Semi-Annual Report 1st Half of 2020™

Strategic Alliance Coverage

1921 100th ANNIVERSARY

Texas International Consultants, Incorporated — TICI — Generations of Solid Advice Since 1921

Business | Real Estate | Facilities
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Stealth Realty Advisors, LLC
A Member of the TICI Group of Companies

Capitol Markets | Acquisition
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COVID UPDATE AND HIGHLIGHTS - CHARTS DETAILING SALES VOLUME, PPSF, and CAP RATES

COVID 19 CRISIS MET WITH LOW INVENTORY & HIGH DEMAND

Despite a lull in transactions caused by the initial COVID panic, buyer demand has come back full force and helped to keep the needle hovering around the historical average for medical office assets nationally. Overall, asset value has had a positive trajectory with cap rates dropping by 111 basis points and price per square foot increasing by $3 over the last two quarters. Metros that were met with lulls were offset by growth markets such as Miami, Tampa, and Austin that saw a massive spike in transaction volume over the first half of 2020. It is safe to say that the first half of 2020 medical office statistics do not provide a clear indicator of what is to come.

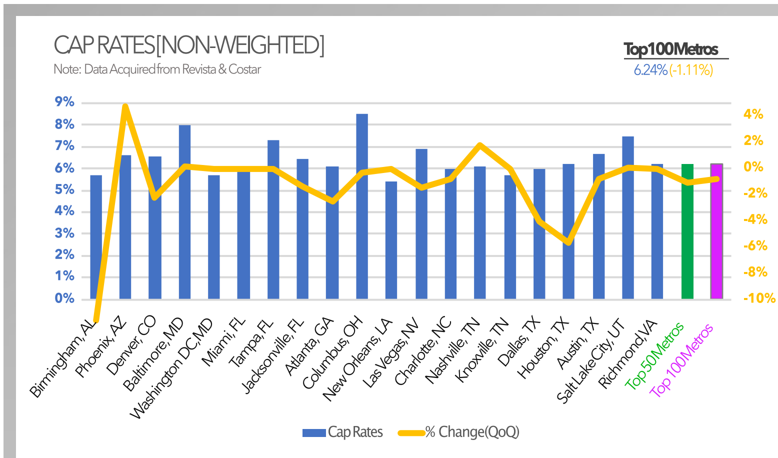
CHALLENGES & OPPORTUNITIES COVID PRESENTS

