

Harrison Street pays \$34 million for Elgin medical office building

By David Lee Matthews February 19, 2014



A venture led by Harrison Street Real Estate Capital bought this medical office building leased to Advocate Sherman Hospital. Photo from CoStar Group Inc.

A Chicago real estate firm bullish on medical office buildings added a local property to its portfolio, paying \$33.6 million for a 93,000-square-foot building in Elgin.

A venture led by Chicago-based Harrison Street Real Estate Capital LLC closed late last year on the building, Kane County records show. The five-story structure at 1435 Randall Road is fully leased and attached to Advocate Sherman Hospital, according to CoStar Group Inc.

The purchase fits the profile of Harrison Street, which was co-founded by former Motorola Inc. CEO Christopher Galvin in 2005 and spent the

recession focusing on medical offices, student housing and **other properties less susceptible** to market swings. Last month, the firm paid more than \$500 million for 22 medical office buildings in the **Washington area**.

Obamacare, which now requires Americans to buy health insurance or face a penalty, is expected to spur demand for medical office space as millions of Americans hit the insurance rolls, as is the health care industry's push to drive costs out of hospitals, said Todd Lukasik, an analyst with Chicago-based Morningstar Inc. Yet the new federal law's true economic impact has yet to be determined.

"A lot of people don't know how (the law) is going to shake out," Mr. Lukasik said.

Harrison executives were not available yesterday.

The firm owns more than \$5.8 billion in U.S. real estate and has raised about \$4 billion for its real estate funds since launching its first investment vehicle in 2006, according to its website.

The Harrison Street venture acquired the Elgin building from a venture led by the Boldt Co., an Appleton, Wis.-based developer that used \$21 million in corporate bonds to finance construction of the project, which was completed in 2009, county records show.

A spokeswoman for Boldt, which retained a 4 percent ownership interest in the property after the sale and will continue its leasing and management, did not return a message yesterday.