



WESTFIELD MEDICAL OFFICE PARTNERS VIII
Medical office development in Colorado Springs

Commencement Date: January 2011 • Sale Date: January 2015

31% IRR

2.7 equity multiple

48 month hold period

\$15,000,000 total capitalization

Penrose Pavilion

The Partnership completed construction on Penrose Pavilion, a 4-story, 71,000 square foot medical office building (“MOB”). The project is located on the Penrose Hospital campus and is approximately two miles north of the Colorado Springs CBD. Penrose’s infill location prohibits future on-campus or close proximity MOB development. Westfield strives to invest in assets with true and sustainable competitive advantages.

Penrose Pavilion was developed by Westfield Company. The Partnership mitigated customary development risk by completing the following prior to commencement of construction:

- Construction drawings were 100% complete by an experienced MOB architectural firm and the project was fully permitted.
- A stipulated sum, guaranteed maximum price contract was executed with a leading general contractor.
- The property was 75% preleased at the time construction commenced.
- The Partnership utilized a conservative, low leverage capitalization strategy.

Upon completion of the asset, the Partnership signed a lease with Rocky Mountain Cancer Center (“RMCC”) for the entire 4th floor of Penrose Pavilion for a period of ten years (approximately 17,561 rsf). As a condition of the RMCC lease, the Partnership purchased the current RMCC facility located at 3027 North Circle Drive for \$3,600,000 or approximately \$150 psf. The property is 23,956 rsf and now 100% leased to Penrose Hospital. The Partnership also owned an adjacent unencumbered pad site on which an additional 50,000 square feet can be built.

Both of the Partnership assets were encumbered by an advantageous loan with a principal balance of \$12,750,000 at a fixed interest rate of 4% for ten years and a 27-year amortization schedule. Due to the quality of the tenancy and the favorable long term mortgage, the Partnership planned to hold the two assets for approximately eight years and to distribute cash flow. However, a very attractive offer was made by a local investor group and the assets were sold in January 2015 at a 6.1% capitalization rate. At a sale price of \$345 psf, the value was far above replacement cost and Partnership investment returns exceeded all initial projections.

