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2022 YEAR END WHITE PAPER

HEALTHCARE & LIFE SCIENCE

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Approaching the yellow light: Looming disruptions still have no effect on the most "resilient" asset class

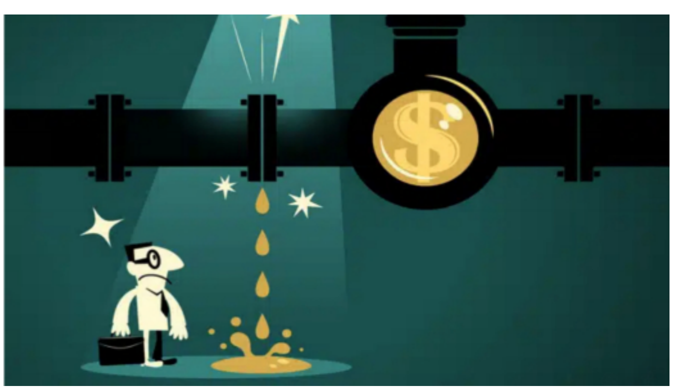
Healthcare real estate was tested across the board in 2022. From economic uncertainty to inflationary pressures, which should be working against investment sentiment toward the asset class, much of the opposite has occurred with record breaking investment every quarter throughout the year. In the face of all these pressures and disruptions, investors seem to believe that healthcare real estate is a "safe haven" asset class during uncertain times.

According to Jim Kornik, a 30-year industry veteran and a Principal at Avison Young, "Right now, the cost of debt has not just doubled but has become harder to get. Healthcare providers have been hit hard by inflation and worker shortages." We agree.

These signs, despite investors continuing to converge to the asset class, should not be entirely ignored. Pressures should start to push pricing downward as sellers come to terms with the market, and cap rates will have to compensate for new debt as they have through 2022. Cap rates ticked up both in Q3 and Q4 of 2022 across all asset classes according to data acquired through Revista and Cushman Wakefield. 1031 buyers have been the most active in the marketplace due to selling at peak values in 2021 and early in 2022. However, those buyer exchanges will continue to expire and the market will have to catch up to current values.

This nevertheless will not stop activity. Sellers' desire to sell will remain for different reasons. No longer will the low cost of debt and record pricing influence sales. Kornik says that sellers will be motivated by a "change of circumstances, alternative uses for capital, rebalancing of portfolios and end of fund lives."

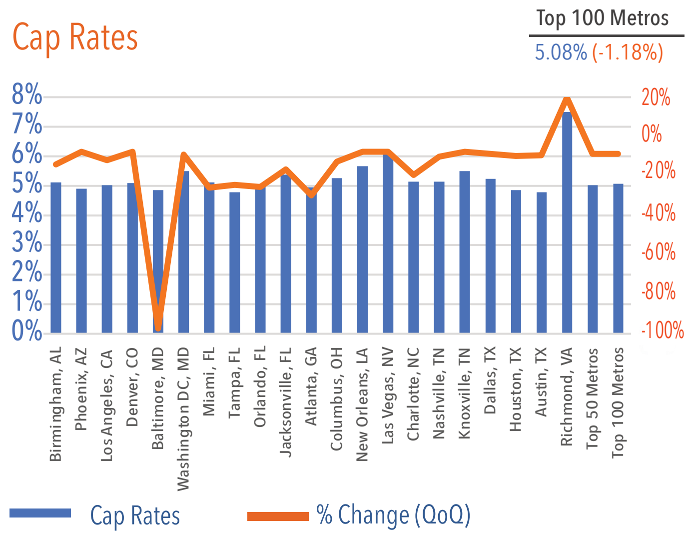
2023 will be a continued navigation of values as sellers and buyers figure out their own motivations despite disruptions and pressures the industry faces as a whole. Hopefully, this will lead to opportunities for investment as physician groups will look to unlock equity to stimulate their business.



SOURCE: WRENews.com

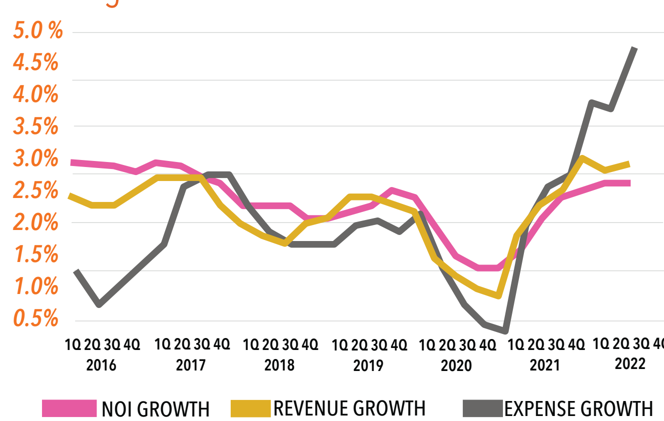
MEDICAL OFFICE

Cap Rates



SOURCE REVISTA & COSTAR

Revenue & Expense Trends for Medical Office Buildings



SOURCE: Cushman & Wakefield

MEDICAL OFFICE

As we settle into the first quarter of 2023, the age-old adage of medical office being a "resilient" asset class continues to stand the test of time. According to data gleaned from Revista's 4th quarter webcast, MOB fundamentals remained strong throughout 2022, despite continuing rate hikes by the federal reserve and looming inflation. Occupancy rates, NNN rates and rent growth across the board were all in the black in 2022 and broke another record in terms of transaction volume which begs the question; when will we hit the wall so many pundits have been predicting?

Throughout the nation, we've seen a changing of the guard across market demand with Atlanta surprisingly leading the pack in net absorption through 3 quarters of 2022, followed closely by Houston. As these markets continue to mature, investors are certainly flocking to the next frontier where newer asset classes such as behavioral health and life science pop up and stimulate investment growth.

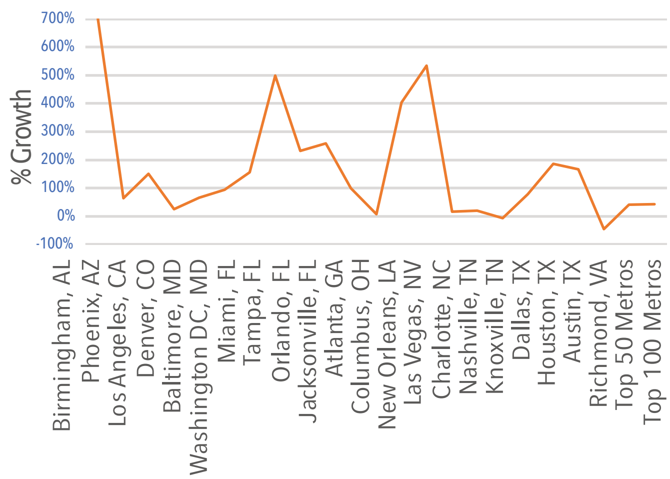
1800 NORTHSIDE FORSYTH DRIVE, ATLANTA GA

