

HEDGEYE



Active **Short** Medical Properties (Dis)Trust (MPW)

What Exactly is CREF? We're Not
Sure Yet, But...

October 8, 2022



Medical Properties Trust



Global Corporate Real Estate & Facilities

HEDGEYE REITs

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CREF | WHAT WE KNOW AND CAN SEE SO FAR

CREF appears to be affiliated with Steward Health and to have essentially one client: Steward Health

- **Background:** On 10.6.22 investing newsletter **The Bear Cave** [published](#) a report highlighting several issues with MPW, including the recent Pipeline Health [bankruptcy](#) (~#12 tenant, ~1% of assets), issues with its largest tenant Steward Health (~25-30% of annual revenues) and unnecessary office space among others.
- **We would add the following considerations:** [Governance](#) issues, an interesting [purchase](#) by Steward's CEO, an [inappropriate loan](#) originated by a triple-net REIT, [disappearing](#) CEO work experience, favoring NEO [family members](#) and Steward "[soft defaulting](#)" on its credit facility.
- One of the topics covered in the Bear Cave Report is the existence of an interesting company called **Global Corporate Real Estate and Facilities** or "[CREF](#)." In addition to the fact patterns already presented, we would like to add the following here:
 - We count ~30 employees, including 3 of 7 members of the management team, who work(ed) for both CREF and Steward
 - For emphasis and as presented by Bear Cave, Steward and CREF share the same office locations
 - Steward Health appears to be CREF's only customer
 - 8 of 9 listed CREF "[projects](#)" were performed at Steward hospitals
 - CREF's [relationship](#) with GenCon Construction, which appears to us to be full of potential issues
- **As always, we have questions...**

CREF | 3 OF 7 EXECs SHARE EXPERIENCE AT STEWARD

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We found at least ~30 instances of dual employment between Steward and CREF, including CREF's current CEO. CREF's website states that it has "200 leading professionals who understand and support our clients' business."

Meet the Leadership Team

Our executive management team is comprised of leading real estate professionals who specialize in all aspects of our clients' business.



Robert Gendron
Chief Executive Officer



Jennifer Robbins
Chief Administration Officer



Matthew Gruber
Chief Financial Officer



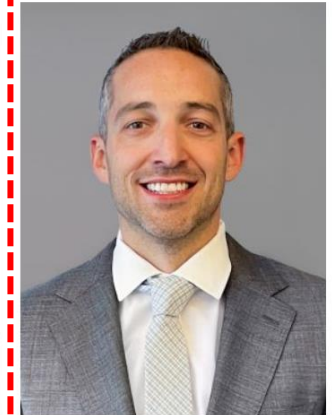
Kimberly Vaughan
Interim Chief People Officer



Michael Crowley
Executive Vice President, Chief Real Estate Officer



Ryan Hayden
Chief Digital & Strategy Officer



Scott Davis
Executive Vice President, Advisory Services

CREF | ONE EMPLOYEE HAS REMOVED REFERENCES TO CREF

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Now that the CREF issue has been raised publicly, we will continue checking the ~30 references for any removals and/or edits

9/20/22, 11:47 AM


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Jobs




National Director Corporate Real Estate

CREF

Jan 2019 - Present · 3 yrs 9 mos

Dallas-Fort Worth Metroplex




Director of National Corporate Real Estate

Steward Health Care

Apr 2019 - Present · 3 yrs 6 mos

Dallas/Fort Worth Area



Vice President

CBRE

Aug 2018 - Mar 2019 · 8 mos

San Antonio, Texas

Principal/Partner


Peloton Commercial Real Estate

Nov 2006 - Aug 2018 · 11 yrs 10 mos

Identifying commercial real estate properties for acquisition including the performance of initial due diligence, capital raise, placing of debt,

AFTER – CREF No Longer Presented

Experience




Senior Real Estate Executive

Jester Capital · Contract

Sep 2022 - Present · 2 mos

United States

Skills: Financial Analysis · Mergers & Acquisitions (M&A) · Requirements Analysis · Advertising · Data Analysis




