



TEXAS

2022

YEAR END

WHITE PAPER

HEALTHCARE & LIFE SCIENCE



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



A Member of the TICI Group of Companies
Capitol Markets | Acquisition
Disposition | Tenant Representation



DALLAS OVERVIEW

Dallas, one of the two pillar markets of Texas, has proven to be one of the market leaders in innovation and development in healthcare real estate across the nation. With primary focuses on life science and behavioral health, market fundamentals have remained strong, showing a slight dip in transaction volume and new construction in the space. Pricing and occupancy are still strong despite Dallas harboring the nations fifth-highest amount of medical space.



72
of Transactions
↑ 24.1 %



\$1,198.9 MILL
Transaction Volume
↑ 86.7 %



3,079,159
Total Square Feet
↑ 59.6 %



\$413.8
Avg Price Per SF
↑ 9.6 %

MEDICAL OFFICE MARKET SNAPSHOT

4Q2022	VALUE	QoQ*	RANK**
Total SF	37,813,438	0.0%	5
SF in Progress	386,204	-32.5%	31
Sold Volume TTM	\$1,198,878,770	-4.4%	4
Occupancy TTM	89.9%	28 bps	117
Avg Rent (NNN)	\$22.78	.5%	43
Rent Growth (Y/Y)	2.1%		55

*Change from prior quarter

**Ranking among top 125 metros

SOURCE: Revista

TRANSACTIONS



WEST PARK PLAZA

Date: 7/2022
Buyer: HCA Healthcare
Price: \$7,500,000
Size: 69,421 SF

BAYLOR SCOTT EMERGENCY @ COLLEYVILLE

Date: 8/2022
Buyer: Heitman
Price: \$19,987,817
Size: 17,000 SF



BAYLOR SCOTT WHITE MCKINNEY MOB

Date: 8/2022
Buyer: Nuveen Real Estate
Price: \$54,320,146
Size: 115,278 SF

FRISCO MEDICAL PAVILLION

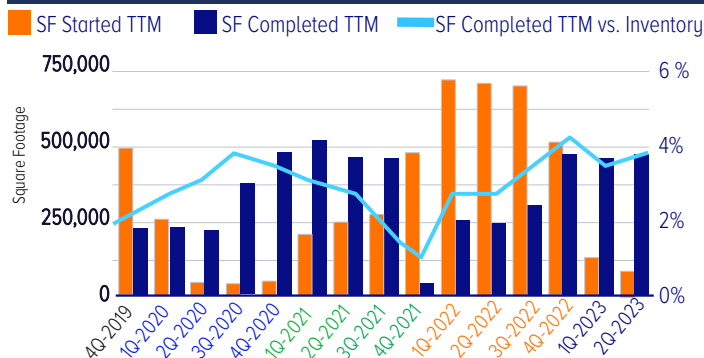
Date: 12/2022
Buyer: Heitman
Price: \$18,600,000
Size: 34,700 SF



SOURCE: Revista, Costar & HREI

CONSTRUCTION SNAPSHOT

MOB STARTS - COMPLETIONS



SOURCE: Revista

FEATURED NEW CONSTRUCTION / EXPANSION

THE CENTER FOR WOMEN HOSPITAL EXPANSION



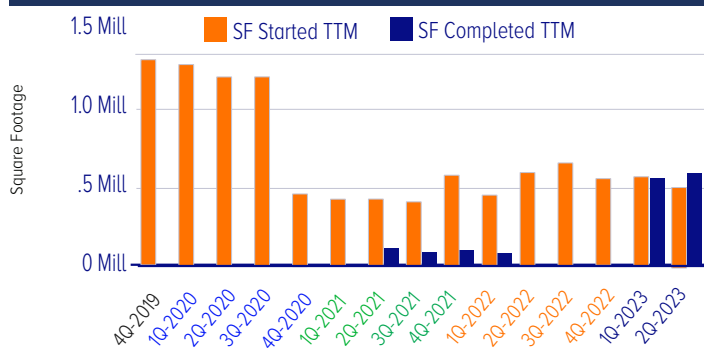
In a \$128 million expansion, Texas Health Presbyterian Hospital Denton will offer 12 labor and delivery rooms, 23 postpartum rooms, and six antepartum beds. With ten more emergency department beds, the total will rise to 40.



