2021 YEAR END REPORT

HEALTHCARE & BIO-LIFE SCIENCE REAL ESTATE

Strategic Alliance Coverage

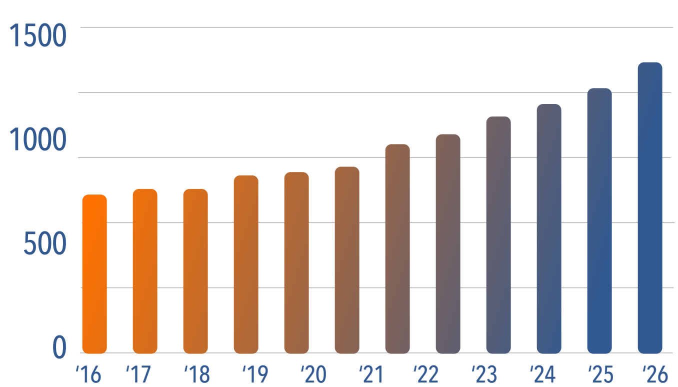
THE AGE OF LIFE SCIENCE

Driven in part by the COVID-19 pandemic, demand continues to outpace supply. In the third quarter of 2021 alone, US life science companies were looking for 24 million square feet of new real estate according to research by CBRE. Furthermore, the same research states that only 21 million square feet of spec lab space is scheduled for delivery in 2022. National vacancy is at 4.9% with major markets in the space such as Boston and NYC at a stark vacancy of 1.1% across the board. CBRE's top 12 markets in 2021 shows an average rent growth rate of 7.5%.

However, it's inflated designation in the market has much more to do than with the COVID-19 pandemic crisis. LSRE has strong demand drivers such as the continued commercialization and development of pharmaceuticals and devices. World drug sales compound growth rate (3.5%) has outpaced the national GDP growth rate (1.5%) over equal time periods. Other drivers include advances in technology such as genome sequencing used in mRNA vaccines, as well as America's aging population continuing to grow. This keeps pace with venture capital which, according to Newmark's 2021 Mid-Year Life Sciences Report, raised a record amount of 26.1 billion for life sciences companies in 6 months, just shy of the 33.1 billion raised in 2020.

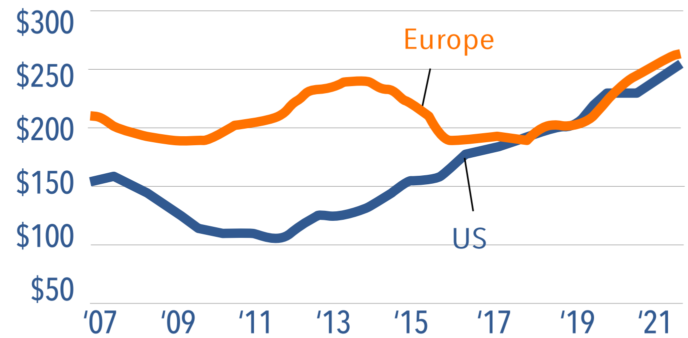
What we expect for 2022 is for demand to remain strong by biotech companies for space, and cap rates to remain low. However, there is still a lot of upside in rent growth. LSRE has a strong and growing investor base creating more competition which has led - and will continue to lead - to record prices.

World Wide Prescription Drug Sales & Forecast



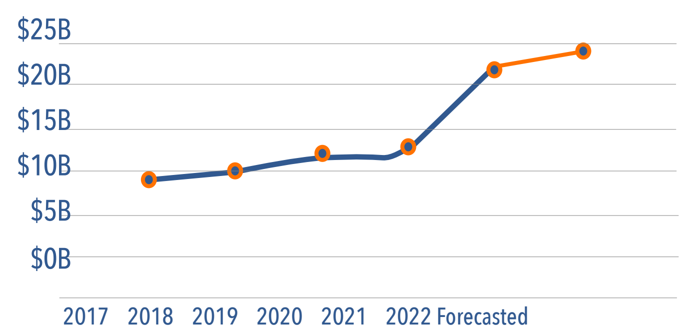
Source: Evaluate Pharma

Global Life Science Sector in 2021



Source: Real Capital Analytics

US Life Sciences Lab/R&D Investment Volume



Source: Real Capital Analytics

The EDGE@BRDG St. Louis, MO 151,829 SF Life Science Building

BARRIERS TO ENTRY

Specialized Knowledge

PHYSICAL REQUIREMENTS OF CONSTRUCTION

Life science tenants have very specific requirements when it comes to lab design and construction, including but not limited to, wet & sterile/clean space, increased HVAC and power usage, higher ceiling heights and particular plumbing implementation for waste removal.

REUSABILITY BENEFIT

By implementing these specific tenant improvements the average useful life of the TI lasts over 15 years which allows for second and third generation tenants to use the space without additional investment.

RELATIONSHIPS WITH NICHE TENANTS

It is imperative to have strong relationships with life science companies that will back fill these spaces. It is not in line with the old adage of "if you build it, they will come."

CREDIT QUALITY

Life Science companies can range from tier one credit investment grade tenants all the way to speculative startups. Underwriting the credit of the company raises importance when specific and expensive tenant improvements are being put in place.

PREFERRED MARKETS

Cities with an Educated Workforce

Historically, life science tenants are attracted to markets with highly educated workforces, tier one universities, and funding sources. This can easily be seen by the three largest life science markets in the nation- Boston, San Diego and San Francisco - which currently make up more than 50% of all life science space in the US. However, Raleigh-Durham, Philadelphia, and Washington D.C. are fielding rapid growth, and the Sun Belt cities of Houston, Dallas, Atlanta, and Phoenix are surprising contenders as well, according to CBRE.

