

Chandler Medical Pavilion



Trophy Campus-Adjacent Medical Building

65,931 rentable square feet

1125 S Alma School Road, Chandler, AZ 85286

CONFIDENTIAL INVESTMENT SUMMARY



SEE A BRIGHTER WAY

Executive Summary

The Opportunity

Jones Lang LaSalle Americas, Inc. (“JLL”) has been exclusively retained to present qualified investors with the opportunity to acquire the fee simple interest in a recently-constructed, purpose-built Class A outpatient medical building (“Chandler Medical Pavilion” or the “Property”) with 65,931 rentable square feet strategically located proximate to the 124-bed Banner Ocotillo Medical Center campus in Chandler, Arizona. The Property is 100% leased to Banner Health (“Banner”), the largest integrated health system in Phoenix and Arizona, with an investment grade rating of AA- from both Standard & Poor’s and Fitch Rating Services. Banner is the sole tenant and executed a 10-year triple net lease in 2021 with net rents escalating at three percent (3%) annually. The lease offers five, five-year renewal options with a renewal rent reset to fair market value, presenting a significant market opportunity with in-place rent approximately 30 percent below market.

The Property is a high-upfit, highly specialized outpatient center with Banner having invested over \$35 million into the building (inclusive of FF&E). High-margin specialty services at the Property include an ambulatory surgery center with three operating rooms, an advanced imaging center, an accredited cardiology department, and a Banner Health Clinic offering gastroenterology, endocrinology, and orthopedics.

Chandler Medical Pavilion was a 2021 build-to-suit for Banner Health as a mission-critical multispecialty outpatient center to compliment the recently constructed Banner Ocotillo Medical Center. Chandler is one of the fastest growing areas in the Phoenix metro, experiencing annual population growth of 2.7 percent on average over the past 13 years, with over 122% population growth since 2000.

The opportunity offers an investor a desirable long-term cash flow stream from a prestigious and highly ranked market-leading health system in Phoenix with triple net leases inclusive of 3.0 percent annual rent escalations. The Property will be conveyed fee simple and free of any mortgage encumbrances.

Property Summary

Property

Banner Health Center -
Chandler Medical Pavilion

Address

1125 S Alma School Road,
Chandler, Arizona 85286

Rentable SF

65,931

Year Built

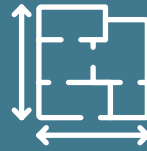
2021



Leased by

Banner Health.

(S&P: AA-)



65,931
RSF



Developed in

2021



100%
Leased



In-place rents

30%
below market



7.0
Years of Term Remaining



CAMPUS
Adjacent



3.0%
rent growth



TOP 10
MSA

Investment Highlights



Rare trophy campus-adjacent medical outpatient building investment

- State-of-the-art 65,931 rentable square foot, Class A outpatient medical center with an ambulatory surgery center, advanced imaging and high-margin specialties
- 100% leased to Banner Health (S&P: AA-) until July 2031 with 3.0 percent annual rent increases
- New construction, build-to-suit for Banner in 2021
- Ability to acquire significantly below replacement cost
- Five, 5-year fair market value renewal options and substantial mark-to-market rent opportunity with in-place rents approximately 30% below market
- Nearly \$35 million of capital invested by Banner into the buildouts of their suites (inclusive of FF&E)



Desirable Banner tenancy

- High investment grade rating at AA- (S&P and Fitch), operating in six states with 2023 revenue of \$13.7 billion and 28 hospitals
- Adjacent to Banner Ocotillo Medical Center, one of Banner's most recently built hospitals, already generating \$88 million in net patient revenue and a strong operating cash flow margin
- Banner Ocotillo Medical Center is a four-story, newly built, comprehensive medical center which is part of an expanding medical community
- Largest integrated health system in Arizona
- Banner is the largest employer in Arizona as well as a dominant employer in Maricopa County
- Banner leases approximately 8,400 rentable square feet of shell space that they have earmarked for organic expansion and has no interest in subleasing. Banner is responsible for all costs associated with any future expansion





Mission critical outpatient center with high margin healthcare services

- Banner surgery center – Chandler offers three operating rooms, six pre-operating rooms and ten post-anesthesia care units and offers general, gastrointestinal, orthopedic, podiatry, urology, plastic and hand specialties
- Banner imaging center offering comprehensive radiology and imaging services such as nuclear medicine, MRI, X-ray, and CT scan
- On the second floor, Banner Health Clinic operates out of 19 exam rooms offering gastroenterology, endocrinology, and orthopedic specialties
- Banner utilizes the entire third floor for outpatient cardiology and operates out of 22 exam rooms providing nuclear stress testing, echocardiography, vascular ultrasound, electrophysiology, and interventional cardiology