Director of National Corporate Real Estate

Steward Health Care

Apr 2019 - Sep 2022 · 3 yrs 6 mos

Dallas/Fort Worth Area




Vice President

CBRE

Aug 2018 - Mar 2019 · 8 mos

San Antonio, Texas



Principal/Partner

Peloton Commercial Real Estate

Nov 2006 - Aug 2018 · 11 yrs 10 mos

Identifying commercial real estate properties for acquisition including the performance of initial due diligence, capital raise, placing of debt, negotiating loan documents, and implementation of final ...see more

Skills: Analytical Skills · Financial Analysis · Mergers & Acquisitions (M&A) · Data Analysis


Data Source: LinkedIn.com, Hedgeye

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CREF | WHY DOES CREF SHARE OFFICES WITH STEWARD?

As highlighted in the report, there appears to be little physical separation between Steward and CREF



Global Corporate
Real Estate & Facilities

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START THE CONVERSATION

Reach out anytime. We look forward to hearing from you.

CREF Global Corporate Real Estate & Facilities is not affiliated with TIAA CREF.

Locations

Contact us at 508-692-4036. We also have offices in the following locations:

Boston, MA

200 High St. Suite 630
Boston, Massachusetts
02110, US

Dallas, TX

1900 N Pearl St. Suite 2300
Dallas, Texas
75201, US

Madrid

Calle de Velázquez, 34
Madrid
28001, Spain

Colombia

Cra. 11 # 79 52 oficina 602
Bogota
Colombia

Send us a Message

EMAIL ADDRESS

FIRST NAME

LAST NAME

MARKET

SERVICES LINES

Steward

International

PHONE

ADDRESS

EMAIL

Steward Health Care System Corporate Headquarters

1.7 ★★★★★ 22 reviews
Hospital

Directions

Save

Nearby

Send to phone

Share

COVID-19 Info · steward.org

1900 N Pearl St Suite 2400, Dallas, TX 75201

Floor 1 · 1900 N. Pearl Street

Inicio Directorio de Empresas / BOGOTA / BOGOTA / Steward Health Care International Colombia S A S

Steward Health Care International Colombia S A S

Razón Social	Steward Health Care International Colombia S A S
Teléfono	6017432770
Ciudad	BOGOTA
Departamento	BOGOTA
Dirección Actual	CARRERA 11 79 52 OFICINA 602 Cómo llegar

CREF | IS STEWARD CREF'S ONLY CUSTOMER?

Below is a listing of CREF's service offerings. They “think like operators. With more than twenty years working directly for owners and operators, our team has pioneered the application of state-of-the art real estate tools to support your business strategy.”

Real Estate Services



- Site Selection/Location Strategy
- Accounting & Financial Reporting
- ESG Planning
- Lease Administration
- Real Estate Development
- Advisory Support for Transactions

[VIEW REAL ESTATE SERVICES](#)

Capital Program Management



- Project Management
- Budget & Project Planning
- Feasibility Studies
- Equipment Planning
- Deferred Capital Planning
- Planning & Design

[VIEW CAPITAL PROGRAM MANAGEMENT SERVICES](#)

Facilities Performance Services



- Biomedical & Clinical Engineering
- Regulatory Management
- Facility Management Support
- Transaction Management
- Technology & Process Development
- Predictive Work Order Management

[VIEW FACILITIES PERFORMANCE SERVICES](#)

Energy & Engineering



- Civil & Environmental Engineering
- Energy Procurement & Management
- Climate Action Planning
- Environmental Health & Safety
- Indoor Environmental Quality Management
- 3D Laser Scanning, BIM Modeling

[VIEW ENERGY & ENGINEERING SERVICES](#)

CREF | IS STEWARD CREF'S ONLY CUSTOMER? (CONT'D)

“Real Estate Services” appears to reference Steward as its primary “Success Story”

Real Estate Services



- Site Selection/Location Strategy
- Accounting & Financial Reporting
- ESG Planning
- Lease Administration
- Real Estate Development
- Advisory Support for Transactions

[VIEW REAL ESTATE SERVICES](#)

A Success Story: Do you struggle with quantifying your real estate portfolio in real-time?

