

NATIONAL HEALTHCARE REAL ESTATE INVESTOR UPDATE

SPRING 2020

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MEDICAL OFFICE SALES STAY STRONG THROUGH Q1 DESPITE COVID CRISIS

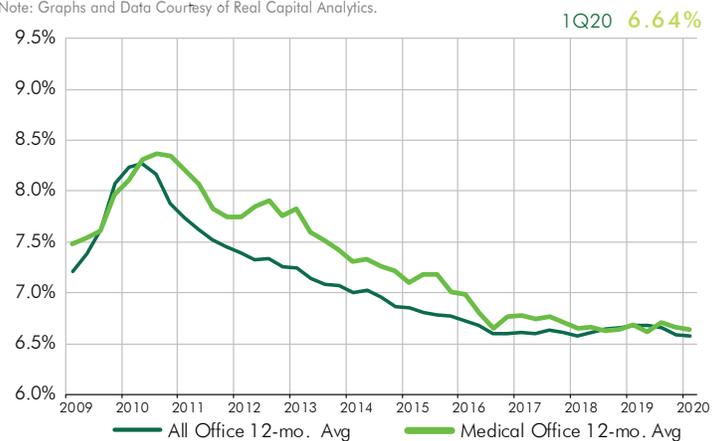
Medical office building (MOB) sales for the first quarter of 2020 stayed within a standard deviation of historical numbers, \$2.1 billion in sales for Q1, withstanding a couple weeks of COVID-19 disruption at the end of March. Pricing remained positive with cap rates dropping 2 basis points and pricing per square foot increasing \$2 per SF from Q4 2019 to Q1 2020 on a rolling 12-month basis, according to Real Capital Analytics. Additionally, data from Kaufman & Hall indicates that Q1 Healthcare merger and acquisition activity was consistent with the recent historical range with 29 announced transactions from January to March. Given the significant disruptions caused by COVID-19, the positive healthcare performance and activity of the first quarter will be an unreliable predictor of activity for the remainder of 2020.

SHORT TERM PAIN, LONG-TERM STABILITY

While many providers were restricted from performing elective surgeries during stay at home orders associated with COVID-19, the majority of states are back open and allowing elective procedures again. We expect that it will take another 60-90 days for patient volumes to stabilize, but in some instances surgery centers have reported surging capacity due to pent-up demand. Despite being at the epicenter of the coronavirus crisis, medical office and life science assets have performed well. Publicly traded healthcare REITs have generally reported rent collections from April nearing 100% from their life sciences and medical office tenants. In addition, healthcare real estate investors and lenders alike can be comforted by the inelastic relationship the industry has historically had with general economic conditions.

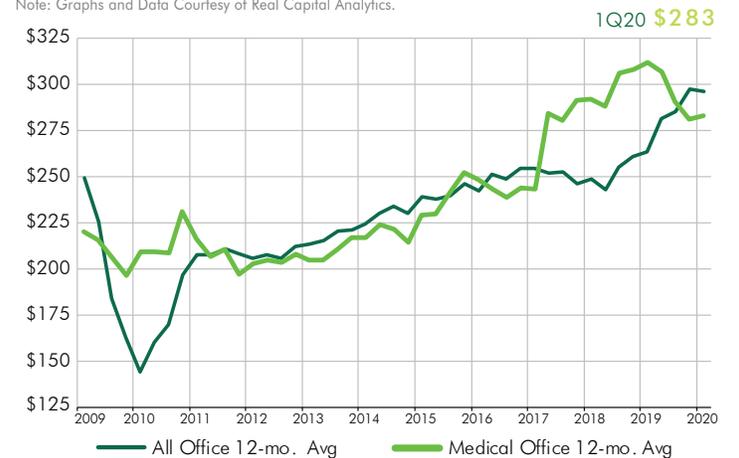
CAP RATES [NON-WEIGHTED]

Note: Graphs and Data Courtesy of Real Capital Analytics.



PRICE PER SQUARE FOOT [\$ /SF]

Note: Graphs and Data Courtesy of Real Capital Analytics.



1Q20 MEDICAL OFFICE SALES VOLUME

Note: Data Courtesy of Real Capital Analytics.