WHATS AHEAD FOR 2022:

Life science real estate is priced at spreads that are similar to other property types with strong demand drivers and keen investor interest. Strong demand for space from biotech and other companies should continue to drive rent growth and total returns despite the low cap rates. Although the overall size of the sector is limited, institutional investors that can develop relationships with operators who have expertise in the right markets should continue to find opportunities and generate attractive returns.

NOTABLE LIFE SCIENCE TRANSACTIONS

KENDALL SQUARE

Buyer: Heatlhpeak Properties
Seller: Clarion Partners
$180M
Boston

1800 OWENS STREET

Buyer: KKR
Seller: Kilroy Realty Corporation
$1.1B
San Francisco

THE BEAT

Buyer: Longfellow Real Estate Partners
Seller: PS Business Parks
$315M
San Diego

GENESIS MARINA

Buyer: Sterling Bay
Seller: City Office REIT
$576M
San Diego

401 PARK DRIVE

Buyer: Alexandria Real Estate Equities
Seller: Samuel Associates
$1.5B
Boston

Source: Patrick Sisson, Bisnow National

BEHAVIORAL HEALTH

Reported by A National Council for Mental Wellbeing, a 2020 study stated that behavioral health companies expect a 54% increase in demand for mental health services. This led to a major boom in demand for behavioral health tenanted properties in 2021 and we expect this to continue in 2022. Investors are looking at both existing healthcare & non-healthcare buildings to retrofit as well as ground up construction to feed this demand. Hospitals are also jumping on board by converting on campus buildings as well joint ventures with operators of nearby facilities.

Major healthcare investor Meridian is expanding to become one of the major players in behavioral health. CEO John Pollock recently stated that "[t]he stigma is finally declining, and we are seeing numerous requirements." "The stress, isolation and loss caused by the pandemic was the final straw and it is now widely known that behavioral health conditions impact one in four Americans." Institutional investors have also started looking with favor to the behavioral health trend. "Institutional investors have warmed up to having behavioral health tenants in their buildings and portfolios, and we have even seen cap rates move toward traditional medical office building valuations," says Pollock.

5120 Legacy Drive, Plano TX

Ventas has purchased a 101,608-square-foot healthcare facility in Plano, TX for $58 million from Cawley Partners. The three-story property, located at 5120 Legacy Dr., is fully-leased to Denver-based, Eating Recovery Center. The tenant utilizes the facility for both inpatient and outpatient eating disorder treatment.

AMBULATORY SURGERY CENTERS ON THE RISE

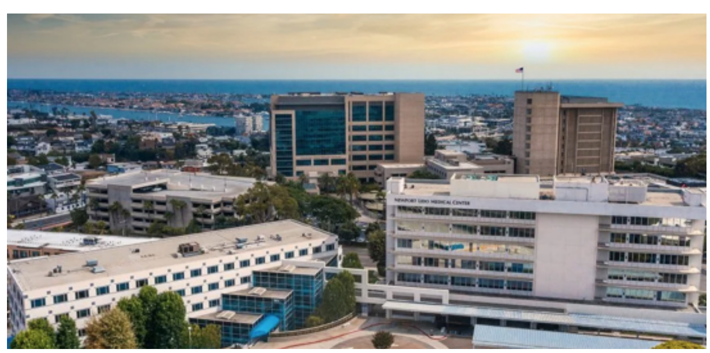
Staffing: 2021 saw an astronomical rise in ASC companies as they added thousands of physicians to their staffing pool, fueling momentum for a big 2022. According to Beckers ASC Review, the three largest ASC companies in the nation, USPI, OPTUM and Surgical Care Affiliates, all acquired physicians in 2021.

Consolidation: While these major ASC companies were acquiring physicians they were also consolidating by acquiring smaller companies and already established ASCs. A prime example of this was Tenet's purchasing over 130 Surgery Center/ASCs which exceeded $2 Billion.

Competition: As these acquisitions continue to happen new competitors are entering the market. These include private equity groups, and hospitals that are getting more serious about outpatient care. Existing ASCs are feeling the heat as the competitors that are buying their way in will chase the remaining free surgeons.

Sub Specialization: As more competition enters the market and more ASCs open, specialization for complex cases becomes imperative to set centers apart from one another. Examples of these include, but are not limited to, orthopedic and cardiology.

Real estate investors and funds across the nation are flocking to the upside potential of acquiring ASCs. Hammes Co., a major player in the healthcare real estate market, just raised $325M for their new value-add healthcare real estate fund. Titled HAMMES IV, the fund specifically focuses on investment in ASCs and medical office. When tying in the institutional interest with growing private equity entering the market, values are inflating for ASCs and sellers are becoming more and more willing to sell, only furthering transaction volume for ASCs.



Newport Lio Medical Center, New Port Beach, CA - 146,510 SF

Lionstone Investments, a new medical office buyer that has just entered the market has acquired Newport Lido Medical Center as its first purchase, which is a two building complex that houses two separate ACS's totaling 146,510 square feet in Newport Beach, Calif. The buyer paid $125 million for the fully leased asset through an all-cash transaction.

