

Q1 2023

National Healthcare & Life Sciences Real Estate Investor Update



Medical Office Executive Summary

▼ \$1.7 Billion
Q1 MOB Sales Volume

▲ 7.1%
Q1 Average Cap Rate

▲ 39.3 MSF
Under Construction

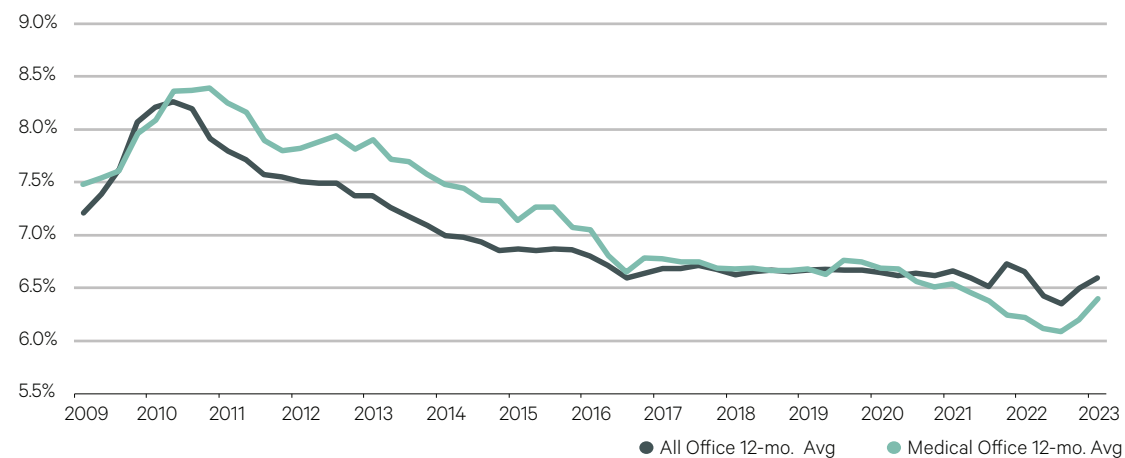
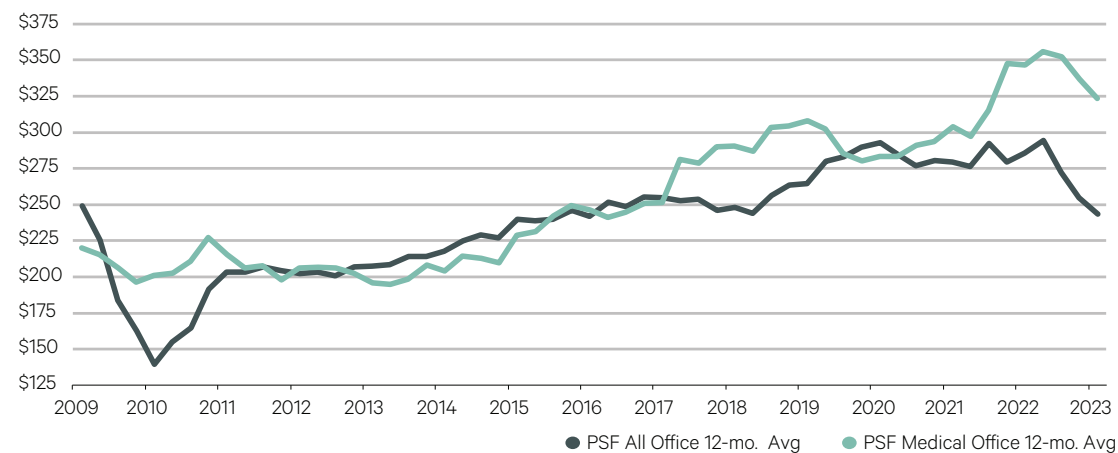
Note: Arrows indicate change from previous quarter

