

# FOCUS

NATIONAL MOB INVESTMENT SALES MARKET UPDATE

FALL 2017



*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.



**Paul Zeman**, President  
Healthcare Real Estate Services  
Partner, Bull Realty Inc.

**Bull Realty, Inc.**  
(404) 876-1640 x 133  
PZeman@BullRealty.com



## Market Recap & Predictions

We've seen some very large MOB Portfolio transactions this year in the hundreds of millions and even billions. The resulting effect on this sector of commercial real estate is enormous.

These transactions were in the low to mid 5 cap rate range which has kept average cap rates very low. Dollar volume has soared well above anything we've seen YTD in the last few years. Average price in terms of dollars per square foot continues to increase. The sector overall is gaining additional attention from foreign investors and high-net-worth individuals. The vacancy rate is rapidly declining and average rents remain very strong. It's a good time to be an owner of a quality MOB with short term plans to sell!

Even with these large transactions we are seeing investors raise capital faster than it is being deployed. The search for quality product remains

## Vacancy & Rental Rates

It's quite clear these two figures have an inverse relationship with each other. They are purely a product of supply and demand. Vacancy rates have declined steadily over the last 3 years well into single digits. As a result the average rental rate has continued to climb. We are seeing health systems executed leases consistent with the terms of their employed physicians' contracts.

the single biggest challenge for investors. As a result, MOB owners that had previously planned to hold long-term are now considering selling.

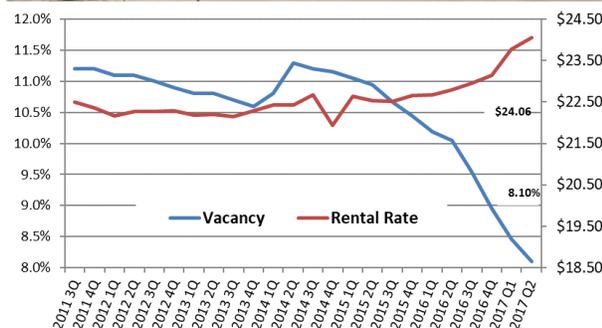
We are predicting Cap Rates will level out soon and for Dollar Volume to exceed \$10B this year.

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

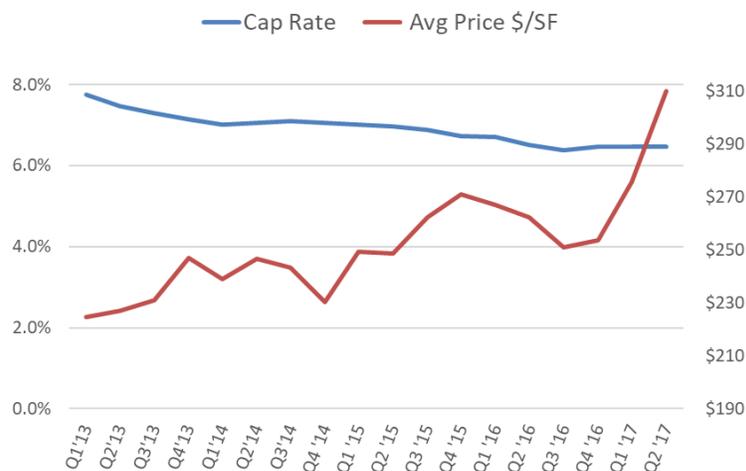
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## Average 12 month Cap Rate of 6.4% 2nd Quarter Cap Rate of 6.5%

The HTA / Duke portfolio transaction represents approximately one third of the dollar volume we have seen this year and was reported to be in the low 5% range, potentially even in the high 4%'s. There have been additional large portfolio transactions this year as well. That is obviously going to put a lot of pressure on cap rates. Any mathematician will tell you there would need to much higher cap rate transactions to get the averages in the mid 6%'s. True; however, these large transactions are fueling the demand for more quality product and as a result other investors have been willing to pay more for quality product which continues to compress cap rates.

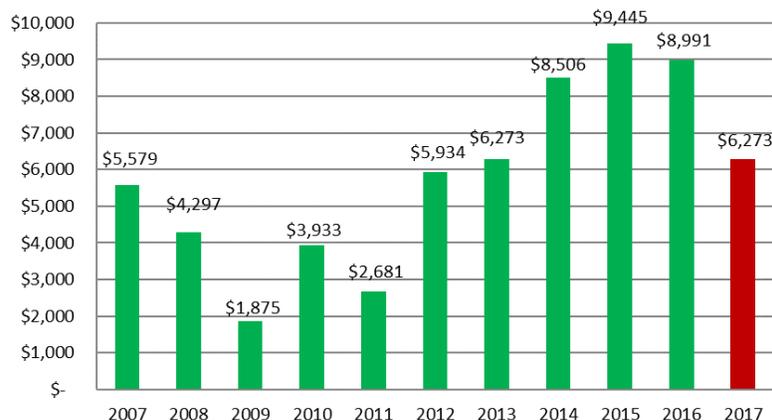


Source: Real Capital Analytics www.RCAnalytics.com and Bull Realty Research

## Dollar Volume

In the last 24 months 3 of the publicly traded REIT's have a combined dollar volume of almost \$6B. These same 3 REIT's account for more than half of the overall dollar volume we have seen this year. Institutional Buyers have been so focussed on \$10mm+ transactions it has opened the door for a lot of private equity to pursue the \$5mm to \$10mm range of opportunities. While we focus on transactions greater than \$5mm it's clear another \$2.5B worth of MOB's have traded this year under the \$5mm mark. We are predicting record volume with some additional portfolios hitting the market as well as some high quality off-campus MOB's.

## Dollar Volume in Millions



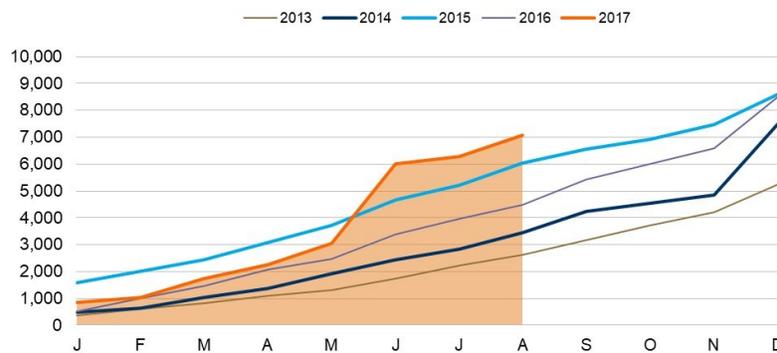
Source: Real Capital Analytics www.RCAnalytics.com and Bull Realty Research (MOB Transactions of \$5mm+)

## