

Q4 2022

# National Healthcare & Life Sciences Real Estate Investor Update



## Medical Office Executive Summary



**\$3.0 Billion**

Q4 MOB sales volume  
(down 41% from Q4 2021)



**6.6%**

Q4 average cap rate



**37.7 MSF**

under construction

Note: Arrows indicate change from previous quarter

- Healthcare real estate transaction volume in Q4 2022 was recorded at \$3.0 billion, in line with the \$2.8 billion sold in Q3 (excluding the HR/HTA merger), but with a sharp 41% decline from Q4 2021. Yearly sale volume recorded \$15.4 billion for 2022, propped up by a record first half of the year for sales.
- Top quartile cap rates, representing core transactions, increased 80 bps (from 5.2% to 6.0%) from Q3 to Q4 reflecting the impact interest rate movement is having on core pricing. Q4 average cap rate was 6.6% and the year ended with a trailing 12-month cap rate of 6.2%.
- Construction activity in the medical space has not slowed down. Medical product under construction totaled 37.7 million square feet in Q4 2022, a 52.6% increase from Q4 2020. Hospitals and health systems continue to dominate the development pipeline with 20.5 million square feet of space under construction.
- With 17 announced transactions, the fourth quarter of 2022 was one of the most active quarters of M&A activity since Q1 2020, according to a report written by Kaufman Hall.

Source: CBRE Research, RCA, Revista, and Kauffman & Hall

Figure 1: 4Q 2022 Medical Office Sales Volume

Region	Transactions	Volume (\$)	Volume (SF)	Avg. \$/PSF
West	38	\$439,710,725	1,553,670	\$283
Southwest	22	\$512,970,169	1,344,372	\$382
Southeast	80	\$918,580,050	2,762,723	\$332
Midwest	30	\$547,351,225	2,032,388	\$269
Northeast	19	\$238,573,806	837,202	\$285
Mid-Atlantic	22	\$360,376,827	1,625,410	\$222
TOTAL	211	\$3,017,562,802	10,155,765	\$297

Figure 2: Cap Rates [Non-weighted, 12-mo. moving average]

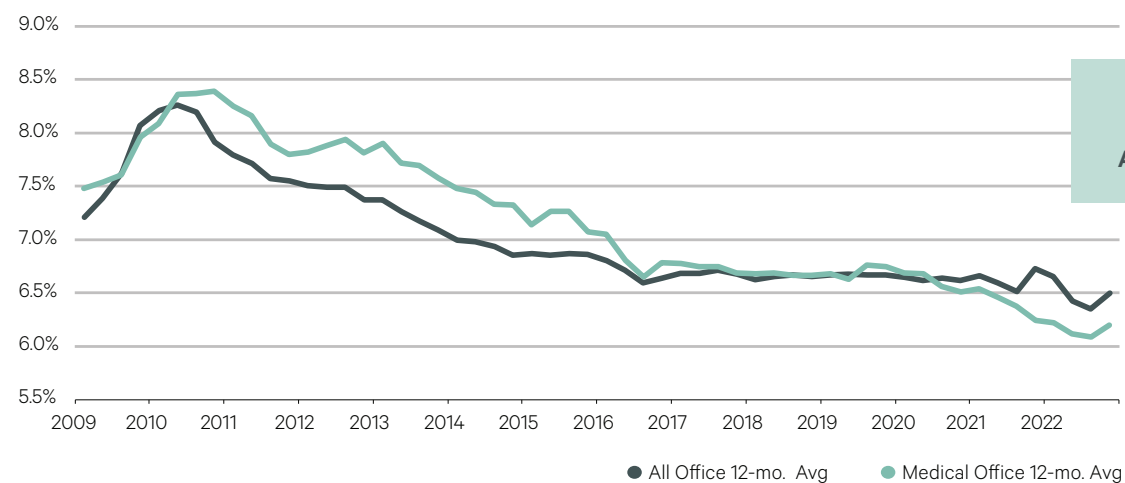
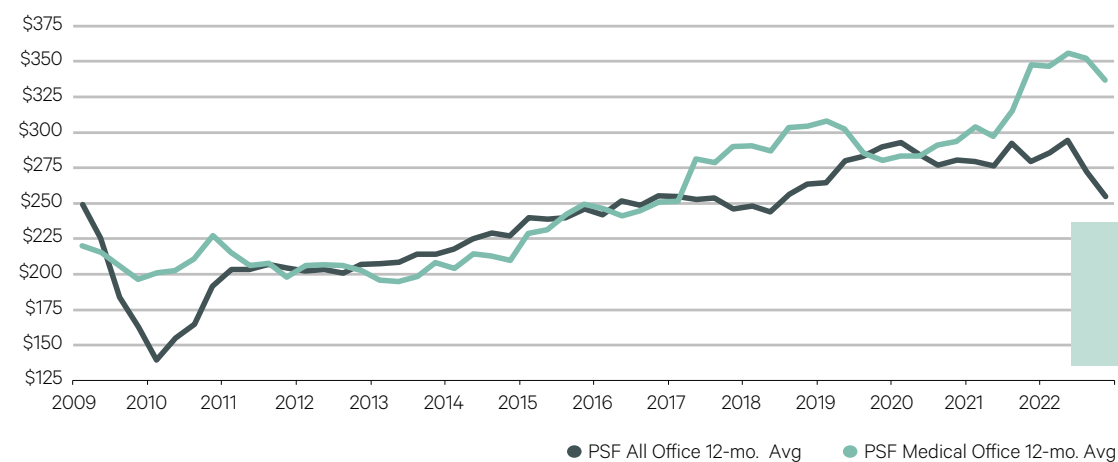


