

San Antonio MOB trades for \$13.7M

NEW YORK-BASED REAL ESTATE ENTITY BUYS STONETERRA MEDICAL PLAZA

By John Mugford

Because potential buyers of medical office buildings (MOBs) have become more selective about their transactions in the current economy, some properties are sitting on the selling block a bit longer than they would have just a year or so ago. But eventually, professionals in the industry say, good properties will end up in a new buyer's hands.

TRANSACTIONS

The recently sold Stoneterra Medical Plaza – located near two hospitals in San Antonio, North Central Baptist and Methodist – is a good example, according to Alex Zylberglait, who is with Marcus & Millichap Real Estate Investment Services in Miami.

He and business partner Ryan Shaw represented both the buyer and seller of Stoneterra, which was on the market since mid-September before being sold on April 1.

In that time, the former BOMA San Antonio “The Office Building of the Year” (TOBY) award winner, went from an occupancy in the low 90s to 100 percent.

“This is a good example that there is interest in a good property,” says Mr. Zylberglait. “It’s a newer building that was completed in 2006 and is now fully stabilized, it’s within minutes of two hospitals, is fully occupied with tenants signed to long-term triple net leases, and it’s an area where household incomes are in six figures.”

The 57,211 square foot building was acquired by a New York-based real estate firm with a growing medical

office building (MOB) portfolio. In acquiring the three-story MOB, which was completed in 2006, the buyer formed a limited liability corporation.

The LLC paid \$13.7 million, or \$239 per square foot (PSF), and assumed the existing financing on the property.

The cap rate was 7.52 percent, according to Mr. Zylberglait.

The seller was NCOI 1 Ltd., a limited partnership composed of local physicians. The new buyer has retained the property manager, San Antonio-based Travis Commercial Real Estate Services.

According to Mr. Zylberglait, the building has 10 tenants, the largest of which is the San Antonio Orthopaedic Group, which occupies the entire third floor. Most of the tenants are signed through 2017 with triple net leases.

“There aren’t going to be many distressed sales in medical office, but people realize that this is a good time to buy,” he says. “Prices are good and many buyers are sticking to good business fundamentals, and they can find those deals in medical office.”

Swedish reacquires medical office asset from HCP Inc.

SEATTLE – Long Beach, Calif.-based HCP Inc. (NYSE: HCP), recently sold the 40,000 square foot Ballard Medical Plaza in Seattle to Seattle-based Swedish Health Services for \$4.7 million, or about \$118 per square foot.

Swedish Health Services had sold the MOB to HCP back in 2004 for

\$3 million. The MOB was built in 1974 and was part of a five-property portfolio that Swedish sold to HCP for \$111 million. In acquiring the buildings, HCP signed a long-term ground lease and gave Swedish the right of first refusal to buy any of the properties back if HCP decided to sell.

The current transaction was negotiated directly between Swedish and HCP, according to news accounts.

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■ An unnamed private trust recently acquired a 5,575 square foot urgent care center in the south Dallas metropolitan area for \$2.925 million, or \$525 PSF. **Jeff Matulis** and **Toby Scrivner** of Tulsa, Okla.-based **Stan Johnson Co.** represented the seller in the transaction. The buyer, according to a news release from the Stan Johnson Co., paid cash for the property and did not require financing. As a result, the transaction was completed in a short timeframe, according to the news release.

■ **Children’s Hospital Association** in Denver recently sold a building on the campus of its former downtown hospital. The buyer is the **Sisters of Charity of Leavenworth Health System**, of Leavenworth, Kan., and the price was a reported \$4 million. Children’s Hospital has now sold all of its former downtown buildings to the Sisters of Charity, which plans to start an expansion of its adjacent **Saint Joseph Hospital** later this year. In late 2007, Children’s Hospital moved to a new, 1.2 million square foot, \$460 million hospital campus in the **Fitzsimons redevelopment area** in the Denver suburb of Aurora. □

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