MEDICAL OFFICE

Medical office has continued to be resilient and a demand asset class throughout 2021. We do not expect this to change in 2022. According to data acquired by Revista, with interest rates and completions staying low, cap rates have continued to compress. The median cap rate for medical office started at a flat 6% in Q1 and dropped by 30 bps by the end of the year. Although 2022 expects a number of interest rate hikes by the Federal Reserve, medical office has too much momentum to be significantly affected. There is a lack of inventory and the delay on new construction completions will only exacerbate the tight market. Over the pandemic era (2020-2022), absorptions have far outpaced completions and occupancy is reaching a high of 92%, passing the mark set in 2018. As expected, the top markets in transaction volume for Q4 of 2021 were the usual suspects. All major metros and booming educational epicenters who undoubtedly already have a strong medical office base were complemented by the massive influx of life science and behavioral tenants entering the market.

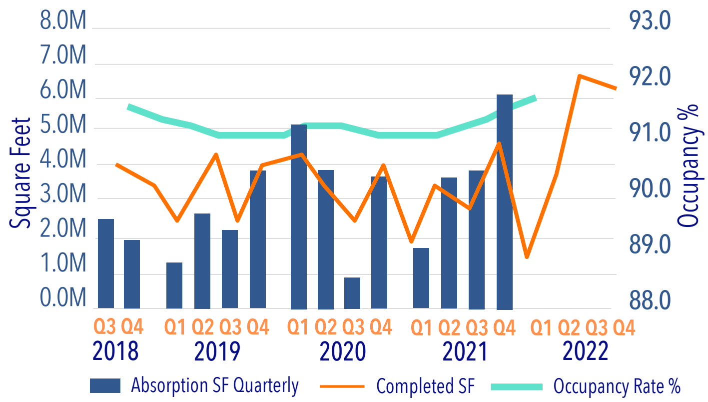
Children's Clinic in Woodbury Minnesota

Top 10 Markets for MOB Transaction Volume

	Annual Volume	SF TTM	AVG $/SF	AVG Cap Rate/Yield
US	$15,290.4 M	43.7M	$371	6.2
Top 100	$12,414.1M	35.8M	$373	6.1
Top 50	$10,762.7M	30.6M	$378	6.0
Los Angeles	$815.6M	1.5M	$532	5.3
Phoenix	$633.2M	1.8M	$377	6.1
New York	$564.4M	1.7M	$391	6.2
Atlanta	$561.9M	1.9M	$330	6.3
Dallas	$557.0M	1.7M	$368	5.6
San Diego	$501.5M	1.1M	$439	6.1
San Francisco	$379.0M	0.4M	$607	4.2
Houston	$372.0M	1.1M	$441	6.6
Miami	$369.8M	1.3M	$241	6.2
Boston	$350.3M	0.8M	$416	6.0

Source: Revista & Costar

MOB Occupancy Rises Across Top 50 Metros



Quarterly Absorption, Completions (actual & expected), Occupancy (%)
Top 50 Metros, MOB's 7,500 SF+

Source: Revista

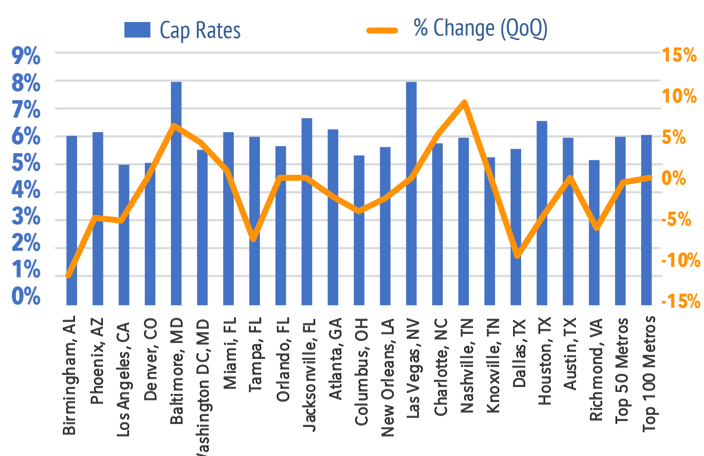
CAP Rates Compressing in 2021

	25th Percentile	Median	75th Percentile	95th Percentile
1Q 2018	6.7	6.0	4.6	4.6
2Q 2018	6.9	6.2	5.1	4.4
3Q 2018	7.0	6.5	5.4	4.6
4Q 2018	7.1	6.4	5.4	4.8
1Q 2019	6.7	6.6	5.8	5.2
2Q 2019	6.5	6.2	5.8	5.4
3Q 2019	6.7	6.2	5.7	5.2
4Q 2019	6.8	6.2	5.6	5.1
1Q 2020	6.2	6.1	5.4	5.1
2Q 2020	6.8	6.3	5.7	5.3
3Q 2020	6.6	6.1	5.6	5.2
4Q 2020	6.6	5.9	5.5	5.2
1Q 2021	6.8	6.0	5.2	5.0
2Q 2021	6.7	5.8	5.2	4.5
3Q 2021	6.6	5.7	5.2	4.6
4Q 2021	6.7	5.7	5.2	4.6

Source: Revista

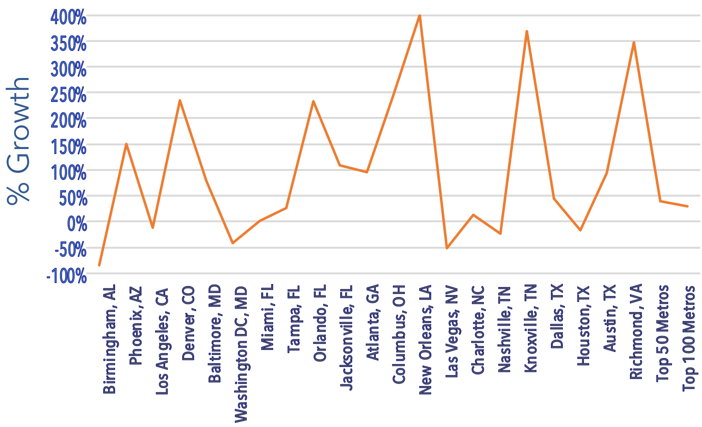
Cap Rates (Non-Weighted)

