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MedCraft and Cadence launch new \$500M MOB acquisition platform, MedCraft Investment Partners

More than simply another fund, MIP is an asset management and investment strategy that complements healthcare providers' growing and ever-changing needs

MINNEAPOLIS, Jan. 6, 2021 – The leaders of a newly formed medical office building (MOB) investment platform, MedCraft Investment Partners (MIP), say they plan to combine their expertise to better serve their existing provider partners and establish new hospital system and physician group relationships by initially aggregating more than \$500 million of MOB and ambulatory assets over the next 18 to 24 months. The platform is capitalized through an institutional partner which shares MIP's vision.

MIP is a 50-50 joint venture between Minneapolis-based MedCraft Healthcare Real Estate and Cadence Healthcare Group, a wholly-owned subsidiary of Cadence Capital Partners, with offices in Denver, Chicago and Boston.

MIP is led by MedCraft Principals Jon Lewin, Eric Carmichael and Keith Beneke, along with long-time healthcare real estate capital markets experts Michael Bennett and Jay Soave of Cadence.

The MIP team says its primary focus is to build upon MedCraft's long-standing success as an industry leading developer to create additional economic and strategic value for its healthcare provider partners through:

- monetization of real estate assets,
- optimization of clinical environments,
- offering co-investment opportunities in any acquired real estate and
- expansion of client ambulatory networks within its growing portfolio.

In addition, MIP will pursue complementary MOB assets and development from new third parties.

MIP officials say they are not just another "fund", but rather an asset management and investment platform which complements its healthcare provider clients' growing and ever-changing needs. MIP will consider properties based on relationships and is open to exploring a wide variety of options – no matter the market, size or condition of the property.

Mr. Lewin of MedCraft says that his firm's long track record as a successful developer will serve it well as an investor and asset manager.



MedCraft's first investment fund has acquired Kenwood One TriHealth Orthopedic & Sports Institute in Cincinnati (top) and TCO Otsego Twin Cities Orthopedics in Otsego, Minn. (bottom).

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"We have 37 years of experience in building long-term client partnerships and successfully developing and optimizing facilities for peak performance," Mr. Lewin notes. "Now, through MIP, we will apply that same client-focused approach to acquisitions."

The partners have designed MIP to provide a dedicated MOB investment platform that combines unparalleled facility development expertise and a steadfast focus on long-term client partnerships with nimble, flexible deal structuring for the successful acquisition of healthcare assets.

"Through MIP, we will continue our philosophy of creating enduring physician alignment initiatives, providing co-investment opportunities that benefit our health system partners, and offering customized, relationship-driven property and asset management services," Mr. Lewin says. "Most importantly, we will continue to serve as a 'thought partner' who works with clients to think through solutions to the most complex real estate matters."

Mr. Bennett of Cadence says the MIP team is able to offer a number of benefits that set it apart from other firms.

"We have former brokers on our team, so we understand the importance of protecting broker relationships and providing transparency," Mr. Bennett says. "Groups who partner with us on transactions can also have a high degree of confidence in our expertise, including our solid underwriting, due diligence and MOB capital partner experience, as well as our ability to turn purchase and sales agreements around quickly and solve challenges inherent in real estate transactions."

The first of the fund's two inaugural acquisitions is the 18,536-square-foot Kenwood One TriHealth Orthopedic & Sports Institute at 8311 Montgomery Road in Cincinnati. The two-story, off-campus building, built in 2008, is 100 percent leased to an investment-grade healthcare tenant, Cincinnati-based TriHealth, the leading integrated health system in Greater Cincinnati. The MOB houses TriHealth-affiliated tenants Ohio Valley Orthopedic Sports Medicine, TriHealth Orthopedic Surgery and the TriHealth G medical group, which offers internal medicine, family medicine, gastroenterology and other medical services. The MOB is conveniently located near U.S. Highway 22 and several hospitals.

The MIP fund also acquired the 11,394-square-foot Otsego Twin Cities Orthopedics (TCO) property at 8540 Quaday Ave. N.E. in Otsego. Built in 2010, the one-story MOB is 100 percent leased by TCO, one of the nation's largest independent orthopedic practices. It houses occupational therapy, sports medicine, hand surgery and orthopedic surgery practices, as well as Infinite Health Collaborative, which offers durable medical equipment and medical supplies. The property is located off U.S. Highway 101, about 32 miles northwest of Minneapolis.

The Cincinnati acquisition closed October 23 and the Otsego property closed November 17.

Chris Bodnar, Vice Chairman and Co-Head of CBRE's Healthcare and Life Sciences Capital Markets division, represented the seller in one of the initial transactions and speaks highly of the MIP team's unique ability to balance and satisfy the expectations of sellers, tenants and brokers.

"MedCraft executed flawlessly on the last deal we sold to them," Mr. Bodnar says. "They were extremely transparent with our physician seller and adhered to the timeline they put forth. They've got a solid team and did exactly what they said they would do."

MIP has over \$200 million in on- and off-market opportunities currently in the underwriting or LOI stage.

With the MIP fund well on its way to achieving its investment objectives, the leadership team already has plans underway for a second, larger fund that targets more than \$1 billion of MOB investments.