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## Harrison Street Grabs Medical Office in Oregon

*By Keith Loria, Contributing Editor*

Harrison Street Real Estate Capital has acquired the Northwest Specialty Clinics at RiverBend, a Class A medical office building in Springfield, Ore., for \$61.4 million.

JLL represented the seller in the transaction.

The office building is connected to the RiverBend Hospital campus, a regional tertiary acute care powerhouse, and the largest hospital between Portland and San Francisco. It's located just off Interstate 5, and caters to the greater Eugene-Springfield metropolitan area and its 356,000 residents.

"[The property is a] stabilized, new, on-campus medical office building connected to the hospital with critical surgical practices in tenancy," Mindy Berman, JLL's managing director, told *Commercial Property Executive*. "There is enormous demand for medical office investments today. For sellers, cap rates and values per square foot have hit historical highs."

Originally completed in 2009, Northwest Specialty Clinics is a five-story, 122,479 square-foot building that is home to a consortium of nine independent general and specialty surgical practices and nearly fully leased to 14 tenants, including PeaceHealth.

The Northwest Specialty Clinics building is connected to the surgery floor of the hospital, providing great access for surgeons at Northwest Specialty Clinics and their patients

According to Berman, core, on-campus locations for medical office buildings is highly sought after, regardless of Eugene being considered a tertiary market generally for real estate investment.

"\$500 per square foot is likely a record in Eugene if not in the entire state of Oregon; this level is consistent with the highest quality medical office nationally," she said.

Marcus & Millichap's Medical Office Research Report for Second Half 2014 revealed the medical office sector represents a golden opportunity for investors in 2015 due to expanded health insurance coverage and the overall aging of the U.S. population.

"The shift toward a more consumer-centric delivery model, for example, has encouraged hospitals and health systems to bring more care into communities, mostly by way of outpatient facilities and satellite offices," the report said. "These large providers tend to favor newer medical office properties, which typically offer flexible designs and incorporate features that promote efficiency and maximize space utility."

That translates into lower vacancy rates and above average rents for later-vintage assets. In fact, over the last 12 months, medical office buildings with major hospital tenants traded for an average of nearly \$270 per square foot, which reflects a roughly 40 percent premium to the overall market.

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*Mindy Berman, JLL*

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