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Anchor has its biggest year yet

Acquisitions, development and property management all hit record levels

In just its fifth full year of having an acquisitions platform, one of the healthcare real estate (HRE) sector's long-standing firms, Anchor Health Properties, had, by far, its best year of making investments in 2021.

The company, which has headquarters offices in Media, Pa., and Charlottesville, Va., made investments totaling about $900 million in 2021.

That strong performance, however, is just one aspect – even though it is a very big aspect – of the firm's extraordinary growth since Ben Ochs, the CEO and managing partner, in 2015 merged Anchor with the firm he formerly owned, Charlottesville-based Brinkman Management & Development, an HRE developer, owner and manager, and which Mr. Ochs had acquired from Norm Brinkman.

Shortly after the merger, Mr. Ochs set out to build Anchor into much more than a development firm, which it had primarily been since its founding in the 1980s by Paula Crowley and Lou Sachs.

He tells HREI™ that, back in the 2000s, he "came to the conclusion … that if you wanted to survive as a healthcare real estate firm you were going to have to grow and offer a wide range of services, including development, acquisitions and management in order to be a true partner and trusted advisor to these growing health systems when they need such services.

"I guess it comes down to not being able to survive on bread alone."

As Anchor's acquisitions platform has grown, so has its other verticals.

As of recently, it had more than 25 projects totaling about $400 million in various stages of development, with most of the projects scheduled for completion in 2022. That active pipeline means the firm's development platform is busier than it has ever been.

In addition, Anchor continues to grow its property management arm, which as of the end of 2021 had a total of about 7.2 million square feet of space under management, with about 80 percent of the space being under company ownership, most often with investment partners.

By the time mid-2022 rolls around, the company, through additional acquisitions, developments and new third-party property management arrangements, expects to have about 8 million square feet of HRE space under management, according to Jonathan Nelson, Anchor's senior VP, partner and director of operations.

And yet, despite all of this success and numbers like the company has never seen before, Mr. Ochs and the other managing partner, Chief Investment Officer James A. Schmid III, say that what they are most proud of is having built a company where the people in the firm have the autonomy – while still relying on others on their teams as well as in the other platforms – to pursue deals and opportunities.

This, they say, not only leads to the company's overall success but also allows employees to grow professionally as well.

"Our turnover rate, which I have just confirmed, is about half that of the average in the industry," Mr. Ochs says.

"This has been quite remarkable for us and allows us to weather a period, such as the COVID-19 pandemic and the subsequent supply chain issues and a tight labor market, like we have gone through and in a way still are.

"We don't do everything right, and we understand that, but we are very focused and really put a lot of time and thought into doing our best to do what's right by the people in our company, and the proof of that is really in how well we retain our people."

In addition, Anchor's leadership says it takes pride in leading a firm that does right by its clients, as it is a company that considers its stakeholders to include the patients receiving care in the firm's buildings.

Jonathan Nelson, Anchor's senior VP, partner and director of operations, says," I think I can speak for all of us at Anchor when I say that it is very fulfilling and rewarding to be with a company that considers our stakeholders not only to be our capital partners, our health system and physician practice clients, who are often our tenants, but also their patients as well.

"We truly value being involved in a business that contributes to the health of a community and pride ourselves on the fact that the health of the patients who receive care in buildings that we have had a part in developing, owning or managing is one of the end goals of what we are looking to accomplish."

Mr. Nelson has been working with Mr. Ochs for nearly a decade, joining him in 2013 at Charlottesville-based Brinkman Management & Development, an HRE developer, owner and manager, and which Mr. Ochs had acquired from Norm Brinkman.

Brinkman was considered a small, regional firm focused on Virginia and Tennessee that developed one or two HRE projects per year. By 2014, it had landed some larger property management contracts, including a large arrangement in Tennessee, and was providing facility management services for about 700,000 square feet of healthcare space.

At that time, Brinkman was a "four-person" shop, according to Mr. Nelson, even though he noted that Mr. Ochs had visions of growth.

A path for growth

After Mr. Ochs had joined Brinkman in the mid-2000s and acquired the firm a few years later, he and a small group that

"We've always been about 'one plus one equals three.' And we try to find opportunities for those who are ambitious and want to achieve great things and join a fantastic team where they can do that and be a given a chance."

Ben Ochs
CEO and Managing Partner
Anchor Health Properties

included Mr. Nelson often talked about where the HRE industry was heading and what a firm such as Brinkman needed to do to not only survive, but perhaps thrive.

"From early on, Ben had a growth mindset, but it had nothing to do with wanting to get to a certain size, to reach a certain number of people, or a square footage under management and then wanting to beat his chest about it," Mr. Nelson says.

