



TEXAS 2023 YEAR END WHITE PAPER[©]

HEALTHCARE & LIFE SCIENCES



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



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Capital Markets | Acquisition
Disposition | Tenant Representation

The DFW healthcare real estate market showcased an impressive performance offering 37.1 million square feet of available space. Ongoing construction totaled 1.17 million square feet, while the sales volume was down over 75%, yet still ranks as the top third performing metro following LA and Chicago. Significant transformation is driven largely by HCA Healthcare's expansion of Medical City, now a 19-hospital system. Workforce shortages challenges the city's efforts in creating healthcare jobs to meet the demands of the increasing population from relocating workers as well as the aging population. One notable project in our "Featured New Construction" is Texas Women's University Health and Science Center which will boost student degrees in the healthcare field such as nursing, physical therapy and occupational therapy.



22
of transactions
↓ -68.6%



\$276 MILL
Transaction Volume
↓ -76.6%



676,869
Total Square Feet
↓ -77.6%



\$431
Avg Price Per SF
↑ 3.8%

MEDICAL OFFICE MARKET SNAPSHOT

2ND HALF	TOTAL	QoQ*	RANK**
Total SF	36,970,970	0.1%	5
SF in Progress	\$1,213,892	232.4%	7
Sold Volume TTM	\$276,047,849	2.6%	6
Occupancy TTM	\$24.02	11 BPS	120
Avg Rent (NNN)	2.6%	0.8%	40
Rent Growth (Y/Y)			36

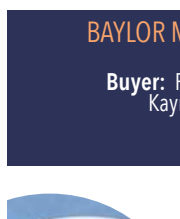
*Change from prior quarter
**Ranking among top 125 metros

SOURCE: Revista

NOTEWORTHY TRANSACTIONS



DALLAS MEDICAL CENTER
Date: 7/11/2023
Buyer: Prime Healthcare Services
Price: \$33.5 Million
Size: 152,000 SF



BAYLOR MEDICAL CENTER @ FRISCO
Date: 9/18/2023
Buyer: Remedy Medical Properties & Kayne Anderson Real Estate
Price: \$115 Million
Size: 166,553 SF

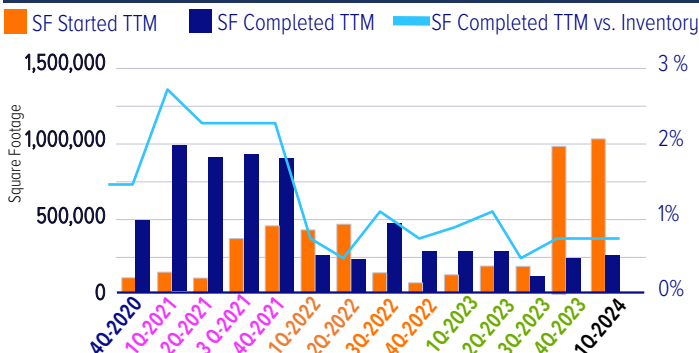


RICHARDSON MEDICAL CENTER I
Date: 10/25/23
Buyer: Big Sky Medical Fund
Price: \$38.5 Million
Size: 118,472 SF

SOURCE: Commercial Property Executive, Revista

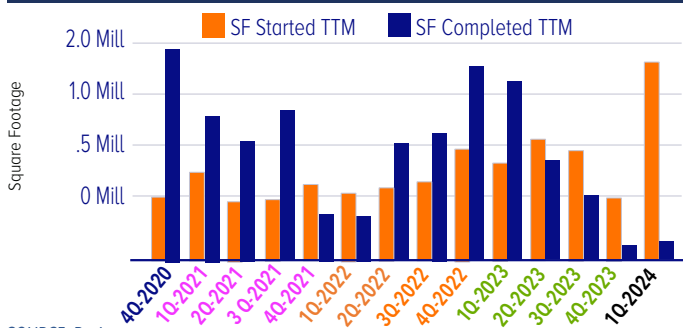
CONSTRUCTION SNAPSHOT

MOB STARTS VS COMPLETIONS



SOURCE: Revista

HOSPITAL STARTS VS COMPLETIONS



SOURCE: Revista

NEW CONSTRUCTION SPOTLIGHT

TEXAS WOMENS NEW HEALTH & SCIENCE CENTER



A \$107 million health and science center is coming to Denton Tx. Texas Women's University is adding this center to its flagship campus in northern Texas which acts as the states latest move in combating healthcare labor shortages. The building will include labs, classrooms, collaborative workspaces, outdoor clinic sites and a teaching kitchen, as well as community health care clinics and training spaces for students.

