

A message from the Plaza Brokerage Services Team



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Dear Colleagues, Friends and Clients:

We wanted to provide you with this new update on the medical office marketplace in Arizona from the perspective of Plaza Companies, one of the most embedded medical office real estate firms in the marketplace.

The Plaza Brokerage Team secured leases valued at more than \$49.5 million while concluding 137 transactions on almost 450,000 square feet of Medical Office leasing in 2014. Plaza specializes in providing healthcare real estate investors, owners, physicians and healthcare tenants with Acquisition, Leasing, Property Management, Development and Tenant Improvement Construction services.

Plaza Companies has dramatically and positively impacted medical office space in the greater Phoenix region this past year. The year 2014 was a vibrant year in the medical office market and particularly for Plaza Companies, a 32 year old dynamically focused healthcare, bioscience and seniors living firm. The company enjoyed a very successful 2014 in terms of lease transactions, development, announcements, property and construction management contracts.

A combination of hospital RFP's for medical office space, institutional and REIT buyers aggressively entering the Greater Phoenix market, and independent healthcare specialists working with physician groups or build-to-suits have dramatically impacted the velocity of transactions in the Arizona marketplace.

The information within this quarterly newsletter will provide just a glimpse of the regional healthcare real estate marketplace, the velocity of lease activity and sales activities, as well as to provide readers with information on industry trends and recent transactions.

Thank you for reviewing this information, and we look forward to continuing to work with you in the future.

Sincerely,

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Recent Medical Office Real Estate News

FOUR TOP HOSPITAL SYSTEM CEO'S DEFINE THE FUTURE OF MEDICAL OFFICE AND HEALTHCARE

From Plaza Companies

Top Arizona Hospital Systems CEO's recently collaborated on a national panel to predict the future of the dynamic healthcare environment in Arizona and in the country.

Peter Fine, President and CEO of Banner Health; Linda Hunt, Senior Vice President of Operations for Dignity Health; Tom Sadvary, CEO of Scottsdale Lincoln Health Network; and Wyatt Decker, Vice President of Mayo Clinic and CEO for Mayo Clinic Scottsdale joined together with panel moderator, Sharon Harper, CEO Plaza Companies, to talk about the future and how each of these organizations plan to maximize opportunities and relationships.

And when you get the top professionals in successful hospital and health systems together to talk about the future, you hear one word over and over again — partnerships.

It's true in just about every facet of the health care industry today, and it's true more than ever when it comes to medical office and healthcare real estate. Now more than ever, hospital groups are approaching business of health care with a laser focus on patient care, and leaving the ancillary services to professionals and firms that specialize in other areas.

Health care real estate is an ideal example, according to Sadvary. "Part of what we need to do in health care is to figure out what we do well and where we should partner with other entities, and to help drive the community discussion of health care needs," he told a recent panel discussion of health care real estate professionals in Phoenix.

The panel discussion, called "Consolidation to Strengthen Sustainability," focused on a broad spectrum of partnerships and collaborative efforts, from providing specialized care to maximizing the efficiency of medical office facilities. And the Arizona-based professionals said the region's burgeoning health care environment places it on the cutting edge of such trends.

"Arizona is the bellweather for the country when it comes to health care," said Sharon Harper, President & CEO of Plaza Companies.

"It's a high-growth area with diversity in an attractive state with a dynamic health care environment. It features health care systems known around the country and internationally. It's a place for destination medicine, which will grow significantly, as well as the need for medical education."

[Read the rest of the article at this link.](#)

PROPER PLACEMENT: HOW TO LOCATE HEALTHCARE FACILITIES IN AN EVOLVING MARKET

From Healthcare Design Magazine

Making sure that the boundaries of a target market are set realistically will help identify an opportunity. The first step is to define the type of medical service or specialty that will be provided and how far consumers are willing to travel to seek that type of care. Specifically, the acceptable travel time to primary care and obstetrical services will typically be less than to a specialty service. Mapping tools can be used to determine the distance that can be traveled within those determined time frames.

[Read the rest of the article at this link.](#)

GRAYING AMERICA, HEALTH-CARE OVERHAUL BOOSTS MEDICAL PROPERTIES

From The Wall Street Journal

Investors are pouring money into buying and developing senior housing, medical-office buildings and other health-care-related properties, a class of commercial real estate that has been outperforming almost all others since the recession. The country's aging population and recovering economy, as well as major changes taking place in the economics of health care, are fueling demand for more space.

[Read the rest of the article at this link.](#)

WHO ARE THE LARGEST OWNERS OF HEALTHCARE REAL ESTATE?

From Healthcare Real Estate Insights

Who are the largest individual owners of healthcare real estate (HRE) assets in the United States?



As you pondered the question, the first organizations that popped into your mind might have been the largest publicly traded healthcare real estate investment trusts (REITs), which have been aggressively acquiring medical offices buildings (MOBs), senior living facilities and other HRE assets in recent years. And, yes, the largest healthcare REITs can indeed be found near the top of the list.

Yet the largest single owner of HRE assets – and 41 of the top 50 – are not REITs. They are hospitals and healthcare systems, according to an exclusive new report from data firm Revista.

That jibes with what the REITs having been telling us for years: Although the healthcare industry is rapidly consolidating, it remains highly fragmented business – as is the ownership of the associated real estate. According to a recent estimate from Ventas Inc. (NYSE: VTR), one of the largest public healthcare REITs, HRE is a \$1 trillion market, but public REITs own only about 12 percent to 15 percent of the real estate. That means 85 percent to 88 percent of the properties remain in the hands of other owners and investors, including the providers themselves.