- MOB sales totaled \$1.7 billion in Q1 2023, a 74% decrease from \$6.4 billion of transaction volume in Q1 2022, the lowest first quarter for medical office sales in the last nine years. The decline in overall transaction volume was concentrated in portfolio activity, portfolio transaction volume dropped \$1.0B, while individual transaction volume dropped \$700M. Market fundamentals remain stable as occupancy, retention rates, and market rent growth continue to point to the resiliency of the medical office sector.
- The average cap rate spiked up in Q1 2023, rising to 7.1% from 6.6% in Q4 2022. Cap Rates averaged 6.4% in the first quarter of 2022.
- Medical office construction activity continues to grow. In the first quarter, medical product under construction totaled 39.3 million square feet, a 25% increase from Q1 2022. Hospitals and health systems have over 21.1 million square feet under construction, the largest contributor to this aggregate.
- According to Kauffman & Hall, Q1 2023 had 15 announced M&A transactions, only two short of the post-pandemic record of 17 announced transactions in Q4 2022. The trend toward higher transaction sizes continued, with the average seller size remaining just below the historic peak set in 2022.

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

Figure 1: Q1 2023 Medical Office Sales Volume

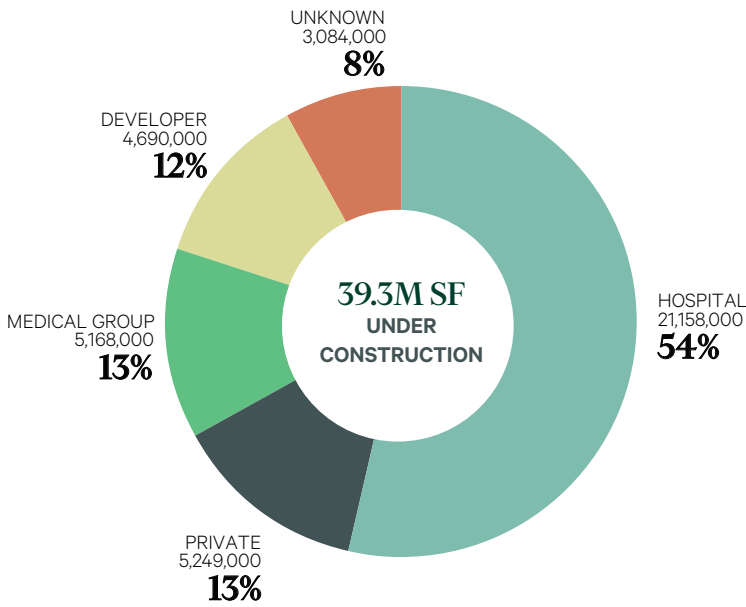
Region	#	Volume	Volume PSF	Average \$/PSF
West	36	\$446,710,068	1,054,170	\$424
Southwest	23	\$211,428,776	644,018	\$328
Southeast	54	\$393,360,986	1,370,057	\$287
Midwest	26	\$282,894,940	1,156,386	\$245
Northeast	16	\$127,585,766	379,120	\$337
Mid-Atlantic	16	\$208,094,000	636,928	\$327
TOTAL	171	\$1,670,074,536	5,240,679	\$319

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

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




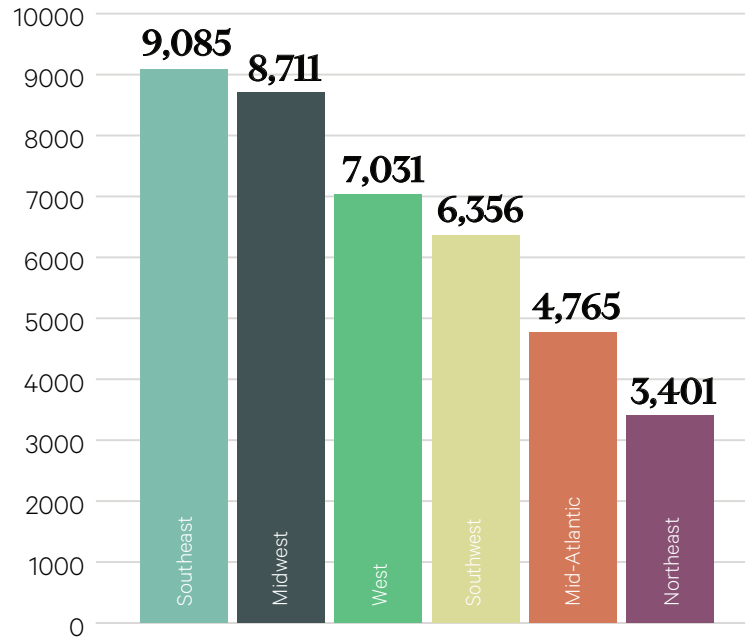
Medical Office Building Construction Data Q1 2023

