



Market Intelligence for Healthcare Real Estate Developers, Designers, Lenders, Contractors, Brokers, Investors and Executives™

## Small firm has big industry presence

GOOD REPUTATION, PERSONALIZED SERVICE KEEP HEALTHAMERICA HUMMING

By John Mugford

When Thomas W. “Tommy” Tift III was in Los Angeles for a healthcare real estate conference and some meetings earlier this year, he took an afternoon away from business to enjoy the nice weather and squeeze in a round of golf.

### COMPANY PROFILE

But the getaway quickly turned into a business outing for Mr. Tift, the president, CEO and founder of Atlanta-based HealthAmerica Realty Group, a 17-year-old, full-service healthcare real estate company.

On a warm and sunny day in L.A., he and a friend were paired up with two golfers, one an actor and the other a long-time executive in the television business.

Upon learning what Mr. Tift did for a living, the TV executive quickly segued to healthcare real estate, mentioning that he owned a general office building in a nearby suburb that might be a good candidate for a conversion to medical – at least that’s what he’d been told.

When asked for his opinion, Mr. Tift told the executive that the right building in the right location could certainly be adapted for a medical use.

After they exchanged business cards, Mr. Tift said he would make a trip the next day to see the building, a 40,000 square foot facility in Calabasas, located in the San Fernando Valley.

A few days after that site visit, he emailed the TV executive his thoughts and provided him with a quick primer



The professionals at HealthAmerica Realty Group’s Atlanta office include, from left, Amrita Parekh (CPA and controller), Steve Hall (senior VP of leasing and sales), Tommy Tift (president and CEO), Todd Sloan (VP of leasing), Michelle Holt (tenant service coordinator) and Alan Hutto (chief engineer). The company has nine other people working in offices in Tampa, Jacksonville and Stuart, Fla., and Alisa Viejo, Calif.

Photo courtesy of HealthAmerica Realty Group

on the growing need for more outpatient facilities in the era of healthcare reform.

He also recommended a series of steps for a conversion, such as hiring an experienced healthcare architect to develop conceptual plans for a remodeling that could include, on the first floor, an outpatient surgery facility, diagnostics and an urgent care center. Physician offices, he noted, would be a good fit for the second floor.

Perhaps key to converting the building, Mr. Tift added, would be to hire a medical real estate broker to determine whether any “major hospitals in Greater Los Angeles” would view the building’s

location, in the rather affluent yet hospital-deficient area of Calabasas, as fertile territory to locate satellite services and land new patients.

In addition, Mr. Tift could introduce the building owner to the principals at the Los Angeles office of an architectural firm experienced in healthcare design.

The architects could perhaps reach out to some high-level hospital administrators to gauge their interest in the location as well.

While the TV executive did not make a hole-in-one during that round of golf,  
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it certainly seems that he struck good fortune by meeting Mr. Tift, who has more than 27 years of experience in all facets of healthcare real estate.

When interviewed about the encounter and follow-up with the TV executive, Mr. Tift noted that he was simply doing what he must do to run a successful healthcare real estate business.

“You never know where you’ll meet a potential client,” he says. “Sometimes it’s all about being in the right place at the right time.”

While Mr. Tift was reciting the mantra that many entrepreneurial business owners must follow, several professionals in the healthcare real estate industry say that he and his colleagues at HealthAmerica Realty Group, including partner Steve Hall, have built a reputation that relies not on luck but on being knowledgeable about all things healthcare real estate related, with the ability to get the job done.

In an era when many entrepreneurial medical real estate firms, including developers, have either been acquired by or have aligned themselves with larger, capital-rich companies, HealthAmerica Realty Group continues to be a key player while remaining one of the sector’s smaller, independent and full-service firms.

“Tommy and his company have been in the industry for a long time. In fact, Tommy was in healthcare real estate before it was cool to be in healthcare real estate,” says Danny Prosky, president and COO of what is now known as Griffin-American Healthcare Trust Inc., formerly Grubb & Ellis Healthcare REIT II.

Messrs. Prosky and Tift have been doing business together for quite some time, dating back to the 1990s. That’s when Mr. Prosky was with American Health Properties, which later became part of the large real estate investment trust (REIT), HCP Inc. (NYSE: HCP).

“While things are constantly changing in healthcare and healthcare real estate, it’s

still important to have deep knowledge about the healthcare real estate sector and to know how to make things happen by rolling up your sleeves, getting to work, doing research and calling on relationships,” Mr. Prosky adds. “And Tommy and the folks at his company certainly have that work ethic and knowledge.”

Another apt summation of HealthAmerica Realty Group comes by way of Tim Fowler, a longtime client and the VP of acquisitions and development at King of Prussia, Pa.-based Universal Health Services Inc. (NYSE: UHS).

“I consider HealthAmerica to be a boutique type of business with all of the expertise of a larger firm,” Mr. Fowler says. “Because of that, I really think of them as the kind of company that can deliver the personalized service you might not get from one of the larger companies.”