Top Transaction Markets 2022

CBSA Name	MOB Volume	Square Feet	Avg $/SF	Avg Cap Rate
Top 50 Metros	$10,783 M	29.1 M	$ 392	5.8
New York	$1,114 M	2.21 M	$ 480	6.1
Los Angeles	$1,042 M	2.12 M	$527	5.1
Atlanta	$736 M	1.99 M	$ 377	5.3
Chicago	$611 M	1.81 M	$ 409	6
Dallas	$577 M	1.41 M	$ 417	6.1
Phoenix	$533 M	1.67 M	$ 316	5.6
Indianapolis	$474 M	1.31 M	$ 319	5.5
Houston	$448 M	1.17 M	$ 405	5.8
Boston	$415 M	0.99 M	$ 379	5
San Francisco	$301 M	0.68 M	$ 494	

SOURCE REVISTA & COSTAR

Transaction Volume Growth (QoQ)



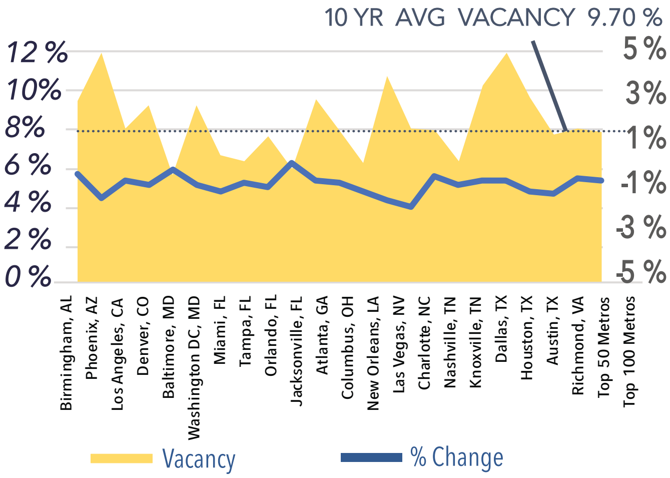
SOURCE REVISTA & COSTAR

Top 50 Metros - MOBs 7,500 SF +

Year	Quarter	MOB Count	Total Inventory SF	Occupany Rate TTM (%)	Complete SF Past 4 Quarters	Absorbtion SF Past 4 Quarters	Rent NNN Average	YoY Rent Growth SS (%)
2019	1Q	18,738	801.8 M	91.6	17.0 M	10.2M	$22.42	2.2
	2Q	18,827	806.6 M	91.5	15.3 M	9.0 M	$22.34	2.1
	3Q	18,877	809.4 M	91.3	14.1 M	8.9 M	$22.31	2.0
	4Q	18,950	813.1 M	91.3	14.2 M	10.5 M	$22.40	1.8
2020	1Q	19,018	817.5 M	91.2	15.7 M	13.4 M	$22.48	1.7
	2Q	19,076	821.0 M	91.3	14.4 M	14.2 M	$22.57	1.5
	3Q	19,120	822.9 M	91.3	13.5 M	12.5 M	$22.69	1.7
	4Q	19,173	826.5 M	91.3	13.4 M	11.8 M	$22.79	1.8
2021	1Q	19,199	828.5 M	91.2	11.0 M	9.2 M	$23.00	2.0
	2Q	19,238	831.6 M	91.2	10.6 M	9.3 M	$23.09	1.7
	3Q	19,277	834.1M	91.3	11.2 M	12.1 M	$23.19	1.8
	4Q	19,348	839.0 M	91.4	12.4 M	14.9 M	$23.42	1.9
2022	1Q	19,369	840.4 M	91.5	12.0 M	15.9 M	$23.46	1.9
	2Q	19,402	842.7 M	91.7	11.1 M	16.0 M	$23.73	2.0
	3Q	,19,441	845.9 M	91.9	11.8 M	16.6 M	$24.01	2.2
	4Q	19,483	848.5 M	92.1	9.6 M	15.2 M	$24.20	2.4

Source: Revista

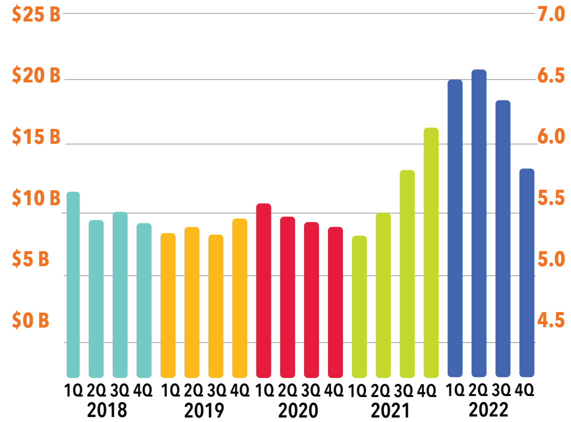
2022 Market Vacancy vs. Change



SOURCE REVISTA & COSTAR

MOB Volume Cools in 4Q. Cap Rates Increase

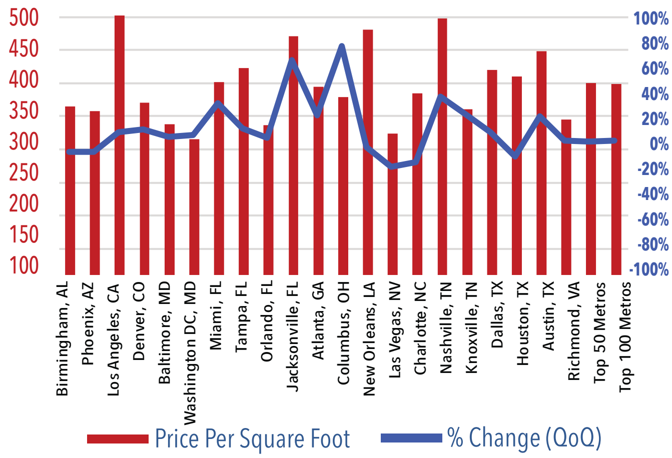
TTM MOB Transaction & TTM Average Cap Rate,
HTA Acquisition Excluded



SOURCE REVISTA

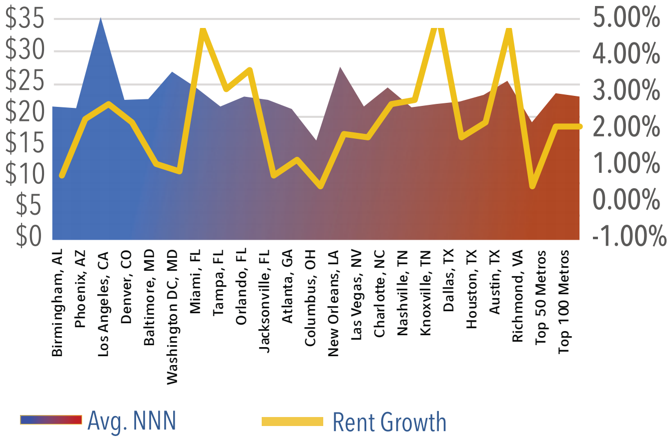
Price Per Square Foot ($/SF)