Figure 4: MOB Construction Underway By Owner Type



Construction Data Current Through March 2023

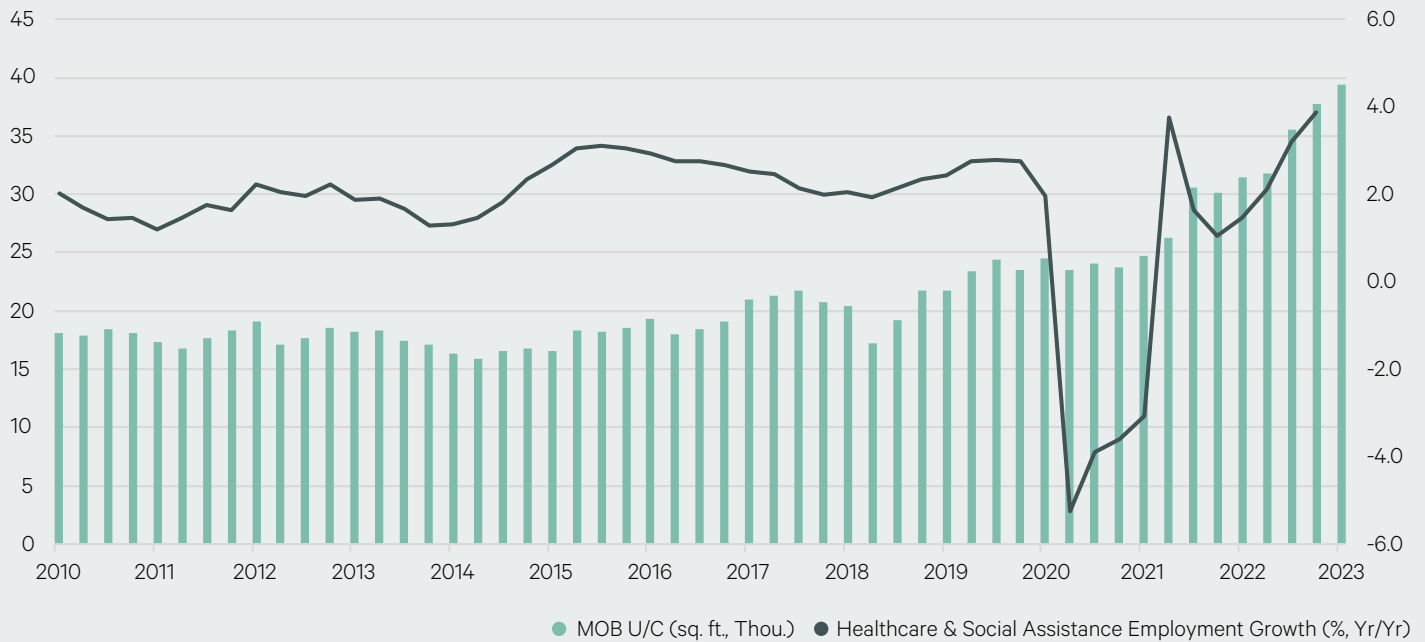
Figure 5: Medical Office Building Construction by Region (1,000s SF)