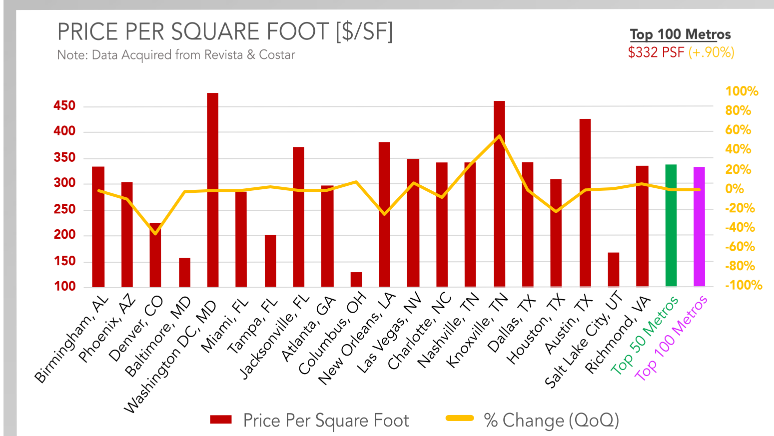
Short Term Pain

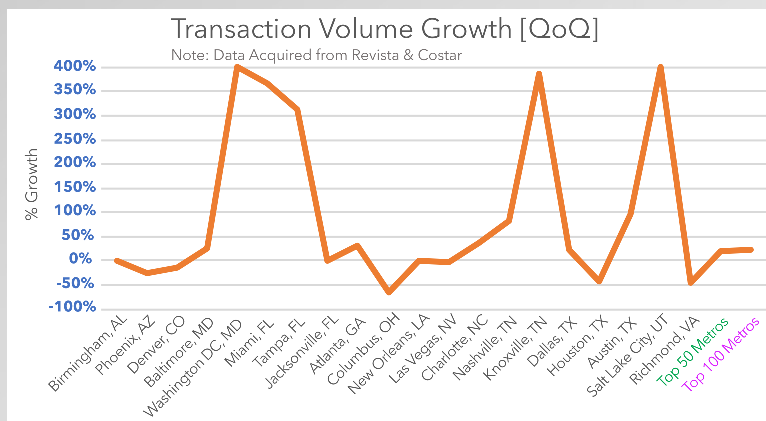
Medical tenants most negatively affected by the COVID 19 crisis include Dental, Dermatology, Vision/Ophthalmology, and Sports Medicine, according to an April ReVista survey targeted to major medical office investors and stakeholders. Dentists and Physicians lost a combined total of 746,000 jobs in the month of April according to Costar employment data, which makes up two-thirds of all occupied medical office space in the market today. It is clear that this will and has trickled down to landlords and investors creating lapses in rent payments and a huge influx of deferral requests. The ReVista Survey also states that 32% of medical tenants have asked for rent relief while another 25% have asked for abatement of some sort. However, only 2% of all tenants have been forced to permanently close.

A Coming Spike in Demand

Despite and as a result of the COVID 19 crisis, demand for healthcare properties has and will increase substantially for a number of reasons. The COVID 19 pandemic has caused a number of states to re-assess their needs and capacity for healthcare, which may lead to an influx of development and policy changes favoring investors in this asset class. Furthermore, investors are entering the market with the perception that medical office is a more secure and "safe" asset class than its counterparts. According to CBRE, all healthcare REITs have collected almost 100% of rent receivables through the crisis. It should be noted that most of the REITs inventory of medical office is with "A" rated credit health systems. Additionally, the top 100 Metros ReVista Report states that market vacancy is hovering around 8.8%, which is almost 100 basis points lower than the 10 year average of 9.7%.







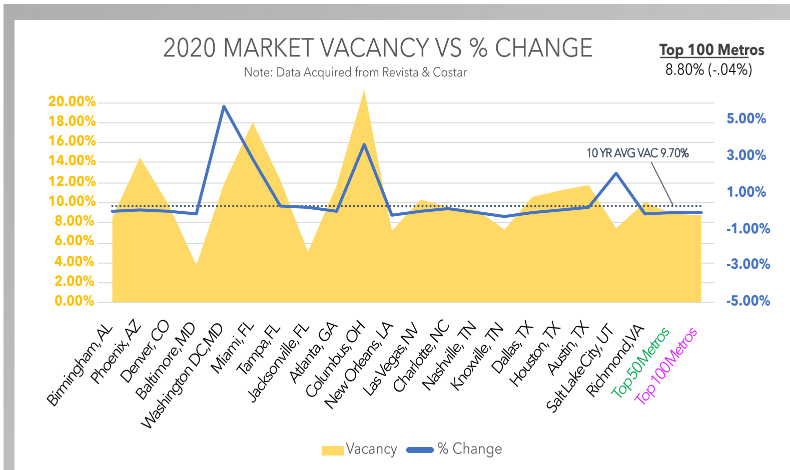
1Q MEDICAL OFFICE SALES VOLUME

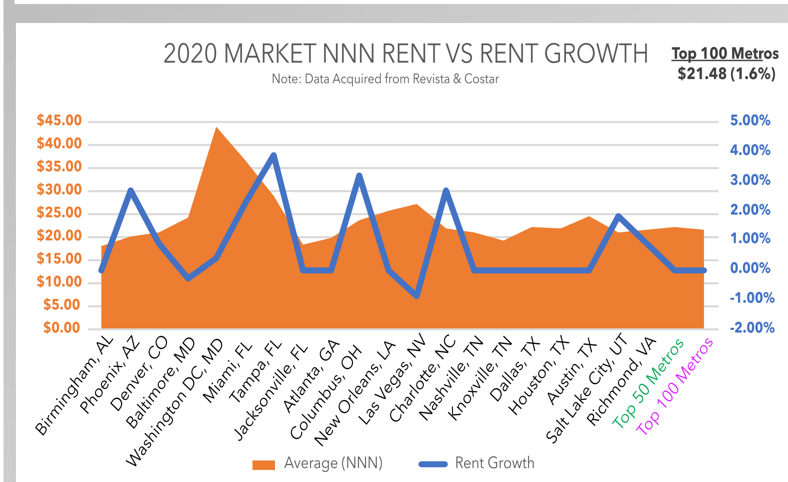
Note: Data Acquired from Real Capital Analytics