The publicly traded hospital company, according to Mr. Fowler, has engaged Mr. Tift and HealthAmerica Realty Group to perform a variety of services since the 1990s, including property management, sales and leasing brokerage, site acquisitions, and project development.

“We only have about 15 people, so we have to rely on our relationships in the industry, our knowledge of the sector and an ability to adjust to changes taking place in order to remain viable,” Mr. Tift says.

One of the ways in which Mr. Tift and the company continue to land business is by being “upfront with people who call on us and ask us to do some market research for them, sell a building for them, develop a building, lease space for them or to check out a potential investment opportunity they might be looking at. That’s something we can do to ensure that clients rely on us and value what we have to say.”

Companies and people certainly do call on Mr. Tift and his firm quite often. Included are a wide variety of developers and investors, such as REITs, as well as some hospitals and health systems.

Anyone currently looking for opportunities in the Atlanta market who calls on Mr. Tift is likely to hear this from him: Leasing is slow and the vacancy rate is probably well above 20 percent. But that doesn’t mean there are not some opportunities.

“There are some areas that are doing alright and there are buildings that certainly present better investment opportunities than others, but most of the submarkets are overbuilt right now,” he says.

“Developers went a bit overboard in the boom years leading up to the recession, when so many developers were building speculative MOB space. Some of those did look like good opportunities at the time, as they were built near several new hospitals that were built in growing areas of the metro area. But, it crept up on everyone and now there’s a lot of excess space to fill.”

## More than consulting

While providing services and consultation for other companies is certainly a big part of HealthAmerica Realty Group’s business model, it’s not, by a longshot, all that the company does. In fact, HealthAmerica Realty Group has developed and acquired quite a number of buildings for its own portfolio over the years.

Today, the four MOBs that it owns are located in Georgia and Florida and total about 350,000 square feet of space.

In its most recent development, the company completed a 37,000 square foot, fully leased medical building in Jacksonville, Fla., for Shands Jacksonville Medical Center, which is part of the University of Florida system. HealthAmerica controlled the land before developing the project.

In addition to providing property management services at the buildings it owns, the company also provides management services for another 250,000 or so square feet of MOB and medical space owned by third-party clients.

On top of that, the company currently has leasing assignments for more than 1 million square feet of space, much of it in Georgia and Florida.

Mr. Tift notes that the company also lands frequent assignments to market and sell medical properties and portfolios owned by developers, healthcare REITs, institutional investors and others.

It is currently has investment sales assignments for more than 1 million square feet of space, including a 107,000 square foot portfolio that it is listing in the Jacksonville area.

Yet another current assignment has HealthAmerica Realty Group providing property management and sales brokerage services for a vacant, foreclosed upon 140-bed hospital in the Atlanta market. According to Mr. Tift, several groups have been looking at the facility as a possible inpatient rehabilitation hospital.

The largest building in the company's owned portfolio is the 150,000 square foot Northwest Medical Center, a multi-tenant facility where HealthAmerica has its headquarters.

The MOB is located just off U.S. Interstate 75 in north Atlanta.

## Adapting to the market

As a longtime player in the healthcare real estate sector, Mr. Tift and HealthAmerica Realty Group continually look for ways to tweak the business model, stay on top of trends and determine what clients need most at any given time.

As an example, with leasing activity remaining slow in Atlanta and most markets nationwide, and with property management becoming a low-margin endeavor because of increased competition, HealthAmerica Realty Group is currently looking to significantly increase its role in the acquisitions market, both as a buyer and broker. It's hired a professional in South Florida to look for opportunities.

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Danny Prosky, President and COO  
Griffin-American Healthcare Trust Inc.

Upon finding an available MOB, the company might acquire the building for its own portfolio or pass it along to a client that it knows is looking for a certain type of medical facility that meets a specific set of fundamentals.

“We're more value-add buyers where there's an upside, but many of our clients, such as the REITs, like to buy stabilized properties, and we're not going to compete with them on those,” Mr. Tift says.

“We currently have our eyes open for deals that might be flying under the radar.”

He notes that some of the REITs and developers call “us when they have a property that doesn't necessarily fit their criteria and they think it might fit ours.”

Because HealthAmerica Realty Group has such a long history in the business, and because Mr. Tift and others within the firm have made so many contacts and business relationships over the years, referrals are quite common.

In fact, the company's recent assignment to manage and market the vacant Atlanta hospital mentioned earlier came by way of Terri Riker, who, as of the early 2000s, was a senior portfolio and asset manager for Long Beach, Calif.-based HCP Inc.

The large, publicly traded REIT often hired Mr. Tift and HealthAmerica Realty Group to handle dispositions of MOBs and to provide property management services for a number of its buildings. Back then, Ms. Riker oversaw a portfolio of about 100 MOBs.

“Tommy was handling properties for us all over the country. He and his team are what I consider to be very good strategists, and they can think outside of

the box when that's what's needed,” says Ms. Riker, who is currently performing court-appointed, commercial real estate receivership work in California.