[Read the rest of the article at this link.](#)

Arizona Medical Office Transactions

\$460 MILLION

Total medical office sales volume in Phoenix market for 2014

3.1 MILLION

Total number of medical office square feet sold in Phoenix market in 2014

\$171.71

AVERAGE PRICE PER SQUARE FOOT

For Medical Office Sales in 2014 — 91 Total Transactions in the Market

2014 TOP 20 MEDICAL OFFICE SALES (PRICE PER SF)

Property Name	Property City	Sale Price	SF	\$/SF
VA Outpatient Clinic Gilbert	Gilbert	\$29,500,000	71259	\$413.98
2629 N Scottsdale Rd	Scottsdale	\$4,500,000	11072	\$406.43
8701 S Rural Rd	Tempe	\$1,500,000	4024	\$372.76
Del E Webb Medical Plaza Building C	Sun City	\$23,550,000	63339	\$371.81
Scottsdale Ridge Office Condo, Building A, Unit 125	Scottsdale	\$1,300,000	3679	\$353.36
Sonoran Desert Surgery Center	Chandler	\$3,650,000	10735	\$340.01
Riverwalk Professional Center North, Building D	Peoria	\$2,305,062	7010	\$328.82
Arrowhead Health Office Condos	Glendale	\$13,100,000	40392	\$324.32
Cigna Health Building	Sun City	\$14,200,000	44180	\$321.41
3099 N Civic Center Plaza	Scottsdale	\$2,500,000	8713	\$286.93
13802 W Camino Del Sol	Sun City West	\$2,400,000	8395	\$285.88
Arrowhead Office Stes, Bldg 7	Glendale	\$1,800,000	6471	\$278.16
Dobson Village, Building J Suite 1 & 2	Chandler	\$670,000	2451	\$273.36
Palm Valley Prof Plaza #10	Goodyear	\$985,000	3848	\$255.98
Mesa Family Medical Condos	Mesa	\$2,280,000	9157	\$248.99
Scottsdale Ranch Pet Hospital	Scottsdale	\$2,100,000	8466	\$248.05
Scottsdale Ranch Pet Hospital	Scottsdale	\$2,000,000	8466	\$236.24
Chandler Center, A & D	Chandler	\$1,725,000	7517	\$229.48
Eye Institute at Boswell	Sun City	\$3,135,000	13726	\$228.40

* Source: Vizzada

Thank You To Our Colleagues...

Plaza Companies is pleased to recognize and thank the many talented real estate professionals from across the state of Arizona we worked with during 2014.

- Kelley Aherns, CBRE
- Rich Andrus, Menlo Group
- Shelly Bade, My Office Commercial Real Estate
- James Bayless, CBRE
- Aaron Carson, Carson Commercial LLC
- Ryan Corey, Lee & Associates
- Stephen Cross, Cross Commercial
- Daniel Dobric, Newmark Grubb Knight Frank
- Michael DuPuy, Colliers International
- Vince Femiano, CBRE
- Shirley Gates, Traw Realty
- Lynn Harle, Physicians Real Estate Solutions
- Stacie Harrison, CBRE
- Mike Hoover, DTZ
- Tiffany Huff, CBRE
- Robert Long, West USA Realty
- Peter Manna, DTZ
- Richard Meese, Meese & Associates
- Kate Morris, CBRE
- Dan Mueller, Transwestern
- Susan Nichol森, DPR Realty
- Nicholas Pelusio, GPE Commercial Advisors
- Fletcher Perry, Colliers International
- Michael Sayre, Cushman & Wakefield
- Josh Simon, Simon CRE
- David Siwinski, ICORE
- Mark Sunkel, CORE Realty Partners LLC
- Eric Tollefson, Heiple Travers Real Estate
- Tom Weinhold, DTZ
- Eric Wichterman, DTZ
- Dinesh Wilson, Russ Lyon Sotheby's International Realty

Notable Transactions



Plaza Companies and USAA Real Estate Company have sold a signature medical office building in Phoenix to American Realty Capital Healthcare Trust in a \$28.3 million transaction.

Paradise Valley Medical Plaza, an award-winning, 104,000 square foot Class A medical office building, was purchased by American Realty Capital Healthcare Trust in a deal that closed on December 30th. Plaza will continue to provide leasing, construction services and property management for the building, which is more than 90 percent occupied at the present time.



Rancho Santa Fe Center a 75,000 SF Medical Office building and 25,000 SF build-to-suit opportunity was developed by Plaza Companies and was acquired by HH RSF, LLC, a joint-

venture with Holualoa Companies and Sharon Harper.



33 W Thomas LLC acquired **333 W. Thomas Road**, a 26,000 SF Medical Office building. Disposition and real estate services were handled by Plaza Companies, and the sale price was \$2.68 million.



SkySong 3, the latest office building at SkySong, The ASU Scottsdale Innovation Center, is now open to the public with the majority of its tenants moved in.

SkySong is located on the southeast corner of Scottsdale Road & McDowell Road in Scottsdale. The new 145,000 square foot building is located along SkySong Boulevard, just southwest of the project's iconic shade structure. The LEED-Silver Certified building also boasts a number of cutting-edge features, including a large conference center, and an interactive video presentation in the building's lobby. SkySong 3 is already 90 percent occupied.

About Plaza Companies

Plaza Companies based in Peoria, Arizona with offices in Scottsdale and Tucson, is an award winning leader in the development, leasing and management of medical office properties, technology and biosciences facilities and senior living communities. Founded in 1982, Plaza Companies is a full service firm with a portfolio of 6 million SF valued in excess of \$1 Billion. For more information about Plaza Companies, visit www.theplazaco.com. Plaza Companies is a preferred vendor with the Maricopa County Medical Society and enjoys a national reputation with underground, cutting edge, local expertise in Arizona.

