

FOCUS

NATIONAL MOB INVESTMENT SALES MARKET UPDATE

SUMMER 2018



Focus is designed to provide our friends in the healthcare real estate industry with a market overview and forecast for the medical office building investment sales market. We track the numbers, the trends and the fundamentals impacting the market. We sell U.S. medical office buildings in the \$5 million to \$100 million+ price range.



Market Recap & Predictions

We continue to see some large MOB portfolios close and more come to the market. These types of opportunities draw a tremendous amount of time and attention from the large institutional buyers. At the same time, medium size off-campus MOB's in the \$5mm-\$15mm range are seeing a lot of activity from smaller private equity and high-net-worth individuals.

Based on this we're seeing a division of buyer types. It used to be that almost all Buyers would pursue a \$10mm opportunity if it was a quality asset with good tenants. Now we're seeing only a few exceptions where institutional investors are pursuing assets in this range.

This opens the door for new investors to enter the market, new funds being introduced, and the capital raise being more aggressive across the spectrum.

Vacancy & Rental Rates

It didn't seem all that long ago when we celebrated vacancy rates dipping into the single digits. That was mid 2016 and now we're seeing 7.3% nationwide. That's outstanding. The other side of this supply and demand equation is increasing rental rates, now at a record high. These figures will both likely level out as development is on the rise and as additional space is delivered to the market. In the meantime, healthcare systems and large practices will continue to sign longer leases on quality spaces in the market.

My favorite sector of Commercial Real Estate has continued to grow since I started selling MOB's in 2007. I don't see that changing anytime soon.

We are predicting Cap Rates will rise soon and for Dollar Volume to exceed \$10B this year.

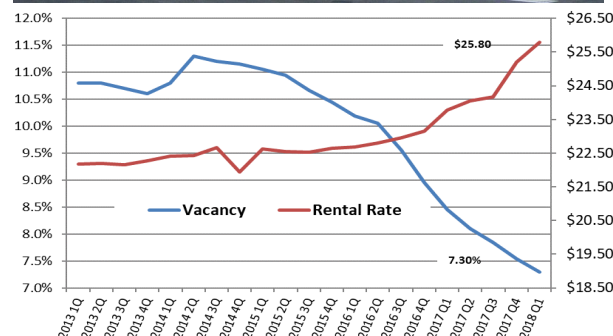
We go into greater depth analyzing vacancy & rental rates, cap rates & dollar volume throughout this issue of FOCUS.

Disposition & Acquisition Services

For an analysis of a particular market area, portfolio or asset, you're invited to contact me personally at (800) 408-2855 x 133

Paul Zeman

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Partner, Bull Realty, Inc.



Paul Zeman, President
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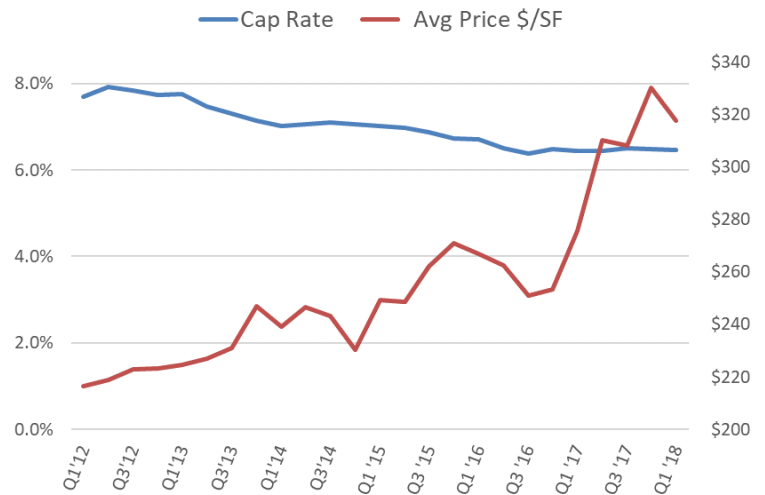
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Average 12 month Cap Rate of 6.5%
Average Price Per Square Foot of \$318