Construction Data Current Through March 2023



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 March 2023

Select Q1 2023 Healthcare Real Estate Transactions by Region

	Date	Property Name	City / State	Year Built	Price	SF	\$/SF
WEST	Mar-23	3rd Street Medical Center - SOLD by CBRE	Los Angeles, CA	1990	\$73,000,000	147,078	\$496
	Jan-23	Menlo Park	Menlo Park, CA	1972	\$68,000,000	44,719	\$1,521
	Mar-23	12020 Chandler Boulevard	Valley Village, CA	1992	\$47,200,000	120,173	\$393
	Mar-23	Multicare Portfolio (2 of 2)	Seattle , WA	1987 - 1998	\$24,442,800	97,333	\$251
SOUTHWEST	Feb-23	The Grove	Phoenix, AZ	2023	\$48,500,000	70,000	\$693
	Mar-23	Banner Health - Peoria	Peoria, AZ	1989	\$29,000,000	73,327	\$395
	Jan-23	Baylor Scott & White Emergency Medical Center	Mansfield, TX	2014	\$19,210,000	36,962	\$520
	Jan-23	West Valley Medical Center	Goodyear, AZ	1997	\$13,810,000	35,443	\$390
SOUTHEAST	Jan-23	HRT Florida VA Clinic Portfolio 2023 (2 of 2)	Tampa , FL	2008 - 2014	\$93,250,000	227,751	\$409
	Mar-23	Tampa Medical Tower	Tampa, FL	1983	\$31,500,000	106,261	\$296
	Feb-23	Union Park - SOLD by CBRE	Atlanta, GA	1980	\$23,075,000	178,739	\$129
	Feb-23	Carrollwood Medical Office	Tampa, FL	2012	\$20,725,000	53,685	\$386

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 occupancy, retention rates, and market rent despite abnormal market conditions.

	Date	Property Name	City / State	Year Built	Price	SF	\$/SF
MIDWEST	Feb-23	CT/GA/PA/TX MOB Portfolio 2023 (5 of 5)	CT, GA, PA, & TX	Varies	\$72,700,000	179,000	\$406
	Mar-23	Elkhart Clinic Portolio (6 of 6)	Elkhart, IN	1970 - 2001	\$40,000,000	124,000	\$323
	Jan-23	Welltower Portfolio (3 of 3)	Saint Louis, MO	1960 -1980	\$32,568,000	168,044	\$194
	Mar-23	Northwestern Medicine Evanston - SOLD by CBRE	Evanston, IL	2000	\$13,198,000	22,467	\$587
NORTHEAST	Feb-23	Heartshare Union Turnpike	Queens, NY	1960	\$44,000,000	87,400	\$503
	Jan-23	Hanover Professional Building	Fall River, MA	1985	\$20,228,000	43,365	\$466
	Feb-23	Middlesex Surgery Center	Edison, NJ	1970	\$9,000,000	3,363	\$2,676
	Mar-23	May Street Medical Arts Building	Edison, NJ	2002	\$6,500,000	21,774	\$299
MID-ATLANTIC	Jan-23	2021 K Street Northwest	Washington, DC	1971	\$78,250,000	155,716	\$503
	Feb-23	Waterfront Professional Park (2 of 2)	Plains, PA	2002 - 2006	\$33,000,000	122,500	\$269
	Mar-23	Bon Secours - Chester Emergency Center	Chester , VA	2021	\$20,300,000	24,312	\$835
	Jan-23	South Jersey Radiology Portfolio (2 of 2)	Voorhees, NJ	1960 - 1999	\$16,150,000	46,073	\$351

