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Medical Office Joins Finance Fray

By [Lisa Brown](#) | San Francisco

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The fully leased medical office building is located in Presidio Heights.

SAN FRANCISCO—As continued activity surrounds the multifamily segment in terms of development and investor interest, medical office is getting capital attention as well. As of late, two \$15 million-plus properties in two hot markets were financed. The first, an 80,022 square-foot medical office building located at **3838 California St.** received acquisition financing of \$20.5 million and the second, a mixed-use property consisting of 90 luxury apartments over ground floor commercial space located at 301 First St. in Petaluma, CA, also received acquisition financing to the tune of \$16 million.

The medical office building transaction was structured with a 10-year term with a two-year interest only period and 30-year amortization schedule. The multi-family transaction was structured with a seven-year interest-only term. **Dennis Williams**, senior vice president/managing director of **NorthMarq Capital**, secured the financing for both properties. NorthMarq arranged financing for the borrowers of both properties through its correspondent relationship with a life insurance company.

Williams tells GlobeSt.com: "Northmarq placed this loan with a life insurance company that provided long-term fixed rate acquisition financing on this fully leased medical office building in Presidio Heights, an affluent and desirable neighborhood in San Francisco. The loan was structured with an earn-out to address tenant rollover and provide a much needed capital investment to modernize the building.

The borrowers of the medical office building plan to increase property cash flow by increasing rents to market as leases expire and completing on-site improvements that will modernize the property and extend its functional operating life, says Williams.

Waterfront Apartments is a class-A, stabilized multi-family asset that was built in 2008. Its apartment homes have a mix of studio, one-bedroom, two-bedroom and townhouse floorplans. There is ample on-site parking, with either assigned or open spaces depending on unit type. The units feature washers and dryers, and decks or patios in select units. Each kitchen features updated appliances, hardwood cabinets and granite countertops, and all units are fully equipped with sprinklers. Units are accented with views of either the Petaluma River or western mountains and the location grants convenient access to Highway 101.

As **recently reported**, healthcare real estate is getting increasing attention.

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