



# TEXAS

## 2023

### MID YEAR

### WHITE PAPER<sup>©</sup>

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**HEALTHCARE & LIFE SCIENCE**



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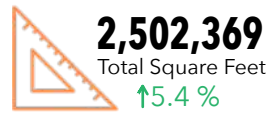
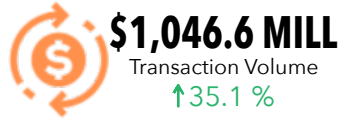
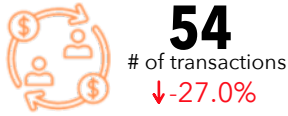
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Capitol Markets | Acquisition  
Disposition | Tenant Representation



## TRANSACTION LEADER AND MARKET RESILIENCE

Even with a 27.0% decrease in transaction activity, Dallas stands among the top 125 metros in healthcare real estate transactions, retaining its first-place position in transaction volume. Booming life science and a strong labor force highlights the city's enduring appeal and strong position as a key player in the healthcare real estate market.

One of the key indicators of the market's resilience is the consistent rise in pricing, and strong occupancy, which has remained impressively above 90%, despite a top 5 ranking in total square footage in the marketplace. In the face of challenging national market conditions, Dallas continues to attract tenants, demonstrating the city's stability and reliability as a medical office hub.



## MEDICAL OFFICE MARKET SNAPSHOT

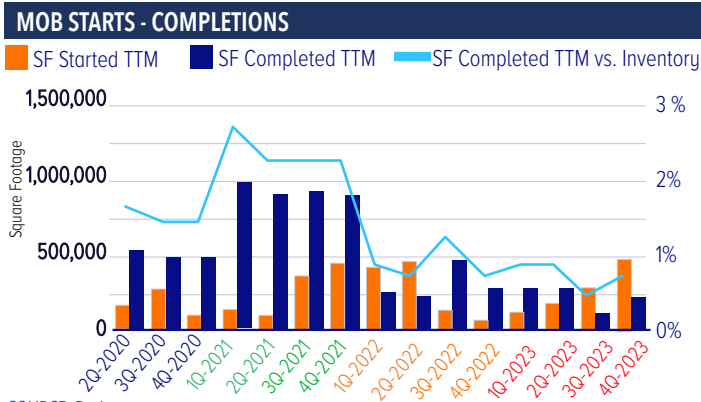
2Q 2023	VALUE	QoQ*	RANK**
Total SF	37,393,495	0.0%	5
SF in Progress	365,217	7.3%	30
Sold Volume TTM	\$1,042,965,486	-4.8%	1
Occupancy TTM	90.2%	25 bps	117
Avg Rent (NNN)	\$23.64	1.8%	43
Rent Growth (Y/Y)	3.4%		27

\*Change from prior quarter

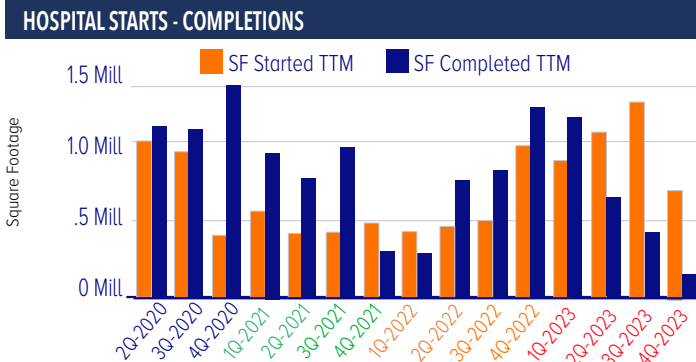
\*\*Ranking among top 125 metros

SOURCE: *Revista*

## CONSTRUCTION SNAPSHOT



SOURCE: *Revista*



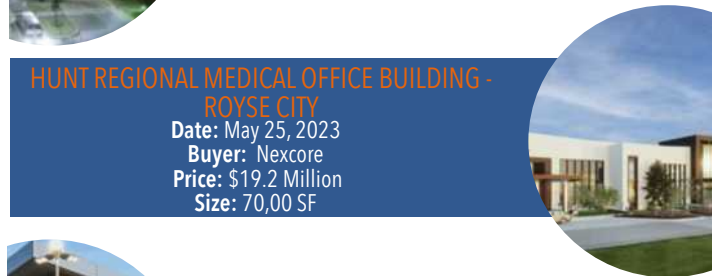
SOURCE: *Revista*

## NOTEWORTHY TRANSACTIONS



### BAYLOR SCOTT & WHITE HOSPITAL - FRISCO

Date: February 3, 2023  
Buyer: HCA Healthcare  
Price: \$265 Million  
Size: 340,000 SF