The Challenge

One of our largest scaling clients was challenged with quantifying their real estate portfolio in real-time, during a series of large hospital system acquisitions. In both cases of leased and owned property, our client was unable to identify property within their portfolio that was being underutilized and had limited processes in place to track and manage their real estate assets to help make informed decisions.

The Solution

Using an integrated approach of professional staff, and our data platform, CREF successfully documented and abstracted all leases, monetized non-critical properties, established an efficient lease request process that allowed our client to make informed decisions in real-time, created efficiencies in lease administration and property management, reduced portfolio vacancies, and eliminated all unnecessary expenses. We have since become their primary development partner globally.

Our Value

It is critical that our client's real estate assets are managed by the best in the business. In this case, our client was able to focus on what they do best – provide high-quality patient care without distraction or disruption. Our team worked with department heads, physicians and nurses to make sure the patient experience was second to none, all while reducing 3rd party lease expenses by 20%, monetizing \$60M of non-critical real estate assets, and by ways of early buyouts, consolidations, early renewals, and acquisitions and subleases, helped to unlock millions of dollars in additional capital.

CREF | IS STEWARD CREF'S ONLY CUSTOMER? (CONT'D)

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The same goes for the “Capital Management Program” segment, but with intensified corporate jargon...

Capital Program Management



- Project Management
- Budget & Project Planning
- Feasibility Studies
- Equipment Planning
- Deferred Capital Planning
- Planning & Design

[VIEW CAPITAL PROGRAM MANAGEMENT SERVICES](#)

A Success Story: Are you a scaling company who needs support with predictive cash flow and project management?

The Challenge

Struggling to understand the complexities of their geographic footprint and healthcare asset portfolio, one of the largest hospital operators in the United States had an urgent need to track regulated, complicated projects, on a campus, regional, national, and global-scale. In addition, challenges also included prioritization and management of capital requests and large annual project volume, with no access to real-time cash flow information – all as a result of limited internal communication and a lack of up-to-date information infrastructure.

The Solution

We helped our client create a hybrid solution – which included both professional support from our experienced staff, and our integrated data platform – customized to our client's specific needs. This helped them to track, manage, and measure pipeline, make sound, informed decisions on capital approvals, and identify project risks early in order to mitigate future cash flow issues.

Our Value

This combination of 100+ industry professionals, coupled with progressive technology, saved time and allowed our client to focus on what was most important – managing their business.

CREF is your scalable solution – whether as an extension of your facilities group across a large geographical footprint or assessing the feasibility of a project at its conception, CREF provides an integrated approach to create efficiencies, preserve institutional knowledge, minimize operational costs, and avoid disruption to everyday business.

CREF | IS STEWARD CREF'S ONLY CUSTOMER? (CONT'D)

Is this an obvious reference to the 5 Florida hospitals acquired by Steward from Tenet in 2021? We think so..

Facilities Performance Services



- Biomedical & Clinical Engineering
- Regulatory Management
- Facility Management Support
- Transaction Management
- Technology & Process Development
- Predictive Work Order Management

VIEW FACILITIES PERFORMANCE SERVICES

The Challenge

In June 2021, CREF was given a 90-day preparation period to ready 5 newly acquired hospitals for reaccreditation survey – a program that typically takes 6-12 months. With 1 survey already overdue, and 2 imminent, the risk was high, and action was needed – quickly.

To further complicate the situation, these 5 new sites also had to transition their Computerized Maintenance Management System (CMMS) to another version amidst the acquisition.

The Solution

With a compressed timeline, CREF immediately deployed a team prior to closing to ready on-site staff, review documentation, complete a full life safety and environmental audit of the buildings, and develop a plan to remediate any risks.