Region	#	Volume	AVG $/SF
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

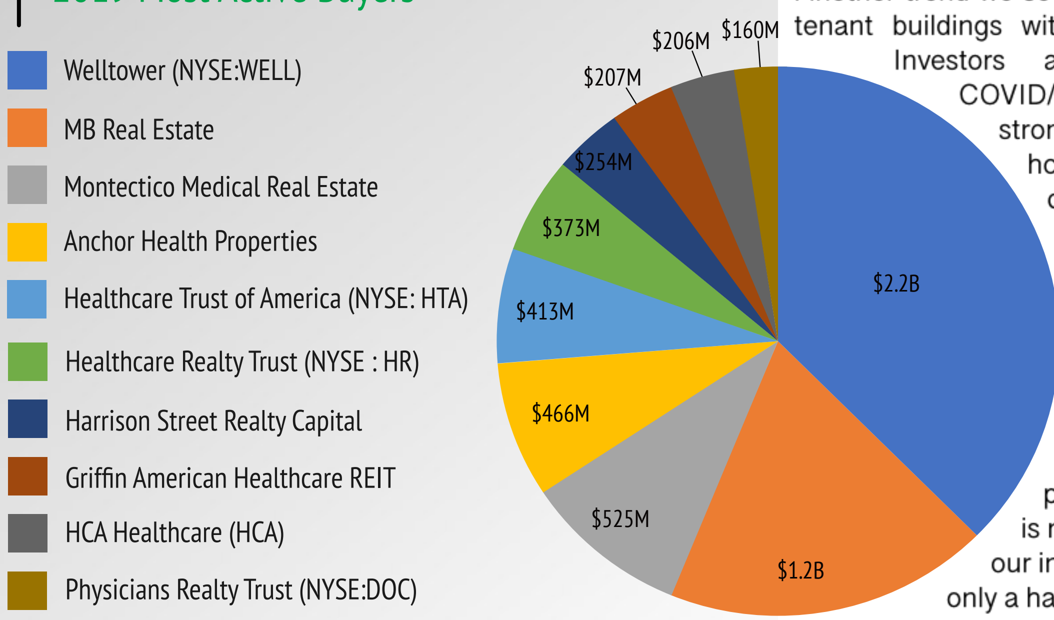
2nd Quarter not yet available.

OUTLOOK FOR 2ND HALF OF 2020





*2019 Most Active Buyers



Source: ReVista
http://mobscene.revistamed.com/most-active-buyers-of-2019/

*Please note that ReVista has not released its audited top buyers data for 2020. However, the unaudited amount of transaction volume by the Top 12 MOB buyers nationally YTD through 6/30/2020 totals approximately 1.75B with 4 new major buyers.

Statistics are facts and tell the tale, but do they? We have seen a big shift in large volume transactions from REITs (some left over from 2019) to more singular or smaller portfolio transactions by private or non-REIT investors, especially in the second quarter. Investors with capital left over from 2019 were in a better position to take advantage of properties offered than those requiring debt. The first half saw those investors having a much harder time closing transactions and often buying more time to secure debt. Recourse has reappeared as a necessity for some, forcing them to renegotiate pricing to reflect the cost of debt.

Brokers, consultants, and advisors to these investors, like ourselves, have had to become increasingly more creative, thinking out of the box to close transactions. This is consistent through all geographic metros.

While tertiary and some rural markets were also considered in 2019, we saw them vanish in the first half. Secondary and primary markets are now the norm with some special cases like Nashville, Charlotte, DC area, Phoenix and Salt Lake City still in high demand.

Other markets which remain in high demand are Denver, Dallas and Houston. Houston alone saw 11 medical office buildings trade hands in the first half. New construction is still taking place in The Texas Medical Center, with Healthpeak building a 116,000 square foot medical office building for Texas Women's while Jacob White Construction is building a 40,000 square foot building in Bellaire.

Another trend we see are investors steering away from multi-tenant buildings with 5 or more tenants,1-3 being ideal. Investors are being extremely picky about COVID/recession resistant tenants. Those with strong case and financial histories, along with hospital affiliations, are now being considered due to recent lender criteria. Surgery Centers with a strong history and credit are favored, either in a NNN single tenant capacity or as a primary anchor to a multi-tenant medical office building.

Although the appetite for acquisitions continues at a rapid pace, "the right" new product being introduced into the market is not keeping up with this demand. While our industry continues to grow there are still only a handful of brokerages who focus on listing this product, We are uniquely positioned across the nation with local strategic partners who understand the need to increase product, especially "the right off-market" opportunities, to meet this demand. Challenges are still ahead for the private investor seeking debt; however, the second half should result in a strong finish.

