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Med clinics replace banks as retail anchors

Landlords cheer as urgent-care centers boom.

[Adrienne Pasquarelli](#)

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A storefront opened in the commercial heart of trendy Williamsburg in mid-August. Like its retail neighbors, the shop on Driggs Avenue, a stone's throw from the bustling Bedford Avenue L train station, features plenty of dark wood, exposed brick and cushy furniture. But unlike the others, it doesn't peddle ironic T-shirts, exotic coffee or elaborate cocktails. It sells medical expertise.

The shop is the first Brooklyn location for UMD Urgent Medical Care, a rapidly expanding chain that now has outposts in Queens, Brooklyn and Manhattan. A few weeks ago, CityMD, a similar chain, opened a storefront a few blocks away on North Seventh Street—across from a ground-floor space occupied by Beth Israel Medical Group.

"Urgent care is a volume-based business that needs to be visible to the customer so they see it every day and feel comfortable with it," said Benjamin Birnbaum, the senior managing director at Newmark Grubb Knight Frank Retail who represented CityMD in the North Seventh deal. "Being tucked away on the fourth floor of an office building is a thing of the past."

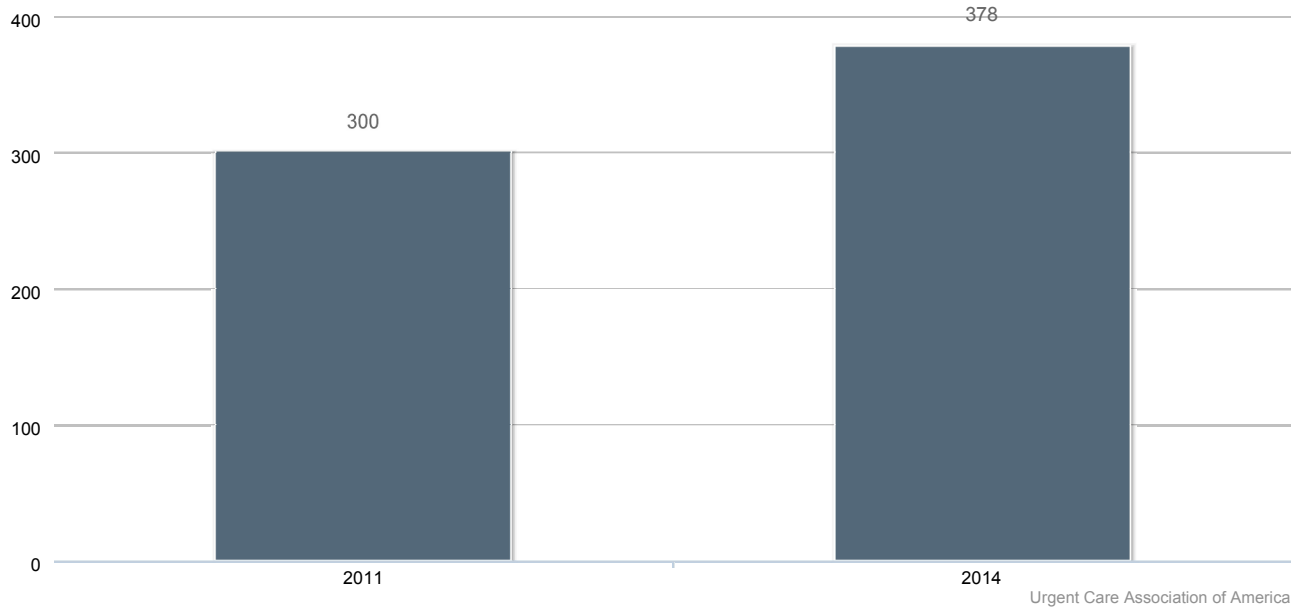
Popular for their medical know-how, flexible hours and efficiency—especially compared with overcrowded hospital emergency rooms—the number of urgent-care centers is exploding in New York City. There are now 30 such facilities in the city, with dozens more expected in the next 12 months. There are 378 in New York state, a 26% increase from 2011, according to Naperville, Ill.-based Urgent Care Association of America.



Buck Ennis

CityMD's Dr. Nedal Shami has a penchant for getting into new markets on the ground floor.

