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COMMERCIAL REAL ESTATE

Trading Hospital Rooms for Hotel Suites

Square Feet

By C.J. HUGHES DEC. 20, 2016

When out-of-town patients used to travel to NewYork-Presbyterian Hospital, some would find that their best option for staying close to the hospital for early-morning surgery involved a trip over the George Washington Bridge from [New Jersey](#).

Enter the Edge Hotel, a 54-room property that opened in the fall of 2015 in Upper [Manhattan](#), an area with few other lodgings.

As patients increasingly travel to and across the United States for medical treatment, developers are seizing on the benefits of situating hotels near major medical centers, many of which are in hotel-starved outskirts.

About eight miles from Times Square, the Edge has exceeded expectations, said Ari Sherizen, the operating partner of Edge Property Group, its developer. The hotel has had a steady occupancy rate of more than 80 percent since it opened a block and a half from the hospital, Mr. Sherizen said.

And NewYork-Presbyterian, which has ties to Columbia and Cornell Universities, has proved to be a valuable partner by referring people to stay there. About 90 percent of the Edge's customers have had ties to the hospital, including potential medical students, visiting professors and pharmaceutical sales representatives, Mr. Sherizen said.

The Edge, which cost \$20 million to develop and is operated by Trust Hospitality, has had to meet challenges many hotels might never face. On a recent afternoon, when Mr. Sherizen was in the lobby waiting to meet a contractor, he observed a guest from the Midwest sobbing because her son had died, prompting a hug from the receptionist.

“Our staff has to be really attuned to what people are going through emotionally,” he said.

While so-called medical tourists have been around for years, seeking out treatment at specialized hospitals far from their homes, their numbers have increased in recent years as baby boomers age, creating more customers.

“Medical procedures that used to require multiple stays are now being done in much less invasive ways, and they require a lot less recovery than they used to,” said Daniel C. Peek, a senior managing director at HFF, a commercial real estate firm. “And if a recovering patient needs to go back just twice a week, it’s probably better for the hospitals if they stay in a hotel.”

While the Edge’s rates of \$100 to \$300 a night may appeal to a range of travel budgets, the InterContinental Houston Medical Center luxury hotel, which is under construction across the street from the Texas Medical Center, is targeting a higher-end clientele in an area where a handful of midmarket options already exist.

Rising on a former parking lot between an existing Wyndham hotel and a Best Western property, the 353-room, 21-story InterContinental is the creation of a partnership of Greystar and TRC Capital Partners, and Medistar Corporation, a development firm that typically builds medical facilities but is branching into hospital-hotels.

“The American health care system has more international appeal than ever,” said Kelly Lindig, the vice president for development and acquisitions at Medistar. And a place like the MD Anderson Cancer Center, one of several facilities clustered at the sprawling Texas Medical Center, is a huge draw globally, Mr. Lindig said.

Selecting InterContinental Hotels and Resorts, a British company with hotels in dozens of countries, to run the place was a logical choice. “It is a brand that is uniquely perceived overseas,” he said.

And InterContinental — owner of brands like Holiday Inn and Candlewood Suites, which offers extended-stay properties — is capitalizing on the medical tourism market. Seven of its properties, including in Irvine, Calif.; Kansas City, Kan.; and Phoenix, have opened on hospital campuses or right next to them in the last 16 years, said Ada Hatzios, a spokeswoman.

At the Houston hotel that is under construction, amenities under consideration include an on-site lab where guests can get their blood drawn in advance of checkups at the hospital, which is across the street.

Medistar is also looking to provide options for patients who need to stay in Houston for many months, for, say, [chemotherapy](#) treatments. For them, it is constructing a 375-unit, 34-story apartment building that will share a lobby with the coming hotel. Rooms, with washers and dryers, will be rentable by the month, and studios will start at about \$1,300, Mr. Lindig said. Three-bedroom apartments for families will also be available. The \$200 million combined project is set to open in late 2018.

The needs of patients also factored prominently into the design of the Holiday Inn Cleveland Clinic, a 276-room, nine-story property that opened in May at the hospital, a few miles from the city's downtown.

Developed and owned by Murphy Development Group, based in Chicago, the \$50 million hotel sits on land leased from the hospital that used to contain a church. Its rooms replace those lost when the clinic's Guesthouse, a dated brown-brick structure, was demolished to make way for Case Western Reserve University educational buildings.

Tables in a lobby-level cafe are positioned at different heights, to accommodate those who might be in wheelchairs, said John T. Murphy, the company's chief executive. Rooms have more electrical outlets than usual in case people need to plug in respirators or other equipment, he said. In 2016, about 60 percent of hotel customers were patients or family members of patients, he added.

For hospitals, the economics to get patients out from under their roofs is compelling, Mr. Murphy said. Housing some patients can cost up to \$2,500 a night; the Cleveland's new Holiday Inn is around \$250. And patients are often more comfortable outside a hospital's walls, too.

"It's very rewarding to see this stuff work," said Mr. Murphy, whose firm has historically been focused on traditional condos and rentals, but which is switching gears to construct more hospital-hotels. "What appears to be a pioneering trend for the few will soon become a 'minimum must-have' for many" hospitals, he said.

While other hospital-hotel projects are planned or underway in Baltimore, Pittsburgh and Rochester, Minn., home to the Mayo Clinic, the Cleveland Clinic seemed to grasp the trend's potential early on.

In 1974, during a major expansion, its campus welcomed the Park Plaza Hotel, which had 450 rooms, many of them tiny, and a medieval-themed restaurant. Later known as the Omni International Hotel, it was demolished in 2000 to make way for the 294-room InterContinental Cleveland, which the clinic owns. It offers a 500-seat amphitheater and is connected to the hospital by an enclosed bridge. In 1998, the hospital added the 152-room InterContinental Suites Hotel Cleveland, also on the property.

At a hospital where the average length of stay for inpatients is seven days, the hotels "are a very nice complement," said William M. Peacock III, the chief of operations for the clinic, which is known for its cardiology care and organ transplants.

"We treat some of the sickest of the sick, and they travel far and wide," he added.

Many of those stay-over patients hail from overseas. While foreign patients make up less than 1 percent of the total at the hospital, their numbers are growing. In 2015, there were 4,700 international patients, up 6 percent from 2014; 51 percent came from the Middle East, [according to the hospital](#).

And the clinic, which employs staff members who can speak some 18 languages, lifted its global profile last year when it opened an outpost in Abu Dhabi, Mr. Peacock said.

Long-term guests at that hospital? Perhaps unsurprisingly, they are encouraged to stay at a 189-room Rosewood hotel, which has a corridor that connects to the facility and is dedicated for use by hospital patients.

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