SOURCE: Costar News

HOUSTON

Healthcare

The Houston real estate market in the fourth quarter exhibited significant trends and statistics, reflective of the region's economic and property landscape. Insights revealed strong construction pipelines and high occupancy rates coupled with incrementally rising rents. The Woodlands, in particular is experiencing significant growth to accommodate the demands of its growing population. The total square footage available in the market was a considerable 45,144,978 square feet, encompassing spaces at various development stages, including completed, under construction, or planned projects. Notably, 2,093,452 square feet were under construction, signaling a robust pipeline of upcoming developments. There were \$214,336,555 in sales recorded in Houston's healthcare real estate market over the past twelve months, highlighting the city's dynamism. The occupancy rate during this period was 88.6%, vs 88.1% from Q2 indicative of a steady market despite the inflationary troubles. This is a positive indicator for investors and developers, as it suggests a good market for leasing or selling newly developed properties.



15

of transactions
↓-72.2%



\$204.7 MILL

Transaction Volume
↓83.6%



486,562

Total Square Feet
↓84.2%



\$406.7

Avg Price Per SF
↓0.3%

MEDICAL OFFICE MARKET SNAPSHOT

2ND HALF	TOTAL	QoQ*	RANK**
Total SF	44,714,913	0.5%	4
SF in Progress	2,050,812	-14.0%	1
Sold Volume TTM	\$204,736,555	-13.4%	10
Occupancy TTM	88.6%	27 bps	123
Avg Rent (NNN)	\$23.59	-0.1%	46
Rent Growth (Y/Y)	1.2%		94

*Change from prior quarter

**Ranking among top 125 metros

SOURCE: *Revista*

TRANSACTIONS



25403 KATY MILLS PKWY

Date: 10/2023
Buyer: Texas Surgical Arts
Price: \$7.65 Million
Size: 31,500 SF



MEMORIAL HERMAN SPORTS PARK

Date: 11/2023
Buyer: Medproperties Holdings
Price: \$19.1 Million
Size: 44,510 SF

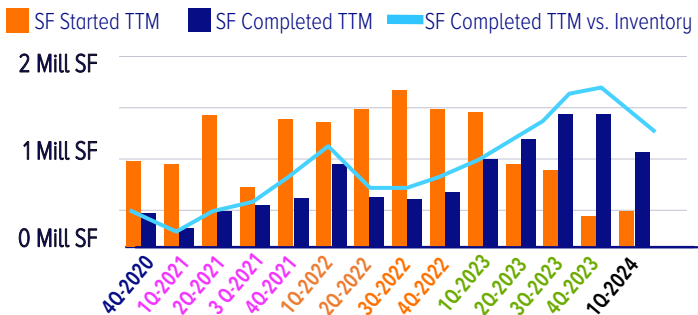


UTMB HEALTH CLEAR LAKE HOSPITAL

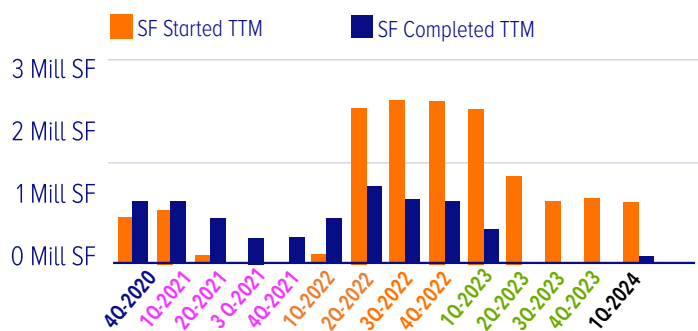
Date: 12/2023
Buyer: University of Texas System
Price: \$258.4 Million
Size: 373,00 SF

SOURCE: *Revista, Northmarq, REBusinessonline*

MOB STARTS - COMPLETIONS



HOSPITAL STARTS - COMPLETIONS



SOURCE: *Revista*

NEW CONSTRUCTION SPOTLIGHT

MOODY NEUROREHABILITATION



A new rehabilitation institute, Moody Neurorehabilitation Institute, just opened in Nassau Bay at 1275 Space Park Drive. This 64,000-square-foot facility will provide post-acute brain injury rehabilitation services including residential and outpatient care as well as day services. Accommodations include 40 private rooms, 15 Murphy-style beds for family accommodations, 10 private rooms with Jack-and-Jill bathrooms, and a spacious community living area.

