

MEDICAL PROPERTIES MEDIAN ASKING CAP RATE COMPARISON

Q3 2020 (Previous)	Q3 2021 (Current)	Basis Point Change
6.50%	5.95%	-55

NET LEASE MEDICAL VS. NET LEASE MARKET CAP RATE

	Q3 2020 (Previous)	Q3 2021 (Current)
Net Lease Medical	6.50%	5.95%
Net Lease Market	6.22%	5.99%
Differential (bps)	+28	-4

NET LEASE MEDICAL PROPERTIES MEDIAN ASKING PRICE

	Average Price	Average Price Per Foot
Investment Grade	\$3,750,000	\$485 PSF
Non-Investment Grade	\$2,672,000	\$419 PSF

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

	Q3 2020 (Previous)	Q3 2021 (Current)	Basis Point Change
Dialysis	6.00%	5.70%	-30
Urgent Care	7.13%	6.35%	-78
General Doctor	6.91%	6.80%	-11
Other	7.05%	6.55%	-50

NET LEASE MEDICAL MARKET BY CREDIT RATING

	Q3 2020 (Previous)	Q3 2021 (Current)
Investment Grade	11%	13%
Non-Investment Grade	89%	87%

MARKET OVERVIEW

Cap rates in the third quarter of 2021 for the single tenant net lease medical sector* compressed by 55 basis points to 5.95%, when compared to the previous year. The overall net lease market (retail, office and industrial) experienced a 23 basis point decrease in cap rates over the same period of time. Strong investor demand for essential net lease properties and an increased investor allocation for medical properties were the primary drivers for the aforementioned cap rate compression within the medical sector.

The net lease medical sector was previously priced at significant discount to the overall net lease sector since 2017. However, in the third quarter of 2021, net lease medical properties were priced at a 4 basis point premium to the overall net lease sector following a year of significant compression. Lower price point, net lease medical assets provided an opportunity to investors when compared to the net lease retail sector. In the third quarter of 2021, the net lease medical sector was priced at a 15 basis point discount to the net lease retail sector (5.80%). Medical related tenants continue to expand off hospital campuses and into historically retail real estate locations, implementing so called medtail strategies including urgent care concepts. Accordingly, net lease investors that previously focused on retail real estate added this asset class to their acquisition criteria in search of higher yields.

Institutional and private investors continue to seek investment opportunities within the single tenant medical sector. Long term leases to the larger credits in the sector (hospital systems and Fresenius/DaVita) will generate the lowest cap rates within the medical sector. 1031 and private buyers are the primary buyers of these assets due to the cap rates associated with these properties.

Investor demand for the single tenant net lease medical sector will remain strong. The long-term outlook for this asset class combined with the expansion of medtail real estate will create a steady pipeline of property supply for investors. The net lease medical sector will continue to provide investors protection from e-commerce and inflation as many medical leases have structured rental escalations throughout the term of the lease.