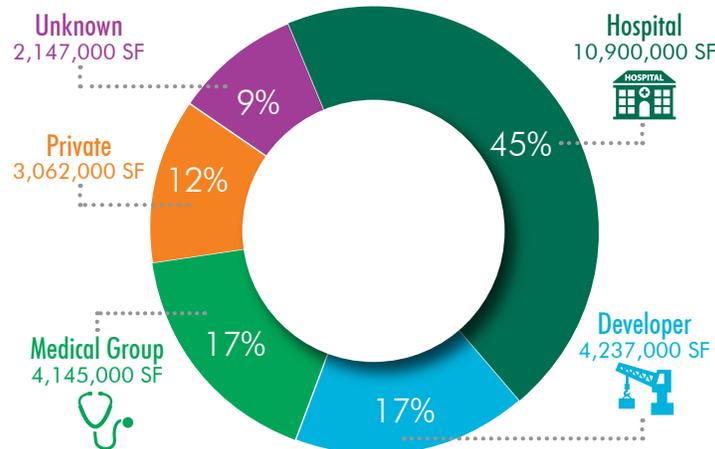
REGION	#	VOLUME	AVG. \$/PSF
West	38	\$489,426,548	\$383
Southwest	31	\$382,841,822	\$316
Southeast	59	\$476,534,395	\$240
Midwest	30	\$389,912,712	\$283
Northeast	14	\$161,521,018	\$335
Mid-Atlantic	9	\$158,580,894	\$281
TOTAL	181	\$2,058,817,389	\$298

MEDICAL OFFICE BUILDING CONSTRUCTION DATA 1Q 2020

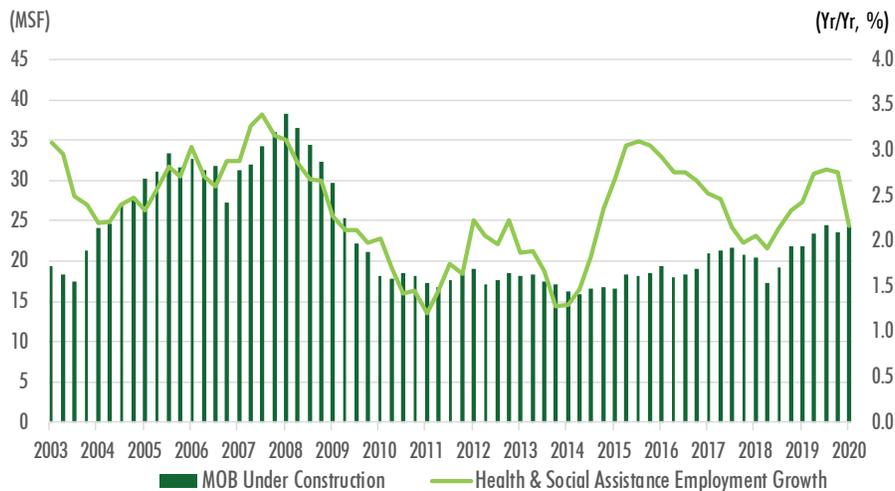
MEDICAL OFFICE BUILDINGS UNDER CONSTRUCTION BY REGION (1,000s SF)



MEDICAL OFFICE BUILDINGS UNDER CONSTRUCTION BY OWNER



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 March 2020

SELECT 1Q 2020 HEALTHCARE REAL ESTATE TRANSACTIONS BY REGION



	DATE	PROPERTY NAME	CITY, STATE	YEAR BUILT	PRICE	SQ.FT.	\$/SQ.FT.
WEST	Jan-20	Sugar House Health Center	Salt Lake City, UT	2019	\$80,900,000	162,243	\$499
	Jan-20	Wilshire Medical Center	Los Angeles, CA	1970	\$54,250,000	112,985	\$480
	Jan-20	Taj Mahal Medical Center	Laguna Hills, CA	1964	\$42,000,000	79,539	\$528
	Mar-20	Irving Family Trust CA Office Portfolio 2020	Beverly Hills, CA	1938	\$32,800,500	28,820	\$1,138
SOUTHWEST	Mar-20	MD Anderson Cancer Center The Woodlands	The Woodlands, TX	2017	\$115,000,000	208,000	\$553
	Mar-20	Ridgeline Medical Campus SOLD BY CBRE	Denver, CO	2001	\$33,500,000	136,994	\$245
	Jan-20	IRA US MOB/Hospital Portfolio 2020 (2 of 16) SOLD BY CBRE	Katy, TX	2008-2016	\$28,781,000	27,696	\$1,039
	Jan-20	Allen Medical Plaza	Allen, TX	2018	\$20,500,000	44,761	\$458
SOUTHEAST	Feb-20	Kenmar Medical Center SOLD BY CBRE	Marietta, GA	1977	\$12,000,000	64,624	\$185
	Mar-20	Boca Clinic	Boca Raton, FL	1984	\$34,000,000	75,690	\$449
	Feb-20	Wake Forest Baptist Health	High Point, NC	2007	\$24,750,000	97,811	\$253
	Jan-20	Gardens Medical Pavilion	Palm Beach Gardens, FL	1995	\$24,300,000	77,469	\$314
MIDWEST	Jan-20	Village Point Health Center	Omaha, NE	2009 & 2011	\$70,065,000	147,761	\$474
	Jan-20	OrthoIndy Hospital South	Indianapolis, IN	2010	\$51,800,000	79,631	\$651
	Jan-20	IRA US MOB/Hospital Portfolio 2020 (5 of 16) SOLD BY CBRE	IL, MI, & MO	1997-2015	\$44,563,000	120,410	\$370
	Feb-20	McLean County Orthopedics	Bloomington, IN	2016	\$25,750,000	60,231	\$428
NORTHEAST	Feb-20	Orchard Park Medical Center	Orchard Park, NY	2013	\$44,500,000	115,317	\$386
	Feb-20	UMass	Shrewsbury, MA	2018	\$30,250,000	41,643	\$726
	Jan-20	Emerson Hospital Center	West Concord, MA	1989	\$23,300,000	46,350	\$503
	Mar-20	Atkins Medical Plaza	West Orange, NJ	2001	\$11,300,000	38,500	\$294
MID-ATLANTIC	Jan-20	IRA US MOB/Hospital Portfolio 2020 (3 of 16) SOLD BY CBRE	Pennsylvania	1976-2005	\$44,510,000	124,516	\$357
	Jan-20	45745 Nokes Boulevard	Sterling, VA	2001	\$15,375,000	95,282	\$161
	Jan-20	RVG Management MOB Acquisition	Harrisburg, PA	1955-1994	\$13,197,786	35,275	\$374
	Jan-20	Gettysburg Cancer Center	Gettysburg, PA	2007	\$11,250,000	57,390	\$196

