

Health Park at Timber Drive Raleigh, NC



*Investment Date: November 2010
Total Project Cost: \$7,995,000
Sales Date: December 2012
Sales Price (Nominal): \$11,000,000*

Health Park at Timber Drive was a value-add acquisition of a 42,000-square foot suburban medical office complex in Garner, NC, which is a suburb of Raleigh.

This investment was an unusual opportunity to acquire a well built, but underperforming, class-A medical office building at a substantial discount to replacement cost. The building was developed and operated by a medical professional who used a portion of the space for his practice and leased out the remainder to other medical professionals. Operating a project this complex proved to be more challenging than the owner anticipated, and we discovered the property was subject to potential bank foreclosure.

Our joint venture partner, an experienced developer and operator with extensive knowledge of the local market, acquired the property through a negotiated foreclosure. We acquired the note for the property at a

27% discount to face value and developed agreements between the owner, the bank, and our joint venture. With the previous owner's cooperation, we were able to ensure a graceful hand over of the property for both our and the existing tenants' benefit.

Through intensive onsite management, our developer partner made minor aesthetic changes along with significant operating improvements and quickly brought this property to 100% occupancy in less than two years. Our Fund sold our interest at an increased value, while our partner stayed in the project for the long term.

We believe the success of a project like this demonstrates the need for partners with extensive local expertise and the capability of providing intensive management focus. Additionally, it requires an agile fund structure that allows us to move quickly when unusual opportunities present themselves.

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