

HEDGEYE



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

If You (Don't) Build it, Will They  
Come?

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Medical Properties Trust



## HEDGEYE REITs

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# BACKGROUND ON WADLEY REGIONAL DEVELOPMENT

- Investors will recall that we have been critical [HERE](#) and [HERE](#) of the cost, process, timing and optics of **Active Short MPW's development** of a replacement Steward Health hospital to the existing Wadley Regional Medical Center in Texarkana, TX.
- We wanted to get a **real-time look on the ground** and provide investors with a view of **current activity at the site**.
- **Photos of the site taken today, 11.1.22, are presented on the facing slides** without comment.
- **To recap:**
  - MPW acquired the land for this site via the IASIS transaction in 2017. The **allocated land value was ~\$8.5 million**, as per the amended Steward master lease filed as an attachment to the 3Q17 10-Q filing.
  - Steward in a [press release](#) dated 9.15.21 noted that it had broken ground on the development and that the **total project cost would be ~\$227 million** or roughly **~\$1.8 million per bed**.
  - MPW lists on [page 15](#) of its 3Q22 supplemental that its **total commitment is ~\$169 million**, and that **~\$58 million of costs had been incurred as of 9.30.22**. Assuming that ~\$50 million is the incremental cost over and above the land basis, that means that **roughly ~30% of MPW's incremental development budget has been incurred to-date**, per MPW's own filings.
  - **CFO Steve Hamner on 3Q22 earnings call**: "So, Steward commenced active pre-development for the Wadley Hospital about this time last year, sometime in mid-to-late 2021. And then later that year, **MPT made an initial advance funding**. And then in 2022, **Steward accelerated trying to line up and pre-fund or at least pre-identified in recognition of supply constraints, materials cost and lining up contractors and general contractors**. Anyway, that was the process through 2022 -- the early part of 2022 at which time **Steward decided to change the general contractor**. And so that change disrupted the timing."
  - Note that **contractors have filed mechanic's liens for unpaid site clearing work totaling at least ~\$1.4 million**.
- **Open Question from Hedgeye: What was the ~\$50 million actually spent on?**

# DEVELOPMENT SITE PHOTO #1





# DEVELOPMENT SITE PHOTO #2



# DEVELOPMENT SITE PHOTO #3





# DEVELOPMENT SITE PHOTOS #4 & #5



# DEVELOPMENT SITE PHOTO #6





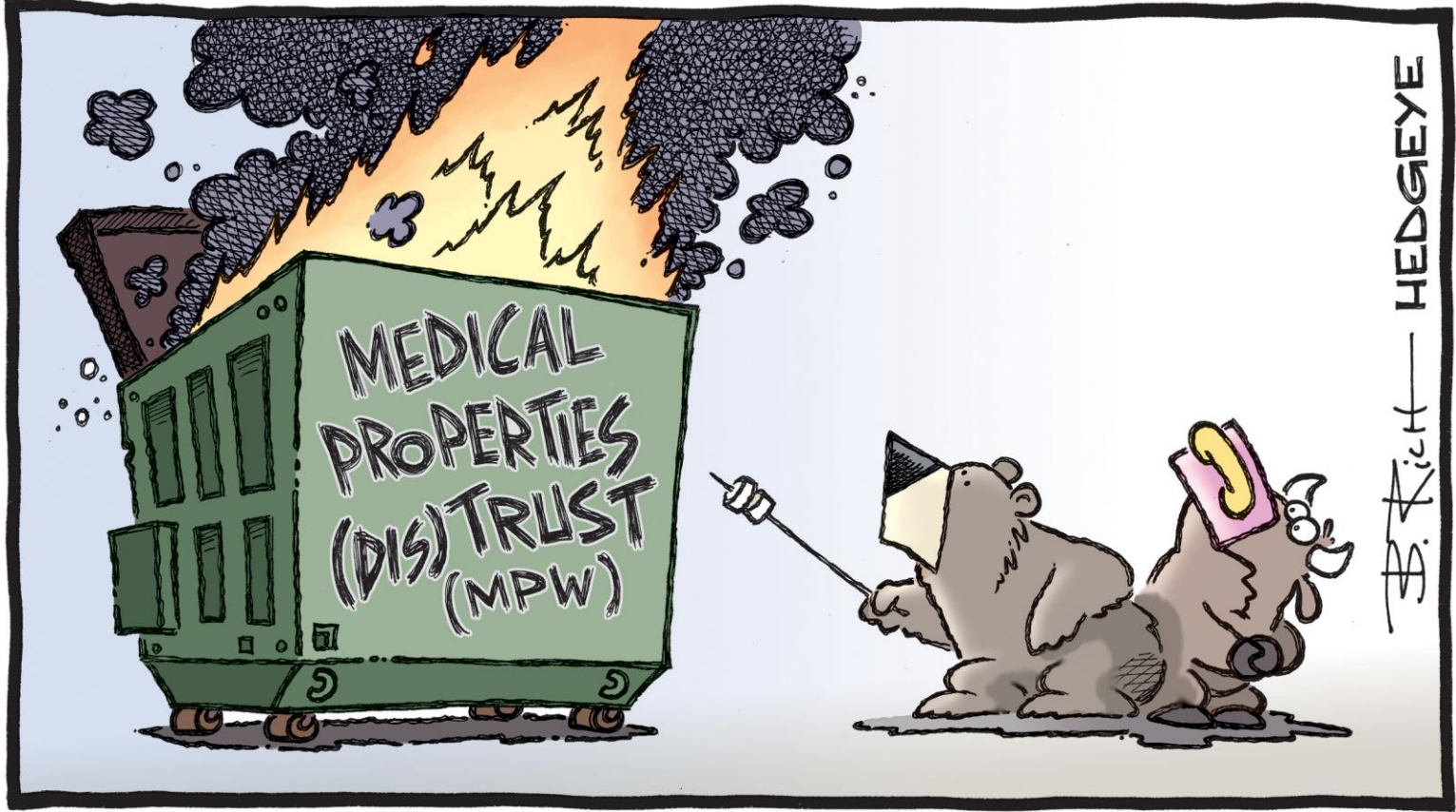
# DEVELOPMENT SITE PHOTO #7





# DEVELOPMENT SITE PHOTO #8 (ZOOM IN – MAN DOWN)







For more information, contact us at:

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