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

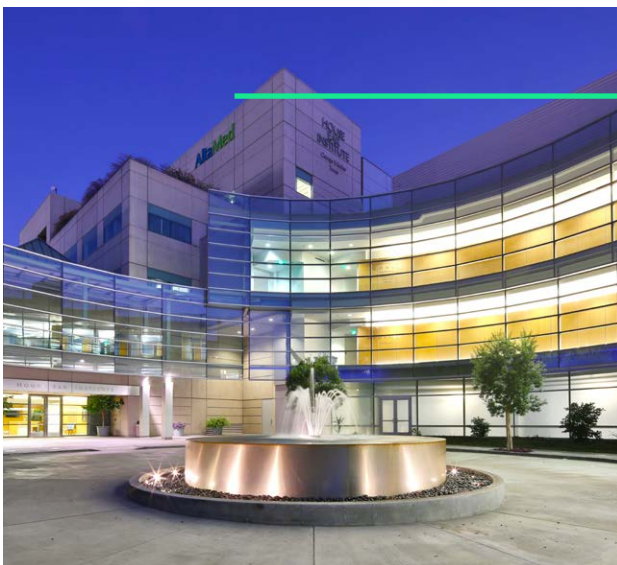




Life Sciences Update

- The lab/R&D vacancy rate increased by 132 basis points (bps) quarter-over-quarter and 170 bps year-over-year to 6.7% as the record post-pandemic demand appears to have subsided. However, the vacancy rate remains well below years past with demand for life science space expected to remain robust.
- Venture capital funding to the life science industry fell to \$3.6 billion in Q1 2023, below the previous quarter but on par with pre-pandemic 2019 levels. While venture capital investors are becoming more selective, sectors such as novel research continue to draw record financial backing.
- More than 40 million sq. ft. of new lab/ R&D space was under construction in Q1 2023, with over 25% of it preleased. Almost 18 million sq. ft. is scheduled for delivery this year on top of the 2.1 million sq. ft. that was delivered in Q1.

Source: CBRE Research



RECENTLY CLOSED: 3rd Street Medical Center

CLOSED: 3/31/2023

Property Overview

- 147,078 RSF, Class A medical office building located in the Westlake submarket of Los Angeles.
- The Property features modern, sweeping curvilinear construction with abundant glass and window lines, high ceilings with rare 14-15' slab-to-slab floor heights, balconies, and sweeping views of the downtown Los Angeles.
- The main building (Phase I) of the Property was constructed in 1990 while the adjoining laboratory wing (Phase II) was constructed in 2007 and houses Viracor-IBT, a diagnostic firm specializing in infectious disease and immunology.

Select Q1 2023 Life Science Transactions



Lab Space

DATE	Jan-23
PROPERTY NAME	TPG JV Hilco Boston Life Science Portfolio (3 of 3)
CITY, STATE	Waltham, MA
YEAR BUILT	1951 - 2017
PRICE	\$578,000,000
SQ. FT.	586,220
\$/SQ. FT.	\$986

DATE	Jan-23
PROPERTY NAME	Duke Mission Critical Lab Portfolio (2 of 2)
CITY, STATE	Durham, NC
YEAR BUILT	1926 - 1949
PRICE	\$113,000,000
SQ. FT.	165,774
\$/SQ. FT.	\$682



R&D Manufacturing

DATE	Jan-23
PROPERTY NAME	Research Center Pointe
CITY, STATE	Carlsbad, CA
YEAR BUILT	1997
PRICE	\$35,750,000
SQ. FT.	122,093
\$/SQ. FT.	\$293

DATE	Jan-23
PROPERTY NAME	Fontida Biopharm Inc
CITY, STATE	Philadelphia, PA
YEAR BUILT	1967
PRICE	\$21,280,451
SQ. FT.	186,756
\$/SQ. FT.	\$114



Life Science Conversion

DATE	Feb-23
PROPERTY NAME	Skyway Landing
CITY, STATE	San Francisco, CA
YEAR BUILT	2000
PRICE	\$102,000,000
SQ. FT.	241,571
\$/SQ. FT.	\$422