Figure 3: Price Per Square Foot [\$ /SF, 12-mo. moving average]

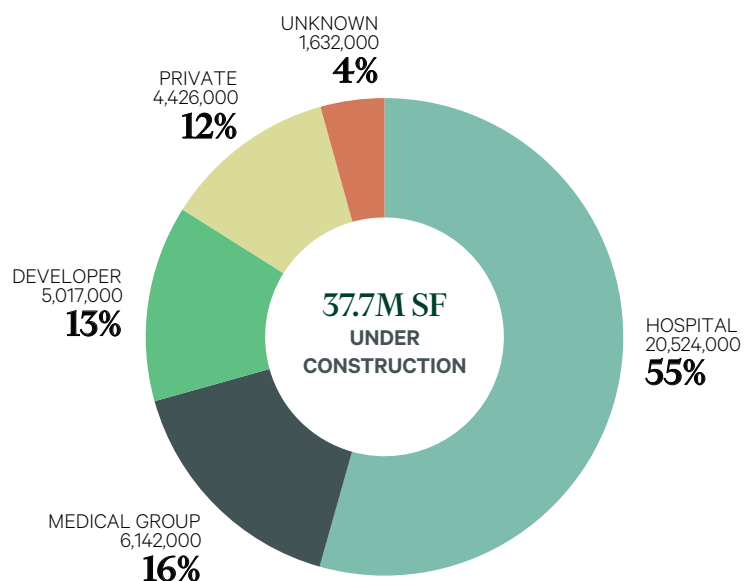




# Medical Office Building Construction Data 4Q 2022

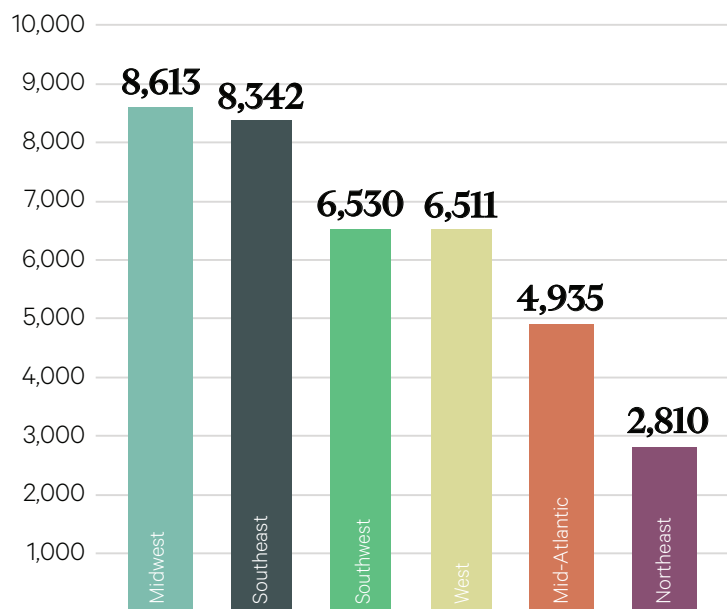


Figure 4: MOB Construction Underway By Owner Type



Construction Data Current Through December 2022

Figure 5: Medical Office Building Construction by Region (1,000s SF)