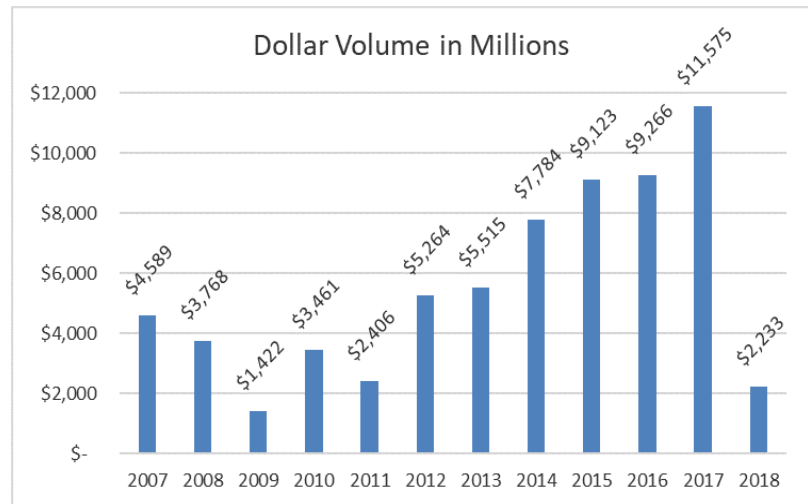
We have seen the Fed increase interest rates 25 basis points four times since March 2017, yet Cap Rates have remained steady in the area of 6.5% since early 2016. While large portfolio transactions have a lot to do with this we continue to see aggressive offers on individual high quality assets in the market. The message is clear. Buyers continue to seek quality assets, both on campus and off. As the Fed is forecasting additional rate increases the tide will eventually turn as the cost of capital impacts investors' returns and cap rates will be on the rise. The average price per square foot is coming off a record high. For both calculations, we are only considering MOB's greater than \$5mm.



Source: Real Capital Analytics www.RCAnalytics.com and Bull Realty Research

Dollar Volume

Overall Dollar Volume was off to a good start initially, on par with or ahead of the pace that was set in all but 2015, but April was very a very quiet month for acquisitions. We feel confident the volume will pick up substantially with a number of larger transactions in the pipeline. The increase in volume we have seen every year since 2011 says a lot about the growth of this sector. As we see new buyers entering the market every year and see the large institutional investors chasing larger deals this trend should continue. While these figures are also based on transactions greater than \$5mm it's also interesting to note that we have seen roughly \$490mm (or about 18% of the total dollar volume) in transactions this year for MOB's less than \$5mm. That is a much higher percentage than usual.



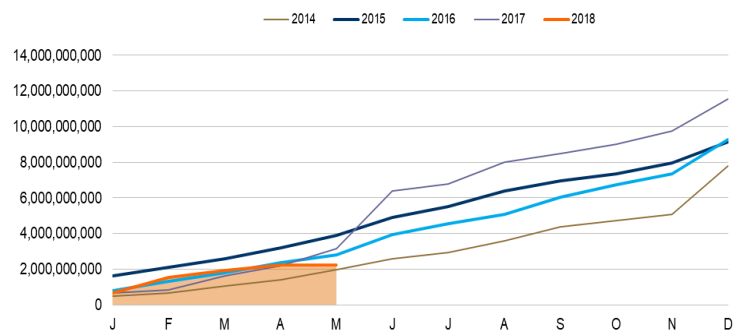
Source: Real Capital Analytics www.RCAnalytics.com and Bull Realty Research (MOB Transactions of \$5mm+)

Market Performance & Transactions

Volume (\$)	Prior 12 Months	11,813,999,917	29.6%
	Q1 '18	1,911,952,174	-37.3%
# Props	Prior 12 Months	655	-0.9%
	Q1 '18	121	-34.2%
Total sf	Prior 12 Months	37,201,832	2.2%
	Q1 '18	7,249,074	-25.8%
Avg Price \$/sf	Prior 12 Months	318	15.2%
	Q1 '18	250	-27.9%
Avg Cap Rate	Prior 12 Months	6.5%	2
	Q1 '18	6.3%	-16

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Cumulative Monthly Volume \$ (mil)



Source: Real Capital Analytics www.RCAnalytics.com and Bull Realty Research (MOB Transactions of \$5mm+)

Recently Sold

BioReference Laboratories (BRL) - Melbourne, FL A 20,621 SF single-tenant laboratory sold in February for \$3,800,000 at a 7.5% cap rate. BRL is the third largest laboratory in the U.S. and this facility serves the entire Southeast.