KEY STRATEGIC ALLIANCE MARKETS

MARKETS	Inventory	Vacancy	Under Construction	YoY Rent Growth	Market Rate		Average Cap Rate
	(SF)	(%,SF)	(SF)	(%)	Lease ($/SF)	Sale ($/SF)	
Top 100 Metros	971,779,888	8.8%	34,042,362	1.6 %	$21.48	$332	6.2%
Top 50 Metros	798,166,260	8.9%	29,606,151	1.6 %	$22.10	$336	6.2%
Birmingham, AL	7,234,954	8.5%	56,256	2.7 %	$18.21	$335	5.7%
Phoenix, AZ	18,575,712	14.5%	1,447,236	2.70%	$20.16	$305	6.6%
Denver, CO	13,868,912	9.8%	956,362	0.90%	$21.05	$226	6.6%
Baltimore, MD (2)	4,700,000	3.8%	0	-0.30%	$24.23	$157	8.0%
Washington DC, MD (2)	2,500,000	11.9%	0	0.40%	$44.12	$480	5.7%
Miami, FL (2)	51,000,000	18.0%	100,000	2.30%	$36.58	$286	6.0%
Tampa, FL (2)	5,900,000	12.3%	27,300	3.90%	$28.85	$202	7.3%
Jacksonville, FL	8,420,542	5.1%	448,537	0.2 %	$18.27	$373	6.5%
Atlanta, GA	27,207,811	11.8%	1,124,672	2.2 %	$19.90	$297	6.1%
Columbus, OH	4,000,000	21.3%	0	3.20%	$23.61	$131	8.5%
New Orleans, LA	4,419,797	7.2%	142,000	0.2 %	$25.80	$381	5.4%
Las Vegas, NV	8,064,852	10.3%	0	-0.87%	$27.36	$350	6.9%
Charlotte, NC	10,398,132	9.6%	1,882,356	2.70%	$21.83	$343	6.0%
Nashville, TN	10,542,324	9.3%	374,752	0.4 %	$21.15	$341	6.1%
Knoxville, TN	4,593,482	7.3%	0	1.6 %	$19.38	$461	5.7%
Dallas, TX	36,200,081	10.6%	1,427,894	1.6 %	$22.12	$341	6.0%
Houston, TX	41,038,099	11.2%	1,335,420	1.5 %	$21.95	$309	6.2%
Austin, TX	7,009,154	11.8%	76,000	0.7 %	$24.56	$426	6.7%
Salt Lake City, UT	7,300,000	7.4%	118,000	1.80%	$21.15	$167	7.5%
Richmond, VA (2)	7,597,546	10.0%	938,000	0.90%	$21.60	$334	6.2%

* (2) Data acquired from CoStar - all other data from ReVista

STRUCTURED DEBT AND FINANCE

Lending on healthcare properties has remained brisk for the past 3 months. Many lenders are still willing to fund loans on medical office assets, however, are underwriting with caution and looking for strong fundamentals. This has led to tougher requirements of tenant financials from non-recourse lenders, particularly those that are not credit grade tenants. Lenders have offset these requirements by offering lower LTVs and will continue to lend on assets that have tenants that are "COVID/ recession resistant". Capital Markets have returned and are currently quoting non-recourse debt between 65-75% LTV with acceptable debt yield.