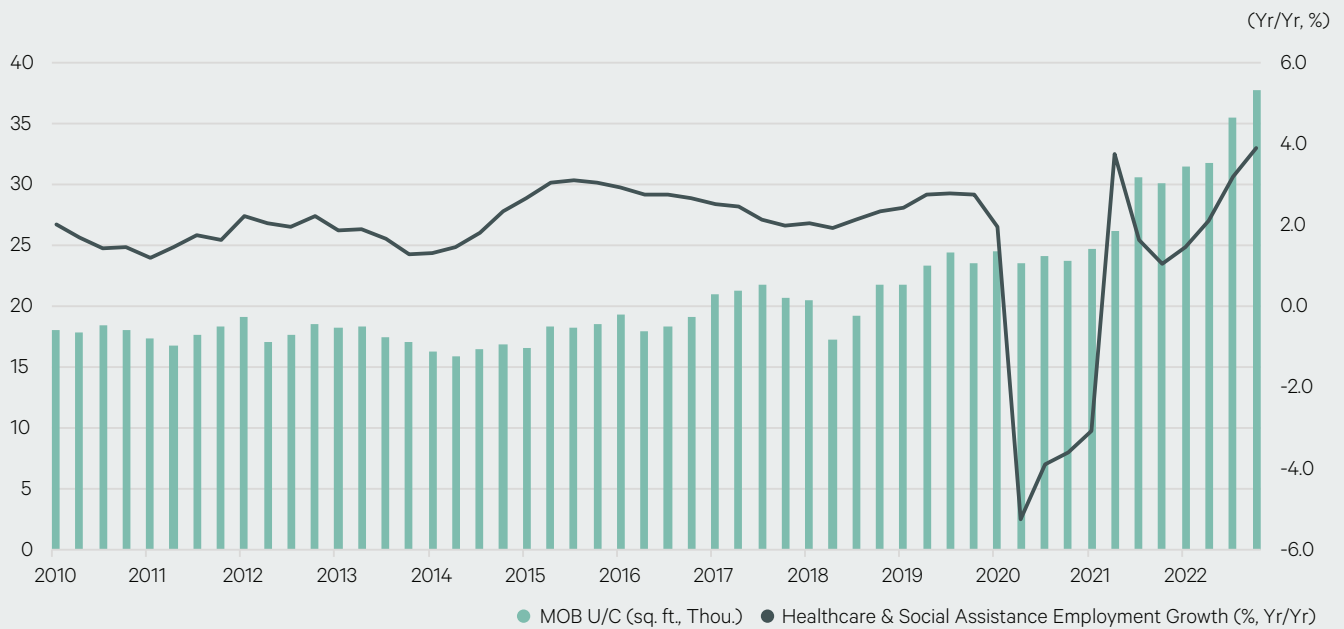


Construction Data Current Through December 2022





**Figure 6: Medical Office Space Under Construction vs. Growth in Healthcare Employment**



Source: CBRE EA/Dodge Pipeline, BLS, Moody's Analytics

Note: Employment and construction data through December 2022

## Select 4Q 2022 Healthcare Real Estate Transactions by Region

	Date	Property Name	City / State	Year Built	Price	SF	\$/SF
WEST	Dec-22	Providence Health Portfolio (6 of 6)	Seattle, WA	1980 - 1991	\$84,000,000	484,039	\$174
	Dec-22	Imperial Mariner	Brea, CA	2002 - 2008	\$80,000,000	288,000	\$278
	Oct-22	Tarzana Medical Plaza	Tarzana, CA	1986	\$30,000,000	75,000	\$400
	Dec-22	Oakbrook Plaza	Laguna Hills, CA	1983	\$28,000,000	120,354	\$233
SOUTHWEST	Nov-22	VA Outpatient Clinic - Phoenix	Phoenix, AZ	2021	\$137,670,000	275,000	\$501
	Dec-22	Woodside US MOB Portfolio 2022 (12 of 15)	AZ	1985 - 2015	\$114,006,091	273,169	\$417
	Oct-22	The Pyramids at Park Lane (2 of 2)	Dallas, TX	1999	\$104,025,000	291,328	\$357
	Oct-22	Greenpark I	Houston, TX	1984	\$32,000,000	135,000	\$237
SOUTHEAST	Dec-22	Harbin Clinic Portfolio (9 of 9)	GA	1987 - 2007	\$91,243,136	348,443	\$262
	Oct-22	Northwest Medical Center - Sold by CBRE	Atlanta, GA	1976	\$71,750,000	149,202	\$481
	Nov-22	Moore Orthopaedics	Lexington, SC	2007	\$52,900,000	61,493	\$860
	Dec-22	South Carolina Oncology	Columbia, SC	2003	\$48,032,000	107,994	\$445

Note: Sales data provided by Real Capital Analytics, Revista, CoStar, RealQuest, SEC Filings, Press Articles, and CBRE Research.