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



CBRE U.S. Healthcare Capital Markets specializes in providing healthcare real estate investors with acquisition, disposition and debt & equity recapitalization strategies; assisting healthcare providers with strategic capital planning (including monetization of real estate); and advising health systems and physician groups in the developer selection process.

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DEBT MARKET UPDATE FOR MEDICAL PROPERTIES

The debt markets have run the full range of emotions over the last 10 weeks, fluctuating between one of the most favorable commercial lending environments in recent history to torn up commitment letters and settling down in a selective but low-rate lending environment. As expected, the Federal Reserve has pumped cheap money into the economy to make the shutdown of a \$22 trillion economy palatable. Remarkably the ten-year Treasury has remained stable over the last 8 weeks, sticking within about 10 bps of 0.65% over that period, according to the *Wall Street Journal*.

The debt markets for medical properties are open for business on a limited basis as many lenders are still on the sidelines and those still screening deals are more selective, focusing on core assets in primary markets. Overall leverage expectations have shifted to 50%-60% loan-to-value as the norm but not the rule over the last couple of weeks. Assets with high acuity build-outs and in locations with exposure to oil are currently soft spots in the market. Debt pricing for medical properties as a whole is still very attractive despite index and all-in coupon floors.

KEY POINTS

- Quality real estate, 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 appear to have stabilized as the 10-year Treasury Bill has hovered around 65 basis points for the last 8 weeks.

LENDER OVERVIEW

- Life Company lenders that remain in the market are being very selective, mostly focused on core deals in top 100 MSAs with quality sponsorship. All-in pricing on 10-year terms range from 3.25 - 3.60% with LTVs defined by debt service coverage stress tests.
- Banks have been distracted as they called 'all hands-on deck' to distribute PPP funding to small businesses, however we are now seeing refocused efforts back to CRE. Spreads have widened considerably from earlier in the year and most banks have instituted a LIBOR floor of 50 to 100 bps, however all-in coupons remain incredibly attractive.
- Construction loans are available for quality projects with significant pre-leasing, with full or partial recourse required beyond completion and tapering off after sustained performance hurdles are hit.
- CMBS lenders have been on the sidelines for the last few months, though a few, such as Goldman Sachs and Morgan Stanley, have begun to slowly reenter the market.
- Most Debt Funds are currently out of the market while the few still lending are offering sub-50% LTVS and higher pricing.

MONEY RATES (AS OF 5/21/2020)

Sources: Bloomberg, Wall Street Journal, BankRate.com

	05/21/2020	MONTH AGO	YEAR AGO
Tax Exempt AAA Rate (10-year GBA Rate)	0.89%	1.23%	1.75%
Prime	3.25%	3.25%	5.50%
5-Yr US Treasury	0.35%	0.37%	2.19%
10-Yr US Treasury	0.68%	0.63%	2.39%
1-M LIBOR	0.17%	0.33%	2.43%
Dow Jones Average	24,474	23,482	25,586
10-Yr. Swap Spread	0.67%	0.62%	2.09%

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