a hospital cluster in Florida during his time at Humana.

In early 2006, Fred D. Faulkner formed a new company – Faulkner Healthcare Real Estate – that is specifically targeted to the development and acquisition of healthcare-related real estate, such as medical office buildings and other healthcare real estate ventures. Laird joined Fred Faulkner later that year. "Fred's been in healthcare real estate for 15 years," says Laird. "Over those 15 years, the healthcare portion had grown into 50% of the business, and his relationship with Norton was growing." Faulkner consulted with Laird – and Laird agreed that the business could grow similarly with clients other than Norton. That's when their partnership was born.

"Hospitals are really challenged – they've never had enough capital to do everything that they want to do or need to do," observes Laird. "Faulkner works with our clients in several different ways. We buy building assets that may not be used for hospital purposes only, like medical office buildings. Not-for-profit

hospitals finance themselves through tax-free bonds, and that's great for hospital activities. But office building projects don't cost as much as hospitals -- hospitals are expensive to build because of their specific code requirements. If you can build a less expensive building, like a medical office building, and put non-hospital-critical activities into that medical office building, then you're saving the expensive square feet within the hospital for services and activities that are really necessary within the hospital walls."

"We offer conservative organizations breakthrough ideas and aggressive timetables that help [clients] solve their facilities challenges."

Laird continues, "If you can take the expensive square feet and make it less expensive by taking it out of the hospital, then we're more than happy to develop those buildings that, in effect, lower the cost per square foot in aggregate of what a hospital has. We can do that by developing a building on campus with the hospital. We've done that multiple times – I believe we've built three buildings for Norton Healthcare (Suburban Plaza 2 and 3 and Audubon West). In addition, sometimes buildings that hospitals own, like medical office buildings, are not maintained to the standard that they should be. Those get to the point where they're so expensive to renovate that it becomes easier to sell that asset off and have the new owner incur that capital cost so that the hospital doesn't."

Faulkner then has the capacity to convert properties into a valuable asset for the new buyer. "We can then renovate the property, improve it, provide tenant improvement allowances (incentives for existing tenants to stay after end of the lease and get the space refurbished)," notes Laird. "We invest continually in the clients that remain. We make these properties first-class buildings again -- so that physicians want to stay there. As a result, all of our properties are full. We can charge reasonable rents and provide knowledgeable service for our clients."

We asked Laird who might be his

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ideal client. "Our ideal client is someone who has a need to expand the hospital and is in a growing market," says Laird. "They typically have more doctors requiring more space than is available. We love solving problems for the hospital with their medical office building by trying to understand their strategy and what they're trying to achieve. With my 35 years experience in healthcare, we can give them a summation of what's been tried by others on a gratis basis so they can learn from what others have done."

Laird continues, "My role is a complete entrepreneurial role, which is different than most large-scale organizations. What we do is we understand the risk of a transaction. Every day we come to work seeking solutions for our clients. And as such, we work with various different healthcare systems to try to figure out how to help them. We offer conservative organizations breakthrough ideas and aggressive timetables that help them solve their facilities challenges."

What makes Faulkner unique? "The differentiation that we have is an experienced healthcare provider onboard who understands how healthcare facility development works, based on my experience with Humana and Norton Healthcare," observes Laird. "My former role at Norton Healthcare was as a strategic planner – a skill that helps hospitals leverage their funding to meet their facilities needs."

Laird continues, "We are figuring out the strategic importance of exactly what our clients want to do with their facilities.

We are asking them what services they are trying to provide. We want to know how can we put this together in an economic model and get it done so that our clients can have their building needs met in the shortest time possible."

Faulkner is an end-to-end real estate service provider. "We finance these transactions, and then we manage the real estate after the fact," says Laird. "That's very important to us. Lots of companies that buy buildings don't want the day-to-day operational management responsibility. We think it's critical for us to manage these properties in an exceptional way. We can then grow our business and attract more healthcare clients."

And what is the future for Faulkner? "I think we'll evolve to be regional in dealing with not-for-profit healthcare organizations. And we will probably grow into the northeast market because there is less competition within our business model in that region," says Laird.

He continues, "The nice thing is that I've had a lot of healthcare experiences over the years and worked with a lot of different people in different settings. I really do enjoy working in healthcare. I like to think that if I do my job correctly, then healthcare systems will be better run. And if healthcare systems are better run, they're more efficient. If they're more efficient, I think patient care can improve under the experienced guidance of the physicians who provide that care." ■