Its features will be shell space for future growth and a library for Texas Health's internal medicine residency program.

SOURCE: D Magazine

HOSPITAL STARTS - COMPLETIONS



SOURCE: Revista

HOUSTON OVERVIEW

Houston's medical office market is expected to remain resilient despite a potential mild recession. Revista's Q4 statistics show that with over 43 million square feet of total space and a solid occupancy rate of 88.2%, the city's medical office market is well-positioned to weather any potential downturn. Additionally, the market continues to attract investor interest, with a sold volume of over \$1.2 billion in the trailing twelve months. The occupancy rate is 88.2%, an 11-basis point increase, indicating Houston's high demand for medical office space. Despite the past year's challenges, the average rent for medical office space in Houston grew by 0.7% to \$23.92 per square foot on a triple net basis. As distressed assets may become available in the market due to debt maturity, investors saving their cash will be ready to take advantage of these opportunities and invest in value-add and distressed properties. The expected delay in sales until late 2023 or early 2024 will give investors more time to prepare and capitalize on these opportunities. Overall, Houston's medical office market is poised for growth, with investors waiting to renovate MOB's and attract new medical tenants to the city's expanding life science industry.



51
of Transactions
↑34.2%



\$1,242.1 MILL
Transaction Volume
↑194.8%



3,105,153
Total Square Feet
↑155.9%



\$407.9
Avg Price Per SF
↓-8.0%

MEDICAL OFFICE MARKET SNAPSHOT

4Q2022	VALUE	QoQ*	RANK**
Total SF	43,500,282	0.4%	4
SF in Progress	2,689,439	4.3%	1
Sold Volume TTM	\$1,242,054,662	-1.8%	3
Occupancy TTM	88.2%	11 bps	119
Avg Rent (NNN)	\$23.93	0.7%	30
Rent Growth (Y/Y)	2.5%		47

*Change from prior quarter

**Ranking among top 125 metros

SOURCE: Revista

TRANSACTIONS



MEMORIAL HERMANN MOB II, HUMBLE TX

Date: 7/2022
Buyer: Healthcare Realty Trust (NYSE: HR)
Price: \$41,171,050
Size: 100,000 SF