Top 100 Metros
$396 PSF (+4.3%)



SOURCE REVISTA & COSTAR

2022 Market NNN Rent vs. Growth



SOURCE REVISTA & COSTAR

MOB Fundamentals - Top 10 Demand Markets

	Total SF	Occupancy Rate TTM (%)	SF Completed Last 4 Quarters	Absorption SF Last 4 Quarters	Rent NNN Avg	YoY Rent Growth	Cont. SF in progress
Atlanta	31.2 M	90.5	1,184,500	1,394,898	$21.58	1.8%	0.9 M
Houston	43.5 M	88.1	948,320	1,231,134	$23.86	2.0%	2.0 M
Chicago	44.7 M	92.7	665,113	991,114	$21.92	1.8%	1.3 M
Dallas	38.2 M	89.9	301,755	925,325	$22.25	1.9%	0.7 M
New York	78.4 M	93.3	610,543	905,787	$26.85	1.5%	2.0 M
Phoenix	20.7 M	87.9	452,227	764,491	$21.45	3.0%	0.7 M
Washington DC	24.7 M	90.5	480,093	740,771	$26.06	1.1%	1.8 M
Los Angeles	60.5 M	92.2	211,000	721,115	$36.51	2.2%	1.7 M
Miami	22.4 M	93.1	337,046	684,042	$24.12	3.0%	1.9 M
Denver	15.2 M	90.7	256,682	451,390	$23.05	1.9%	0.1 M

SOURCE REVISTA

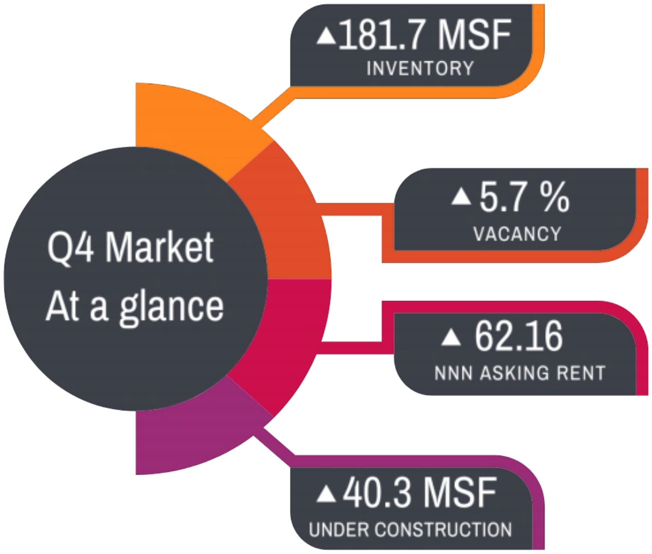
LIFE SCIENCE

Investment in life science real estate is as important as it's ever been, despite macroeconomic concerns and a cautious investment strategy for 2023. The balance of power is finally starting to shift in favor of buyers/tenants as deliveries continue to increase for space, converging with increased subleases hitting the market. This will lead to more rent concessions and TI requirements for lab design required by startups entering the space. However, deliveries may slow due to the high costs of labor and construction, causing these projects to be delayed.

Emerging markets such as Houston, Dallas, Chicago and Minneapolis have started to follow the life science boom that started in major metros 2-3 years ago due to the strong talent pool in the areas. Transient migration has led to these cities attracting top notch employees, pushing life science companies to expand and/or originate. Even major metros are seeing a transition, such as San Francisco, who's calling card has been tech for many years. San Francisco has started to convert tech space to lab space to stay viable as the tech market falters, and diversify its employment base by adding such a hot commodity.

Acquisitions and strategic partnerships between firms will continue to rise as funding will be difficult due to slowing investment in the space. More established companies will acquire unproven startups with potential, increasing their credit for occupying space and growth. Big Pharma is sitting on a lot of cash and it is the perfect opportunity for them to enter the space and give it more credibility in the new year.

Despite Economic Headwinds, Life Sciences Market Finishes 2022 with Solid Fundamentals



SOURCE: CBRE 2022 Life Science Report & TICI

CERTIFIED

HIGHLY SPECIALIZED

Specific requirements for tenant improvements that are very different from run of the mill R&D space. This requires expertise in the space but also will leave tenants captive and committed to their current location.

GOOD FUNDAMENTALS

Bio life sciences real estate provides better and more stable cash flow than traditional uses, in addition to having a runway for rent and income growth as companies become investable through stock growth. After the big upfront commitment, ongoing improvements are minimal.

NEW DELIVERIES RISK

Demand is currently sky high for bio life, however, more deliveries are entering the market and there is the risk of vacancy entering the market due to demand not being able to outpace the increasing supply.

HIGH BARRIER TO ENTRY

Access to tenants, their requirements and specific needs are hard to come by and understanding what kind of product you need from a real estate perspective that will attract a bio life sciences group isnt readily available.

UNIQUE TENANT CREDIT

As many good bio life credit tenants there are in the space, there are just as many venture backed startups with weak credit as whose success is unproven.

SOURCE: La Salle Research & Strategy

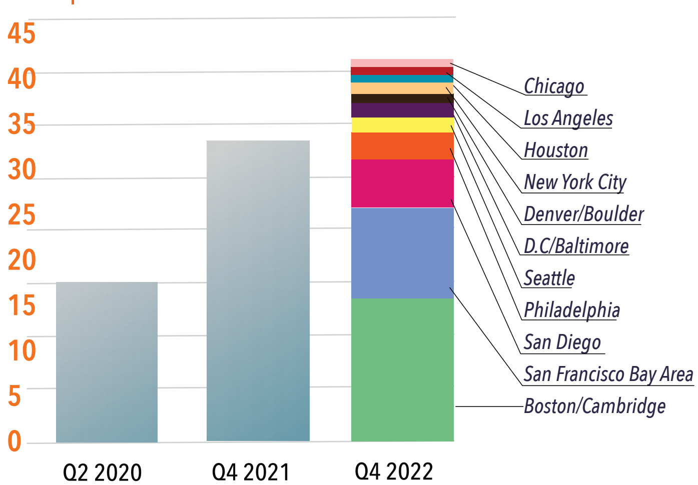
TOP 10 METROS FOR LIFE SCIENCE COMPANIES IN 2022