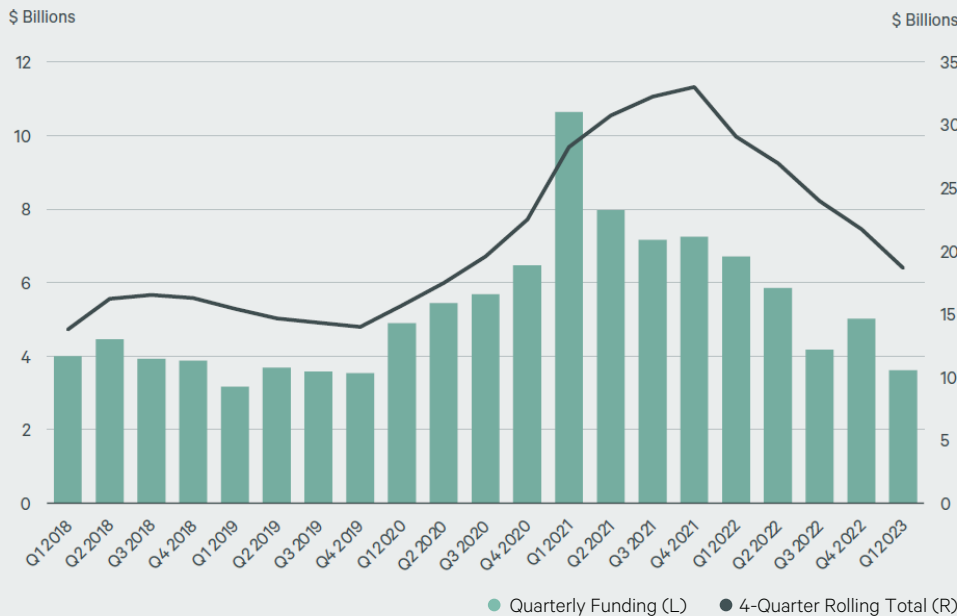
DATE	Mar-23
PROPERTY NAME	29 Research Drive
CITY, STATE	Westborough, MA
YEAR BUILT	1977
PRICE	\$13,250,000
SQ. FT.	29,000
\$/SQ. FT.	\$457



Campus

DATE	Feb-23
PROPERTY NAME	Merck Campus
CITY, STATE	Kenilworth, NJ
YEAR BUILT	1950 - 2014
PRICE	\$187,500,000
SQ. FT.	1,900,000
\$/SQ. FT.	\$99

Figure 7: U.S. Life Sciences Venture Capital Funding, Quarterly & Rolling Four-Quarter Average



