

CHALLENGER MEDICAL PLAZA



WEST PALMDALE BLVD AND SOUTH 5TH STREET WEST,
PALMDALE, CA 93551

Meridian Capitalizes on Foreclosed Medical Office Plaza

Meridian purchased a 34,000 square foot, five-building medical office development which also included 40,000 square feet of undeveloped land. Due to its familiarity in the Palmdale/Lancaster market, Meridian purchased the project in 2011 after it had been foreclosed upon at the height of the 2008 economic downturn. Upon purchase, Meridian was faced with new competition in the area, creating lower demand for medical space than it had originally predicted. Meridian's strength in leasing, knowledgeable underwriting, and ability to get creative with the additional space ultimately led them to successfully lease-up the existing land, develop a new clinic for a preferred client, and eventually sell the entire project which brought the original strategy to fruition.

Client Driven Real Estate Solutions

Challenges

Meridian purchased a 34,300 SF, five building development, which also included an excess parcel of land for future expansion, located on the southeast corner of West Palmdale Boulevard and South 5th Street West in Palmdale, CA. The development, known as Challenger Medical Plaza (CMP), sat just ¼ mile east of the recently opened Palmdale Regional Medical Center, and adjacent to the hospital's future eastern entrance. The project was developed by Rob Martin and broke ground at the same time as Meridian's Palmdale Profession Center (MPPC) in the fall of 2006. Both projects were adversely impacted by the financial crisis which was in full swing as the projects were being completed. Also, at the time, Universal Health Services (UHS) was completing a 121-bed hospital that would shift the healthcare market from Lancaster to Palmdale. Unfortunately, UHS's opening hit several delays and Challenger Medical Plaza was foreclosed on by the lender. Meridian worked diligently to meet the market and complete the lease-up and sale of its original development in Palmdale (MPPC) and saw the acquisition of CMP as an opportunity to build on its success and familiarity with the market.

UHS opened shortly before Meridian's acquisition of CMP in 2011, but by then there was also a significant on-campus MOB that was a competitive threat. Meridian had to attract new tenants/users to bring their strategy to fruition and capitalize on the acquisition.



Solutions

Meridian was able to successfully lease-up the existing buildings; however, they were faced with the challenge of turning the excess land into something profitable. There were nearly 3 acres of vacant land that was entitled for up to 40,000 SF of additional medical office use. Despite Meridian's success in leasing the existing space, the demand in the area was insufficient to support the development of a large MOB. Luckily, Meridian had assigned very little value to the land at acquisition and was able to find a tenant with a 15,000 SF requirement who was attracted to the idea of a new building near the newly opened hospital. The great location paired with an attractive lease rate (due to low land basis) allowed Meridian to successfully close the deal and build its client a brand new, state-of-the-art medical clinic.

Results

While the project took longer than originally expected, Meridian saw their initial strategy through by successfully leasing up the existing buildings, finding a profitable way to utilize the excess land, and ultimately selling the entire project for a strong return on their investment.

Meridian's familiarity with the market, along with the project's location, accessibility, visibility and attractive economics allowed Meridian to find success during a difficult time and to complete Rob Martin's original vision for the CMP as a campus adjacent medical center.