"That's not what he's about. He's a very humble person, and he's very smart and gifted as a financial thinker and visionary, and he has the ability to think creatively about financial structures and structuring deals and being able to speak to the health system CFO while also resonating with their director of construction or real estate because he has the experience."

He adds that Mr. Ochs is "determined and persistent and, sometimes, almost to a fault, we don't take turn down a project or an opportunity where, perhaps, another firm could not make it work or a capital solution fell through. Ben, and also James, loves those opportunities and enjoys challenges like that and solving that and delivering whatever the desired outcome is for the client."

While still at Brinkman, Mr. Ochs scanned the HRE landscape, looking for a firm to acquire and merge with. He found that in Anchor Health Properties, which at the time was based in Wilmington, Del., outside of Philadelphia, and which, under the guidance of its two leaders, Paula Crowley and Lou Sachs, was known as one of the first firms to espouse the benefits of developing outpatient medical facilities in retail locations.

The merger took place in 2015. Soon thereafter, Mr. Ochs, as he said he would, set out to add an acquisitions platform to turn Anchor Health Properties into the type of full-service firm he felt it needed to be.

He brought in Mr. Schmid in early 2016 to not only establish and ramp up the acquisitions division but to also become one of the company's key leaders, assisting Mr. Ochs in planning and executing the firm's overall strategy.

Mr. Schmid was certainly on board with Mr. Ochs' plan to grow Anchor by beefing up the three platforms.

"To be able to do what we've done, all three business units have to be able to perform at best practices level," he says, "and we have been able to accomplish this because of the people we have in development, management and leasing, and acquisitions.

"We've made sure to hire people who have the technical skills to do these jobs while also being entrepreneurial in their own right. They are the type of people who thrive on pursuing and establishing strong relationships and, as a result, finding opportunities.

"They are good communicators and team players and can inform the people in the other verticals about something they have learned, an opportunity perhaps."

For example, Mr. Schmid notes, when Anchor makes a new acquisition, "there is an intense amount of capital, redevelopment work or leasing that has to occur, and the asset and property management team needs to be brought in as well, and all of this goes into the underwriting process, because while we do have relationships with third-party consultants, we are not completely reliant on them in making our decisions about making an acquisition.

"We feel, with the people we have in all of our verticals, that we have very good insights as to what the likely outcome is going to be, and we prepare accordingly."

Acquisitions platform takes off

Perhaps the most remarkable aspect of how quickly Anchor has "scaled up" its acquisitions platform is that the firm is not necessarily interested in acquiring larger portfolios. Instead, it relies on its six investment managers, and the whole team approach, to find mostly single-asset opportunities, many of them in off-market deals.

Anchor makes its acquisitions with a variety of joint venture (JV) partners that include Washington, D.C.-based The Carlyle Group, which was the first institutional investor to approach the company about partnering on such endeavors; Chattanooga, Tenn.-based Chestnut Real Estate, with which Anchor is a partner in the Chestnut Healthcare Fund II; Chicago-based Harrison Street Real Estate; and as noted, Morgan Stanley.

One of Anchor Health Properties' recent off-market acquisitions was The Parkway, a four-story, 129,000 square foot medical office building located at 7455 W. Washington Ave. in the greater Summerlin sub-market of Las Vegas. The fully occupied asset was acquired through a joint venture including Anchor's comanaged equity fund, Chestnut Healthcare Fund II.

Photo courtesy of CoStar

"Getting off to a good start and making our first handful of transactions early back in 2016 really gave us lots of market momentum and has led to us being able to find more and more opportunities," Mr. Schmid says. "As we've been able to step that up, we are now training people quickly, people who wanted to be entrepreneurial and who want to take on responsibilities for themselves."

The growth of the platform has come about "organically," Mr. Ochs notes.

"As our acquisition platform grew, we decided to divide up our top 25 markets and then we have a half-dozen or so folks," adds Mr. Schmid, "and that includes myself. We each have six or seven markets that we are focused on, and each of us leverages a lot of proprietary data, perform a lot of data mining and programming to really have an inventory of who owns what in each of the markets and across the United States. I'd like to think we're really adept about how we go about acquiring what we want in a given market."

Others in the HRE sector have taken notice of the confidence Anchor shows in its various professionals.

"I think James and Ben are big believers of autonomous leadership, empowering their acquisition team to succeed by giving them the authority to make decisions," says Christopher R. Bodnar, vice chairman, along with Lee Asher, of the U.S. Healthcare and Life Sciences Capital Markets team with CBRE Group Inc. (NYSE: CBRE).

"That can only be done when there is a lot of trust. This approach has allowed Anchor to scale very quickly and is part of why I believe they've been so successful."

Development is as strong as ever

As noted earlier, Anchor is in the midst of its strongest period for development in company history – and that's saying something for a company whose roots are in the development arena.