Source: CB Insights, CBRE Research

Venture Capital

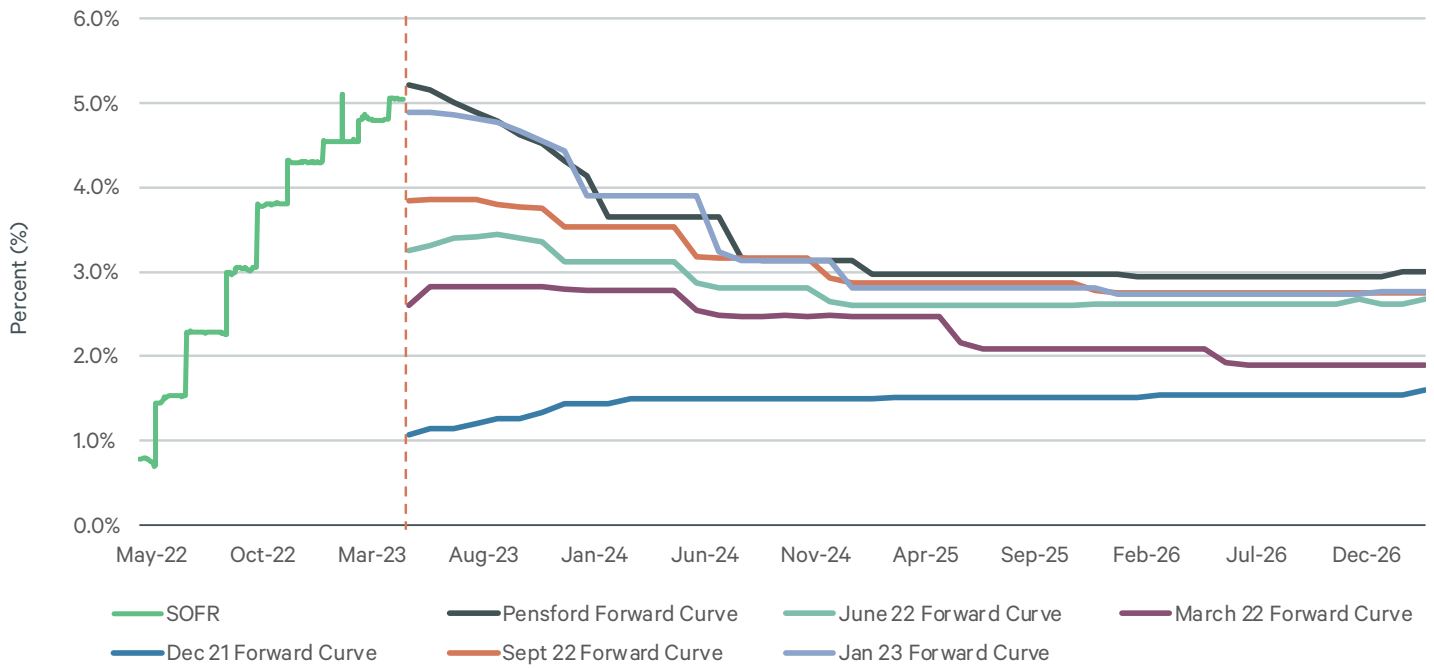
- While venture capital funding has declined since 2021 to \$3.6 billion in Q1 2023, the National Institute of Health has budgeted a record \$47.5 billion for 2023.



Debt Market Update

- The Federal Reserve's 25 bps short term rate hike on May 3rd brought the federal funds rate to a target range of 5.00% to 5.25%
- Despite notable failures, banks remained the top lending group in Q1 2023 with 41.4% share of non-agency loan volume, down from 58% in Q4 2022. About one-third of these loans were for construction projects while the remainder was split between acquisition loans and refinancing. Most local and regional banks continue to include deposit requests in their quote sheets in response to collapse of several banks over the last few months.
- Life companies accounted for 23% of origination volume in Q1, slightly above their Q4 share. Q1 loan closings include a high proportion of five-year deals, with an overall average loan-to-value ratio of 52%.
- Alternative lenders continue to struggle to deploy capital as credit committees are more selective and debt funds have limited access to warehouse lines. For the first quarter of 2023, alternative lenders accounted for 20% of the total loan volume, in-line with the previous quarter.
- CMBS conduit loans accounted for 15.7% of non-agency loan volume in Q1, up 2% from Q4. Industry-wide CMBS issuance was \$5.9 billion in Q1 2023, down from \$29.1 billion in Q1 2022.
- Lenders continue to prioritize coverage ratios over yield metrics and full loans for healthcare product has dropped to the 60%-65% leverage point.


Figure 8: SOFR Curve Starting Rate



Source: Federal Reserve Bank of New York & Pensford

Figure 9: Money Rates

	6/19/2023	Month Ago	Year Ago
Tax Exempt AAA Rate (10 year GBA Rate)	2.58%	2.79%	2.22%
Prime	8.25%	8.00%	4.00%
5-Yr US Treas.	3.99%	3.52%	3.35%
10-Yr US Treas.	3.77%	3.54%	3.28%
30-Day Term SOFR	5.06%	5.05%	1.45%
Dow Jones Avg.	34,299	33,012	29,888
10-Yr. Swap Spread	3.79%	3.68%	3.09%



The CBRE-BlackBirch Healthcare and Life Sciences team fully integrates experts in investment sales, debt & structured finance and investment banking 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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