

STRONG FOURTH QUARTER BRINGS 2020 TO A CLOSE

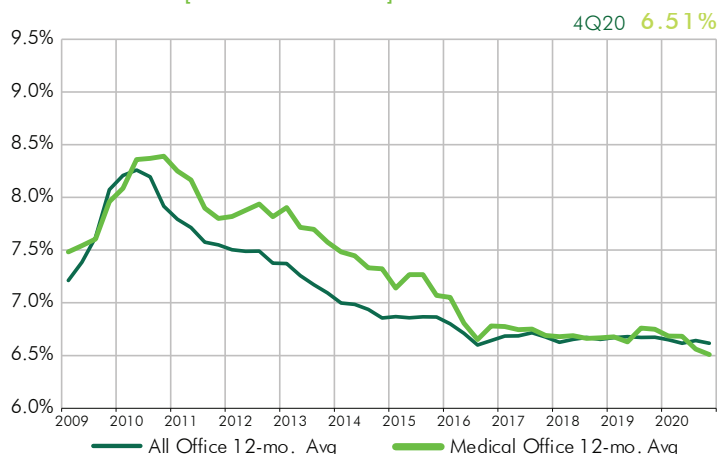
Medical office building sales for the 4th Quarter made up for a sluggish start to the year by racking up a total sales volume of \$3.8 billion in the fourth quarter and \$10.6 billion for the year (According to data compiled on Real Capital Analytics). Deal volume dropped a mere 3% year-over-year for the medical office sector, compared to a 41.8% decline experienced by the traditional office market as a result of the COVID-19 pandemic. The total deal volume for the fourth quarter ranked in the top five quarters for the last 10 years, representing a sales volume that is 2.6 standard deviations above the mean. Portfolio transactions accounted for almost 40% of the transaction volume for 2020, a slight increase over 2019. Mergers and acquisitions activity dropped in 2020 to a 10-year low in terms of number of transactions announced but the average size in the merger increased from \$278 million in 2019 to \$346 million in 2020 (according to a 2021 report by Kaufman & Hall).

According to Real Capital Analytics, public REITs were the largest net seller in 2020, with over \$1.1 billion in net dispositions for the year. Institutional investors were the biggest net buyers, with net acquisitions valued at \$2.2 billion. Average cap rates for medical office have compressed about 20 basis points year-over-year and the average price per square foot increased by 5.5% over the same period. The average premium for a portfolio sale is about 100 basis points, a figure that has tightened over the last five years, according to data compiled by CBRE. The average cap rate for portfolios in 2020 was about 5.52% and the average cap rate for individual sales over the course of 2020 was 6.61%. Healthcare Real Estate Investors continue to use strategic capital partners to aggregate portfolios by taking advantage of the low cost of capital and the ability to maximize proceeds on the exit through portfolio premiums.

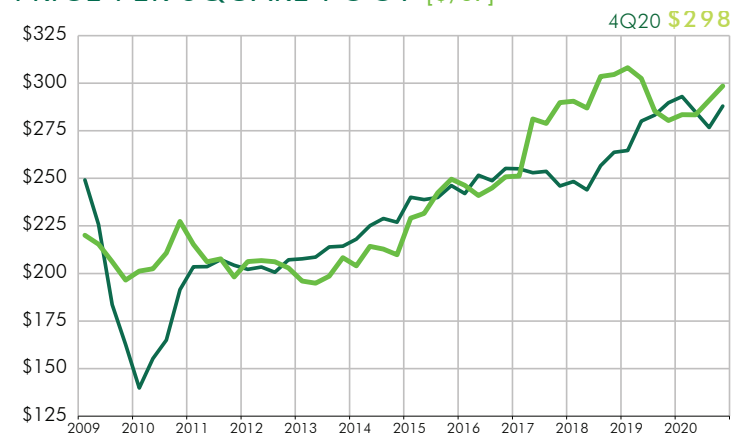
4Q20 MEDICAL OFFICE SALES VOLUME

REGION	TRANSACTIONS	VOLUME	AVG. \$/PSF
WEST	54	\$494,139,137	\$413
SOUTHWEST	45	\$599,288,840	\$297
SOUTHEAST	83	\$1,024,365,669	\$290
MIDWEST	40	\$1,159,565,341	\$345
NORTHEAST	18	\$274,915,845	\$314
MID-ATLANTIC	12	\$296,363,455	\$396
TOTAL	252	\$3,848,638,287	\$328

CAP RATES [NON-WEIGHTED]



PRICE PER SQUARE FOOT [\$/SF]