The Medical Office Building (MOB) asset class has experienced consistent growth in recent years, fueled by increased demand for outpatient services and strong historical performance.

	Date	Property Name	City / State	Year Built	Price	SF	\$/SF
MIDWEST	Nov-22	Project Prism Portfolio (7 of 13)	OH, IN, WI	1995 - 2018	\$79,442,809	178,309	\$446
	Dec-22	90 North Childrens Medical MOB Portfolio 2022	Cincinnati, OH	1924 - 2017	\$78,000,000	317,000	\$246
	Oct-22	Beacon Orthopaedics - <b>Sold by CBRE</b>	OH	2002	\$65,000,000	130,673	\$497
	Oct-22	White Oak US MOB Portfolio 2022 (6 of 16)	MN & OH	1998 - 2005	\$48,446,134	110,752	\$437
NORTHEAST	Dec-22	Hartford Healthcare - Waterford	Waterford, CT	2021	\$39,600,000	70,513	\$562
	Oct-22	Upstate Bone & Joint Center	East Syracuse, NY	2009	\$36,000,000	104,400	\$345
	Dec-22	Crouse Medical Center	East Syracuse, NY	1991	\$29,000,000	163,205	\$178
	Oct-22	163 E 70th Street	New York, NY	1910	\$16,300,000	7,220	\$2,258
MID-ATLANTIC	Dec-22	Anthem Blue Cross Expansion	Richmond, VA	1968	\$77,185,792	580,000	\$133
	Dec-22	Integrated Health Campus	Allentown, PA	2007	\$69,575,000	300,197	\$232
	Oct-22	Shady Grove Medical Pavilion - <b>Sold by CBRE</b>	Rockville, MD	2000	\$48,000,000	120,999	\$397
	Dec-22	Caddis MOB Portfolio (2 of 5)	PA	2001 - 2017	\$27,600,000	61,182	\$451

Note: Sales data provided by Real Capital Analytics, Revista, CoStar, RealQuest, SEC Filings, Press Articles, and CBRE Research.