### HUNT REGIONAL MEDICAL OFFICE BUILDING - ROYSE CITY

Date: May 25, 2023  
Buyer: Nexcore  
Price: \$19.2 Million  
Size: 70,00 SF



### BAYLOR SCOTT WHITE MCKINNEY MOB

Date: Jan 30, 2023  
Buyer: Rethink Capital Partners (Formerly Seavest)  
Price: \$20 Million  
Size: 36,691 SF

SOURCE: *Community Impact, Yahoo Finance,*

## NEW CONSTRUCTION SPOTLIGHT

### NEW 200-ACRE LIFE SCIENCE DEVELOPMENT



A new life science development proposed by Nexpoint, a multi-billion dollar investment fund, will consist of 4 phases of construction in Plano, Texas. Phases 1 and 2 will include 970,000 square feet of lab and office space alongside 120,000 square feet of amenity space.

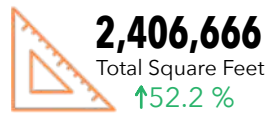
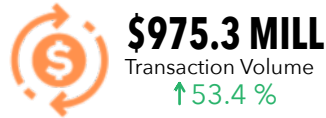
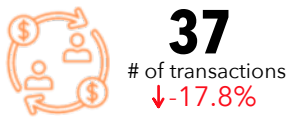
SOURCE: *D Magazine*

### A STABLE MARKET WITH ROOM TO GROW

Similar to Dallas, Houston's healthcare real estate market witnessed 37 transactions, indicating a modest decline of 17.8% in activity. Despite this decrease, the city maintains a competitive position in the market, showcasing its stability and potential for investors.

The total transaction volume in Houston's health care real estate market reached an impressive \$975.3 million, demonstrating a significant 53.4% growth compared to the previous period. This remarkable increase in transaction volume is a testament to the market's attractiveness and potential for lucrative investments.

However, the major difference between these markets is displayed in terms of total square footage. The market saw a substantial growth of 2,406,666 square feet (+52.2% YoY). This surge, without hitting a major lull in volume, pricing or occupancy, displays the incessant demand for space in the marketplace.



### MEDICAL OFFICE MARKET SNAPSHOT

2Q 2023	VALUE	QoQ*	RANK**
Total SF	46,166,113	0.5%	4
SF in Progress	2,752,994	3.4%	1
Sold Volume TTM	\$967,443,239	-9.7%	2
Occupancy TTM	88.1%	-2 bps	124
Avg Rent (NNN)	\$23.78	0.8%	42
Rent Growth (Y/Y)	2.2%		61

\*Change from prior quarter

\*\*Ranking among top 125 metros

SOURCE: *Revista*

### TRANSACTIONS

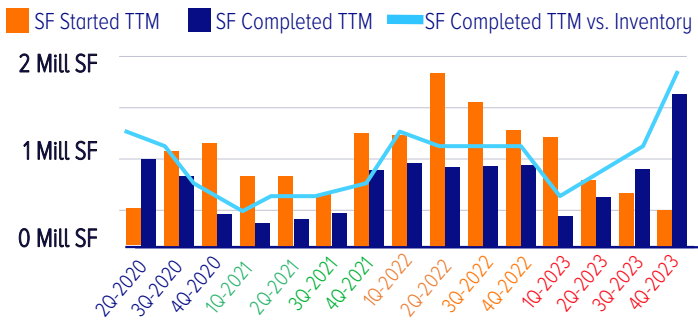
**MEDICAL CENTER OF TOMBALL**  
Date: 5/2023  
Buyer: Med Property Holdings  
Price: \$39.49 Million  
Size: 61,660 SF