Throughout the survey process, CREF provided physical on-site support, weekly reports on open-and-closed items, and was instrumental in challenging, and ultimately correcting, one of their findings during the clarification process – a rare occurrence within The Joint Commission.

Our Value

CREF mitigated 1,044 findings identified during the initial life safety and environmental audit, across the 3 hospital locations, and wrote a corrective action plan within the 90-day timeline.

At the Triennial Reaccreditation Survey, the Joint Commission found only 7 low-limited level findings at 2 of the sites, in total, while the other site had 12 moderate-to-low limited findings: an improvement from 2 serious condition level findings in their previous survey.

Through CREF's regulatory program and iCREF's proprietary software platform, the survey was a success. Our services eliminated the need for resurvey, resulted in a positive reputation for our client - cited publicly, allowed for less serious deficiencies - meaning less business interruption, allowed for zero unforeseen costs, reduced premium labor costs, and improved patient safety, experience & quality of care.

CREF | IS STEWARD CREF'S ONLY CUSTOMER? (CONT'D)

Again, CREF appears to be working only with “a large hospital system” or “hospital portfolio”

Energy & Engineering



- Civil & Environmental Engineering
- Energy Procurement & Management
- Climate Action Planning
- Environmental Health & Safety
- Indoor Environmental Quality Management
- 3D Laser Scanning, BIM Modeling

VIEW ENERGY & ENGINEERING SERVICES

A Success Story: Performance optimization & reduced energy consumption provides \$23.1M in client savings

The Challenge

The environmental impact directly related to energy production is vast and is an issue we are working to change on a global scale. At CREF, we understand how Operators and Asset Owners can capitalize on ESG initiatives, to ensure they are positively managing their company's carbon footprint.

The Solution

Since 2010, we have helped one of our key partners avoid the emission of Greenhouse Gases across their entire hospital portfolio, resulting in a total savings of \$23.1-million. By investing in various building improvements and green initiatives – lighting retrofits, ventilation, plumbing, solar development – our client achieved significant annual cost savings, while at the same time offsetting the impact that carbon emissions have on the communities we serve.

Our Value

As a direct result, our client avoided release of 18,013 metric tons of CO2 in 2021. This financial savings is equal to revenue from 2,444 inpatient days per month; taking 2,338 cars off the road for one year; planting 115,017 trees and letting them grow for a decade; and energy used in 2,170 homes for one year.

Over the past ten years, energy conservation has provided a cost savings of \$18.3-million, with another \$4.8-million in savings due to combined health and climate benefits (\$2.7-million from averting negative impacts of climate change and \$2.1-million from reductions in air pollution) for a total of \$23.1-million.

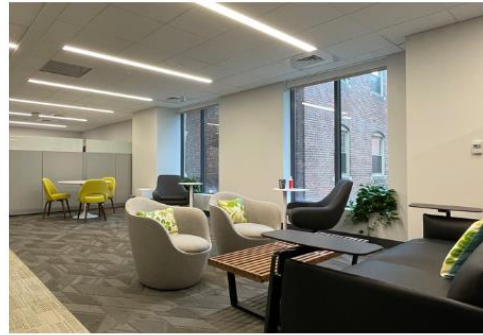
CREF | 8 OF 9 PROJECTS COMPLETED FOR STEWARD

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Not only do they share offices and employees, but Steward is CREF's largest (only?) construction client



Sebastian River Medical Center
Roseland, FL



Mt. Auburn Street
Cambridge MA



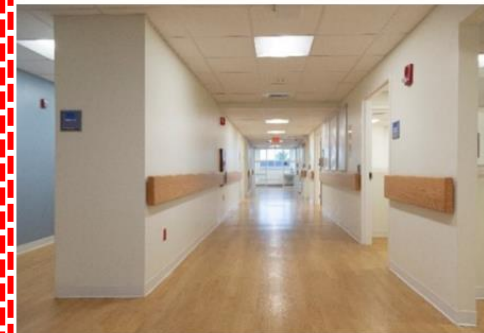
St. Elizabeth's Medical Center:
Pavilion Bed Expansion
Brighton, MA



