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\$18 million redevelopment set for Buckhead medical offices

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An aging Buckhead medical office building is set to become an \$18 million redevelopment in a neighborhood known for top private schools and landmarks such as OK Café and the Arthur Blank Foundation.

Atlanta-based **HealthAmerica** Realty Group will redevelop Northwest Medical Center, a 147,000-square-foot project at 3280 Howell Mill Road that dates back to the 1970s.

Lately, occupancy has dropped to about 30 percent. HealthAmerica execs say the project is due for a turnaround, though, and it can eventually offer hospitals, physician groups and specialists a chance to rent relatively affordable office space in one of the Southeast's most affluent neighborhoods.

HealthAmerica struck a deal with real estate capital firm Harrison Street Partners, which is contributing about \$7.5 million toward the project. HealthAmerica is probably best known for managing and leasing its medical office portfolio across Georgia and Florida, but it always saw an opportunity to redevelop Northwest Medical Center.

"We haven't really tried anything quite like this," said [Thomas Tift](#), who founded HealthAmerica Realty Group in 1994.

The project comes as developers plan new medical office space across parts of Atlanta, including Peachtree Road near Piedmont Hospital.

The largest is Cornerstone Development Partners and Stein Investment Group, which for the past year has been trying to start a \$65 million mixed-use medical project in south Buckhead across from Piedmont.

Other major Atlanta-based health-care providers such as Northside Hospital System and WellStar Health System have looked at ways to expand services beyond their campuses into places where many of their patients live.

Northside, for example, has a large campus along the Perimeter, but it's planning a medical office building in Midtown.

"Everyone is going into each other's backyard to increase patient volume and market share," Tift said. "Patients want access and convenience."

Investors are paying attention to demand within the medical office sector, a reason HealthAmerica was able to attract a strong capital partner.

In the Southeast, several notable transactions this year have included Carter Validus Mission Critical REIT's purchase of the 21st Century Oncology Portfolio for \$117.6 million or \$525 per square foot, according to CBRE Inc. CNL Healthcare Properties also purchased the University of Tennessee Cancer Institute medical office building for \$33.66 million or \$336 per square foot.

"There is so much money chasing medical office," Tift said.

Gross rents for class A medical office buildings, or the newest properties close to the best amenities, are reaching at least \$37 a foot. A new medical office building would rent for even more.

But, it won't always be easy for hospital systems or physician groups battling falling reimbursements to afford those higher rates, Tift said.

HealthAmerica believes its project on Howell Mill strikes a balance: it has a location amid Buckhead's strong demographics but rents at significantly less than the newer class A medical office buildings around it.

Already, Tift said, his company has entered discussions with up to 50,000 square feet of tenants.

Douglas Sams covers Commercial Real Estate