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Medical Office Project Moves Ahead in NB

REAL ESTATE: Land buy, redesign for Birch Street project

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In terms of the location of its latest purchase with Bascom and Westminster Capital, a real estate investment manager that invests on behalf of private clients, "it really doesn't get much better than Newport Beach," according to Krotts. While most of the medical office space in the area is second-generation, those buildings still can command monthly rents approaching the \$4.50-per-square-foot range, he said. Newport Heights Medical Campus will have rents lower than that,

according to Krotts. "We'll be offering some competitive packages," he said.

Bryan McKenney of Cypress West Partners will handle preleasing. Terms of the sale were not disclosed. About 3 acres of empty land was listed for sale at nearly \$7.4 million, or close to \$2.4 million per acre, according to brokerage data. REDA and its partners in the deal also bought a pair of home sites on a little more than 1 acre next to the vacant land. Plans call for those structures to be razed as part of the development. The medical office project has been on the books for the site since 2007. The initial design included four buildings that would have been about the same size in terms of square footage. The project was grounded by the recession, said Don Yahn, an executive director with the Irvine office of Cushman & Wakefield who represented REDA in the purchase with colleague Brett Swartzbaugh.

A two-building project allows for more flexibility in the project's design and will allow for enough parking, along with outdoor courtyards and other amenities, Krotts said. REDA and its partners were under contract on the site for about a year while the project's design was tweaked. Chris Bates of CBRE Group Inc. represented the Newport Beach-based seller, Newport Executive Court LLC. Ware Malcomb is the project architect for Newport Heights Medical Campus. A general contractor for the project should be selected in the next few weeks, Krotts said. A long-planned medical office development in the Santa Ana Heights area of Newport Beach is moving ahead following a recent sale of the nearly 4½-acre site and a redesign of the proposed project. A venture led by Newport Beach-based Real Estate Development Associates LLC, an investment company that buys and develops office and industrial properties in Southern California, last month closed on the purchase of the mostly undeveloped land at 20372 Birch St. The site, a few blocks south of Bristol Street, is slated to be turned into a two-building, 64,000-squarefoot medical office project called Newport Heights Medical Campus. The project is expected to break ground this summer after some preliminary leasing is completed, according to Jason Krotts, a cofounder and principal with Real Estate Development Associates, which also operates under the name REDA. REDA partnered with Bascom Group, an Irvine-based real estate owner and investor best known for its large apartment holdings, and Westminster Capital LLC in Lake Forest, Ill., on the purchase. The developer is exploring leasing the buildings to a variety of medical-related tenants, including smaller operators, doctor groups, and some of the area's large medical groups, Krotts said. The site is about five miles from Hoag Memorial Hospital Presbyterian in Newport Beach. There's "a void" of new space for medical tenants looking to be near the hospital, Krotts said. "Other than the Hoag Hospital and the medical offices at Newport Center, there are not many options for patient services in the area," he said.

There is about 1.3 million square feet of medical office space in the greater Newport Beach and Costa Mesa region. The area's medical office buildings now have a vacancy rate of 5.6%, the lowest in the county, according to data from brokerage Cushman and Wakefield Inc. The deal is the first in Orange County for REDA. A majority of the developer's activity to date as involved industrial projects in Los Angeles and the Inland Empire. "We really like the medical office space," said Krotts, a former vice president of acquisition and development for Lowe Enterprises Real Estate Group in Los Angeles. Krotts started REDA in 2009 with Bill Goltermann, another former Lowe executive. The new venture started making deals in 2011, but has ramped up its investment and development activity since 2013. REDA said it has invested more than \$100 million in equity in the past 18 months. The company has partnered with Bascom on several of those deals, including sites in Fontana and Commerce, where larger industrial facilities have been built.