GREEN PARK ONE

Date: 10/2022
Buyer: Big Sky Medical Fund
Price: \$32,000,000
Size: 134,910 SF

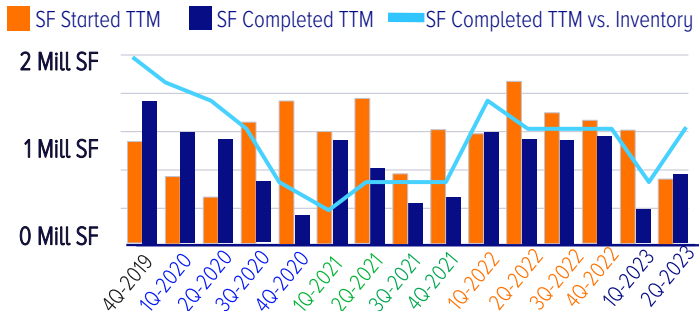


HOUSTON MEDICAL PLAZA

Date: 7/2022
Buyer: Healthcare Realty Trust
Price: \$53,374,972
Size: 129,642 SF

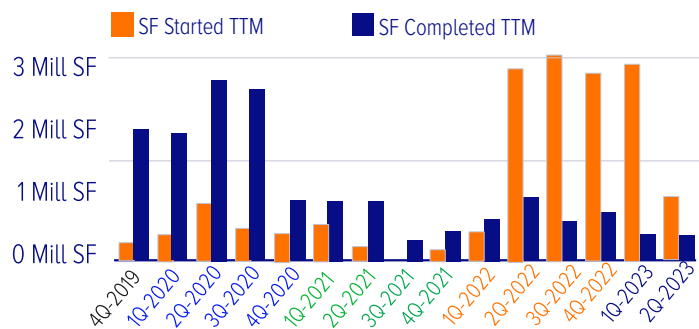
SOURCE: Revista, Costar & HREI

MOB STARTS - COMPLETIONS



SOURCE: Revista

HOSPITAL STARTS - COMPLETIONS



SOURCE: Revista

FEATURED NEW CONSTRUCTION / EXPANSION

HOUSTON METHODIST CENTENNIAL TOWER



New 26-story tower will have a larger emergency department, augmented imaging services, and hundreds of additional beds to accommodate a growing patient population. Set to open in 2027, it will include a total of nearly 400 patient beds in the tower, including 175 new beds and 207 beds that will replace those in Houston Methodist's Main building, which will eventually be demolished.



SOURCE: Houston Methodist.org

AUSTIN OVERVIEW

As the aging population migrates to specific markets across the US, outpatient growth has propped up in cities like Austin. It has created a mini-boom in both development and conversions. Despite market uncertainty, Austin has maintained its transaction volume, pricing, occupancy, rent growth and construction. Outpatient facilities, ASCs, and medical offices all show strong fundamentals and will be a beneficiary of growth in Austin.



11

of Transactions
↑ 22.2 %



\$ 222.7 MILL

Transaction Volume
↑ 186.7 %



491,035

Total Square Feet
↑ 131.5 %



\$443.3

Avg Price Per SF
↑ 21.8 %

MEDICAL OFFICE MARKET SNAPSHOT

4Q2022	VALUE	QoQ*	RANK**
Total SF	7,514,870	.0%	42
SF in Progress	653,043	76.0%	21
Sold Volume TTM	\$222,665,149	0.4%	25
Occupancy TTM	95.0%	51 bps	114
Avg Rent (NNN)	\$26.39	1.4%	15
Rent Growth (Y/Y)	5.6%		8

*Change from prior quarter

**Ranking among top 125 metros

SOURCE: Revista

TRANSACTIONS



1001 TRINITY ST & 1020 RED RIVER ST. AUSTIN TX

Date: 10/2022

Buyer: Alexandria Real Estate Equities, Inc

Price: 41,459,950

Size: 165,528 SF



CEDAR PARK REGIONAL MEDICAL

Date: 7/2022

Buyer: Healthcare Realty Trust

Price: \$34,705,960

Size: 84,297



SETON HAYES MOB

Date: 7/2022

Buyer: Healthcare Realty Trust

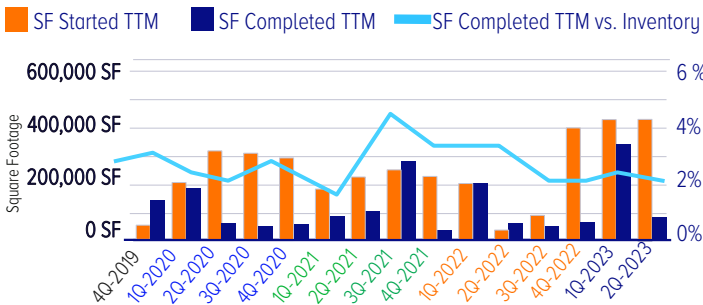
Price: \$24,817,909

Size: 60,280 SF

SOURCE: Revista, Costar & HREI

CONSTRUCTION SNAPSHOT

MOB STARTS - COMPLETIONS



SOURCE: Revista

FEATURED NEW CONSTRUCTION / EXPANSION

DELL CHILDREN'S MEDICAL CENTER NORTH CAMPUS



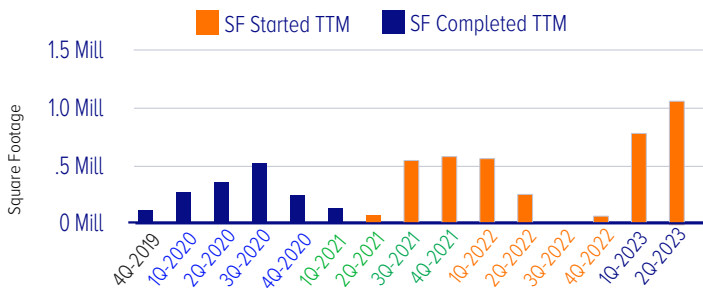
Set to open April 2023, Dell Children's Medical Center North Campus, totaling 135,000 SF will offer around-the-clock ER and trauma care, specialized surgical care, pediatric imaging, and outpatient rehab services.