**HOUSTON MEDICAL OFFICE PORTFOLIO**  
Date: 3/2023  
Buyer: Northmarq  
Price: \$17.75 Million  
Size: 30,045 SF

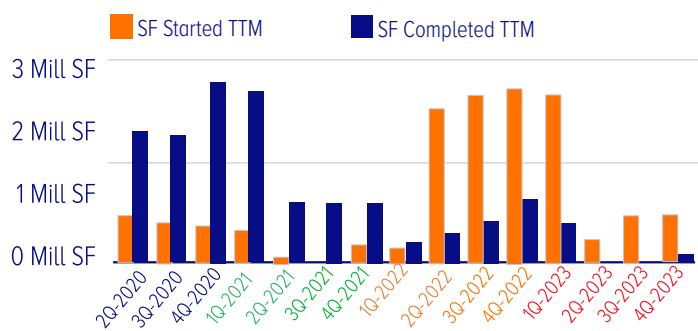
**THE WOMAN'S PLACE - KINGWOOD**  
Date: 5/2023  
Buyer: Prime Health Properties  
Price: \$4.9 Million  
Size: 12,000 SF

SOURCE: *Revista, Northmarq*

### MOB STARTS - COMPLETIONS



### HOSPITAL STARTS - COMPLETIONS



SOURCE: *Revista*

### NEW CONSTRUCTION SPOTLIGHT

#### MEMORIAL HERMAN KATY HOSPITAL EXPANSION



Memorial Herman Katy Hospital broke ground in April on this \$167 million dollar expansion. A third medical plaza, parking garage and a larger emergency center with additional operating rooms are being added.

Estimated completion date is 2025

SOURCE: *Houston Business Journal*

## THRIVING MIDDLE MARKET

Austin's healthcare real estate market is booming, with a 52.2% YoY growth in total square footage and a staggering 100.9% increase in transaction volume. The city's rent growth has seen a massive 7.1% jump, ranking 6th among Revista's top 125 Metros nationwide. Austin's appeal stems from its influx of migrants, robust labor force, and its solid position as a promising and attractive middle market for health care investments. Investors looking for growth opportunities in the health care real estate sector should closely consider Austin's vibrant and dynamic landscape.



**9**  
# of transactions  
↑ 0.0%



**\$284.1 MILL**  
Transaction Volume  
↑ 100.9%



**611,907**  
Total Square Feet  
↑ 52.2%



**\$403.5**  
Avg Price Per SF  
↓ 13.0%

## MEDICAL OFFICE MARKET SNAPSHOT

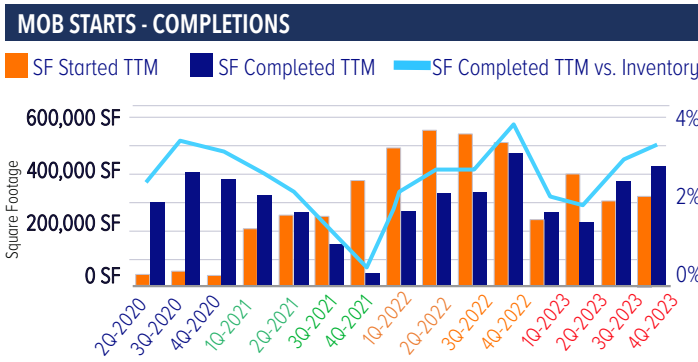
2Q 2023	VALUE	QoQ*	RANK**
Total SF	7,573,276	0.9%	42
SF in Progress	818,515	0.0%	14
Sold Volume TTM	\$142,102,295	-13.7%	30
Occupancy TTM	90.8%	34 bps	114
Avg Rent (NNN)	\$26.82	0.0%	17
Rent Growth (Y/Y)	7.1%		6

\*Change from prior quarter

\*\*Ranking among top 125 metros

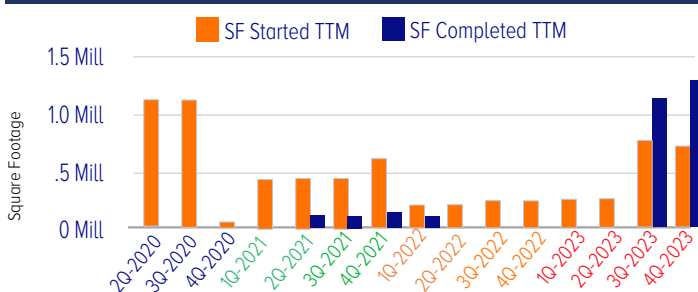
SOURCE: Revista

## CONSTRUCTION SNAPSHOT



SOURCE: Revista

## HOSPITAL STARTS - COMPLETIONS

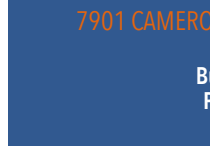


SOURCE: Revista

## TRANSACTIONS



**VA OUTPATIENT CLINIC**  
Date: 6/2023  
Buyer: Boyd Watterson Asset Management  
Price: \$142 Million  
Size: 272,636 SF