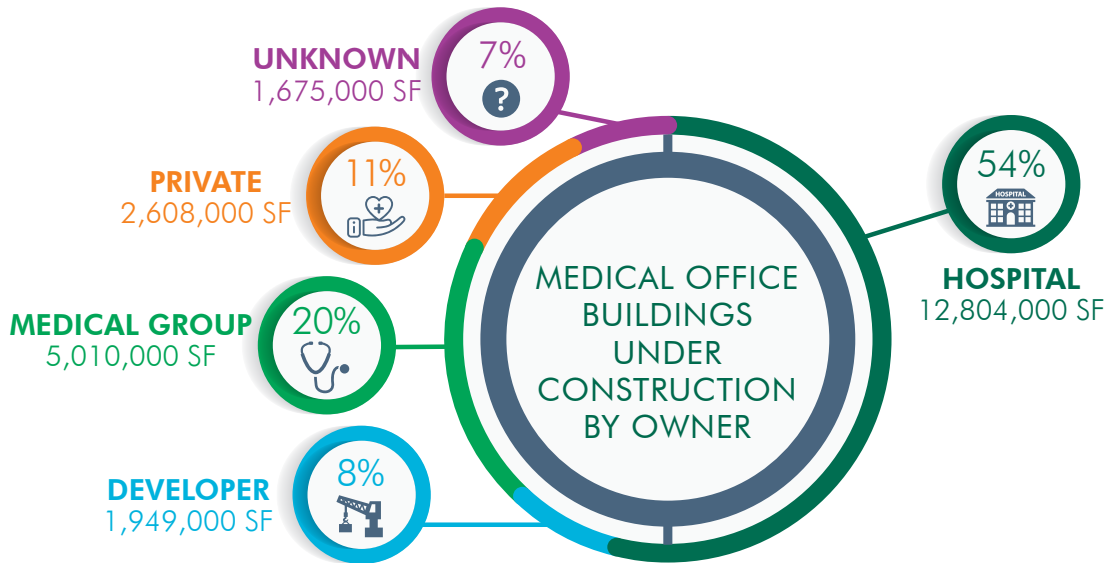
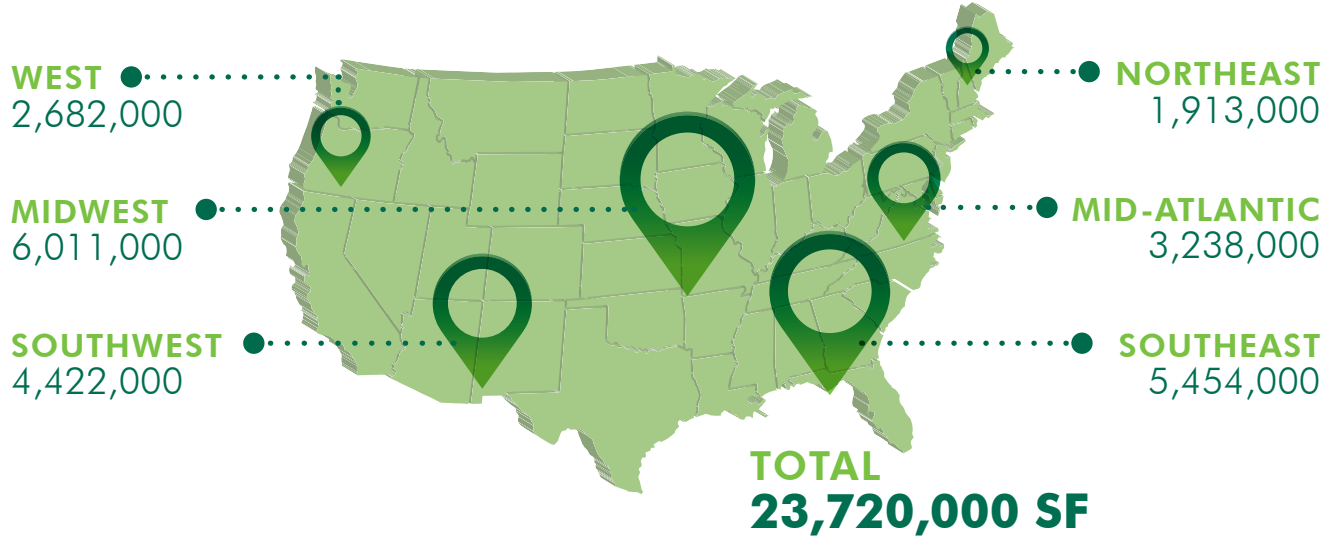


Note: Graphs and Data Courtesy of Real Capital Analytics.