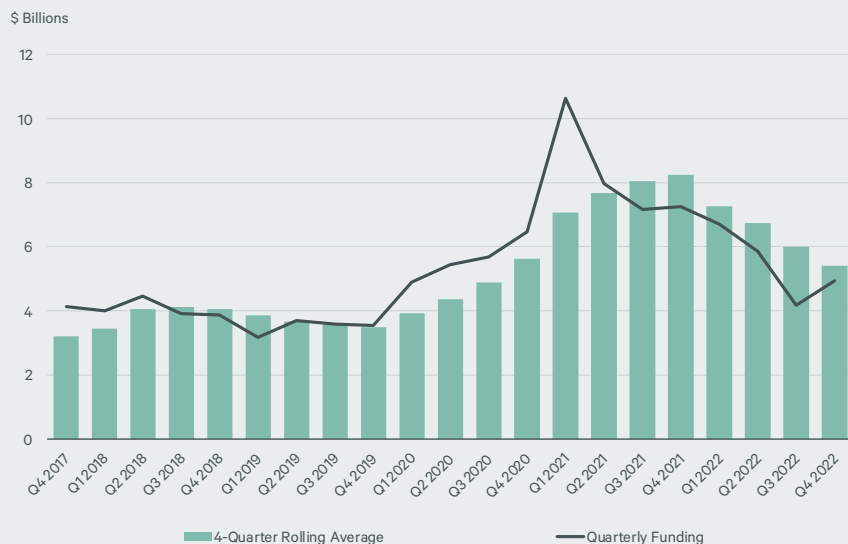


## Life Sciences Update

- Vacancies rose across most markets, bringing the national average to 5.7% in Q4 from 5.1% in Q3. However, the vacancy rate is in-line from a year prior, suggesting rates are stabilizing to normal levels after the frenetic activity of 2021.
- After declining for three consecutive quarters, venture capital (VC) funding increased by 18.4% in Q4. VC funding totaled \$21.7 billion for the year, down 34.4% from the peak in 2021 but only 3.7% below 2020 funding and well above pre-pandemic annual totals.
- Total lab space under construction totaled 40.1 million square feet (MSF) in Q4, an increase of nearly 2.7 MSF quarter-over-quarter and 8 MSF year-over.
- As of Q4 2022, 34.2 million square feet of speculative life science product is under construction, 25% of that is pre-leased with another estimated 18.5 million square feet of unmet demand.

Source: CBRE Research

**Figure 7: U.S. life sciences venture capital funding, quarterly & rolling four-quarter average**



Source: CB Insights, CBRE Research, Q4 2022.

## Venture Capital

- Quarterly funding averaged \$5.4 billion in 2022 compared with \$5.6 billion in 2020. With VC firms allocating more funds for life sciences in 2023, the annual total could surpass pre-2021 levels again.



## Select 4Q 2022 Life Science Transactions



### Lab Space

DATE	Nov-22	Nov-22	Oct-22
PROPERTY NAME	Crispr Therapeutics	4 Burlington Woods	20 Maguire Road
CITY, STATE	Boston, MA	Boston, MA	Lexington, VA
YEAR BUILT	2022	2014	1985
PRICE	\$490,000,000	\$103,000,000	\$89,000,000
SQ. FT.	266,000	109,468	101,311
\$/SQ. FT.	\$1,842	\$941	\$878