**7901 CAMERON ROAD - CAMERON CENTER**  
Date: 6/2023  
Buyer: Central Health  
Price: \$14.4 Million  
Size: 116,000 SF



**PREMIER ER**  
Date: 3/2023  
Buyer: Reid Peevey Commercial Real Estate  
Price: \$16 Million (Loan Amount)  
Size: 9,700 SF

SOURCE: Revista, Costar & HREI

## NEW CONSTRUCTION SPOTLIGHT

### WOMENS HEALTH TOWER



Ascension Setons' \$320 million dollar expansion of Womens Health Tower is set to be delivered by 2025. The facility will provide advanced women's clinical services, including urogynecology, gynecologic oncology, breast diagnostics and surgery as well as allow for increased patient capacity and training space for future caregivers. When completed it will have the capacity for 7,500 deliveries in a year.

SOURCE: ConnectCRE

# SAN ANTONIO

Healthcare

## CHALLENGING MARKET CONDITIONS

San Antonio's health care real estate market experienced a significant decline in resale activity with only 9 transactions taking place, representing a staggering 71.9% decrease compared to the previous period. The city faces challenges in its healthcare property sector, impacting overall investment. Hospital construction is strong, however, which could provide opportunities for new medical office development. The total transaction volume in San Antonio's health care real estate market reached \$115.0 million, an 80.1% drop YoY, and 17.4% drop QoQ, indicating the market's struggles and lack of substantial investment compared to other periods.



**9**  
# of transactions  
↓ -71.9%



**\$115.0 MILL**  
Transaction Volume  
↓ 80.1%



**363,120**  
Total Square Feet  
↓ 81.3%



**\$358.3**  
Avg Price Per SF  
↑ 8.0%

## MEDICAL OFFICE MARKET SNAPSHOT

2Q 2023	VALUE	QoQ*	RANK**
Total SF	12,520,099	0.5%	22
SF in Progress	740,546	14.8%	16
Sold Volume TTM	\$114,958,680	-17.4%	35
Occupancy TTM	88.4%	31 bps	122
Avg Rent (NNN)	\$28.01	6.8%	11
Rent Growth (YY)	3.1%		31

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

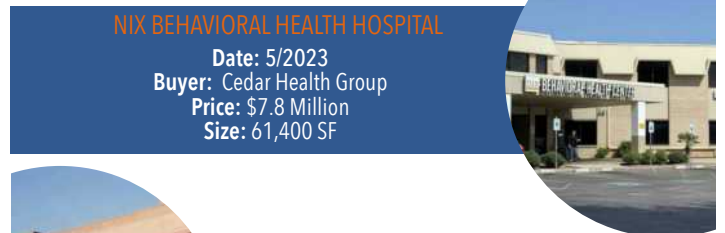
SOURCE: *Revista*

## TRANSACTIONS



### METHODIST HOSPITAL - LANDMARK

Date: 5/2023  
Buyer: Methodist Healthcare  
Price: \$75 Million  
Size: 155,000 SF



### NIX BEHAVIORAL HEALTH HOSPITAL

Date: 5/2023  
Buyer: Cedar Health Group  
Price: \$7.8 Million  
Size: 61,400 SF

