

# The state-of-the-art medical building developed through Funds

## Medi Square

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The SPARX Group, an independent asset management company, has developed a medical building called “Medi Square” in Setagaya Ward, Tokyo, by utilizing a private Fund managed by its subsidiary, SPARX Asset Trust & Management (SATM). The “Tokyo Hip Joint Clinic,” specializing in artificial hip joint replacement surgery, whose demand is increasing due to the aging population, and the “Tokyo Medical Imaging Clinic,” fully equipped with the latest CT scan and MRI apparatus, moved in as tenants and started their practice on August 1. This is the first case of the SPARX Group developing a medical building, and the Group regards this case as the first social-impact investment project, meaning an investment with social significance.

This building, facing Koshukaido, is 7 minutes’ walk from Chitose-karasuyama station on the Keio Line. The address is 6-36-6 Minami-karasuyama, Setagaya Ward, Tokyo. In December 2014, SATM funds acquired the land of approximately 700 square meters for about 700 million yen from a dealer of high class foreign automobiles. The construction, starting in May 2015, was completed at the end of June 2016. The RC building has five stories with a gross floor area of 1,747.58 square meters. The total cost of the building was in the lower 2-billion-yen range. The funds were provided through equity financing by a foreign public pension which has maintained close contact with the SPARX Group for many years. Resona Bank provided the “Medi Square” non-recourse loan for the state-of-the-art medical building developed by the funds. Its LTV is 60%.

In order to develop this building, SATM collaborated with SDP

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Japan (Minato Ward, Tokyo), a medical producer that helps excellent doctors with high expertise open clinics. SATM adopted the built-to-suit (BTS) scheme that is firstly selecting doctors who had the need to open clinics, secondly finding the land that would meet the doctors' requirements and building specifications, and finally constructing the building. When medical buildings or malls are developed with the initiative of dispensing pharmacies, securing a profit for the dispensing pharmacy usually takes first priority and will most likely cause overlapping of medical treatments and difficulties in establishing a link among clinics in a property. Due to this reason, several properties are now experiencing many vacancies. In order to prevent such problems, SATM placed the first priority on deciding the doctors who intended to be the tenants.

An orthopedic surgery clinic, specializing in artificial hip joint replacement surgery occupies the 2<sup>nd</sup> to 5<sup>th</sup> floors of the five-story building, equipped with 19 beds in private and shared rooms, two spacious operation rooms of approximately 50 square meters and a rehabilitation facility. The director of this clinic has operated on 1,150 patients in approximately four years. Another clinic, specializing in imaging examination and diagnosis on the 1<sup>st</sup> floor, is equipped with the latest medical apparatus such as CT to shorten the examination time and an MRI armed with a silencing mechanism. The building specifications and medical apparatus are equivalent to those in general hospitals. Instead of doctors bearing the burdens of investing in the building, this development benefitted from a Fund to shoulder that risk, which enabled the doctors to invest in more-costly state-of-the-art apparatus.

The world of medical care is now undergoing a transitional period. Many hospitals, which hurriedly opened before the first revision of the Medical Care Act in 1985, are now facing a reconstruction period due to deterioration. The doctors who were working vigorously in those days at the forefront are now approaching retirement age, facing a time of generational change. It has

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always been difficult for newer generations to take over medical enterprises. It is even harder to bear joint and several liability to borrow a large amount of money from banks in order to reconstruct and own medical buildings. SPARX intends to alleviate this heavy burden imposed on doctors and advises them to utilize Funds. “We would like to especially invest in facilities that display excellent competitiveness and expertise, and whose social need is high as well as whose investment need is increasing,” says Mr. Tetsufumi Isayama, President of SATM. In order to determine the demands of doctors, SPARX plans to continue collecting information from those who are acquainted with doctors, such as tax accountants and medical companies including medical apparatus manufacturers, with the intention of increasing the number of investments in the world of medical care.



**The clinics developed to suit doctors' requirements**

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