

New player pays \$19.9M for portfolio in Mid-Cities area of Dallas-Ft. Worth metro

ARLINGTON, Texas – A relatively new player in the MOB sector, one that acquires a variety of commercial real properties for 1031 exchange investors, is making some headway into the healthcare arena.

This new player, Richmond, Va.-based Capital Square Realty Advisors LLC, led by founder and well-known commercial real estate attorney Louis J. Rogers, recently paid \$19.9 million, or about \$400 PSF, for a two-building portfolio in the cities of Arlington and Mansfield, an area known as the Mid-Cities because it's about midway between Dallas and Fort Worth.

The firm acquired what is known as the Arlington Orthopedic Portfolio, which has a total of 49,660 square feet and is fully occupied by Arlington Orthopedic Associates, which has a longstanding partnership with Dallas-based Baylor Health Care System. (For more on the property, please see "Hot Property: Ortho group monetizing portfolio" in the June 2014 edition of HREI™.)

Marketing the portfolio and representing the seller, a group of physicians, was the healthcare practice of Jones Lang LaSalle (NYSE: JLL), including Mindy Berman, Daniel Turley and Steven Leathers.

Comprising the portfolio are a 37,100 square foot MOB at 800 Orthopedic Way in Arlington, next door to a facility where many of the physicians perform surgery, the Baylor Surgicare at Arlington Building; and a 12,560 square foot MOB at 2801 E. Broad St. in Mansfield, about 12 miles south of the Arlington MOB.

The Mansfield building, which is next to the 168-bed Methodist Mansfield Medical Center, opened in 2012 to provide more convenient services for patients in the southern part of the Mid-Cities area.

Mr. Turley of JLL says the two facilities are "pure MOBs" that are home to clinical space, physical therapy and imaging. The group's 20-plus physicians conduct surgeries at Baylor Health facilities.

Capital Square's website says that the firm, launched in early 2013, provides "institutional quality real estate investments for the high-net worth investors seeking replacement property for Section 1031 exchanges and regular cash investments." It says it uses the Delaware Statutory Trust (DST) structure to syndicate properties in smaller units for acquisition by qualified investors.

At the time of the launch, Mr. Rogers noted: "Capital Square intends to structure DST offerings with properties that have long-term, triple-net leases with investment-grade tenants. We are a newly formed company with cash on our balance sheet and no debts or liabilities. We look forward to structuring successful programs for independent broker-dealers and their clients across the country."

Among other acquisitions, Capital Square in October acquired another two-building medical portfolio. One of the assets is in the Richmond suburb of Mechanicsville, Va., while the other is in Hartford, Wis. The Virginia building is a built-to-suit, 20,066 square foot MOB that is 100 percent leased to Virginia Women's Center, the largest women's healthcare private practice in central Virginia. The facility was completed in 2012.

The other building, in Wisconsin, is a 73,756 square foot, two-story facility that is 100 percent leased to API Healthcare Inc., a company that provides healthcare workforce solutions to providers and is part of GE Healthcare.