St. Elizabeth's Medical Center: 10
Bed ICU Expansion
Brighton, MA



St. Elizabeth's Medical Center:
Surgery Project
Brighton, MA



Morton Hospital: Substance
Abuse Renovation
Taunton, MA

CREF | PROJECTS COMPLETED FOR STEWARD (CONT'D)

HEDGEYE

Going 8 for 9 with Steward/MPW, or a 0.889 batting average, is pretty high. CREF's relationship with Tuft's was already heavily discredited.



St. Anne's Hospital: Patient Bed
Vertical Expansion
Fall River, MA



St. Joseph's Medical Center:
Campus Consolidation
Houston, TX



MRMC: OR Expansion
Melbourne, FL

CREF | ADVOCATING FOR BOTH STEWARD & MPW?

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We came across an interesting [response](#) to INET's (Institute for New Economic Thinking) [critical paper](#) on the role of REITs in the healthcare system. Putting any politics aside, we found it interesting that CREF was listed as an "independent asset management company." We would encourage investors to read both papers.



REITs Revisited: Rebutting Misleading and Inaccurate Policy Analysis

Market Corner Commentary
September 29, 2022

By David W. Johnson

INET WORKING PAPER 189

Batt's and Rosenbaum's working paper reads like a set of conclusions in search of supporting data and analytics. With their belief that the government should eliminate REIT-based tax breaks, the authors support their critique by highlighting the following three "impacts" that negatively affect the U.S. economy. My rebuttal follows each bullet.

- *REITs create tradable assets with no connection to the real purpose of the productive enterprise.*

Creating tradable assets within liquid markets reduces transaction friction between buyers and sellers. They facilitate exchange, which moves markets toward value. The authors correlate building ownership with corporate mission. Nothing could be further from the truth. Brand and customer experience define market value and positioning. Viewed from this perspective, REITs are just one of many funding mechanisms available to property owners, nothing more or less.

- *REITs play a major role in industry consolidation.*

In a fragmented industry like healthcare, consolidation is beneficial as long as it promotes efficiency and level-field competition. While the authors appropriately note that healthcare mergers historically have been anticompetitive, REIT financing is not to blame.

Regional concentration grants some health systems monopoly pricing power. Regional healthcare monopolies are much more

Moreover, operating companies can and do apply capital from REIT asset sales to invest in their facilities and operations. Generating returns on REIT-funded investment capital that exceed the incremental cost of rent escalators is the key to long-term financial stability. Consequently, operating companies, like Steward, ultimately control their own destiny. As with all financing mechanisms, REIT funding has defined risk-reward parameters that operating companies accept in pursuit of value creation.

Importantly, REIT transactions shift facility-ownership risk to REITs from operators. This risk is significant during times of industry disruption with declining asset valuations. Denying market realities, the authors contend that healthcare business-cycle risk is low (it is not) and that prices for healthcare assets are stable (they are not). Moreover, REITs' property-management expertise can improve operating performance. MPT's expertise in energy management through its partnership with CREF, an independent asset-management company, is a great example. With MPT's and CREF's assistance, Steward has saved over \$20 million in energy costs and expects to be carbon-neutral by 2030.

Beyond their flawed "impact" reasoning, Batt and Rosenbaum mischaracterize the nature of Steward's healthcare assets; misunderstand the financial motivations of operating companies, PE investors and publicly traded REITs; and overstate the value of REIT-driven tax advantages relative to those accorded nonprofit hospitals.

CREF | WHAT IS GENCON CONSTRUCTION?

CREF’s current CEO, Robert Gendron, founded GenCon in 2006, “one of the most progressive healthcare design build firms in New England.



Robert Gendron

Chief Executive Officer

Bob Gendron launched CREF in 2016 after 10 years of developing innovative service delivery companies based on his passion for providing world-class service and creating best-in-class proprietary platforms and technologies, to disrupt antiquated service delivery models.