The hospital will have 36 beds, emergency and trauma services, two operating rooms, endoscopy rooms, sleep labs, and shell space for future expansion. Additionally, a 60,000-square-foot medical office building and free parking will be available on the campus.



SOURCE: supportdellchildrens.org

HOSPITAL STARTS - COMPLETIONS



SOURCE: Revista

SAN ANTONIO

Healthcare

SAN ANTONIO OVERVIEW

Rounding out the state's major markets, San Antonio has seen a dip in transaction volume over the past two quarters. Furthermore, price per foot has taken a big drop most likely due to interest rate increases and an overall lack of activity. Those transacting now are either in a dire capital event situation or taking on vacant value add propositions. However, occupancy and rent growth remain strong across the board, and we do not expect this to change throughout 2023.



21
of Transactions
↓ -19.2 %



\$ 328.7 MILL
Transaction Volume
↓ -30.0 %



1,094,643
Total Square Feet
↓ -18.6 %



\$339.10
Avg Price Per SF
↓ -14.8 %

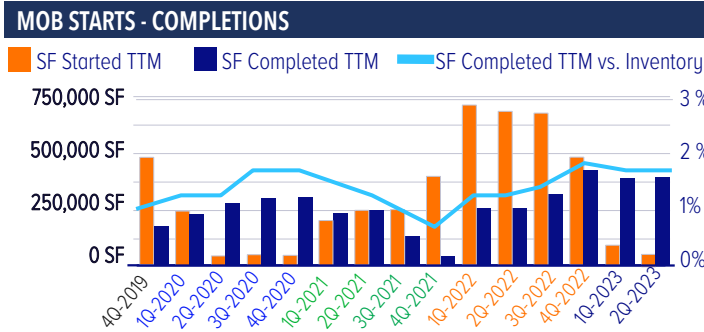
MEDICAL OFFICE MARKET SNAPSHOT

4Q2022	VALUE	QoQ*	RANK**
Total SF	12,394,245	1.5%	24
SF in Progress	913,281	-5.5%	16
Sold Volume TTM	\$328,670,668	-43.7%	18
Occupancy TTM	88.0%	27 bps	120
Avg Rent (NNN)	\$25.81	1.0%	20
Rent Growth (YY)	3.3%		25

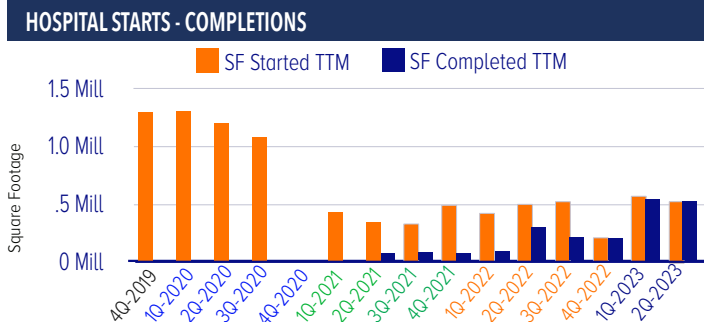
*Change from prior quarter **Ranking among top 125 metros

SOURCE: *Revista*

CONSTRUCTION SNAPSHOT



SOURCE: *Revista*



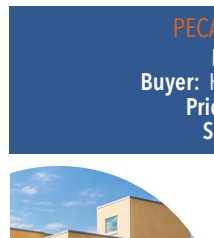
SOURCE: *Revista*

TRANSACTIONS



MISSION TERRACE

Date: 11/2022
Buyer: Gerlach Capital Group
Price: \$3,925,000
Size: 39,199 SF



PECAN VALLEY MOB

Date: 7/2022
Buyer: Healthcare Realty Trust
Price: \$26,761,182
Size: 65,000 SF



PLAZA LECEA MOB

Date: 8/2022
Buyer: Derrick Management LLC
Price: \$15,000,000
Size: 49,869 SF

SOURCE: *Revista, Costar & HREI*

FEATURED NEW CONSTRUCTION

UT HEALTH: MULTI SPECIALTY & RESEARCH HOSPITAL



Scheduled to open in 2024, this eight-story facility will offer specialty care in cancer, orthopedics, urology, and thoracic and bariatric surgery.