"I feel fortunate to be part of such a strong team at Anchor," says Katie Jacoby, executive VP of strategy and development and who leads the team and is responsible for sourcing and executing development deals and projects across the country. We have more than $400 million in active development right now with 25 projects across the country, and we will be delivering many of these (in 2022).

"We've grown our team in this past year to support the active pipeline that comes behind this work, which I feel is a testament to the commitment, hard work and expertise of our team."

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James A. Schmid III
Chief Investment Officer
Anchor Health Properties

Anchor executives pride themselves on the fact that the company can – and is willing to – develop small projects. Yet it also has the capabilities to develop projects on a much larger scale.

On the smaller side, the company has done developments of as little as 5,000 square feet or so.

In fact, Anchor is currently in the process of performing site selection and financing as well as making plans for the design and construction of two 5,000 square foot, build-to-suit clinics in separate locations in Greater Knoxville, Tenn., for a longtime client, a retina specialty group.

On the other end of the spectrum, Anchor has developed projects on a much larger scale.

In 2020, for example, it completed the 235,000 square foot multispecialty Center for Advanced Healthcare at Brownwood for The Villages Health in the massive central Florida retirement community of The Villages.

In another larger project, earlier in 2021 Anchor broke ground in Tampa, Fla., on a future 59-bed, 87,649 square foot inpatient rehabilitation hospital that will be operated by Louisville, Ky.-based Kindred Healthcare and Tampa General Hospital.

Adapting to the landscape

As it has grown, the company has had to adapt to the changing sector. This includes developing a variety of healthcare facility types, such as the rehabilitation facility mentioned earlier.

Another adaptation the company has made has been to do, on occasion and when a client prefers, develop projects on a fee-for-service basis instead of bring capital to the table and owning the project.

"There have been a lot of changes in the industry, and there always will be," Mr. Ochs says.

"And along the way we have a adopted a fee-for-service model – it's not what we prefer to do, as we also still do most of our projects by deploying capital into them.

"We also partner on projects in joint ventures with health systems, and allow physicians to be involved as well.

"But doing fee-for-service projects is a good way to stay busy, to keep your people busy, and it can, and often does, open up other opportunities with a client, including acquiring a building if a client would like us or doing another development for them that we can deploy capital into."

"First and foremost in this business, a company like ours has to be focused on the long-term partnering approach in which we develop a relationship with a health system or provider, and doing fee-for-service projects as well projects we will own, providing property management services, and making acquisitions really give us a tremendous amount of flexibility and shows that we can bring a number of different solutions to the table," Mr. Ochs says.

"That is what has dictated our strategy, has helped us achieve a lot of success and, by providing a wide range of services to a health system client, will help keep us viable in the future."

Looking to the future

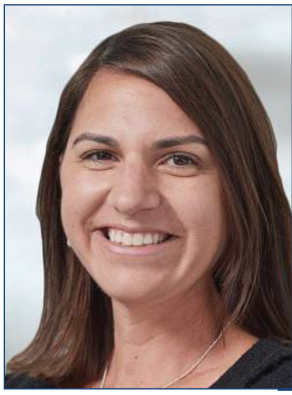
As Anchor reflects on what was undoubtedly its busiest and most successful year to date, Messrs. Ochs and Schmid agree that the company might never again reach $900 million in acquisitions and/or have a pipeline of more than 25 projects.

When asked about the $900 million of acquisitions in 2021, Mr. Schmid says, "We've never came close to that before, and we might never again. There are a lot of factors why this was such a busy year for us, but it might not always be like that.

"However, we will continue to do our best to make this a company that does our best by our clients and stakeholders, and to do our best to make this a good place to work."

Messrs. Ochs and Schmid plan to keep doing what they've been doing – growing organically when the need arises – and they plan to keep bringing in good people and doing their best to retain the people they've hired in the past.

When asked about what the future holds for Anchor, both talked about continuing to build a good work environment that serves its stakeholders as opposed to only being concerned about reaching specific



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> **EVP of Strategy and Development**
> **Anchor Health Properties**

numbers for acquisitions, development and property management.

“James and I have always been about building something bigger than ourselves,” Mr. Ochs says. “The fact that our names are not on the door is, at least I think, a testament to that. We’ve always been about ‘one plus one equals three.’

“And we try to find opportunities for those who are ambitious and want to achieve great things and join a fantastic team where they can do that and be a given a chance.

“It is what has really set us apart in the space and it is an important part of our culture,” he continues, “and I think it will continue to help us be a good and successful company in the future.” ❑

The size of Anchor’s developments have ranged from projects of as little as 5,000 square feet to the 235,000 square foot multispecialty Center for Advanced Healthcare at Brownwood, an outpatient ambulatory care center the firm completed in 2020 for The Villages Health in the massive central Florida retirement community of The Villages.

Photo courtesy of Anchor Health Properties