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Suburban medical office campus sold for \$51 million

Demand for properties that house clinics has remained strong amid the COVID-19 pandemic.

DANNY ECKER

CoStar Group

8 Salt Creek Lane in Hinsdale

Demand for properties that house clinics has remained strong amid the COVID-19 pandemic.

A Chicago developer has cashed out on a medical office campus in west suburban Hinsdale in a deal that shows the resilience of a property sector relatively unscathed by COVID-19.

A venture of Chicago-based MBRE Healthcare and Boca Raton, Fla.-based investor Kayne Anderson Real Estate paid \$51 million late last month for the four-building Salt Creek Medical Campus, according to DuPage County property records. The venture bought the properties, totaling nearly 157,000 square feet, from Chicago-based MedProperties Group. The addresses are 901 and 907 Elm St. and 8 and 12 Salt Creek Lane.

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MedProperties bought the buildings for \$19 million in 2012 and 2013 when they made up the Salt Creek office park and were 31 percent leased to a mix of professional services and medical office tenants. The purchases included vacant land on which it built a 32,000-square-foot outpatient facility at 8 Salt Creek Lane for Edward-Elmhurst Health.

The developer also spent an undisclosed amount renovating the existing buildings on the campus with new lobbies, signage, HVAC and elevator systems and a two-story atrium in the 12 Salt Creek anchor building, among other upgrades. That helped reel in new tenants and bring the campus to more than 90 percent leased today, according to MedProperties. Tenants include Amita Health, Adventist Health, University of Chicago Medicine and the Hinsdale Surgical Center.

The sale illustrates investor demand for medical office buildings during a global pandemic that has raised questions about the future of many types of commercial real estate. While the fundamentals of traditional offices, bricks-and-mortar retail space and hotels have been upended by the coronavirus, demand for outpatient medical offices remains a relatively safe bet with relatively little competition from new supply in the works, according to a report this month by Newport Beach, Calif.-based real estate research firm Green Street.

"Investors are flocking to defensive positions, and the Salt Creek Medical Campus is a great example of an investment offering durability of income," CBRE Vice Chairman Chris Bodnar, who represented MedProperties in the deal, said in a statement.

Medical office building sales volume in the U.S. more than doubled between 2012 and 2017 to \$14.7 billion, and annual volume has remained above \$13 billion since then, according to a [July report](#) from brokerage Jones Lang LaSalle. Despite some clinics closing temporarily during the first months of the pandemic, most continued to pay rent.

"Rent collections by the largest owners of medical office space were consistently noted in the high 90 percent range throughout the lockdown period, with limited rent deferment and relief required," JLL Healthcare & Life Sciences Research Director Audrey Symes said in the report. "This performance illustrates both the cyclical and structural tailwinds enjoyed by medical office investments."

A Kayne Anderson spokeswoman did not provide details of the firm's plans for the campus.

“We are pleased to add another high-quality, well located medical office asset to our portfolio with our partner MBRE Healthcare,” Kayne Anderson Chief Investment Officer David Selznick said in a statement to Crain's.

MedProperties owns medical office buildings in Chicago and Phoenix and manages 2 million square feet of medical office space nationwide, according to a spokesman. The company **was founded** in 1994 by CEO Matthew Campbell, who started the business after working in commercial real estate with a predecessor to JLL and the real estate division of Goldman Sachs.

Inline Play

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