Strategic location in a rapidly growing market

- Strategically located less than one half mile from the recently opened 124-bed Banner Ocotillo Medical Center and less than one mile from the 429-bed Chandler Regional Medical Center
- The Chandler submarket has experienced robust population growth of 2.7% since 2021 within a one-mile radius the Property
- Medical office rents in Phoenix surged 12.7 percent over the past three years
- High average household income of \$113,500
- Excellent access to the Loop 202 Freeway (182,000 VPD) and South Alma School Rd (36,000 VPD)
- High daily visitor counts averaging 119,800 visits per year per Placer.ai data

Banner Health

Banner Health is an integrated, not-for-profit health system operating in six Western U.S. states. Banner is the largest healthcare provider and private employer in the State of Arizona with over 50,000 employees serving more than one million patients across 28 hospitals. Banner has financial scale with \$13.7 billion in revenue in 2023. Banner developed the Chandler Medical Pavilion in 2021 to better serve its respective communities and increase outpatient market share.





Space Utilization Overview

Purpose built in 2021, the Chandler Medical Pavilion boasts three floors specializing in high-margin services. Patients have access to a range of facilities:

- **Ambulatory Surgery Center:** This center features three operating rooms equipped for general, gastrointestinal, orthopedic, podiatry, urology, plastic, and hand surgery
- **Advanced Imaging Center:** Cutting-edge technology allows for MRI, ultrasound, x-ray, fluoroscopy, CT scans, and nuclear medical imaging
- **Cardiology Department:** With 19 exam rooms and on-site imaging, the department offers nuclear stress testing, echocardiography, vascular ultrasound, holter and event monitoring, interventional cardiology, electrophysiology, and general cardiology care
- **Banner Health Clinic:** This clinic houses 22 exam rooms providing specialized services in gastroenterology, endocrinology, and orthopedics

Banner Health invested \$35mm (including furniture, fixtures, and equipment) to build out the comprehensive services offered.

Chandler Overview

Nestled in the vibrant Sonoran Desert, Chandler, Arizona, ranks among the most financially stable cities in the United States with a AAA bond rating from each bond rating agency. Chandler's government is business friendly, leading to a fortress economy and the myriad presence of Fortune 500's largest companies. A short commute from Downtown Phoenix, Chandler has access to over 1,000,000 employees and 877,700 students within a 30-minute commute. Interconnectivity to the I-10, Loop 101, Loop 202, and U.S. 60 allow residents to access places like Los Angeles, San Diego, Las Vegas, Salt Lake City, and Denver within a day's drive. International airports, advanced telecommunication networks, an extensive ultra-pure nitrogen pipeline, and the lowest city sales and corporate tax rates in the metro promote Chandler as a major contributor to Maricopa County's \$300 billion annual gross domestic product. This strategic hub offers not only financial stability, but also easy access, top notch infrastructure, and a thriving business environment, making Chandler a prime destination for companies and residents alike.