SOURCE: *Bay Area Houston Economic Partnership*

Austin's healthcare landscape is undergoing significant transformation that is driven by demographic shifts and substantial institutional developments. The addition of a new medical school at the University of Texas compliments the overall healthcare growth, including seven new hospitals and nine expansions. There was approximately 7.7 million square feet of available real estate, with an additional 349,000 square feet under development, signifying a dynamic and active market. Because Austin is also a tech-hub, hospitals and health systems have a major advantage. The sophistication of healthcare services is also advancing, with cutting-edge cancer treatments and transplant programs becoming available.



3
of transactions
↓-72.7%



\$152.7 MILL
Transaction Volume
↓-31.4%



295,562
Total Square Feet
↓-39.8%



\$491.3
Avg Price Per SF
↑10.9%

MEDICAL OFFICE MARKET SNAPSHOT

2ND HALF	TOTAL	QoQ*	RANK**
Total SF	7,553,226	0.0 %	44
SF in Progress	474,054	-8.6 %	21
Sold Volume TTM	\$152,656,780	-9.5 %	14
Occupancy TTM	90.7%	15 bps	114
Avg Rent (NNN)	\$27.29	0.8 %	16
Rent Growth (Y/Y)	3.2%		20

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

SOURCE: *Revista*

TRANSACTIONS/NEW DEVELOPMENTS



SURGERY CENTER OF GEORGETOWN ASC

Date: 10/2023
Developer: Ascension Seton Georgetown
Price: \$10.5 Million
Size: 60,000 SF



ST DAVIDS ACUTE CARE HOSPITAL

Date: 8/2023
Developer: St Davids
Price: \$300 Million
Size: 160,000 SF



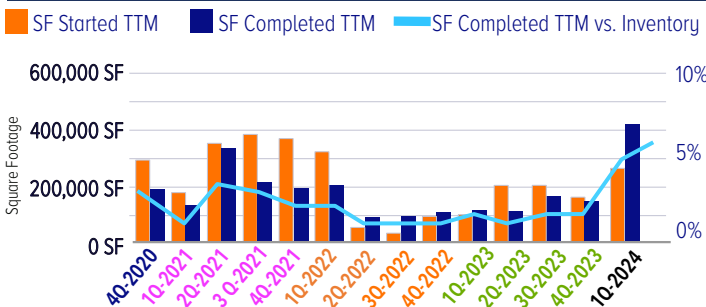
2555 WESTERN TRAIL

Date: 12/2023
Buyer: GNP Development
Price: \$7,820,000
Size: 13,226 SF

SOURCE: *Beckers, Connect CRE, Costar*

CONSTRUCTION SNAPSHOT

MOB STARTS - COMPLETIONS



SOURCE: *Revista*

NEW CONSTRUCTION SPOTLIGHT

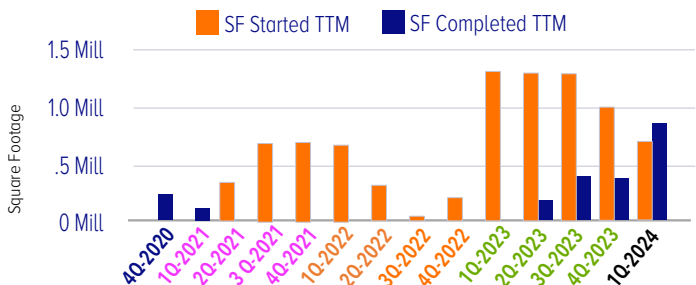
UNIVERSITY OF TEXAS AT AUSTIN MEDICAL CENTER



MD Anderson and the University of Texas are partnering to build 2 flagship hospitals replacing the Frank E Erwin center that is scheduled to be demolished. Education, research, and state-of-the-art cancer treatment are all part of this \$2.5 billion dollar project. Groundbreaking is set for 2026 and to be completed by 2030.

SOURCE: *Austin Business Journal*

HOSPITAL STARTS - COMPLETIONS



SOURCE: *Revista*

SAN ANTONIO

Healthcare

Although slower than its neighboring markets, San Antonio still ranked in the top 50 at number 19 according to Revista. San Antonio experienced 732,915 square feet in development and sold volume of \$111,533,672 over the trailing twelve months. The city is also undergoing considerable healthcare infrastructure expansions. Key projects include the expansion of Methodist Stone Oak Hospital and Christus Santa Rosa Health System's ambitious \$139 million project. Additionally, initiatives like Methodist Healthcare Ministries' digital equity effort and Baptist Health System's expansion of the neighborhood hospital concept reflect San Antonio's committed approach to addressing the healthcare needs of its community.



