

Harrison Street pairs up for medical offices

10 December 2007 17:14:



UNITED STATES - Harrison Street Real Estate Capital has formed a joint venture with Montecito Medical Investment Company to buy ownership of medical office buildings.

Its latest venture should see the firm invest in a portfolio of assets worth over \$500m (€339.1m) over the next three years, according to Christopher Merrill, managing director at Harrison Street.

“It’s our opinion that medical office buildings are a more stable property type than traditional office buildings. Tenants in medical properties tend to stay longer and there will always be a need for medical office space in good and bad economic cycles,” he said.

While there has been increased interest in this space in recent years, Merrill is not concerned about the amount of pension fund capital that is being invested in the property type.

“We still think there is room in the marketplace for an investor like ourselves. The medical office is still a very fragmented industry and offers attractive investment opportunities,” he continued.

Investment strategy for the JV – as part of the Harrison Street Real Estate Partners I commingled fund - is to acquire existing assets across the US or make equity investments in new ground up developments.

The deal now holds assets, one of which is the 7,900m² Rockwall Medical Office Building in Rockwall, Texas, which was built in 2006 and is now 85% leased.

The other building is the 6,394.5m² Hilo Medical Building in Hawaii which was also constructed in 2006 but is 100% leased to the Hawaii Health System Corporation, the nation’s fourth-largest public hospital system.

Harrison raised \$206m in equity when its fund closed in August last year and overall investment strategy for the commingled fund is to invest in variety of specialized property types. Among those being considered besides medical office are self-storage, marinas and senior housing.

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