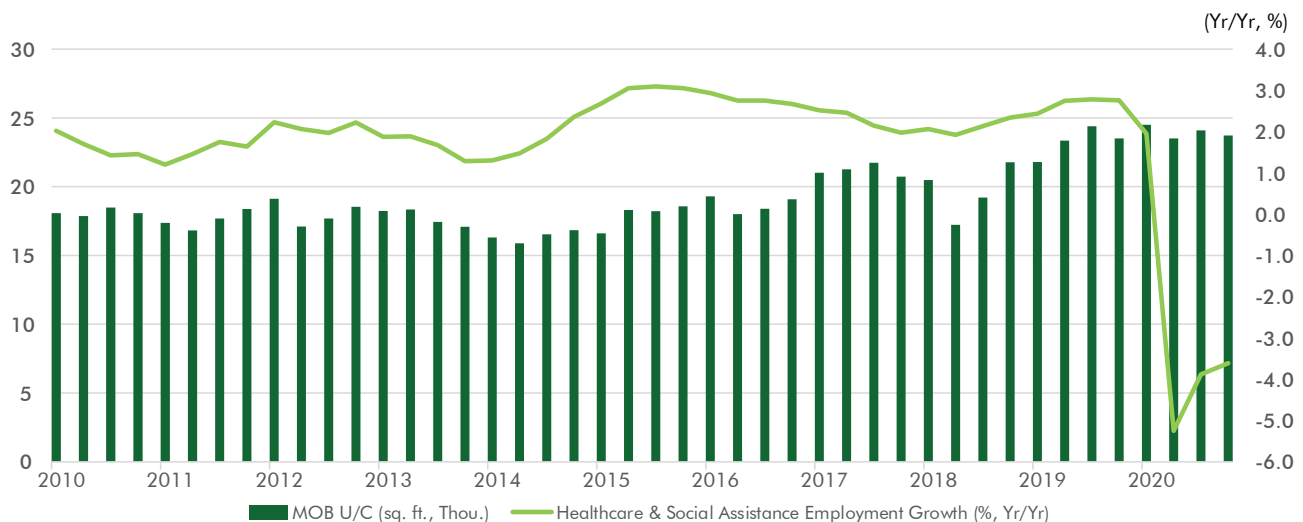
MEDICAL OFFICE BUILDING CONSTRUCTION DATA

4Q 2020

MEDICAL OFFICE BUILDINGS UNDER CONSTRUCTION BY REGION [SF]



MEDICAL OFFICE SPACE UNDER CONSTRUCTION VS. GROWTH IN HEALTHCARE EMPLOYMENT



SELECT 4Q 2020 HEALTHCARE REAL ESTATE TRANSACTIONS BY REGION

	DATE	PROPERTY NAME	CITY, STATE	YEAR BUILT	PRICE	SQ.FT.	\$/SQ.FT.
WEST	Dec-20	Saddleback Valley Medical Center	Laguna Hills, CA	1980	\$84,064,000	135,904	\$619
	Jul-20	Torrey Hills Medical Plaza	Willowbrook, CA	2020	\$43,300,000	52,000	\$833
	Oct-20	Lukens Auditorium Mercy Physician's Plaza	Carmichael, CA	1994	\$34,000,000	99,408	\$342
	Dec-20	Welltower/Wafra US MOB Recap 2020 (1 of 24)	Los Gatos, CA	1995	\$32,101,300	58,366	\$550
SOUTHWEST	Dec-20	Hammes US MOB Portfolio 2020 (4 of 29)	AZ, TX	1981-2017	\$107,095,920	208,534	\$514
	Dec-20	Texas Tech MOB	El Paso, TX	2016	\$36,761,658	110,000	\$334
	Dec-20	Lovelace Clinic	Albuquerque, NM	2017	\$27,800,000	69,539	\$400
	Oct-20	SOBO Medical Office Building SOLD BY CBRE	Boerne, TX	2019	\$22,570,000	52,410	\$431
SOUTHEAST	Nov-20	Highwoods MOB Portfolio (4) SOLD BY CBRE	Greensboro, NC & Memphis, TN	1982-2007	\$72,150,000	284,621	\$253
	Dec-20	Welltower/Wafra US MOB Recap 2020 (3 of 24)	SC, FL	1997-2009	\$61,307,950	111,469	\$550
	Dec-20	Hammes US MOB Portfolio 2020 (4 of 29)	GA, MS	2004-2016	\$58,319,427	135,279	\$431
	Oct-20	Wolf River Medical Arts Campus (2) SOLD BY CBRE	Germantown, TN	2008 & 2015	\$32,750,000	87,706	\$373
MIDWEST	Dec-20	Welltower/Wafra US MOB Recap 2020 (16 of 24)	Various	Various	\$334,042,500	1,045,755	\$319
	Dec-20	Hammes US MOB Portfolio 2020 (8 of 29)	OH, MO, WI, IL	2003-2019	\$201,441,666	506,155	\$398
	Oct-20	Midwest Office Portfolio (7)	IN, IL, MO	2000	\$165,000,000	439,000	\$376
	Oct-20	North Hills Health Center SOLD BY CBRE	Menomonee Falls, WI	2008	\$59,250,000	119,000	\$498
NORTHEAST	Nov-20	Hospital for Special Surgery Portfolio	New York, NY	1910-1930	\$70,000,000	48,517	\$1,443
	Dec-20	600 Northern Blvd	Lake Success, NY	1981	\$38,068,118	95,332	\$399
	Dec-20	Bridgewater MOB	Bridgewater, NJ	1979	\$31,320,000	94,932	\$330
	Dec-20	Lifespan Ambulatory Care Center	East Greenwich, RI	2012	\$18,725,000	47,272	\$396
MID-ATLANTIC	Dec-20	Hammes US MOB Portfolio 2020 (11 of 29)	PA, VA	2008-2017	\$141,179,118	294,585	\$479
	Oct-20	TST Portfolio (2 of 11) SOLD BY CBRE	PA, MD	2005 & 2011	\$34,750,000	96,902	\$359
	Oct-20	Constitution Surgery Alliance MOB	Wilton, CT	2008	\$17,100,000	77,212	\$221
	Dec-20	Hartford Healthcare Cancer Institute	Manchester, CT	2018	\$16,855,000	37,581	\$448

