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Hospitals to spend \$6B upgrading facilities

New York City's hospitals are expected to invest \$6.3 billion on construction projects over the next two years, according to a new report.

The massive amount of spending comes in the face of rapid change in the healthcare industry that will see hospitals add roughly two million square feet of hospital space to expand primary and outpatient care and replace core inpatient facilities.

"What our survey and research revealed is that much of the construction activity is being driven by a healthcare sector that is changing be-

fore our eyes," said Richard T. Anderson, president of the New York Building Congress which commissioned the report, called

Healthy City: Inside New York City's Hospital Building Boom.

The Building Congress forecasts healthcare construction spending in New York City will reach nearly \$3 billion in 2016 and increase to slightly more than \$3.3 billion in 2017. The spending forecast



RICHARD ANDERSON

for 2018 through 2020 is less certain but points to a decline, largely because many hospitals are still in the capital planning phase of the budgeting process.

"New York City's large hospital systems are consolidating, adding new services, and expanding well beyond their historic borders throughout the City to transform how they deliver healthcare," said

Anderson. "And the types of investments they are making reflect this."

With nearly 25,000 beds and 35,000 on-call doctors, New York City hospitals handle more than three million emergency room visits, one million admissions, and close to 250,000 inpatient and 500,000 outpatient surgery cases every year.

According to The Advisory Board, which performs strategic research for the healthcare industry, between 2014 and 2024, inpatient discharges in New York City hospitals are

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expected to grow by nearly six percent, while the number of outpatient visits could increase by as much as 27 percent.

To accommodate growth, hospitals have been building to modernize, expand, and respond to market forces and rapid changes in healthcare delivery. The respondents to survey reported \$4.9 billion in capital investments from 2013 through 2015. Overall, the report estimates that total hospital construction activity

topped \$2 billion annually over that three-year period.

The respondents included Montefiore Health System, Mount Sinai Health System, New York-Presbyterian Hospital, Northwell Health, NYC Health + Hospitals, and NYU Langone Medical Center.

The survey found that as insurance reimbursements to hospitals increasingly weigh patient outcomes and readmission rates, hospitals have turned to adding primary care and new outpatient services, focusing on prevention of

illness. The report notes that New York City's healthcare sector contributes \$40 billion to the Gross City Product (GCP), with hospitals generating nearly half the total output of all healthcare spending. Hospitals also accounted for 160,000 jobs and over \$13 billion in 2015.

The market value of all hospital property currently exceeds \$14.4 billion. The Congress analyzed the direct and indirect impacts of hospital construction.

In 2013 and 2014, when

capital spending was estimated at approximately \$2 billion per year, the effect on business revenues of all New York City firms associated

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with healthcare construction projects reached \$3 billion and rose to \$3.1 billion in 2015. By year-end 2016,

when direct capital spending by hospitals is expected to reach \$3 billion, \$4.4 billion in business revenues will likely have been generated,

followed by nearly \$4.9 billion in total output in 2017.

The impact on employment is equally significant. The Congress anticipates that capital spending on hospitals will generate 11,700 construc-

tion jobs in 2016 and more than 13,000 construction jobs in 2017. Factoring in the employment impacts on associated industries, the total employment effect amounts to 19,400 jobs in 2016 and 21,400 in 2017.

"Hospitals and other healthcare facilities are among the most expensive facilities to construct," said Anderson. As a consequence, the ripple effect of these capital expenditures on New York City's economy is exceptionally large, generating increases in employment, output, and earnings across a wide array of industries."