Top 100 Metros
6.11 % (0.0%)



Source: Revista

Transaction Volume Growth (QoQ)

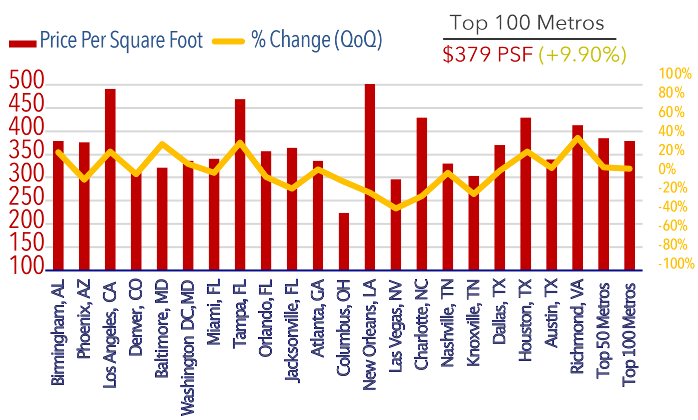


Source: Revista & Costar

MEDICAL OFFICE

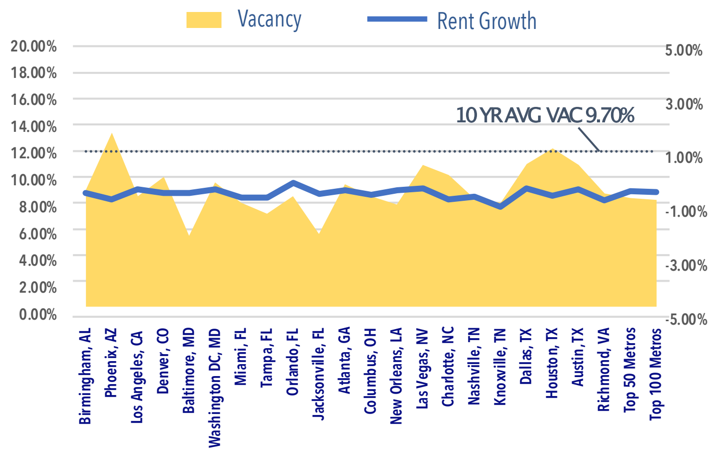
We've also seen a stark difference between exponential growth across a number of markets compared to a slow burn in tertiary areas. There are a few major markets that have slowed but it is evident that this is due to the aforementioned lack of inventory. Those same markets show quarter-over-quarter growth in price per square foot (PSF), and NNN rental rates showing that there is not a lot of space and competing tenants are more than willing to pay a higher rate. Holistically, our top 100 metros show a 50 bps decrease in cap rates and a 10% increase in price per square foot (PSF), across the board. Again, all arrows point to a strong market foundation with room to grow.

Price Per Square Foot ($/SF)