This \$430 million hospital will also be home to more than 100 medical residents and fellows, adding more than 800 health care jobs to the city.

SOURCE: <https://news.uthscsa.edu/>

Getting a foothold

Despite the ongoing disruptions in the economy and debt markets, the Life Science sector continues to thrive and take the nation by storm. It has created its own market and asset class within the healthcare industry, leading to major metropolitan areas like Boston and San Diego becoming home to highly sought-after life science companies, with many more developments expected shortly. The state of Texas, especially Houston and Dallas, has also entered the race to become a significant player in the life science industry by providing a central and favorable location for these companies, along with a growing number of top universities that offer research and education on the subject.

In response to the increased demand, developers have flocked to Texas to create high-quality, top-of-the-line spaces that meet the needs of life science companies, setting a new industry standard in the process. For example, Dallas's Pegasus Park is located just west of UT Southwestern's Medical Center, offering 135,000 square feet of spec suite lab space, ranging in size from 4,000 to 8,000 square feet, with a 60/40 lab-to-office ratio split for tenants. This is in addition to Pegasus's already established 37,000 square foot Bio Lab space that opened in 2022. Similarly, NexPoint plans to develop a 200-acre life science theme park in Plano, a submarket of Dallas, that will span over 4 million square feet of life science space in four phases over the next decade.

Houston also follows the same trend with The Howard Hughes Corporation partnering with Vitrian to incorporate life science into its renowned master-planned community within The Woodlands. This partnership aims to develop biomanufacturing facilities and provide research and development for the entire industry. Several life science companies have already established their presence in The Woodlands, furthering the sentiment that Houston, Dallas, and Texas as a whole are heavily invested in the future of life science and aim to position themselves as a significant life science hub within the state.

Houston: A Life Science Hub

Houston is emerging as the leading center of growth in the life science sector in Texas. The Texas Medical Center, located in Houston, is leading the way in the sector's research, development, and education. It is undergoing a massive 6 million square foot, 37-acre project to solidify its position. A recent Newmark report states that the growth in the life science sector in Houston is remarkable, with a 24% increase in employment and a 4.8% increase in wages. According to the Greater Houston Partnership, Houston is poised for exponential growth in the sector in the next cycle, with a demand for 8 million square feet of space and only 6 million square feet currently available in the market. Developers are struggling to build fast enough to meet the demands of the various startups flocking to Houston's marketplace. With its strong research institutions, supportive business environment, and growing number of biotech and pharmaceutical companies, Houston is rapidly becoming the epicenter of life science growth in Texas.

Worlds Largest Life Science Campus



As one of the world's leading life science organizations, Texas Medical Center in Houston Texas is positioned by TMC3 and is anchored by \$1.8 billion in secured financing.

SOURCE: TMC.edu

TMC3 at Glance

250,000 Square Feet	TMC3 Collaborative Building
700,000 Square Feet	Industry Research
65,000 Square Feet	Conference Center
350 Unit	Residential Tower
6 Buildings	Future Industry and Institutional Research
7-Acres	Public Space including 6 TMC3 Parks
521	Hotel Rooms

SOURCE: TMC.edu

The Future

In summary, Texas has strong fundamentals in healthcare real estate and medical office, and the growth in the life science sector is adding to the optimism and investor sentiment of the state's future across the entire asset class. With significant growth in employment and demand for space, Texas is at the forefront of innovation in the life science industry. This bodes well for the state's future in the healthcare real estate and medical office asset class.



THIS WHITE PAPER PROVIDES SNAPSHOTS ON THE FOUR MAJOR MARKETS IN TEXAS. FOR MORE INFORMATION ON THESE MARKETS, OR NATIONAL MARKETS IN WHICH WE ARE ACTIVE AND TRACK ACTIVITY, CONTACT:

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