### R&D Manufacturing

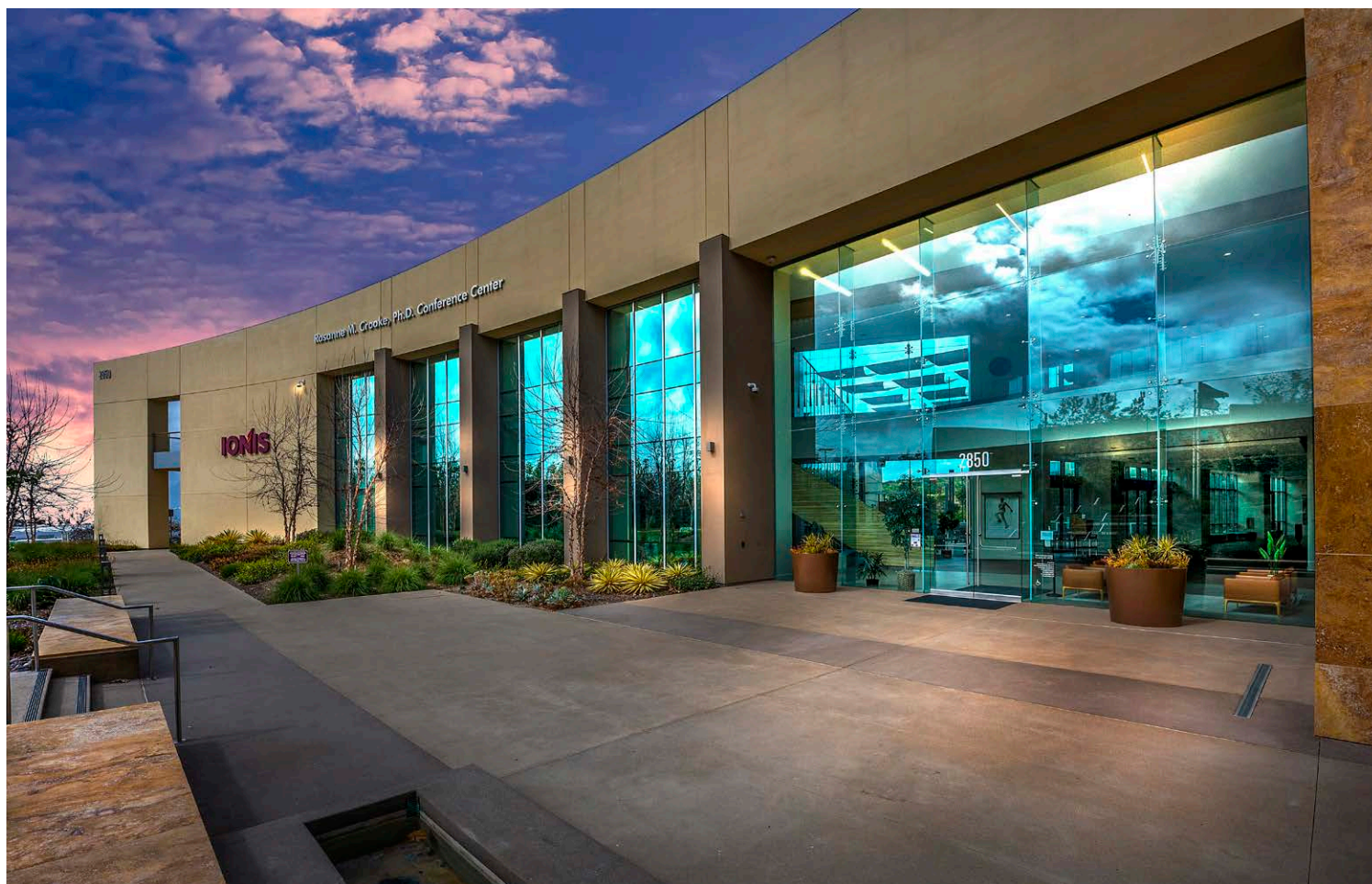
DATE	Dec-22	Oct-22	Dec-22
PROPERTY NAME	The Gatehouse Biohub	513 Eccles Ave	Safeguard Medical
CITY, STATE	Waltham, MA	San Francisco, CA	Huntersville, NC
YEAR BUILT	2000	1966	2022
PRICE	\$272,500,000	\$80,000,000	\$32,000,000
SQ. FT.	297,576	84,000	159,492
\$/SQ. FT.	\$916	\$952	\$201



### Campus

DATE	Oct-22	Nov-22	Nov-22
PROPERTY NAME	Ionis Pharmaceuticals Campus <b>Sold &amp; Financed by CBRE</b>	Syngenta Biotechnology Campus	TBC Place
CITY, STATE	Carlsbad, CA	Raleigh-Durham, NC	Raleigh-Durham, NC
YEAR BUILT	2011	2012	1983
PRICE	\$258,400,000	\$213,328,000	\$141,000,500
SQ. FT.	250,000	348,927	445,370
\$/SQ. FT.	\$1,034	\$611	\$317