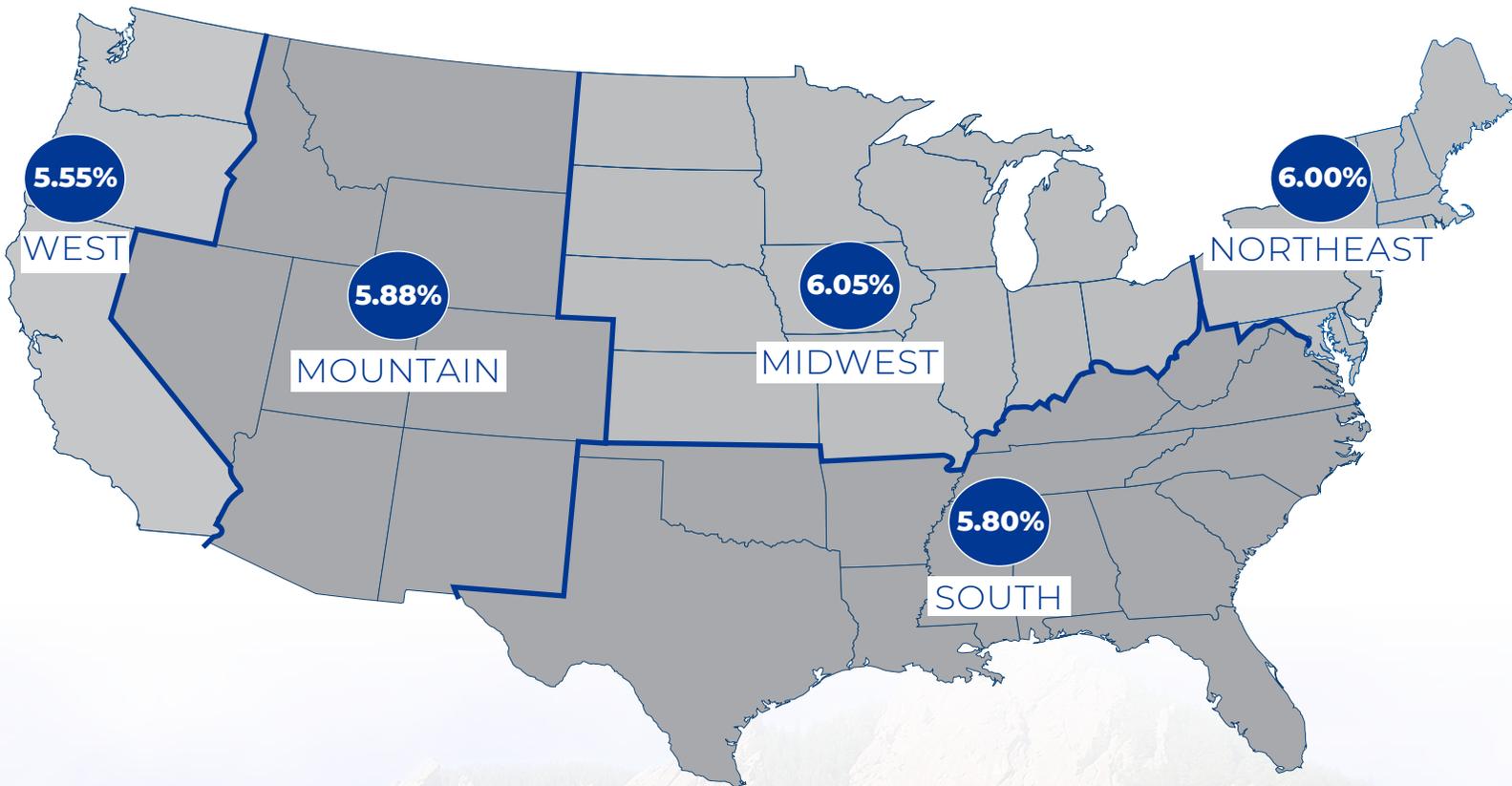
**For the purpose of this report, the single tenant net lease medical sector is defined as net lease medical properties priced below \$10 million.*

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dialysis	Urgent Care	General Doctor ¹	Other ²
16-20 Years	--	5.80%	--	--
11-15 Years	5.30%	6.00%	6.35%	6.35%
6-10 Years	5.85%	6.40%	6.85%	6.60%
5 Years & Under	6.78%	7.00%	7.35%	7.40%

- 1) The General Doctor category consists of physicians and specialty offices.
- 2) The Other category consists of dental and physical therapy offices and homecare facilities.

NET LEASE MEDICAL PROPERTIES MEDIAN ASKING CAP RATE BY REGION



SELECTED NET LEASE MEDICAL SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaining
Aug-21	Fresenius Medical Care	Sardis	MS	\$2,328,281	\$407 PSF	5.50%	17
Aug-21	UF Health Cardiology	Leesburg	FL	\$1,150,000	\$285 PSF	6.00%	6
Aug-21	Heartland Dental	Grain Valley	MO	\$2,500,000	\$595 PSF	5.75%	10
Aug-21	Atlanta Gastroenterology Associates	Statesboro	GA	\$2,150,000	\$325 PSF	8.84%	6
Aug-21	DaVita Dialysis	Chico	CA	\$3,100,000	\$431 PSF	5.50%	5
Sep-21	WellMed Medical	Plant City	FL	\$3,878,389	\$260 PSF	6.14%	8
Sep-21	DaVita Dialysis	Houston	TX	\$4,408,391	\$462 PSF	6.40%	8
Sep-21	Conviva Care Center	Greenacres	FL	\$4,320,000	\$545 PSF	5.00%	8
Sep-21	Aspen Dental	Rock Hill	SC	\$2,587,000	\$840 PSF	6.00%	10
Sep-21	Xpress Wellness Urgent Care	Ponca City	OK	\$2,051,000	\$547 PSF	6.75%	8
Sep-21	DaVita Dialysis	Concord	CA	\$18,400,000	\$1,066 PSF	4.65%	15
Oct-21	Aspen Dental	Hastings	MN	\$2,157,000	\$478 PSF	5.94%	7
Oct-21	Fresenius Medical Care	North Tonawanda	NY	\$2,200,000	\$293 PSF	7.91%	4
Oct-21	Carson Tahoe Regional Hospital	Carson City	NV	\$3,195,000	\$252 PSF	6.00%	5

FOR MORE INFORMATION

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