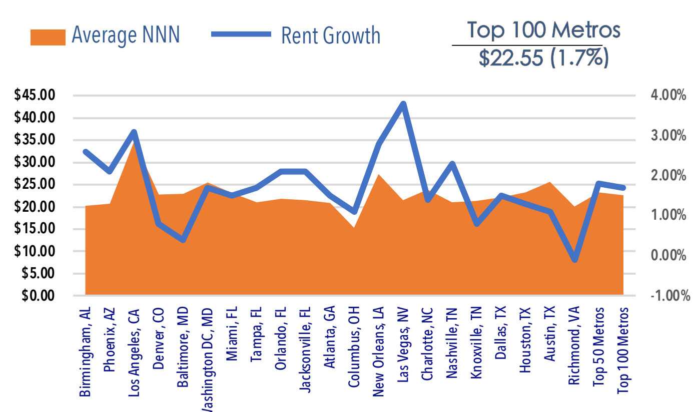
Source: Revista & Costar

2021 Market Vacancy vs % Change



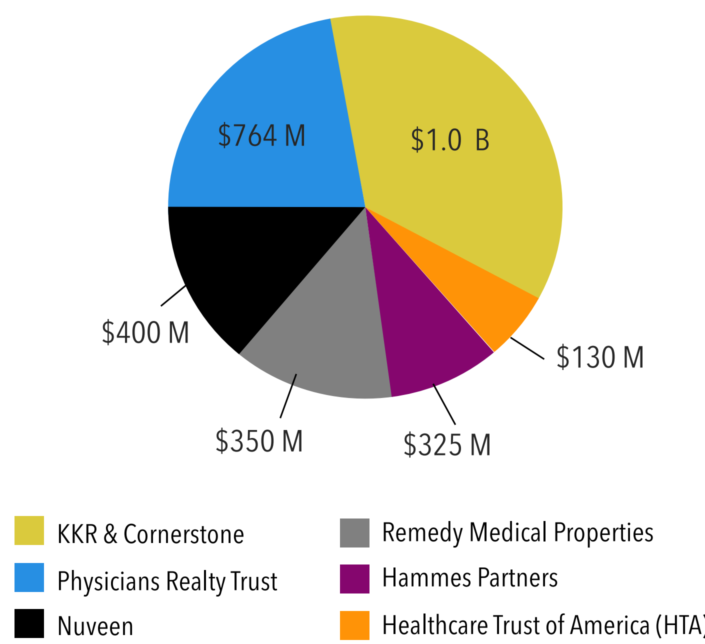
Source: Revista & Costar

2021 Market NNN Rent vs. Rent Growth



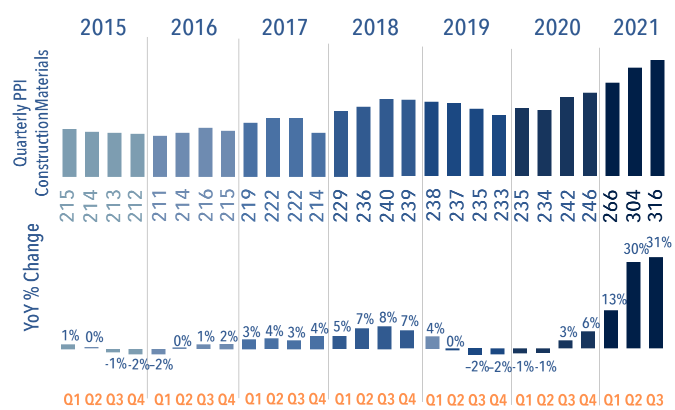
Source: Revista & Costar

Top Buyers & Medical Office Transactions



The state of the construction market for the upcoming year should prove to be interesting. With many deliveries already set for 2022, new construction is expected to stall. However, there are other factors as to why we believe construction will slow in the new year. As supply chains continue to get hammered, costs of construction are reaching non viable levels. Tack on the labor shortage as previously mentioned, and now we are beginning to see delays in open projects in addition to the halt of new construction. According to Revista, MOB construction starts have been consistent throughout 2021 but completions will continue to slow. The top 5 markets for SF in progress include Chicago, Atlanta, New York, Houston and Los Angeles, with a combined 10 million SF in progress making up 20% of the nation's total.

US Bureau of Labor Statistics, Producer Price Index by Commodity: Special Indexes: Construction Materials



Source: Federal Reserve Bank of St. Louis

Construction Volumes up from Last Year

	Medical Office		Hospital	
	4Q 2020	4Q 2021	4Q 2020	4Q 2021
Properties in Progress	600	679	412	394
SF in Progress	44.0 M	49.2M	85.0 M	91.9 M
Dollar Volume in Progress	22.1 B	$23.3B	64.8 B	$72.4 B
SF Completed past 12 Months	22.4 M	19.1M	28.9 M	21.0 M
SF Started past 12 Months	21.9 M	24.8M	29.2 M	27.3 M

Source: Revista

MOB Constructions Starts Outpacing Completions

	SF Started TTM	SF Completed TTM	SF in Progress
3Q 2018	24.0M	24.3M	42.9M
4Q 2018	23.7M	26.1M	42.4M
1Q 2019	24.0M	24.5M	42.0M
2Q 2019	23.5M	23.1M	44.9M
3Q 2019	23.1M	21.7M	42.8M
4Q 2019	25.0M	22.9M	45.5M
1Q 2020	23.1M	25.3M	42.2M
2Q 2020	21.3M	23.9M	40.7M
3Q 2020	22.7M	23.6M	41.2M
4Q 2020	21.9M	22.4M	44.0M
1Q 2021	21.8M	19.2M	41.6M
2Q 2021	21.9M	18.6M	43.5M
3Q 2021	23.8M	18.8M	45.9M
4Q 2021	24.8M	19.1M	49.2M

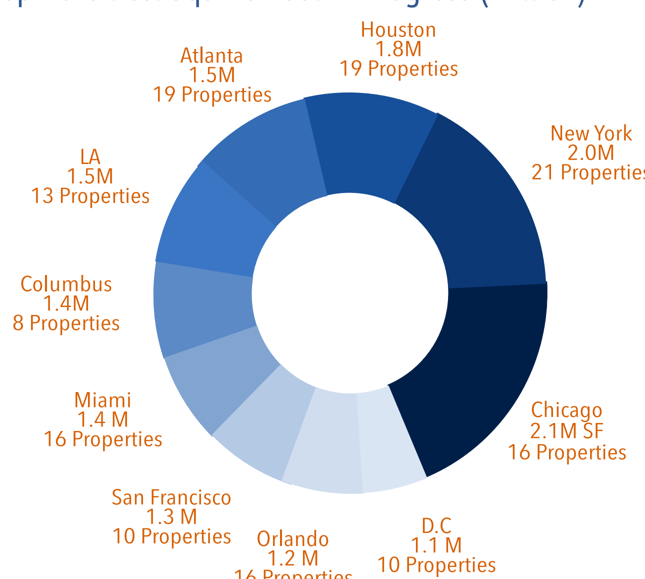
Source: Revista

New Hospital Construction Increases

	Construction Type	Projects in Progress	SF in Progress	Total Value in progress
Q4 2020	Expansion	274	46.9M	$34.8B
	New	106	22.2M	$16.4B
	Replacement	31	15.8M	$13.6B
	Total	**411**	**84.9M**	**$64.8B**
Q4 2021	Expansion	234	48.0M	$39.6B
	New	121	25.2M	$18.6B
	Replacement	37	18.4M	$13.9B
	Total	**392**	**91.6M**	$72.1B

Source: Revista

Top 10 Cities: Square Feet in Progress (Million)