“At that time, we were in acquisition mode, but we were also culling some of our non-performing assets. When it comes time for a sale, Tommy has such a wide knowledge of everyone in the healthcare space that he knows who would be the logical buyers for specific properties. I really considered him – and still do to this day – a trusted advisor.”

Steve Blumberg, the VP of planning and business development for the private, not-for-profit Shands Jacksonville Medical Center, agrees.

As noted earlier, HealthAmerica Realty Group developed and owns one of the facilities on the system's three-building outpatient campus in Jacksonville and provides property management services for the other two.

“It's been a good, positive experience working with them,” says Mr. Blumberg. “They used their creativity in developing the newest building there, and they always make sure that our objectives are met.”

## Foray into medical

While Mr. Tift says some of the company's client work comes by way of being in the right place at the right time – such as meeting a potential client on the golf course – he also notes that he got involved in healthcare real estate by chance nearly three decades ago.

While working his way through the management training program at a bank in Atlanta, the 25-year Mr. Tift decided a career change, as well as a life change,

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was in order. He packed his things and moved to California, settling in Orange County and getting involved in office leasing. Soon thereafter came the chance meeting – at a Super Bowl party – that would provide a course for his long career in healthcare real estate.

Also at that party was Tom McInerny, who was in the midst of starting the real estate department for American Medical International, predecessor of Dallas-based Tenet Healthcare Corp. (NYSE: THC). Mr. McInerny put the young and eager Mr. Tift to work selling medical buildings.

“After I sold three buildings for him, he started giving me other sales assignments and had me traveling all over the country,” recalls Mr. Tift. “It was challenging, but I learned a lot about the business. The experience was like getting an MBA in all aspects of medical real estate.”

It was a “go-go” time in the healthcare sector, according to Mr. Tift, as hospitals and health systems were busy recruiting doctors as if they were free-agent professional athletes.

“As part of the recruitment packages the doctors were getting Mercedes Benzes and plenty of other perks,” he recalls. “In some cases when they would recruit these doctors, the hospital would have to buy buildings that they really didn’t have any use for. So my job was to sell those.”

Because of his success, he soon found himself performing other duties, such as assembling land for new hospitals and MOB, assisting in development deals, and providing leasing services.

After learning the ropes, Mr. Tift headed back to Atlanta, ready to venture out

on his own in healthcare real estate. He got the ball rolling by developing a couple of buildings under a master lease arrangement for a spinoff of Nashville, Tenn.-based HCA Inc.

“They were off-balance sheet deals, and this was during the real estate crunch of the early ‘90s so it wasn’t all that easy to get things done,” Mr. Tift recalls. After starting one firm, Medical Property Co. Inc., he founded HealthAmerica Realty Group in the mid-1990s.

Today, Mr. Hall is a partner and the senior VP of leasing and sales, handling many of the details and day-to-day operations. As the president and CEO, Mr. Tift spends much of his time marketing the firm’s services and landing business deals through new and long-term clients.

As he reflected on his years in the business, Mr. Tift says he has learned plenty. Included is his penchant for being “straight” with clients when they seek advice. He’s also learned that there are times when it makes sense to go out of one’s way to provide a service for a trusted client, or perhaps a new client, even if that service will not necessarily lead to an immediate and substantial boost to the bottom line.

“I was at dinner a number of years ago in California with a longtime friend and client of mine in the business, Joe Sullivan, who was the chairman and CEO of American Health Properties, which later became part of HCP,” Mr. Tift recalls.

“Well, we had brokered the sale of one of the buildings down in Jacksonville to his company in 1998. “And Joe told me that there was a space in the building that he wanted us to fill. I kind of wondered how the CEO of a big REIT knew about a 4,000 square foot space

in Jacksonville. But I knew that finding a tenant for that space could mean a lot for our company, which was pretty new at the time. So I basically promised him that we’d fill that space.”

Back in Atlanta, Mr. Tift discussed the situation with Mr. Hall, who then flew to Jacksonville at least once a week for 12 straight weeks in order to cold call on potential tenants. Eventually, Mr. Hall’s diligence paid off, as he landed the University of Florida, which now occupies all of the space in that building as well as two others on the outpatient campus.

“It took a lot of effort on Steve’s part, and we paid him all of the commission on that deal,” Mr. Tift says. “Flying him down there cost the company quite a bit of money, but I knew what landing a tenant could mean for our company. Steve did a great job, and for many, many years, Joe was very good to our company.”

“Sometimes, you have to know when you really need to perform for a client and not be shortsighted. Well, we still manage that property today. Joe gave us a big opportunity, and it paid off for us nicely.”

As we circle back to the chance meeting on the golf course with the TV executive, Mr. Tift reports that the two recently had a second meeting in Los Angeles to further discuss the possible MOB conversion in Calabasas.

“I found what could be a potential tenant for his building,” Mr. Tift says. “So, when I was out there on business recently, we set up another meeting to discuss this some more. I think it might work out.”

And if it does, it won’t be solely because of a chance meeting. □

## **HealthAmerica Realty Group** THE MEDICAL REAL ESTATE EXPERTS

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