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

LIFE SCIENCES UPDATE

CAPITAL FLOWS INTO THE LIFE SCIENCES SECTOR FROM ALL AVENUES

Life Sciences demand is still rising, and investors continue to pile money into the sector from all directions, through Initial Public Offering (IPO's), Venture Capital (VC), National Institute of Health (NIH) funding and commercial real estate. Harrison Real Estate was able to raise \$720 million in 60 days for a fund that will invest primarily in life sciences labs and data centers. Blackstone, who notably orchestrated the largest transaction of the year with a \$14.6 billion recap of the BioMed life sciences portfolio, recently acquired a \$3.45 billion life sciences portfolio from Brookfield becoming the largest owner of life sciences real estate in the Cambridge, Massachusetts market. The deal was a bellwether reported to be sold at a cap rate in the Mid 4's and at a price per foot of \$1,500. An abundance of capital, a lack of available supply, and strong tenant demand have been key drivers for life sciences capital markets. Real estate investors are looking to contribute to the supply side of the equation by converting existing office buildings and developing new life sciences clusters in academically aligned markets, as well as emerging submarkets in primary life sciences MSAs.

From an IPO perspective 2020 was an exceptional year with 131 life sciences firms raising over \$22 billion across the globe, almost tripling the amount raised through IPO's in 2019. Chinese biotech firms littered the IPO leader board with seven of the top ten biotech IPO's coming from China. Venture Capital funding for 2020 in the Americas reached record levels with over \$22.5 billion in capital provided in 442 rounds of funding, a 39% increase over 2019. Despite the bellwether deals coming out of Asia, the Americas still command the largest share of financing across the globe, representing 63% of the global IPO & VC funding for biotech companies in 2020 (According to data compiled by Nature Biotechnology). PWC estimates that the biotech industry in 2021 will continue to draw attention from VC's and the public markets and that life sciences companies will turn their attention towards digital investments, focusing on productivity and a better connection through virtual research collaboration. The speed at which the pharmaceutical industry has addressed the COVID-19 vaccine, as well as the ability of the FDA to approve mass distribution and efficacy, has evidenced the need for additional therapies and value of the industry as a whole. Tenant demand continues to outpace supply in the primary life sciences markets with rent benchmarks steadily increasing and compressing market.

The real estate outlook for the sector remains strong, with a desire to enhance portfolio positions in the sector by both foreign and domestic equity investors, debt capital providers, and real estate investors.