Source: Revista

Markets	Vacancy	Total SF	SF in Progress	Trans Volume (Yr)	Occupancy	Average (NNN)	Rent Growth	# of Trans	Trans Volume	Total SF Sold	Average PPSF	Cap Rates
Birmingham, AL	9.00%	7,901,786	260,000	$40,851,591	91.00%	$20.30	2.60%	7	$40,851,591	122801	379.00	6.05%
Phoenix, AZ	13.40%	21,062,650	1,462,872	$626,497,649	86.60%	$20.67	2.10%	56	$626,497,649	1779947	375.40	6.20%
Los Angeles, CA	8.50%	60,644,284	1,434,598	$691,637,772	91.50%	$34.84	3.10%	38	$691,637,772	1411397	491.70	5.03%
Denver, CO	10.00%	15,124,484	334,407	$276,791,908	90.00%	$22.73	0.80%	18	$276,791,908	924007	314.30	5.10%
Baltimore, MD	5.50%	15,830,532	1,252,922	$107,037,700	94.50%	$22.97	0.40%	11	$107,037,700	345351	321.50	7.99%
Washington DC, MD	9.60%	24,679,230	1,076,145	$181,364,000	90.40%	$25.47	1.70%	13	$181,364,000	566596	336.50	5.58%
Miami, FL	8.00%	22,566,554	1,342,986	$369,751,726	92.00%	$23.06	1.50%	38	$369,751,726	1344221	341.10	6.21%
Tampa, FL	7.20%	13,239,588	315,422	$238,822,918	92.80%	$21.08	1.70%	18	$238,822,918	540660	469.40	6.02%
Orlando, FL	8.50%	11,625,090	1,406,937	$140,688,553	91.50%	$21.77	2.10%	16	$140,688,553	426085	356.60	5.69%
Jacksonville, FL	5.60%	9,070,538	856,957	$225,857,538	94.40%	$21.48	2.10%	15	$225,857,538	631356	363.80	6.71%
Atlanta, GA	9.40%	31,804,322	1,269,262	$586,854,588	90.60%	$20.87	1.50%	73	$586,854,588	1939139	335.50	6.30%
Columbus, OH	8.50%	12,748,532	1,225,000	$254,446,700	91.50%	$15.35	1.10%	20	$254,446,700	1126385	224.40	5.35%
New Orleans, LA	7.90%	4,856,536	22,000	$37,116,186	92.10%	$27.32	2.80%	2	$37,116,186	61360	552.50	5.67%
Las Vegas, NV	10.90%	7,686,715	88,540	$119,824,050	89.10%	$21.44	3.80%	7	$119,824,050	363622	296.70	8.00%
Charlotte, NC	10.10%	11,620,888	690,875	$310,950,848	89.90%	$23.87	1.40%	19	$310,950,848	712872	429.00	5.81%
Nashville, TN	8.30%	11,976,575	546,947	$147,241,000	91.70%	$21.11	2.30%	14	$147,241,000	447845	330.30	6.00%
Knoxville, TN	8.00%	4,634,536	127,000	$80,091,297	92.00%	$21.31	0.80%	7	$80,091,297	254742	303.40	5.30%
Dallas, TX	10.90%	37,998,675	381,601	$554,014,621	89.10%	$22.06	1.40%	49	$554,014,621	1664626	366.80	5.61%
Houston, TX	12.50%	43,175,653	2,387,226	$369,516,836	87.50%	$23.29	1.60%	31	$369,516,836	1088858	439.90	6.59%
Austin, TX	10.90%	7,397,565	444,000	$49,597,080	89.10%	$25.68	1.10%	8	$49,597,080	149581	339.80	6.00%
Richmond, VA	8.70%	8,536,031	1,015,000	$249,823,848	91.30%	$20.14	-0.10%	8	$249,823,848	603559	412.30	5.20%
Top 50 Metros	8.40%	863,558,579	32,286,032	$11,177,804,941	91.60%	$23.27	1.80%	826	$11,177,804,941	31192120	384.20	6.03%
Top 100 Metros	8.20%	1,051,222,642	38,381,640	$12,829,162,832	91.80%	$22.55	1.70%	1010	$12,829,162,832	36322955	378.60	6.11%

Source: Revista

CAPITAL MARKETS & FINANCE

Headwinds and Tailwinds Ahead for Commercial Real Estate by Gary M Tenzer & Dasha Savchenko

Despite the Federal Reserve signaling that it will take strong action to stem an inflation rate of over 7% brought about by pandemic related supply chain constraints and a super-heated economic expansion, George Smith Partners remains optimistic for commercial real estate capital markets in 2022.

In response to the economic shut-down caused by Covid quarantines, the Federal Reserve cut interest rates close to zero and started several rounds of "quantitative easing" by buying trillions of dollars of Treasury bonds and mortgage-backed securities to keep interest rates low and to stimulate the economy to stave off a recession or worse, a depression. In March 2021, Congress passed the American Recovery Act to also provide economic stimulus, provide rental assistance, vaccination programs, retrofitting of schools, etc. Low interest rates and abundant capital spurred commercial real estate investment and high valuations. Since then, U.S. rates have remained low and values high. However, with 7% inflation in 2021, the highest rate since 1982, the Fed has announced steps to wind down its $9 trillion balance sheet and increase interest rates five or more times in 2022 in efforts to stem recent inflation. As of early February 2022, the 10-year Treasury rate, the benchmark off which long term, fixed-rate commercial mortgages are priced, has risen to pre-pandemic level of 1.9%, the highest since January 2020.