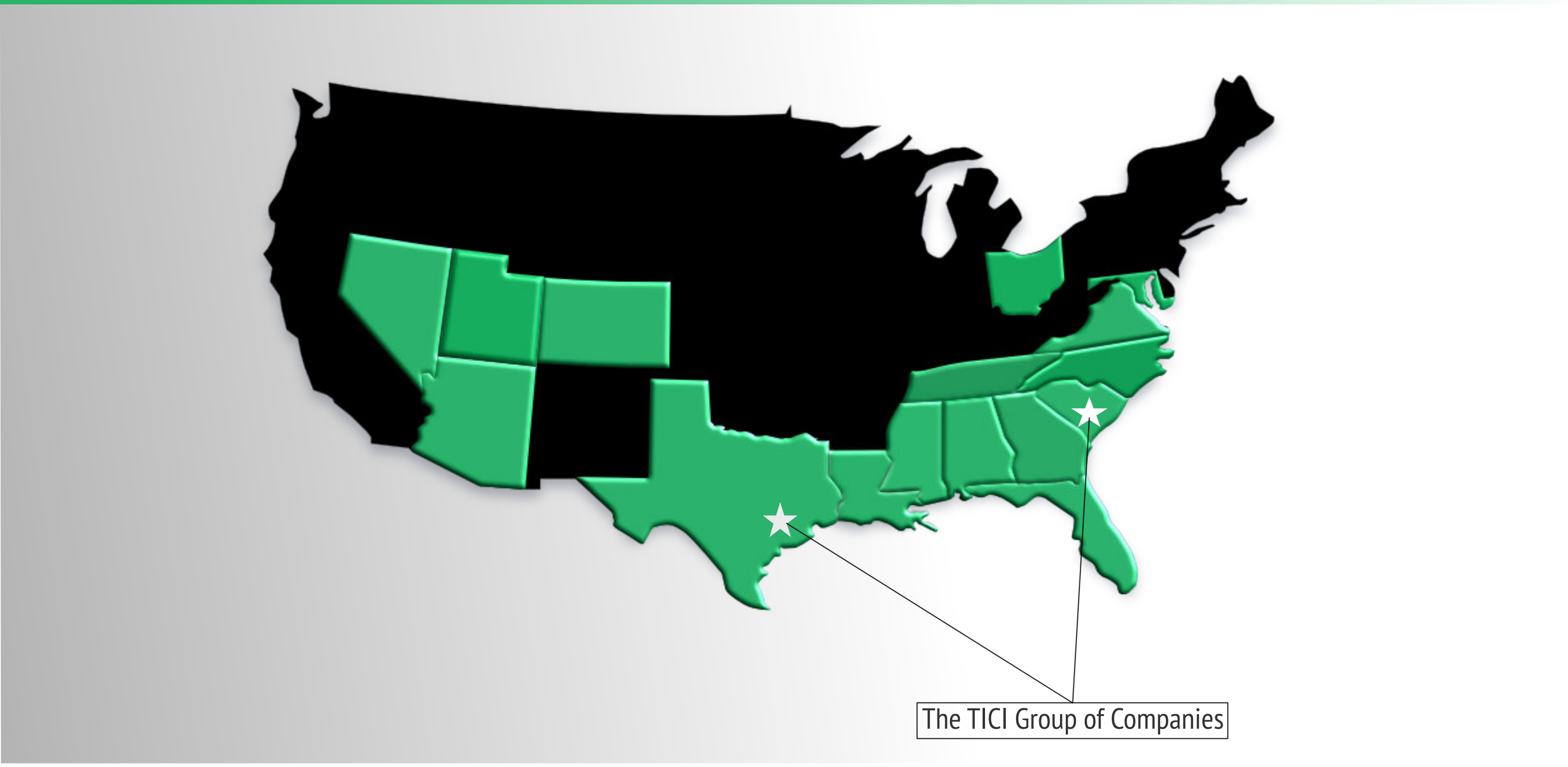
Source: Angela Kesselman, Managing Director, The Madison Group.

MONEY RATES AS OF (7/1/2020)

Prime Rate	3.25%	10 Year Swap	0.66%
1 Month LIBOR	0.16%	5 Year US Treasury	0.32%
6 MONTH LIBOR	0.38%	10 Year US Treasury	0.68%
5 YR Swap	0.35%	30 Year US Treasury	1.43%

Source: Fin Facts from Bryan Shaffer, George Smith Partners.

STRATEGIC ALLIANCE COVERAGE



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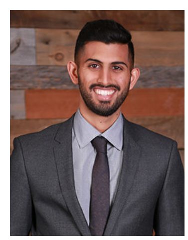

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As we enter the second half of 2020 I am reminded of the importance of good health, family, friends and our partnerships with 21 Strategic Alliance Partners who now encompass 17 states including all of the Southwest and Southeast that comprise approximately 30% of all medical office space nationally.

Our Strategic Alliance Advisors are Tax Consultants, Insurance, Structured Debt and Finance Advisors, Cost Segregation Consultants; Property Management, Leasing, Construction Management and Developers who are ready to assist nationally. More information is available by contacting Helen Banks at (713) 705-1598; helenbanks@ticigroup.com OR Jim “JC” Coman, at (843) 412-8714 ; jimcoman@ticigroup.com.

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