7
of transactions
↓ -66.7%



\$87.2 MILL
Transaction Volume
↓ 73.5%



281,897
Total Square Feet
↓ 74.2%



\$351.3
Avg Price Per SF
↑ 3.4%

MEDICAL OFFICE MARKET SNAPSHOT

2ND HALF	TOTAL	QoQ*	RANK**
Total SF	12,429,257	0.0%	24
SF in Progress	670,925	0.0%	14
Sold Volume TTM	\$87,223,672	-19.4%	21
Occupancy TTM	88.9%	37 bps	122
Avg Rent (NNN)	\$28.27	0.7%	12
Rent Growth (YY)	1.4%		88

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

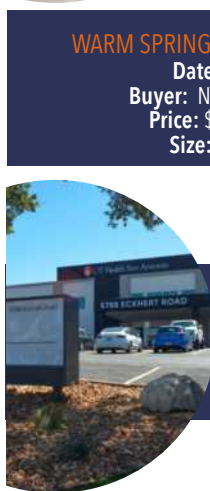
SOURCE: Revista

TRANSACTIONS



GREENWAY PARK

Date: 7/2023
Buyer: Vitalis
Price: \$20 Million
Size: 109,320 SF



WARM SPRINGS REHAB HOSPITAL

Date: 10/2023
Buyer: Norvin Properties
Price: \$26.5 Million
Size: 38,667 SF

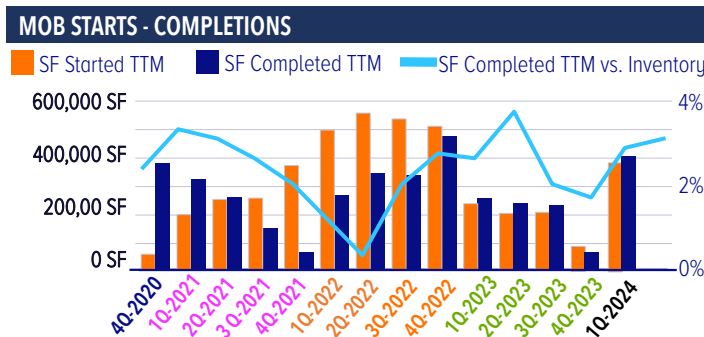


UT HEALTH SAN ANTONIO BEHAVIORAL HEALTH

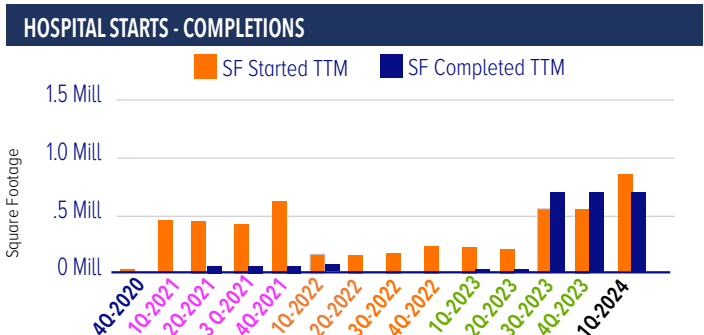
Date: 12/2023
Buyer: Davis Real Estate
Price: \$24.3 Million
Size: 73,390 SF

SOURCE: Revista, HREI, Costar

CONSTRUCTION SNAPSHOT



SOURCE: Revista



SOURCE: Revista

NEW CONSTRUCTION SPOTLIGHT

VIDA - A MULTI-SPECIALTY CENTER



A new institute for public health will be built by University Health near Texas A&M University-San Antonio, in a three-story, multi-specialty center called Vida. The 60,000-square-foot building is part of a larger development that will include University Health's new Palo Alto Hospital, which is estimated to cost \$470 million.

SOURCE: San Antonio Business Journal

LIFE SCIENCES

DALLAS

Dallas, ranked 19th in U.S. markets for life sciences talent, is seeing its industry grow due to concerted efforts in creating innovation hubs and research facilities. Public and private investments have been instrumental in establishing new life sciences clusters, fostering collaboration between academia and industry.

The city's strong healthcare system and diverse medical and research expertise have been pivotal in attracting and retaining talent within the life sciences sector. A notable achievement is Dallas being chosen as a key site for the ARPA-H hub, highlighting its growing significance in the life sciences landscape. This initiative aims to enhance health outcomes and tackle various medical challenges, reinforcing Dallas's position as a biotech innovation leader.