Short term rates, which are tied to the Fed's benchmark "Fed Funds Rate", have ranged between 0% and 0.25% over the past year and are expected to increase by about 100 basis points over the course of 2022. Short term rates have increased approximately 5 basis points but are expected to adjust further in lockstep with adjustments in the Fed Funds Rate when the Fed meets in March.

Despite the Omnicron surge in December and January, the Labor Department announced an exceptionally strong Jobs Report for January of 467,000 seasonally adjusted new jobs and that the U.S. economy has regained more than 19 million of the 22 million jobs lost at the onset of the pandemic.

The strong jobs report is likely to reinforce the prospects for the Fed to increase the Fed Funds Rate, aggressively.

TAILWINDS

A rise in interest rates may prompt lenders to be more aggressive on new loans in 2022 as they look to pad their net interest margins while benchmark rates are still relatively low. CMBS and Life Co. loan volume will also remain strong as borrowers will seek to lock in lower rates and refinance legacy high-rate loans and newly stabilized properties. Commercial banks will continue to lend on new construction, selectively and non-bank lenders, such as debt funds, will continue to lend aggressively to put their abundant liquidity to work.

HEADWINDS

NOIs will come under inflationary pressure as not all increases operating expenses caused by rising labor and material costs, utilities, etc., can be passed on to tenants. Revenue growth may be impacted by increased regulations in some states (such as rent control and eviction moratoria on multifamily) or by existing lease provisions and market supply & demand. As a key metric in loan underwriting, constraints on projected NOI growth will result in lenders adopting a generally more conservative lending philosophy.

GREAT OPPORTUNITY AHEAD

Clearly, 2022 will bring change to commercial real estate capital markets; however, unlike previous cycles there is abundant liquidity available for good projects and interest rates, although slightly higher, are still close to the bottom. Since our founding in 1992, George Smith Partners has led our clients to the smartest capital choices through changing capital markets, as well as interest rate cycles and changes in liquidity. We see only great opportunity ahead in 2022.

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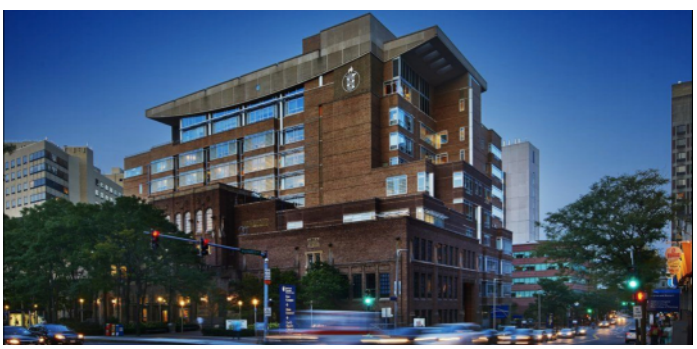
SHIFTING DESIGN

The national labor deficit that has affected businesses this past year has expanded to healthcare. As we predicted, design changes are being implemented to retain invaluable doctors, nurses and staff. Some of these changes include specialized tenant improvements such as alcoves for staff breaks, natural light, and views for employees to enjoy. Combined with a focus on the "patient experience", landlords and developers have to shift their standard thought process when implementing a medical use. Amenities such as healing gardens, used in the soon to open Beth Israel Deaconess Medical Center - a 345,000 SF healthcare facility in Boston - are taking up entire floors and are becoming an industry standard across all new developments to provide the best possible patient experience.

LABOR SHORTAGES AFFECTING HEALTHCARE

	8/21	9/21	1 Year Ago	M/M Change	Y/Y Change
Ambulatory Health Services	2,711.20	2,711.60	2,638.90	0.00%	2.80%
Offices of Physicians	1,009.00	1,011.5	981.20	0.20%	3.10%
Outpatient Care Centers	1,498.10	1,506.30	1,492.3	0.50%	0.90%
Hospitals	2,991.3	2,953.70	3,139.2	-1.30%	-5.90%
Healthcare	7,842.30	7,870.50	7,587.00	0.40%	3.70%
Total Non-Farm	125,252	125,569	120,008	0.30%	4.60%

Source: US Bureau of Labor Statistics



Beth Israel Deaconess Medical Center, Boston MA

OFFICE/INDUSTRIAL CONVERSIONS TO MEDICAL OFFICE & LIFE SCIENCES

LIFE SCIENCE

It is widely reported developers are acquiring existing office and industrial properties to convert into life science facilities in markets where demand is driving the need for more supply. Many of these markets are in major metro areas where there is not available land and entitlements are difficult to come by. This is forcing developers to be creative and look at the conversion of existing properties such as multi story office buildings, when industrial or flex space cannot be found. Many cities such as Boston, San Francisco and Philadelphia are evidence of this.

A medical-lounge in North Parks University Healthcare Center in Chicago, IL

A Medical Office Facility @ 185 Central Ave, Bethpage, NY - Photo Courtesy: NYU Langone Health

MEDICAL OFFICE

Strong rent collections and tenant demand for medical offices have persevered through the pandemic and have led the asset class to be in as demand as ever and we do not expect this to change in 2022. This has led to a very specific type of opportunity for office investors to convert struggling properties into medical office. The result can often prove fruitful for the savvy investor. However, in evaluating a conversion to medical office, items which should be considered are costly plumbing and additional power required for certain uses. Land availability/parking ratio and zoning requirements are other considerations.

An Office & Life Science Building @ 77 Upper Rock Circle , Rockville Md acquired by Tetracore: Photo Cushman & Wakefield.