MARKET	POINTS	Life Science Employment Max pts: 15	Life Science Education Attainment Max pts: 15	Life Science SF Total Max pts: 15	% Office Market Total Max pts: 15	Life Science LEED SF Max pts: 10	Avg. Office Asking Rate Max pts: 10	Avg. Office Vacancy Rate Max pts: 10	Life Science Pipeline Max pts:15
BOSTON	75.35	15	4.74	15	7.83	10	6.19	1.60	15
SAN FRANCISCO	46.89	8.86	5.39	8.30	6.61	2.97	1.94	5.80	7.01
SAN DIEGO	40.47	6.19	2.34	7.40	10	2.67	5.87	3.15	2.85
NEW YORK	33.64	11.33	15	1.72	0.40	0.26	0.00	4.03	0.89
WASHINGTON, D.C	33.59	8.16	6.66	2.39	0.78	0.05	6.02	4.57	4.96
CHICAGO	29.48	3.97	6.30	1.71	0.64	0.85	8.32	7.20	0.49
PHILADELPHIA	29.07	5.79	4.08	2.39	1.69	0.35	8.08	3.17	3.40
RALEIGH	29.06	1.37	0.81	4.27	7.28	0.41	8.02	4.58	2.32
SEATTLE	27.94	4.77	3.44	2.93	2.41	0.95	6.67	4.96	1.78
HOUSTON	27.49	2.95	4.06	1.38	0.69	0.25	7.64	10	0.52

SOURCE: Commercial Cafe

**Multiple key factors where gathered across 45 states to accurately generate this list. Elements such as; regional talent pool, the accessibility of markets, available property or office spaces that could potentially accommodate or be converted into bio life and the current state of development.*

Lab space under construction

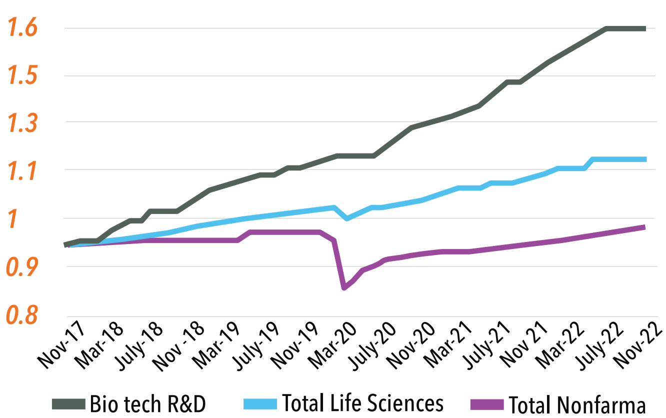


SOURCE: CBRE Life Science Report

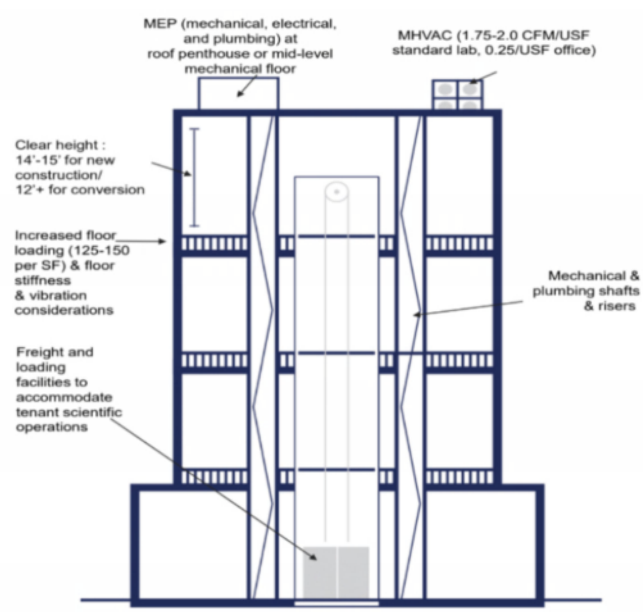
441 Morgan Ave, Cambridge MA. A rendering of a 12-story life science building

SOURCE: Cambridgeday.com

Total US Life Sciences Employment Growth



SOURCE: CBRE Life Science Report



Life Science Lab Building Requirements: this chart sourced from La Salle's life science insights report shows the unique tenant improvements and requirements of a Bio Life Science tenant.

AMBULATORY SURGERY CENTERS

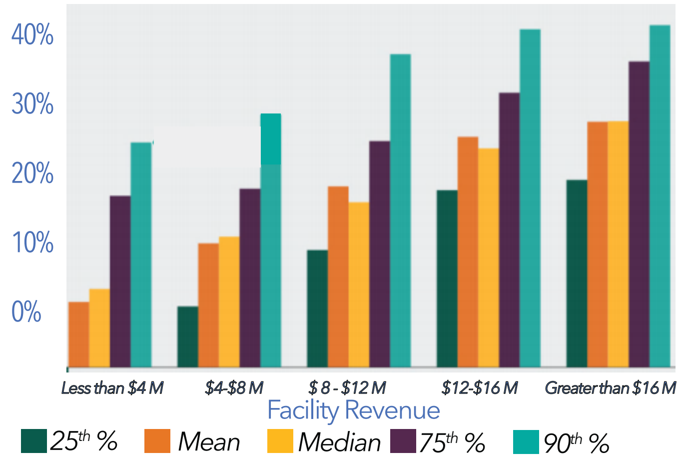
Following our first half report detailing why standard outpatient hospitals should convert to ASCs for reasons including, but not limited to, physician demand, employee retention, rising case migration and commercial payer discounts, hospitals across the nation seemed to have gotten the memo. According to data from the Ambulatory Surgery Center Association and Definitive Healthcare, ten states now have more ASCs than hospitals, many of which house major metros and national influence such as Arizona, California, New Jersey, Florida, and Georgia. We expect this trend to continue as the above reasons to convert are strengthening due the the disruptions that the overall industry faces this coming year.

As it stands, ASCs are still a largely detached industry spread across various owners throughout the nation. According to data from Advancing Surgical Care, 52% of all medicare-certified ASCs are 100% physician owned. 21% are jointly owned by hospitals and 15% are jointly owned by corporations. Only 2% of all ASCs are Hospital owned.

However, private equity has had its sights set on consolidating the industry for some time. Orthopedic, spine and cardiology have brought private equity to the forefront as more and more procedures move to an outpatient setting. One of these equity firms, Florida's Viper Partners, is opening a specific department whose sole focus is to acquire cardiology deals in 2023. They have a $4 billion transaction history outside the space and have already put many cardiology groups under contract. Many other firms are following this trend as cardiology has had one of the highest medicare payment increases since 2021.