T-Mobile **O'Reilly AUTO PARTS**
Wendy's **DEL TACO**
Walmart **GameStop**


CHANDLER
 MUNICIPAL AIRPORT
 CHD

**FORTUNE TOP-5
E-COMMERCE DISTRIBUTOR**

KOHL'S
WinCo FOODS **planet fitness**

**HAVEN HOMES
(69 HOMES)**

 **Banner Health.**
OCOTILLO MEDICAL CENTER
(124 BEDS)

LOOP 202

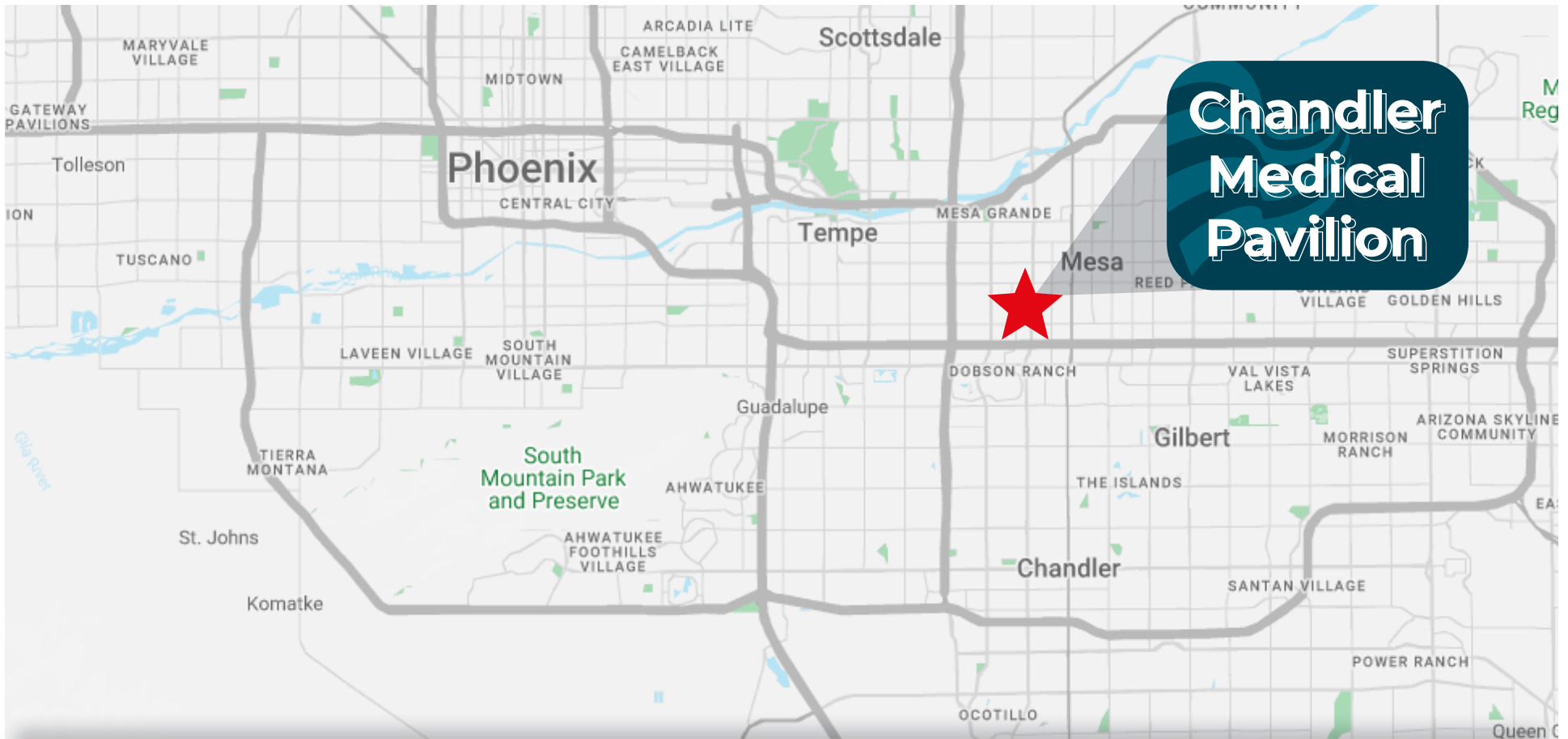
LOOP-202 (182,000 ADV)

SOUTH ALMA SCHOOL RD (36,000 ADV)

**THE CASITAS AT
SAN MARCOS
(256 APARTMENTS)**

**FUTURE
RETAIL**

**Chandler
Medical
Pavilion**



Chandler Medical Pavilion

Demographics	Distance from Subject			Chandler, AZ	Phoenix-Mesa-Chandler, AZ MSA	Arizona
	1-Mile	3-Mile	5-Mile			
2023 Population	21,155	127,110	287,572	284,600	5,069,353	7,427,991
Average Household Income	\$113,499	\$120,731	\$131,847	\$133,047	\$111,655	\$102,749
Household Income \$100,000+	42.5%	45.1%	50.4%	50.8%	39.4%	35.2%
Median Age	33.7	34.3	36.9	36.1	36.8	38.1
2023 - 2028 Population Annual Growth Rate	0.59%	0.46%	0.22%	0.15%	0.65%	0.53%
2023 % of Population over 55	20.9%	21.4%	25.2%	23.5%	27.6%	30.2%
2028 % of Population over 55	22.0%	22.1%	26.0%	24.1%	28.0%	30.5%
% of Population with Commerical Insurance	60.0%	62.0%	64.0%	61.0%	64.0%	60.0%
% of Population with Insurance	82.0%	82.0%	82.0%	99.4%	98.3%	84.5%

Chandler Medical Pavilion

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