CLOSING REMARKS

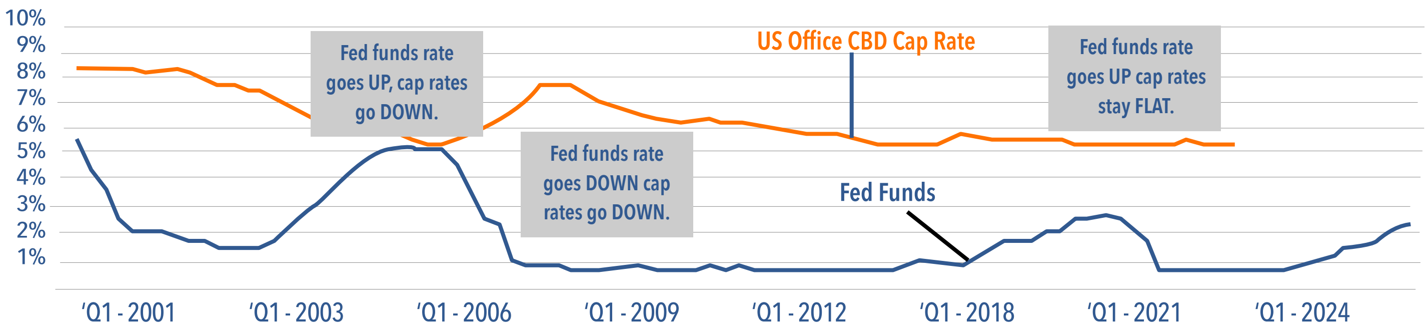
Now several weeks into 2022, experts are spouting a positive outlook for the coming year across most healthcare asset classes including, but not limited to, life science, medical office, ambulatory surgery centers and behavioral health hospitals. Compared with some other property types, healthcare real estate has shown a massive gain in volume and tenant / investor interest as illustrated on the previous pages.

Will life science outpace medical office in transaction volume and dollar amount? The answer is yes. This asset class reminds me of medical office just a few decades ago. It is easy for those of us who were around then to see the resemblance in the rush to develop and invest due to pent up demand. The real issue is tenant credit as stated previously in this paper. Medical office will not fall out of favor by any stretch. Quality product is harder than ever to identify while more and more class B & C product hits the market through online services such as Crexi & Co-Star. The entrepreneurial investor should give serious consideration to buildings in areas of growth but with more vacancy and deferred maintenance than usual.

Why should 2022 be any different from 2021? Is it going to be the high cost of inflation, raising interest rates or less construction due to lack of building materials? Will the same supply chain issues continue to affect the need to manufacture more medical supplies and material devices in this country? Will it be the flood of money from private equity and global institutional investors, some backing well known existing investors while others take a chance on newly created funds? Will there be more M & A of hospitals this year, pushing for more closures? Will bio life science demand continue to outpace supply and rents continue to grow? Will universities and health systems work together to solve the growing healthcare staffing shortage of medical personnel? Will more and more elective surgeries be done away from the traditional acute care hospital, with more being conducted in the off-site ambulatory surgery center? Will CAP rates hold or start to go up because of inflation? How do we find the best off-market opportunities?

I could go on and on, but this will provide you with a glimpse of what has been the discussion for months among those actively engaged in the business of buying and selling healthcare real estate. Many a dinner, cocktail and morning coffee has been consumed with these discussions, and while we sit in and listen to economists opine on what they think will happen, the truth is, no one really knows.

Weak Correlation Between Fed Funds Rate & Cap Rates



Source: Real Capital Analytics

We believe that there will be opportunities from investors who have come over from a different asset class and may not understand the management nuances of a medical office or how to retain a relationship with this type tenant.

An area still not being invested in as quickly as demand warrants is behavioral health. CMS and insurance companies are showing a growing awareness and willingness to the need to increase reimbursables. Just like life science, but perhaps not as glamorous, the supply is simply not there. Demand allows for conversion of several different types of asset classes to fit the different types of clinical space needed. It does not have to start out as a medical office or healthcare facility. We believe this too will provide an investor multiple choices when a credit tenant is in tow.

As with anything, a relationship is needed whether it is a hospital, a large physician group, national operator or equity source. The savvy investor will need to spend more time than ever sourcing product.

We can only rely on history and what has actually transacted! This is why we spend so much time examining the markets by simply not reviewing closed transactions, but speaking with and having in-depth conversations with owners, investors, developers, tenants and health system executives about what they see daily and what affects them.

As we publish this paper, we try to provide our readers with some practical tools for reference when gauging their investment strategy. While we make no representation as to seeing into the future, we have predicted the increase in growth of the ambulatory surgery centers, the need to rethink and redesign healthcare space (during and post COVID), investor appetite for behavioral health and that telehealth was here to stay.

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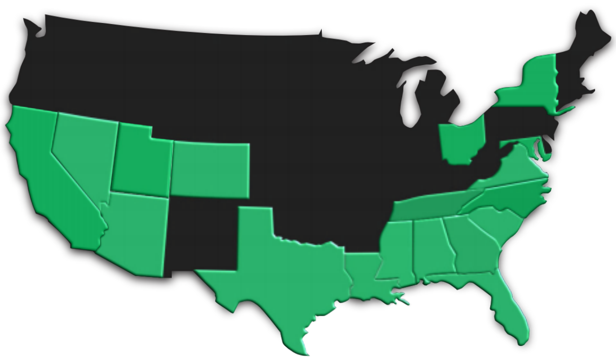

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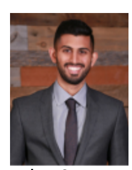

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