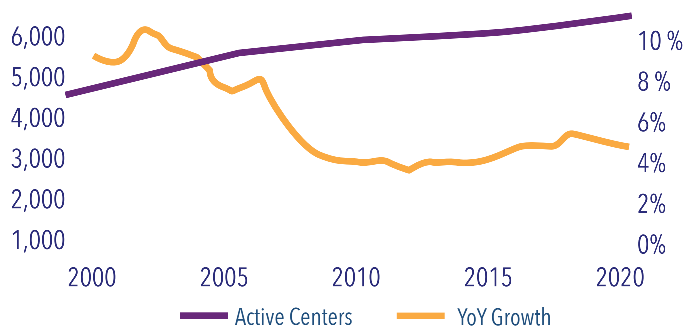
Comprehensive Spine and Sports Center, Campbell, CA

EBITDA Margin by Facility Revenue



SOURCE: VMG Health

Total Medicare-Lisensed ACSs



SOURCE: VMG Health

States with more ASCs than hospitals

STATE	ACSs	HOSPITALS
Arizona	211	167
California	845	553
Delaware	21	19
Florida	463	372
Georgia	386	212
Maryland	342	83
Nebraska	49	35
New Jersey	260	141
Oregon	91	74
Washington	184	130

SOURCE: Beckersasc.com; ascassociation.org/ & TICI

AMBULATORY SURGERY CENTERS (CONTINUED)

Although ambulatory surgery continues to be on the rise, it is not immune to the disruptions the industry faces as a whole, with a fair share specific to ASCs. In an interview with Beckers Healthcare Review, Director of Walton College Healthcare Initiatives Dr. David Dobrzykowski, PhD, feels that disruptions including inflation, labor shortages, and supply chain will be concerns that ASCs will have to face in 2023.

The good news is that ASCs operate on higher margin categories than most standard hospitals providing them more breathing room in dealing with inflation in 2023. Furthermore, ASCs align their values with their surgeons and have stronger employee retention than hospitals and other acute care facilities.

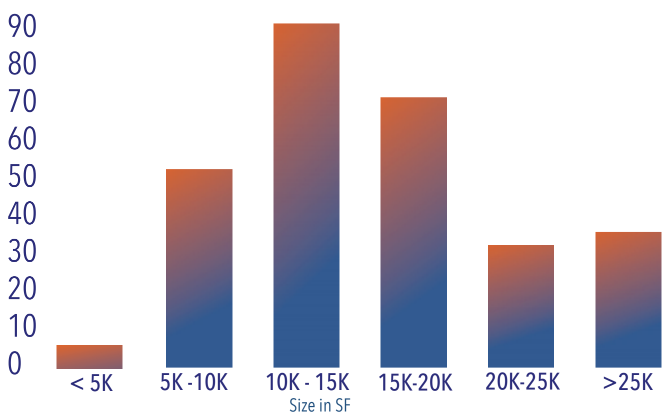
Where Dr. Dobrzykowski feels that ASCs will have to face the music is supply disruptions. A large portion of ASCs are heavily invested in small quantities of very high cost items such as specific medical devices. If this supply chain is interrupted for any reason, ASCs will feel the pressure much more than other outpatient facilities.

Facility Services

	MEAN	25%	MEDIAN	75%	90%
GROSS PP&E OR	$1,429	$754	$1,379	$1,844	$2,675
GROSS PP&E PER SF	$308	$162	$269	$417	$542
OPERATING ROOMS	4	2	3	5	6
PROCEDURE ROOMS	2	1	1	2	3
SF PER FACILITY	16,363	11,103	14,700	19,467	27,000
RENTAL RATE PER SF	$32	$25	$31	$39	$45
RENT & OCCUPANCY COST PER SF	$43	$35	$40	$49	$58

SOURCE: VMG Health

Facility Size (SF) Frequency Distribution



SOURCE: VMG Health

BEHAVIORAL HEALTH

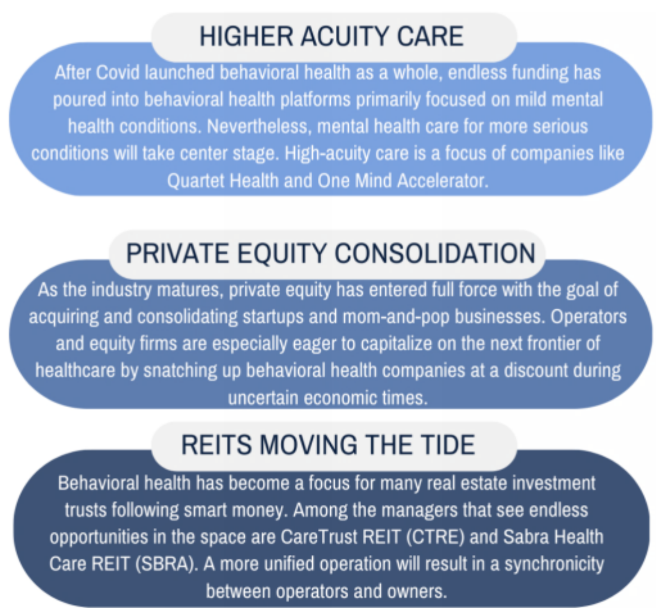
Behavioral health is set to enter a year of transition in 2023 as companies who took advantage of the public health flexibility during Covid, will now settle in as the federal government puts permanent regulations in place.

However, as private equity dives head first into the space, mergers and acquisitions are set to explode and will permanently change the perception of the asset class. Private equity is not the only player that is expected to take a seat at the table. The industry expects that top insurers and retail companies will enter the space to acquire struggling providers looking to make their exit.

The demand for behavioral health from consumers is also not slowing. According to a study done by the State of California Department of Health Care Service, "over 67 million people in the U.S. have been diagnosed with a behavioral health condition." These numbers are undoubtedly expected to grow across all populations, both government and commercially insured. The study goes on to say that "individuals with unmanaged or under-managed behavioral health conditions are associated with dramatically higher inpatient utilization and overall medical spend, compared to members with no behavioral health conditions."

Given that 2023 is ripe to be an exciting year for behavioral health, there are a few major trends we expect to see this year.

