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Healthcare Real Estate Insights

Harrison Street Acquires 200,000-SF Outpatient Campus

By John B. Mugford | National

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WestHealth Campus in Plymouth, MN

PLYMOUTH, MN—When the WestHealth campus was developed in 1994, it was a unique concept in Minnesota. From busy Interstate 494, the complex at the intersection of State Highway 55 had – and still has – the look of a typical hospital campus. Yet the three buildings totaling 200,000 square feet of space are home to outpatient services only; a hospital-like campus without inpatient beds.

Recently, that campus changed hands, as Chicago-based Harrison Street Real Estate Capital LLC acquired the campus for \$58 million, or \$290 per square foot. The private equity investor added the WestHealth property to its Core Property Fund, which the company says includes “stabilized, income-producing properties” comprising education, healthcare and storage real estate.

The transaction was a classic health system monetization, as the seller was Allina West Health, part of Minneapolis-based AllinaHealth. The 11-hospital system, the largest in the Twin Cities of Minneapolis and St. Paul, has facilities throughout Minnesota and western Wisconsin.

According to Harrison Street, Allina leases a majority of the space on the campus, which includes an emergency department, same-day surgery center, imaging, a breast center, a variety of clinics and a pharmacy. Allina groups and other tenants include Sister Kenny Sports and Physical Therapy Center, Minneapolis Heart Institute, Twin Cities Orthopedics, a variety of plastic surgery groups and others.

“The complimentary clinics, services and amenities in the building allow for integrated care across the care continuum,” according to Harrison Street.

For Harrison Street, the acquisition brings the number of properties in its core fund, launched in 2011, to 20. The fund's total value, based on purchase price, is about \$800 million.

Company officials note that the fund is different than its several opportunity funds in that it is focused on investments that produce “consistent income over an anticipated longer hold period.” Harrison Streets’ other funds, in which it has a total of more than 250 assets with a value of about \$4 billion, look to acquire properties that “create value and generate capital appreciation returns.”

According to Joey Lansing, the fund's manager: “We are confident that this is the only open-ended core fund that focuses exclusively on the acquisition of stabilized, income-generating student housing, senior housing, medical office and self-storage real estate.”

Representing Allina in the sale were Steven H. Brown and Scott Pollock of Bloomington, Minn.-based Cushman & Wakefield | NorthMarq. Brown is executive director of the firm's Healthcare Real Estate Advisory while Pollock is executive director of the Capital Markets Group.

John B. Mugford is the Editor of Healthcare Real Estate Insights™, the nation's first and only publication totally dedicated to covering news and trends in healthcare real estate development, financing and investment. For more information, please visit www.HREInsights.com.

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