He developed the first Automotive Service review platform, Mechanic Advisor, in 2006 as his interest in cars and service culminated in finding a monumental gap in the service delivery continuum between consumers and automobile professionals. Mechanic Advisor is a leading CRM platform with customers that include Fortune 500 companies, and a distribution partnership with Advanced Auto Parts.

Bob also founded GenCon, Inc. in 2006 as one of the most progressive Healthcare Design Build firms in New England. His passion for healthcare, process and service allowed GenCon to scale with world renowned healthcare systems. His project delivery process allowed these organizations to deliver projects faster, smarter, and more cost effectively whilst also improving access to patient care in low-income communities.

Experience



CEO
CREF

Jan 2016 - Present · 6 yrs 10 mos
Dallas

CREF is a fully integrated global asset management firm that manages all aspects of your real estate and facilities needs while increasing the value to organizations, achieving business goals, and offering ...see more



Co-Founder

MechanicAdvisor.com
Jan 2006 - Present · 16 yrs 10 mos
Greater Boston Area



EVP - Corporate Real Estate and Facilities
Steward Health Care

Jan 2018 - Jan 2022 · 4 yrs 1 mo
Dallas/Fort Worth Area



Founder
GenCon, Inc.

Jan 2005 - Jan 2018 · 13 yrs 1 mo
West Bridgewater, MA

GenCon – Gendron Construction is a Healthcare Centric Design/Build firm. We offer full construction and real estate services throughout New England specializing in Healthcare Facilities.

CREF | GENCON / CREF OVERLAP

HEDGEYE

GenCon appears to have [renovated](#) Morton Hospital, a project managed by CREF (run by GenCon's founder), on behalf of Steward Health (same entity as CREF?), for a hospital owned by MPW. **Was it funded by MPW?**

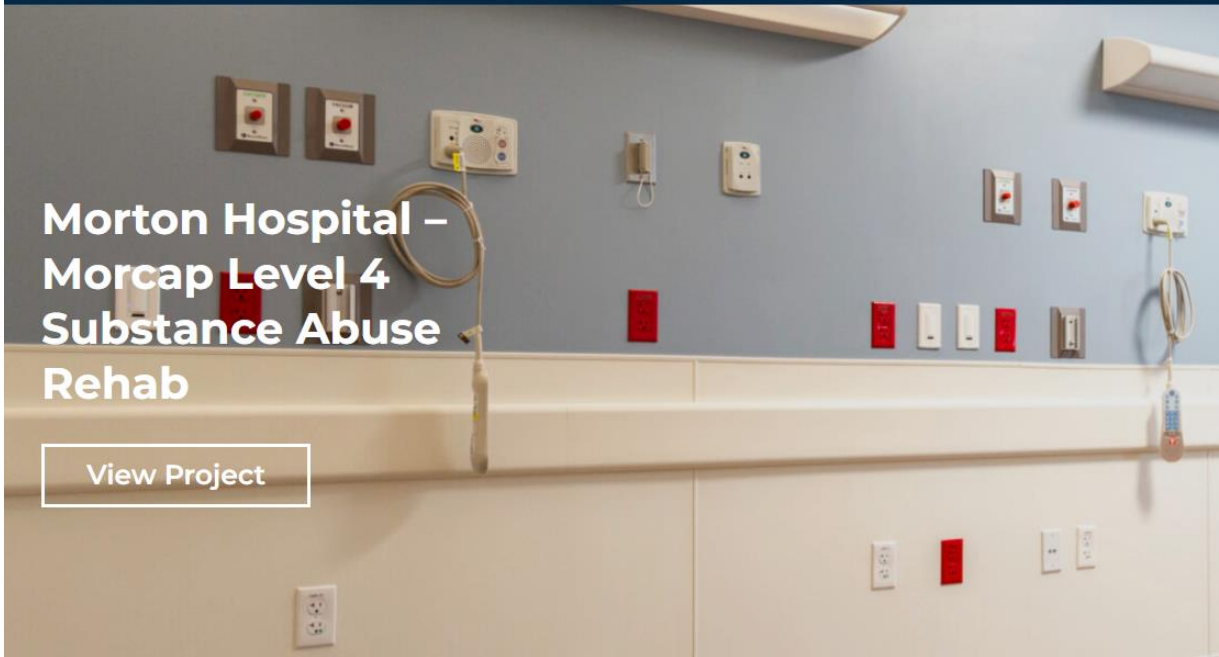


13,000 Square ft.

