

NFL Legend's Firm Pays \$34M for MOB

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By Gina Kenny

APPLETON, WI-The Sanders Trust has acquired a five-building medical office portfolio for \$34 million from ThedaCare, a healthcare provider based in Fox Valley, WI. The 225,000-sf package is 98% leased. The portfolio consists of the Medical Office Building West, Medical Office Building South and Appleton Heart Institute, all located on the Appleton Medical Center campus at 1818 N. Mead St. in Appleton, WI, and the Medical Office Pavilion at 200 Theda Clark Memorial Plaza at the Theda Clark Medical Center in Neenah, WI. The portfolio also includes two upper floors of the Aylward Surgery Center at 100 Theda Clark Memorial Plaza, says Rance M. Sanders, CEO of Birmingham, AL-based Sanders Trust.

The portfolio sold for close to \$151 per sf, which is a "good bit below replacement cost," Sanders says. All buildings are attached to hospitals, which makes it an attractive acquisition as well as attractive for patients and clients, given the Wisconsin winters, he explains.

"Based on the NOI that we underwrote, the cap was 7.1%," Sanders tells GlobeSt.com. Lease rates vary depending on the campus, but he says it generally is about \$22 per sf, full service.

Sanders says ThedaCare will retain ownership of the land, signing a 75-year ground lease with Sanders Trust. As part of the ground lease, ThedaCare has required all building tenants to be "members of the active medical staff at both hospitals."

The buildings were constructed between 1990 and 2007. The Sanders Trust plans to spend about \$600,000 to renovate the structures, including "extensive common area improvements in most of the buildings" and replacement of roofs on two or three of the buildings, according to Sanders.

The acquisition of the portfolio is the Sanders Trust's first foray into Wisconsin. Former Green Bay Packer quarterback Bart Starr, vice chairman of the Sanders Trust, was responsible for developing the acquisition. Mike Davis and Sean Tu, both with Cain Brothers, were investment advisers to ThedaCare. ThedaCare owns four hospitals and 20 physicians' locations in addition to senior residential facilities. The healthcare system has 36% of the market share, which also made the portfolio quite appealing because the trust "always wants to partner with the number one provider of their community," Sanders says. The healthcare system reportedly plans to apply sale proceeds to a \$90-million expansion and renovations at Appleton and Theda Clark medical centers. "As with many not-for-profit hospitals, they prefer to focus their capital on pure mission activities," Sanders says. "The real estate is non-core to their mission."

Sanders says the trust's typical holding period is at least 10 years and that is the plan for the portfolio as well. Sanders Trust has developed and acquired more than \$265 million of healthcare properties, with its existing portfolio totaling 20 properties in 10 states and valued at \$135 million.

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