Emory Healthcare Portfolio: Atlanta MSA - A total of 2 properties totaling 17,000 SF sold in December for \$5,825,000. Outpatient Diagnostic Imaging & Primary Care Centers.

Investment Opportunities



\$7,500,000 Value Ad
Athens, GA 38,000 SF
Immediately adjacent to Piedmont Athens Regional Medical Center, Hospital Sponsorship, Go Dogs!



\$7,300,000 6.85% Cap
Duluth, GA 56,903 SF
National Vision, Inc. HQ
Single Tenant, Extraordinary Finishes, Publicly Traded Tenant (NASDAQ: EYE)



\$8,715,000 6.85% Cap
Loganville & Newnan, GA 20,506 SF
Offered as a portfolio or separately, Piedmont Healthcare single tenant assets, Women's Health, Gastroenterology, & Pediatrics.



Coming Soon: \$25,000,000
Glenview, IL 74,200 SF
Prairie Glen Medical Office Center, Health System Sponsorship, Long Term Leases.



\$10,700,000 6.25% Cap
Knoxville, TN 28,100 SF
Under Contract



\$2,300,000 5.5% Cap
Phenix City, AL 9,165 SF
DaVita Clinic on Campus

The Healthcare Real Estate Services Team creates business plans specifically tailored to your goals. If you are a seller, we have a great degree of flexibility in our mission to find you the right type of buyer at the right price and at the right terms. If you are an investor, we have the ability to secure the specific property type to match your investment criteria. We appreciate the opportunity to work with you and invite you to call on us if we may be of service in any way.

Have you seen or heard America's Commercial Real Estate Show?

The national show has been on radio stations, iTunes, YouTube and www.CREshow.com since 2010. Bull Realty is the presenting sponsor and Michael Bull is the host. Industry economists, analysts and market leaders including Michael share market intelligence, forecast and success strategies. Check it out sometime and let us know what you think!

Just search "The Commercial Real Estate Show" on google or on iTunes, YouTube or your favorite social media site.



Best Disposition Marketing in the Nation: Meet the Team

The Healthcare Real Estate Services Team provides disposition, acquisition, monetization, brokerage and advisory services. Clients include MOB developers, high net-worth individuals, healthcare providers, investors and REITs. We execute the marketing and sale of healthcare properties on a national basis. Our experienced team has built an extensive buyer database and completed transactions with all the major healthcare buyers in the country. This level of expertise and familiarity with the top buyers in this sector helps us provide clients with unparalleled value. *The high level of service you have come to expect here is possible because of each team member's support and dedication:*



Paul Zeman, President

As a former healthcare administrator and executive, Paul understands the internal workings of healthcare and how they affect the value of your real estate. He places your best interests and objectives ahead of his own and offers levels of service and accountability that are unmatched in the industry. As President of our Healthcare Real Estate Services division, he leads the team to ensure a high level of client services.



Michael Bull, Partner

With 30+ years in investment sales, Michael provides a tremendous amount of experience and knowledge in negotiating transactions, agreements and maximizing asset value.



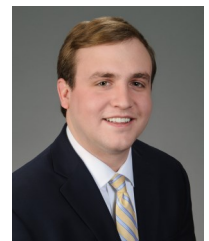
Scott Jackson Analyst



Aubri Lienemann Marketing



Melissa Henry Marketing



Guy Minick Business Development

You are invited to contact our team for acquisition and disposition services or if we can be of any other service.