SELECT 4Q 2020 LIFE SCIENCES TRANSACTIONS BY REGION

	DATE	PROPERTY NAME	CITY, STATE	YEAR BUILT	PRICE	SQ.FT.	\$/SQ.FT.
LAB SPACE	Dec-20	Cambridge Discovery Park	Cambridge, MA	2005-2020	\$720,000,000	620,000	\$1,161
	Dec-20	Boston Innovation & Design Recap	Boston, MA	1918 / Ren. 2015	\$710,000,000	1,350,000	\$526
	Dec-20	Seattle Life Sciences Portfolio	Seattle, WA	1914-2010	\$449,615,000	322,858	\$1,393
	Dec-20	MilliporeSigma Headquarters	Burlington, MA	2017	\$252,747,069	572,150	\$442
R&D MANUFACTURING	Dec-20	Pfizer	Boulder, CO	1972 / Ren. 2004	\$99,000,000	149,984	\$660
	Dec-20	One Patriots Park	Bedford, MA	1985	\$72,500,000	144,750	\$501
	Oct-20	San Jose Life Sciences Portfolio	San Jose, CA	2002	\$51,500,000	135,000	\$381
	Oct-20	Novavax	Gaithersburg, MD	1973	\$43,000,000	122,000	\$352

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

CAPITAL MARKETS UPDATE

DEBT MARKET UPDATE FOR HEALTHCARE AND LIFE SCIENCES

The debt markets are expected to remain active as the Federal Reserve has indicated that they will hold interest rates at near zero through mid-year. Plans for an additional stimulus package in the amount of \$1.8 billion and the rollout of vaccines has been met with optimism but the Federal Reserve has indicated that interest rates will be kept in check until unemployment has lowered and a 2% inflation rate has been achieved. For 2020, the five-year Treasury coupons were on average 142 basis points lower than the year before, and 125 basis points lower on average for the ten-year Treasury. The 10-year Treasury which floated between 60-70 basis points for the majority of last year has inched higher over the last couple months to ± 130 basis points.

Financing for medical office product is slowly morphing back into its pre-COVID-19 form as lenders re-enter the market, credit committees take their hand off the panic button and election tides have subsided. The pandemic sidelined or limited many lenders for much of 2020 and added retail, hospitality, and some traditional office to the no-fly list. As a result, lenders have consolidated their capital towards the more resilient product types: Industrial, Multifamily, Life Sciences and Healthcare. For 2021, many lenders have set larger target allocations towards medical properties, providing an ample marketplace for real estate investors looking to expand or recapitalize their healthcare portfolios.

KEY POINTS

- Quality real estate and tenancy, achievable underwriting, conservative debt metrics and superior sponsorship remain the focus of lenders in this sector.
- Interest rates are at an all-time low and will likely remain so, as the Federal Reserve has projected no interest rate increases through 2022.

LENDER OVERVIEW

- Life Company lenders that had previously been on the sidelines are back in the market, however they continue to be selective. These lenders are mostly focused on core deals in top 100 MSAs with high quality sponsorship. Spreads for core, low leverage (50% LTV) deals range from 120-130 bps for 5- and 10-year terms, while full loans (60-65% LTV) will price in the mid-to-upper 100's over corresponding treasuries. Many life cos are seeking to provide alternative products and have variable rate, bridge loans available that are competitive against the debt funds and can provide additional term (5-7 yrs) with elongated future funding structures
- Banks have generally been the most competitive in the healthcare space with fixed and floating rate options. For non-recourse loans, loan-to-value continues to tap out at 65-70%. Most banks will also fund 100% of TIs and LCs (Good News Funding). Stabilized assets are generally garnering sub 3% interest rates with terms in the 3-7 years readily available.
- Construction loans are available for quality projects with significant pre-leasing. Developments with investment grade-credit anchor tenancy generally receive the most favorable terms with only completion guarantees required.
- CMBS issuance was muted for much of 2020, but many are back in the market seeking to regain ground on lost production from last year. Deals with long term, triple-net leases are most suitable for CMBS transactions.
- Debt Funds, like other lenders, have become more active in 2021. Many debt funds have found their niche lending higher up the capital stack compared to traditional banks and life companies. Transactions requiring higher leverage (up to 75% LTV) are often a good fit for debt funds. Spreads in the debt fund space continue to tighten as warehouse line lending has improved with the majority of efficiently priced lenders quoting spreads in the 3-3.25% range. Higher leveraged deals (up to 85% LTV) are available and generally price in the upper 300's to low 400's over Libor.

MONEY RATES (AS OF 03/01/2021)

Sources: Bloomberg, Wall Street Journal, BankRate.com

	03/01/2021	MONTH AGO	YEAR AGO
Tax Exempt AAA Rate (10-year GBA Rate)	1.12%	0.70%	1.02%
Prime	3.25%	3.25%	4.75%
5-Yr US Treasury	0.75%	0.42%	0.89%
10-Yr US Treasury	1.44%	1.09%	1.13%
1-M LIBOR	0.12%	0.12%	1.38%
Dow Jones Average	30,932	30,211	26,703
10-Yr. Swap Spread	1.53%	1.12%	1.08%

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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