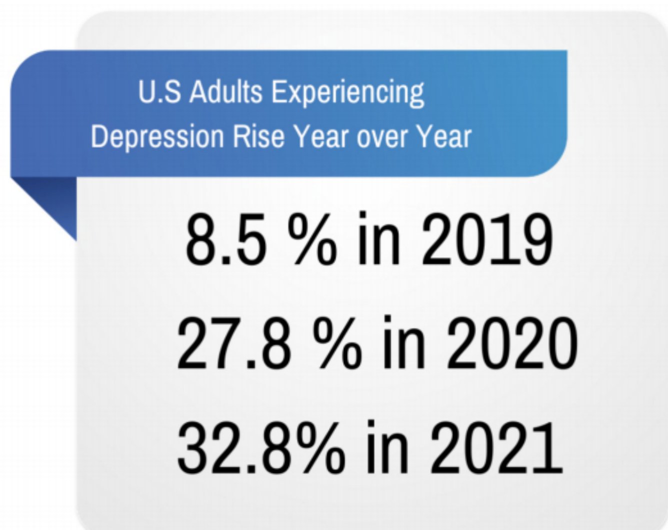
Behavioral Health Trends



SOURCE: BHBusiness.com

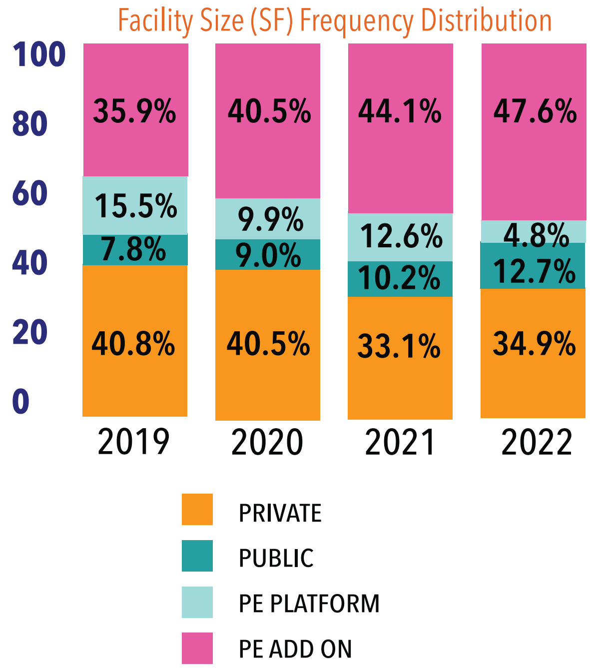
BEHAVIORAL HEALTH

Palmetto Bay facility is slated to open in early 2023 and operate as Clementine Palmetto Bay. The facility will serve adolescent girls with anorexia nervosa, bulimia nervosa, binge eating disorder and/or exercise addiction.



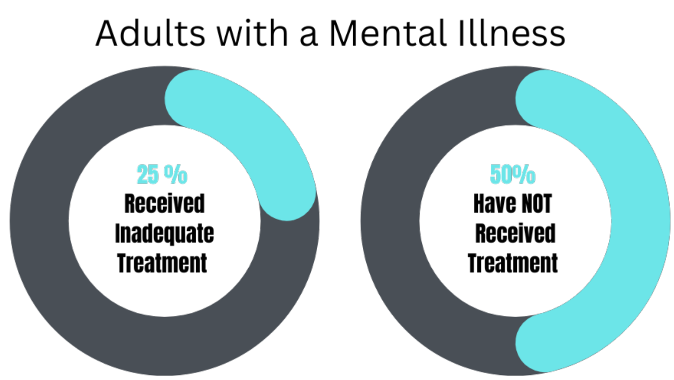
SOURCE: Boston University and Capstone Partners

Sponsors Set Record Activity in 2022



SOURCE:Capital IQ, FactSet, Pitchbook & Capstone Partners & TICI

Comparison of Mental Illness Stats in Adults



SOURCE:Mental Health America & Capstone Partners

Set to open 2025, The Texas Behavioral Health Center at UT Southwestern will help fill the need for more inpatient psychiatric beds in North Texas.

SOURCE: Center Times

Under the stress of both labor and supply shortages, construction has officially started to taper off through the back half of 2022 and into 2023. Third party development starts have dropped to 9 million sf, down from record highs of 11 million sf in consecutive quarters during the first half of 2022. The state of construction usually tends to follow a different pace as lead times and deliveries have a far longer horizon period, however, economic uncertainty has begun to show in the slowing of new project starts. Furthermore, interest rates will undoubtedly affect variable rate construction loans for deliveries in progress bringing certain projects to a halt. Up until this point demand has continued to outpace supply and with new deliveries on the horizon, it will be interesting to see if this trend continues. Occupancy is still expected to remain strong despite investment activity slowing demand for space.

SOURCE: Canva

Top 10 Construction Markets

	Properties In Progress	SF In Progress	SF In Progress Vs Inventory	SF Complete in Last 12 Mo.	SF Started in Last 12 Mo.
Top 50	366	33.2 M	3.9	9.6 M	15.7 M
Houston	23	2.4 M	5.5	0.8 M	0.9 M
New York	25	2.0 M	2.7	0.3 M	1.5 M
Washington DC	12	1.8 M	7.4	0.5 M	1.3 M
Miami	14	1.8M	8.1	0.0 M	1.1 M
Cleveland	4	1.6 M	13.1	0.1 M	1.6 M
Sacramento	9	1.3 M	15.5	0.2 M	1.1 M
Baltimore	7	1.3 M	8.3	0.2 M	0.3 M
Los Angeles	12	1.3 M	2.1	0.2 M	0.2 M
Orlando	18	1.2 M	11.3	0.6 M	0.3 M
Atlanta	13	1.2 M	3.9	0.3 M	0.6 M

SOURCE: Revista

Construction Starts Slow in 4Q

HOSPITAL SF STARTED TTM

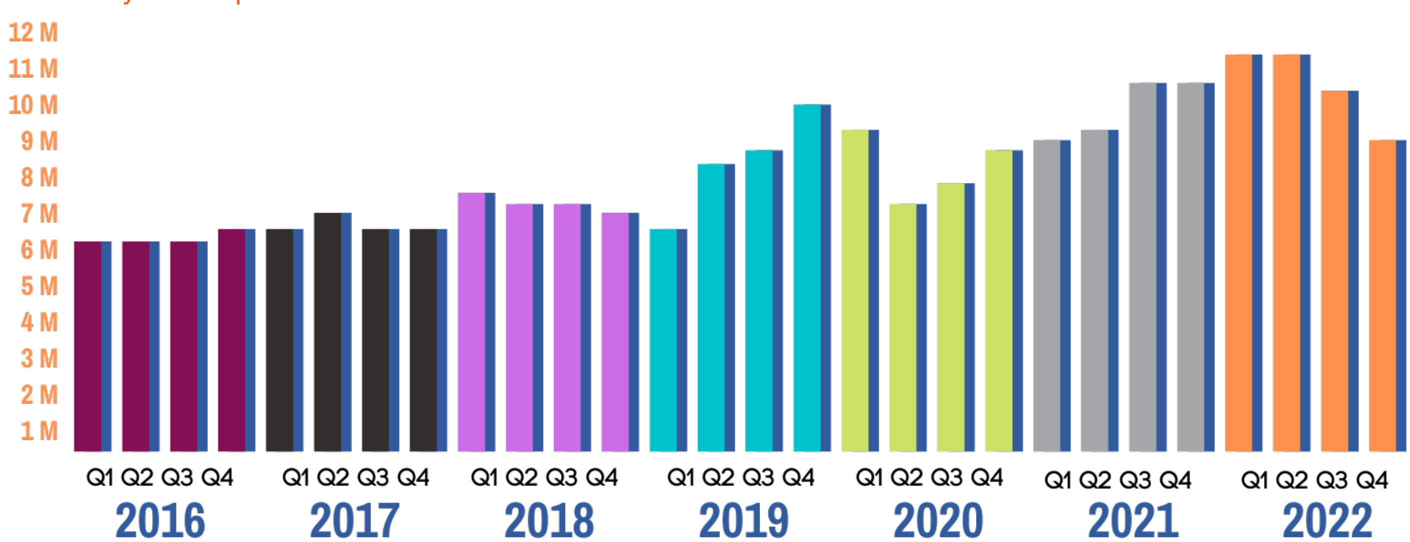
2017	2020
30.7 M	31.7 M
28.9 M	30.4 M
27.0 M	30.2 M
26.3 M	22.6 M
2018	**2021**
25.6 M	21.3 M
22.2 M	23.4 M
25.1 M	21.6 M
26.6 M	29.7 M
2019	**2022**
26.9 M	36.8 M
27.8 M	39.7 M
25.0 M	41.3 M
30.8 M	33.0 M