Morton Hospital: Substance Abuse Renovation

Taunton, MA

Scope of work included relocating administrative offices out of the space then renovate the existing space (originally built as TCU) into a level 4 substance abuse recovery unit. Footprint for the space was to remain largely intact. Included upgrades of MEP systems as required as well as new finishes and FF&E; also included renovations to old maternity area to fit-out Intensive Outpatient Program associated with the MorCap substance abuse recovery unit.



GENCON CONSTRUCTION

Healthcare

Morton Hospital – Morcap Level 4 Substance Abuse Rehab

[View Project](#)

CREF | GENCON / CREF OVERLAP (CONT'D)

HEDGEYE

GenCon appears to have renovated SEMC's OR, a project managed by CREF (run by GenCon's founder), on behalf of Steward Health (same entity as CREF?), for a hospital owned by MPW. **Was that funded by MPW?**



2,283 Square ft

St. Elizabeth's Medical Center: Surgery Project

Brighton, MA


The goal of this project was to create 2 new Operating Rooms (OR) in the currently unused former SICU suite. The new OR Suite would be approximately 2,283 SF and located on the 3rd floor of the CMP Building. The proposed renovation consisted of adding one OR designated as a hybrid vascular OR (744 sf) and a second OR that will act as a standard OR (731 sf). This renovation provided the hospital with the ability to utilize this space to increase patient care and volume of patient surgeries. Renovation of the space was single phase in an unoccupied space, with work performed during normal daytime hours with limited off-hours activities. Along with the construction of the 2 ORs, new storage, clean utility, and soiled utility support spaces were constructed. The existing HVAC system that was serving the space could not support the 2 new ORs and needed to be supplemented. A new 5000 CFM dedicated RTU was installed to provide the required air changes per hour to the space. Existing above ceiling MEP systems and above laboratory piping were relocated. The ORs required new medical equipment and FF&E. Existing OR equipment was not to be reused in the new space.




St. Elizabeth's Medical Center Hybrid OR



CREF | MPW & STEWARD TESTIMONIALS ON CREF WEBSITE






Medical Properties Trust

"By investing in various building improvements and green initiatives throughout our hospital portfolio, CREF has helped us achieve significant annual cost savings – lighting, ventilation, plumbing, retro commissioning, solar, etc. – millions of dollars we're reinvesting; while at the same time offsetting the impact carbon emissions have on the communities we serve."

Jason Frey
Director of Asset Management & Underwriting
Medical Properties Trust



"Thank you to the CREF team for their preparation of the facility, the paperwork and for making the building shine. I am extremely proud of the hospital, the staff, the quality team and the CREF organization. On behalf of myself and Steward health Care System, please accept my sincere gratitude for the hard work and for the great results that you have achieved. "

Joseph Weinstein, MD
Chief Physician Executive
Steward Health Care

CREF | AS ALWAYS, WE HAVE QUESTIONS...

- What exactly is the relationship between and among MPW, Steward, CREF and GenCon?
- Who currently owns CREF? Is it Steward? Is it Steward's management team?
- Why are there so many shared employees between these companies?
- Why does it appear as though Steward is CREF's only customer relationship?
- Why do Steward and CREF share offices?
- Has MPW funded any of these capex projects, managed by CREF and performed by GenCon?
- **Is MPW fully aware of these relationships?**

For more information, contact us at:

sales@hedgeye.com
(203) 562-6500