HOUSTON

Houston, ranked 13th in the U.S. for life sciences, is experiencing a surge in this sector, with projects like Levit Green showcasing the city's commitment to a vibrant life sciences ecosystem. Recognitions such as John Mooz's contribution to the life sciences park and Gensler's involvement in Levit Green's Phase II design are testaments to Houston's dedication.

The city's established medical infrastructure and continuous investments in research and development significantly contribute to job growth, attracting professionals like scientists and engineers. Houston's life sciences sector continues to draw significant investment, fueling technological advancements and healthcare innovations. Infrastructure investments, such as those by CenterPoint Energy in the Texas Medical Center, underscore the city's commitment to meeting the sector's utility needs.

AUSTIN

Experiencing exponential growth, Austin's life sciences industry now boasts over 260 companies and more than 18,000 employees as of July. Since 2019, the sector has witnessed a striking 74% growth in employment, with approximately 1.6 million square feet of lab space dedicated to life sciences. Notably, life sciences and healthcare employ 11.6% of Austin's workforce. The city is recognized as the 16th top U.S. market for life sciences talent.

Austin's established tech ecosystem, combined with an increasing number of life sciences companies, has created a fertile ground for innovation. The presence of major universities and research institutions further enhances the city's talent pool. Key drivers of this growth include initiatives like the Cancer Prevention & Research Institute of Texas (CPRIT), which plays a crucial role in attracting researchers and companies, including PanTher Therapeutics. The development of facilities like the 3M campus underscores Austin's rising prominence in healthcare innovation.

SAN ANTONIO

San Antonio's life sciences industry is on the rise, with a focus on biomedical research and healthcare technologies. Collaborating with other Texas cities, San Antonio aims to attract federal biotech initiatives, fostering growth through strategic partnerships and investments in health and bioscience. The city's diverse population and unique health challenges create a prime environment for life sciences research and development. San Antonio's commitment to healthcare technology innovation and biomedical research is setting it up as a significant player in the life sciences field.


Statewide, the life sciences sector's expansion is significantly driven by CPRIT, with its \$6 billion grant program attracting 285 researchers and 16 companies to Texas. Local municipalities are addressing the sector's needs for substantial power and water resources, ensuring the growth is supported by robust utility infrastructure.

In summary, the life sciences sectors in Austin, Dallas, Houston, and San Antonio exemplify the dynamic and rapid growth of this industry in Texas. Fueled by strategic investments, talent acquisition, and a dedication to infrastructure development, these cities are becoming pivotal in advancing healthcare innovation and biotechnological research.




Alexandria Center for Advanced Technologies, a 12-acre life sciences research campus is opened in The Woodlands. San Francisco-based biotech firm, Nurix is occupying the space. The campus includes a medicinal chemistry lab, modern conference and event space, a wellness center and on-site pickleball courts.

SOURCE: Houston Chronicle



ECONOMIC INCENTIVES

One major driver for the expansion is Cancer Prevention & Research Institute of Texas (CPRIT). Founded in 2007, the \$6 billion grant program has assisted in the recruitment of 285 researchers and 16 companies. For instance, PanTher Therapeutics, a clinical-stage oncology company focusing on treating solid tumor received \$14.2 million from CPRIT to expand the development of its clinical therapies.



UTILITY INFRASTRUCTURE

A crucial need in life sciences campuses is power. Naturally the use of electricity and water are substantially more in life sciences than standard office. A plan to expand substations to increase water and sewer infrastructure is underway in many Texas cities. TMC Innovation Factory Labs, which is scheduled to open sometime this year, will be expanded thanks to CenterPoint Energy's investments and expansions in the Texas Medical Center.



BUSINESS FRIENDLY SUBURBS

Several submarkets to Houston, San Antonio, Austin and Dallas, such as The Woodlands, NW San Antonio, Round Rock and Frisco are quickly attracting investors due to their business-friendly environments and infrastructure commitments. A steady influx of company relocation suggests more future life science developments to come to Texas. There is so much opportunity to find abundant land in these suburban areas for new development.

SOURCE: Rednews

TEXAS 2023 YEAR END REPORT

About our Companies



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Texas International Consultants, Incorporated is the flagship of The TICI Group of Companies and recently celebrated its centennial anniversary with the third generation of Mendiolas at the helm. This member of the TICI Group is a strategic global consulting and advisory firm dedicated to representing private and public investors on behalf of their commercial real estate in the United States. 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.



Capitol Markets | Acquisition
Disposition | Tenant Representation

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 and finance. Tenant representation is also included in our services. Along with its sister company Texas International Consultants, 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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