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February 10, 2012
11:30 AM

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Archway Holdings Acquires Three AZ Medical Office Buildings

2/10/12

Beverly Hills-based Archway Holdings Corp recently closed escrow on three medical office buildings in Arizona in two separate transactions. The properties are 101 Medical Office Center (renamed Estrella Health Center) at 9250 W. Thomas Rd in Phoenix, along with East Mesa Medical Center at 6553 East Baywood Ave (Renamed Baywood Health Center) and 6550 East Broadway Rd (renamed Broadway HealthCenter) in Mesa. The company paid cash for both properties, purchasing Estrella Health Center for \$8.6 mil (\$106.42/sf) and purchasing a note secured by East Mesa Medical Center in the amount of \$5.9 mil (\$104.51/sf).



McShane Corporation of Chicago was the seller and original developer of Estrella Health Center. The property was 18 percent leased at the time of sale. Built in 2009, the Estrella Health Center is an 80.8k sf, four-story class A medical office building adjacent to Banner Estrella Medical Center and was ranked as a Top Hospital in the Valley by US News and World Report in 2011. This hospital has expanded once since its opening in 2005 and is planning to break ground in 2012 on an additional phase that will nearly double its number of beds to approximately 430. The competing on-campus medical office building, at 147k sf, is 98 percent leased at rental rates of close to \$20/sf/yr NNN.

East Mesa Medical Center is a multi-tenant medical office complex with two, two-story buildings totaling 61.7k sf on a 7.27-acre lot. The complex was constructed in two phases: the south building on Broadway Rd was built in 1977 and the north building on Baywood Ave was built in 1986.

East Mesa Medical Center was sold by Ensemble Devco to the previous owner, an out-of-state, tenants-in-common group that defaulted on the note. Archway plans to remodel the complex to class A standards and deliver beautiful and modern turnkey suites to the doctors in the region.

The complex is across the street from Banner Baywood Hospital, a 342-bed hospital with a 50k sf Emergency department. Also located on the Banner Baywood campus is the Banner Heart Hospital, one of the largest freestanding heart hospitals with 111-beds, the John J. Rhodes Rehabilitation Center and the Primary Stroke Center. Immediately south of East Mesa Medical Center is Leisure World, one of Arizona's premiere active adult communities with 3,700 residents.

Executive Vice President Eric Wichterman and Vice President Mike Coover represented Archway Holdings in both purchases. They also represented the seller, McShane Corporation, in the sale of the 101 Medical Office Center. Cassidy Turley BRE Commercial negotiated both transactions on behalf of Archway Holdings.

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