MOB SF STARTED TTM

2017	2020
23.8 M	21.8 M
24.7 M	19.1 M
24.3 M	19.4 M
24.5 M	19.0 M
2018	**2021**
23.4 M	19.2 M
22.7 M	19.6 M
24.0 M	21.3 M
23.8 M	24.6 M
2019	**2022**
24.3 M	26.0 M
23.8 M	26.5 M
23.4 M	26.3 M
24.2 M	25.0 M

SOURCE: Revista

Third Party Development Starts

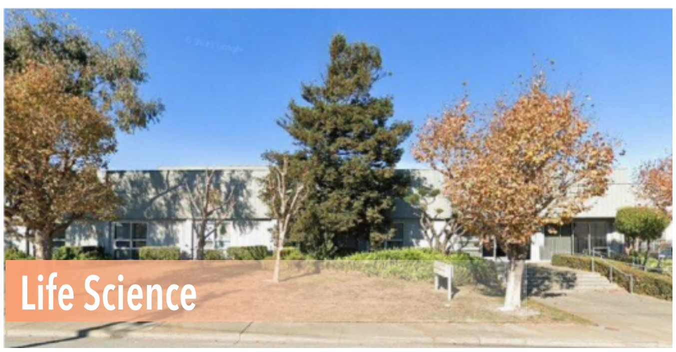


SOURCE: Revista

Notable Transactions

BUYER Davis Medical Investors
SELLER Healthcare Realty Trust
WHERE Woodlake Medical Building, Woodbury MN
SIZE 42,467 SF
PRICE $18 Million

BUYER BXP
SELLER Biogen
WHERE 125 Broadway, Cambridge, MA
SIZE 271,000 SF
PRICE $592 Million



BUYER IRA Capital
SELLER Christus Health
WHERE Christus Surgical Hospital, Alexandria, LA
SIZE 84,000 SF
PRICE $42 Million

BUYER Bio Med Realty
SELLER Private – Family Trust
WHERE 1513 Eccles Ave, San Francisco, CA
SIZE 87,991 SF
PRICE $80 Million

Top Portfolio Sales

Price: $18 Bill
Buyer: Healthcare Realty Trust
Seller: Healthcare Trust of America
Location: Multiple states across U.S.
What: Merger of two largest medical office building REITs.

Price: $1 Bill JV
Buyer: Rendina Healthcare Real Estate
Size: 352,981 SF
Location: FL, GA, IL, MN, NV, OH, TX and VA
What: 12 Medical Office Buildings

Price: $600 M
Buyer: JLL Income Properties
Size: 1.2 Mill SF
Location: AZ, CA, CO, IL, IN, FL MA, OK, TX
What: 27 Property Portfolio

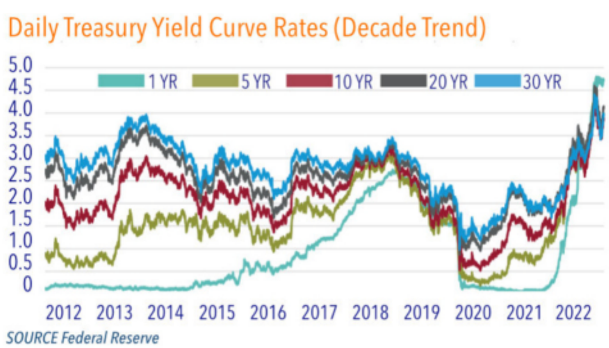
Buyer: Big Sky Medical & Bahrian Institutional JV
Size: 714,000 SF
Location: FL
What: 13 Medical Office Buildings

SOURCE: Costar, Globest, JLL, Connectcre

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	9.30%	7,635,044	143,800	$411,823,560	90.70%	$22.04	1.10%	16	$450,900,000	1337649	360.60	5.13%
Phoenix, AZ	11.80%	20,606,850	864,857	$1,077,335,073	88.20%	$21.71	2.60%	68	$1,077,335,073	2993608	354.10	4.90%
Los Angeles, CA	7.90%	60,206,873	1,267,500	$1,296,004,337	92.10%	$36.76	3.00%	74	$1,296,004,337	3143555	544.70	5.03%
Denver, CO	9.10%	15,082,898	201,445	$409,307,824	90.90%	$23.08	2.50%	27	$409,307,824	1084910	366.90	5.10%
Baltimore, MD	5.50%	15,957,915	1,330,147	$137,850,768	94.50%	$23.24	1.40%	8	$137,850,768	502164	333.30	4.87%
Washington DC, MD	9.10%	24,795,317	1,836,600	$286,767,038	90.90%	$27.70	1.20%	20	$286,767,038	908316	310.60	5.50%
Miami, FL	6.50%	22,269,173	1,814,495	$767,458,416	93.50%	$25.05	5.00%	41	$767,458,416	2366206	398.40	5.12%
Tampa, FL	6.20%	12,636,092	326,000	$673,384,202	93.80%	$21.95	3.40%	39	$673,384,202	1867216	420.20	4.78%
Orlando, FL	7.50%	10,190,445	1,197,213	$208,147,431	92.50%	$23.55	3.90%	14	$208,147,431	831117	331.60	4.99%
Jacksonville, FL	5.80%	8,974,394	722,803	$71,664,521	94.20%	$23.04	1.10%	6	$71,664,521	492515	469.80	5.39%
Atlanta, GA	9.40%	30,139,658	1,165,817	$1,089,066,977	90.60%	$21.58	1.50%	73	$1,089,066,977	2806703	391.80	4.96%
Columbus, OH	7.80%	12,654,419	1,061,000	$280,570,551	92.20%	$16.31	0.80%	14	$280,570,551	798294	375.60	5.26%
New Orleans, LA	6.10%	4,645,422	126,000	$26,550,000	93.90%	$28.56	2.20%	4	$26,550,000	99316	479.30	5.67%
Las Vegas, NV	10.60%	7,663,554	117,430	$153,691,530	89.40%	$21.95	2.10%	13	$153,691,530	471612	318.30	6.10%
Charlotte, NC	7.90%	11,935,028	689,488	$441,612,630	92.10%	$25.15	3.00%	27	$441,612,630	1188998	380.70	5.15%
Nashville, TN	7.80%	12,091,619	672,467	$159,458,348	92.20%	$21.80	3.10%	12	$159,458,348	650663	496.40	5.16%
Knoxville, TN	6.20%	4,890,067	56,000	$49,824,000	93.80%	$22.36	5.40%	2	$49,824,000	167970	355.80	5.50%
Dallas, TX	10.10%	38,105,383	386,204	$1,204,946,038	89.90%	$22.77	2.10%	72	$1,204,946,038	2797416	416.60	5.24%
Houston, TX	11.80%	43,471,438	2,709,439	$1,242,054,662	88.20%	$23.93	2.50%	51	$1,242,054,662	3005104	407.30	4.87%
Austin, TX	9.50%	7,538,649	653,043	$222,665,149	90.50%	$26.18	5.00%	11	$222,665,149	453655	446.10	4.80%
Richmond, VA	7.60%	8,242,122	123,000	$47,135,000	92.40%	$19.38	0.80%	5	$47,135,000	358442	340.60	7.50%
Top 50 Metros	**7.90%**	**847,848,873**	**33,522,666**	**$18,256,449,561**	**92.10%**	**$24.21**	**2.40%**	**1107**	**$18,256,449,561**	**47716702**	**397.30**	**5.04%**
Top 100 Metros	**7.70%**	**1,031,575,535**	**39,826,640**	**$21,306,649,344**	**92.30%**	**$23.56**	**2.40%**	**1348**	**$21,306,649,344**	**56095152**	**395.60**	**5.08%**