Number of urgent care centers in New York state



Relying on walk-in traffic like other retailers, these centers range in size from 2,000 to 6,000 square feet, and often choose prime, high-rent ground-floor locations in order to advertise their presence. Most are popping up in hip areas that are teeming with young families, such as Williamsburg and Sunnyside, Queens. Most residents in these neighborhoods are new to the area, and many grew up in places where they relied on family doctors. The clinics fill the medical needs of young professionals who haven't yet found their own local medical practitioners.

"There are probably five people left in Williamsburg who've lived there for the last five years or more—everyone's a transplant," said Tim King, managing partner at CPEX Real Estate. "They don't have the history of a family doctor, so this offers the convenience of not having to establish that relationship."

'ZIP ON OVER'

Take Trevor Lazarus, who moved to Boerum Hill nearly four years ago but continued to see his family doctor back home in Houston for annual physicals during holiday visits. In July, however, the 26-year-old editorial designer suddenly needed more immediate help after sustaining an injury and potential infection. That's when he visited a CityMD office. It was one of a handful of visits he's made to urgent-care centers since relocating to New York.

"They can't do everything, but in a pinch they're really good to have," he said. "I just zip on over and they'll see me right away on a Sunday morning or a Saturday evening."

A decade ago, it was the rapidly growing banks that were taking large, visible locations on main thoroughfares across the city. Now, as the bank wave recedes—the number of U.S. branches fell to 94,725 as of June 30, its lowest figure since 2005 and the fifth annual decline in a row, according to a recent report—urgent-care centers are the new credit-worthy tenants ready to pick up the slack.

"We're viewing them as the new banks," said Ryan Condren, managing director at CPEX, noting that he is receiving daily calls from urgent-care centers looking for space. "In the last cycle, we were seeing a lot of banks opening up, and these guys have come in and taken over that niche."

Brokers said that landlords are keen to rent to urgent-care centers because they provide a clean, quiet use for the space, keep reasonable hours and are viewed as an amenity for a building and its neighborhood.

But such ventures can be costly. In order to fit in with hip areas and offer more of a high-end vibe than a charmless physician's office, much less a hospital, urgent-care centers are paying quite a bit for construction and decor. They are also spending on dividing large spaces into smaller, private rooms for patients.

BIGGEST DOCS

	Launched NYC locations	
CityMD	2010	32 (additional 13 planned) ¹
UMD Urgent Medical Care	2012	3
Urgent Care Manhattan	2010	2
Urgent-MD Family Urgent Care Centers	2013	1 (additional 2 planned)

¹ Includes New York City area

Neil Kugelman, chief executive and co-founder of Urgent-MD Family Urgent Care Centers, said his locations have between seven and 11 rooms. The chain, which opened its first center last year, has storefronts in Queens and on Long Island. Two are scheduled to open in Brooklyn before the end of the year.

Mr. Kugelman estimated that his company, which also supplies bottles of water for patients and toys for children at the offices, spends between \$1 million and \$1.3 million per location on building costs.

"Our retail [experience] is probably closer to a Nordstrom than it is to a typical physician's office," he said.

The way to manage high costs is to see more patients. Four-year-old CityMD now has 32 locations in the metro area, many in key and expensive markets. Nine more outposts are currently under construction, with another 20 in the works for next year, said Dr. Nedal Shami, chief operating officer. He noted that the brand focuses on quality and speed so that it can deliver the fastest care possible.

"Although [ground-floor] rents can be higher than your second and third floors, typically you'll see higher volumes," he said. "Being on the ground floor allows the community to know we're there if they need us, 365 days a year, seven days a week."

HIGHER OPERATING COSTS

Expensive rents, however, could begin to take a toll, especially as more companies enter the market. To date, there are several different firms, many with similar names, vying for retail space in the Big Apple, much as banks used to do. Each is keen to establish a branded presence and produce enough patient loyalty for repeat visits.

But because reimbursement costs are fixed by insurance companies and don't vary from office to office, experts expect some facilities to begin incorporating more services into their mix. For example, a center could offer chronic-care management for conditions such as diabetes, or delve into more elective areas such as laser hair removal and Botox applications, or help customers with losing weight or quitting smoking.

"With increased operating costs but without increased reimbursement, they're going to have to see more volume or find higher-margin services to offer through those same physical locations," said Alan Ayers, practice management adviser and board member of the Urgent Care Association.



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