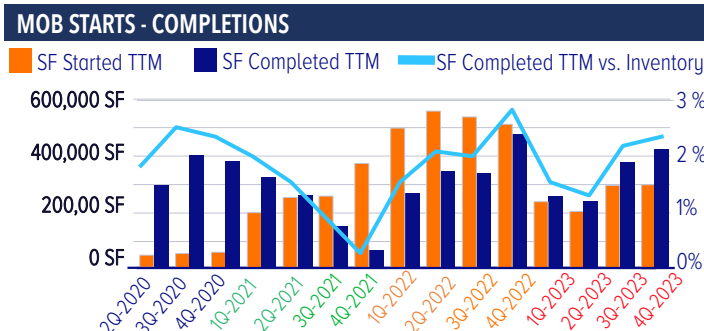


### GREENWAY PARK

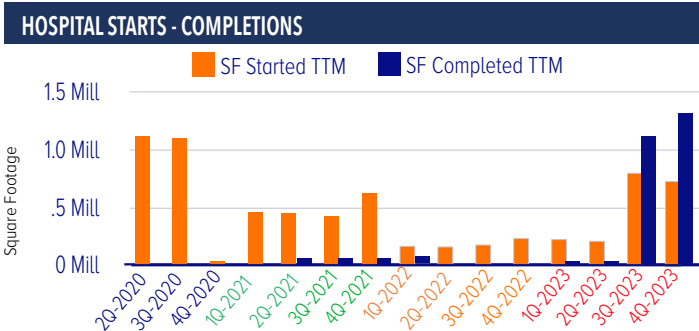
Date: 6/2023  
Buyer: Advenir  
Price: \$20 Million  
Size: 109,320 SF

SOURCE: *Revista, San Antonio Express News, Tamu.edu*

## CONSTRUCTION SNAPSHOT



SOURCE: *Revista*



SOURCE: *Revista*

## NEW CONSTRUCTION SPOTLIGHT

### LEGENT WESTOVER HILLS MOB/ASC



Construction at Legent Westover Hills MOB spanning 59,741 SF was completed early this year. It contains a new ASC for Physician Surgical Network Affiliates (PSN). The ASC takes up 15,121 SF and houses four operating rooms with space to add additional operating rooms or a cardiac catheterization lab.

SOURCE: *HREI*

## Dallas and Houston - Life Science Powerhouses

The cities of Dallas and Houston have solidified their positions as flourishing life science powerhouses, showcasing impressive growth and becoming essential players in the industry.

Dallas-Fort Worth has earned recognition as a top emerging life sciences market alongside Nashville and Atlanta, boasting remarkable size, institutions, talent, and rapid progress. The region's life sciences labor pool has surged by 17% since 2019, outpacing the national average. Additionally, research and development employment in DFW has soared by 44.5% since 2019, with only New Haven, Connecticut, and Nashville, Tennessee, leading the way according to a report by CBRE.

Universities like the University of Texas Southwestern Medical Center and the University of North Texas Health Sciences Center have significantly contributed to the region's success. In 2022, they played a pivotal role in producing a substantial number of biological and biomedical sciences graduates, bolstering the industry's talent pool.

The area has attracted an impressive \$1.6 billion in life sciences venture capital funding between 2018 and 2022, attracting investors and paving the way for future growth.

Meanwhile, Houston, traditionally known as an energy industry hub, has witnessed a remarkable transformation, now emerging as a leader in the life science sector. According to a 2022 CBRE industry study, the Bayou City is now home to over 700 life science companies, ranking 13th among the nation's top life science markets. This significant promotion showcases Houston's established status in the industry, elevating it beyond its previous designation as an "emerging" life science hub.

Houston's ascent as a life science powerhouse can be attributed to its thriving ecosystem, featuring prominent research institutions and a skilled workforce. By being listed alongside powerhouse life science markets like Boston, San Francisco, and Washington, D.C., Houston's recognition underscores its growing influence in the national life science landscape.

Despite economic challenges, both Dallas and Houston's life sciences industries have demonstrated resilience, fueled by growing clinical trials, consistent job growth, increased federal funding, and strong cash reserves for larger life sciences companies.

Ultimately, Dallas and Houston have transformed into flourishing life science powerhouses, demonstrating impressive growth and solidifying their positions in the industry. Their achievements, fueled by talent development, research, and attractive investments, position both cities as essential players in the life sciences arena, with promising potential for advancing medical innovations and healthcare breakthroughs.



Levit Green is 53 Acres master planned development near the Texas Med Center in Houston TX.



SOURCE: Texas.gov

## Dallas and Houston-Leading Markets for Life Science Growth

DALLAS	HOUSTON
<p><b>26,000</b> New life science workers since 2019</p>	<p><b>700</b> # of Life Science Companies in Houston</p>
<p><b>\$1.6 B</b> VC funding from 2018-2022</p>	<p><b>4,906</b> Active Clinical Trials in 2022</p>
<p><b>36 %</b> Increase in Clinical Trials</p>	<p><b>13th</b> Ranked number 13 as one of the fastest growing life science ecosystems</p>

SOURCE: Houston.org, Dallasinnovates.com



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