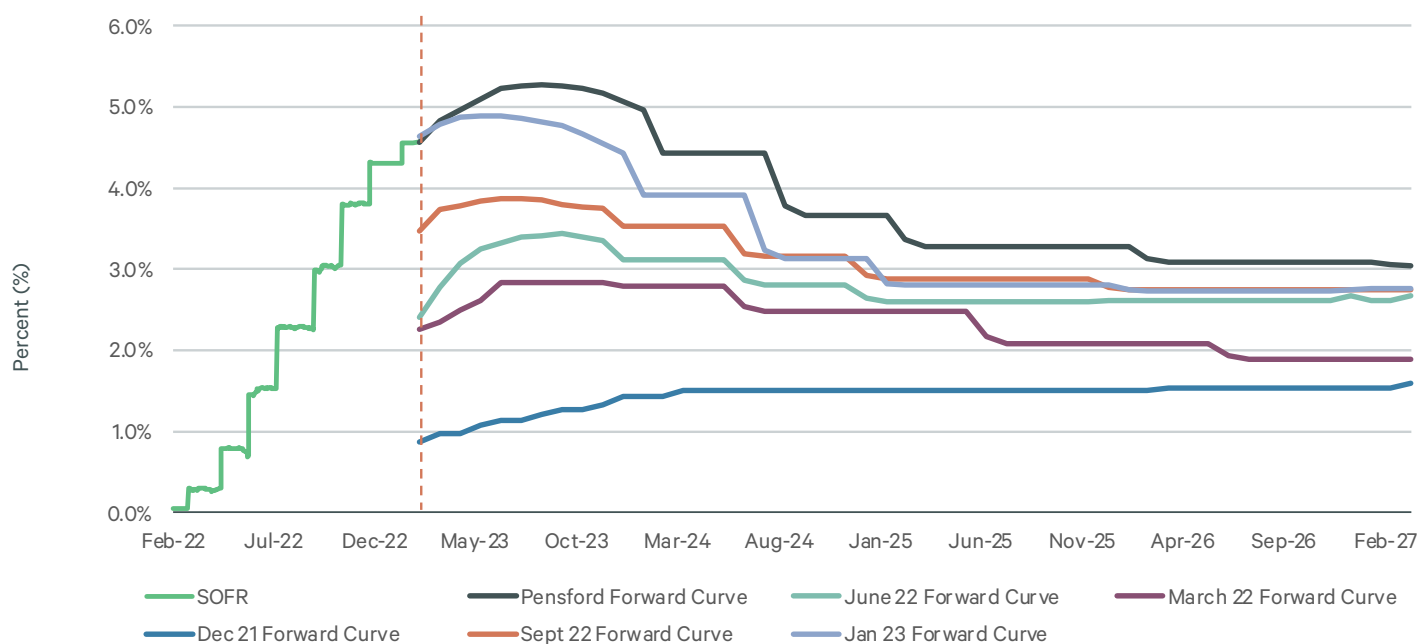


## Debt Market Update for Medical Properties

- Most recently, the FDIC takeover of Silicon Valley bank has created a ripple effect through the banking system leading to liquidity issues at several regional banks as some customers pulled their funds. Banks are now under increased scrutiny and find themselves in a fight to regain the confidence of depositors. The uncertainty has driven up demand for risk-free bonds, which in turn has driven down indices 50 - 70 basis points in a week. The situation will undoubtedly be monitored closely by real estate investors, as the volatility not only impacts borrower confidence in the lending community, but also lender appetite for loans.
- The Federal Reserve raised interest rates 7 times in 2022, increasing the federal funds target rate by 4.25%. Their most recent 25-basis-point rate hike in January brought the federal funds rate to a target range of 4.50% to 4.75% and economists are projecting more quarter point increases in the future.
- Banks were the top non-agency lending group, accounting for 58.3% of total loan volume – up from 46.4% in Q3. More than 80% of bank loans were floating rates. Construction loans accounted for 37% of total bank lending volume, followed by 36% for refinancing and 27% for acquisitions.
- Life companies were the second most active lenders in Q4, accounting for 21% of originations – up from 16.7% in Q3.
- Alternative lenders accounted for 18.7% of loan closings in Q4, down significantly from their 32.3% share in Q3. Higher spreads and interest rate cap costs created a challenging environment for financing floating-rate bridge loans.
- CMBS conduit loans accounted for only 21% of non-agency loan closings in Q4, down from 18.5% a year ago. With higher spreads, industry wide CMBS issuance was limited to \$6.95 billion in Q4. For the entire year, CMBS issuance was \$70.23 billion, down 36.5% from 2021.

Source: CBRE Research and Federal Reserve Bank

Figure 8: SOFR Curve Starting Rate



Source: Federal Reserve Bank of New York & Pensford

Figure 9: Money Rates

	3/15/2023	Month Ago	Year Ago
Tax Exempt AAA Rate (10 year GBA Rate)	2.40%	2.30%	2.80%
Prime	7.75%	7.50%	3.25%
5-Yr US Treas.	3.59%	4.04%	2.10%
10-Yr US Treas.	3.51%	3.81%	2.15%
30-Day Term SOFR	4.58%	4.55%	0.05%
Dow Jones Avg.	32,036	33,962	34,755
10-Yr. Swap Spread	3.52%	3.94%	2.38%





CBRE U.S. Healthcare & Life Sciences Capital Markets specializes in providing real estate investors with acquisition, disposition and debt & equity recapitalization strategies across the continuum of care, including medical office, life sciences, specialized and general acute care, long-term acute care, and other post-acute care operations.

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