Source: Revista

Structured Debt and Finance



In 2022, The FOMC, (Federal Office Market Committee) began raising interest rates in an attempt to curb inflation. We have now seen eight consecutive rate increases and will likely have more in 2023. Things appear to be improving on the inflation side, but cost of funds rates ticked up another .25% in February and the Feds indicated another .25% bump in March, both of which are smaller than the previous increases. As the benchmark rate continues to rise, banks find themselves dealing with economic uncertainty and how to position themselves best. Consequently, lenders are tightening credit standards across the board.

The good news is that there is still a wide availability of lenders who believe the market fundamentals are strong and are ready to deploy capital. This includes funds for acquisitions, rehabs, bridge to stabilization and construction, along with some new green options which allows owners to upgrade inefficient systems for lower expenses and better cash flow.

As short-term rates continue to rise, longer-term rates have normalized a bit, as Wall Street continues to bet against the Feds policy to increase rates further. Currently the 10-year treasury sits well below the shorter-term indices. We have been able to move transactions towards lenders that offer 10-year fixed rate loans, which are substantially lower in rate. Interest only loan options have also helped investors cash flow properties at higher interest rates. There are also many lenders offering loans with no prepayment penalties, allowing owners an opportunity to refinance once the market stabilizes. Healthcare properties continue to remain a preferred asset class amongst lenders.

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Money Rates as of February 8, 2023

Prime Rate	7.75 %
1 Month LIBOR	4.58 %
6 Month LIBOR	4.56 %
5 YR SWAP	3.60 %

10 YR SWAP	3.37 %
5 YR TR	3.82 %
10 YR TR	3.67 %
30 YR TR	3.73 %

Source: Fin Facts
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CLOSING REMARKS

What we forsee....

Well, inflation has finally hit! Simple to say, this has made life harder to deal with across not only the financial spectrum but everyday life. In this report, we have paid attention to its impact on healthcare and life science real estate.

As mentioned in our Mid-Year Report, cost of operations are skyrocketing, making it difficult to maintain what had been normal expenses and CAM charges. Additionally, layoffs have started to appear in our industry, beginning approximately two and one-half months ago. The cost of capital and difficulty in acquiring at an attractive level has affected the ability to close deals, particularly as the Federal Reserve continues to decide upon its inflationary strategy. Lenders, investment bankers and privately held investors who have largely been inactive since the rise in interest rates began are all re-examining how to deploy capital while providing expected returns to their investors.

Sellers are still in denial with pricing expectations. We have seen potential transactions with cap rates well below market levels, giving potential investors heartburn. Some groups who still have leftover low costs of capital are active, but are understandably being very selective. Brokers are feeling this pinch as well, as inventory is either overpriced or lacking quality and WALT.

So, how long will this last? The last quarter of 2022 and the first quarter of 2023 appear to be similar, with all expectations pointing toward continued difficulty in terms of completing transactions. Some say volume could not return to normal levels for 9-15 months. As always, we continue to watch trends and track properties that could transact, despite the economic headwinds, in the third and fourth quarters of 2023. In reality, though, we believe a new normal is developing. The next two-three quarters will help to define where the industry goes from here.

For a confidential conversation surrounding the topics of this paper or your specific investment requirements, please reach out to one of us listed below.

About our Companies

A Member of the TICI Group of Companies
Business | Real Estate | Facilities
Finance | Asset & Risk Management

Texas International Consultants, flagship of The TICI Group of recently celebrated its centennial the third generation of Mendiola's member of the TICI Group is a consulting and advisory firm representing private and public of their commercial real estate in We advise investors on their existing assets as well as potential acquisition targets along with mergers and acquisitions and sale leasebacks working on behalf of the clients along with their tax and legal advisors.

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Stealth Realty Advisors, LLC was created in 2012 to assist the clients of The TICI Group with their capital market needs. National in scope of services, Stealth is a boutique firm specializing in healthcare real estate. Stealth executives are industry leaders with decades of experience coming from well-known national and institutional public healthcare companies. Handling all aspects of capital markets, including acquisitions, dispositions, tenant representations and finance. Along with its sister company Texas International, it also advises clients on development, build to suits and sale/leasebacks. Our clients are sophisticated private and public individual, corporate and institutional REIT's. Stealth also represents, health systems, individual physicians and physician groups, private equity firms, developers, and lenders.

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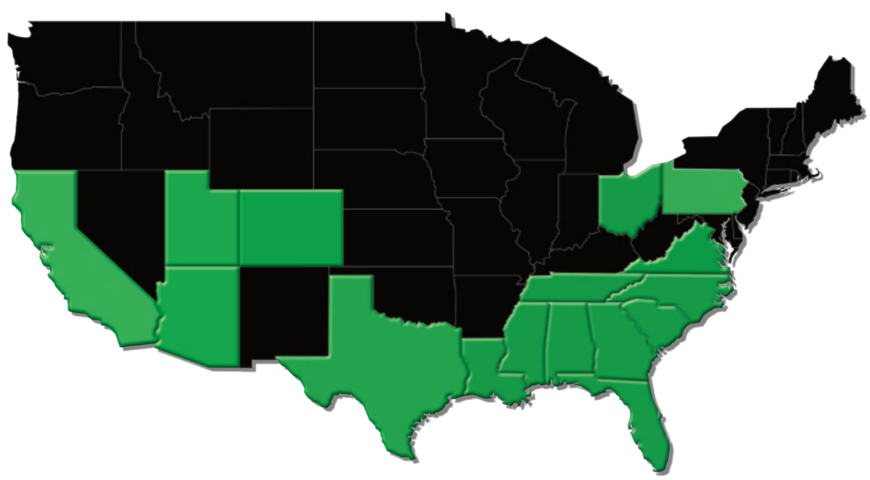

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