



WESTFIELD MEDICAL OFFICE PARTNERS VIII

Medical office development in Colorado Springs

Partnership Originated in January 2011

75% Preleased Prior to Construction

On -Campus Hospital Location

\$15,000,000 Total Capitalization

Penrose Medical Center

The Partnership has commenced construction on Penrose Medical Center, a 4-story, 71,000 square foot medical office building (“MOB”). The project is located on the Penrose Hospital campus, the anchor hospital of Penrose-St. Francis Health Services, and is located approximately two miles north of the Colorado Springs CBD. Established in 1890, Penrose Hospital has grown to become a major health treatment and referral center specializing in cancer care, cardiac care, emergency trauma care and physical rehabilitation. Penrose is part of Centura Health, Colorado’s largest healthcare network. Penrose’s infill Colorado Springs location prohibits future on-campus or close proximity MOB development. Westfield strives to invest in assets with true and sustainable competitive advantages. Health care is one of the obvious long term growth sectors in the economy – with increased demand due to aging baby boomers plus expanded healthcare demand as a direct result of recent legislation. Demand for on-campus MOB space is increasing as medical practices are actively implementing business strategies to increase their efficiency and productivity. Further, leading hospital chains like Centura are actively acquiring and venturing with strategic medical practices and require those medical practices to locate on-campus MOBs when possible.

Penrose Medical Center is being developed by Westfield

Company. Customary development risk has been mitigated by the Partnership completing the following prior to commencement of construction:

- Construction drawings were 100% complete by an experienced MOB architectural firm and project was fully permitted.
- A stipulated sum, guaranteed maximum price contract was executed with a leading general contractor.
- The property was 75% preleased at the time construction commenced.
- The Partnership utilized a conservative, low leverage capitalization strategy and provided for significant contingencies.

The pro forma net income provides for a 9.7% return on cost at stabilization and the project cost is \$198.73 per square foot. Relative to current valuations, the pro forma return on cost is considered very favorable. Capitalization rates for on-campus MOBs with similar investment characteristics currently trade at 7.5% +/- cap rates. If the Partnership holds the asset for the anticipated timeframe (5 years from closing of the Partnership), the projected total return, or IRR, for the holding period is 17.1% with a 2.1 equity multiple. MOBs are tax efficient as more favorable depreciation is possible than traditional real estate investments.



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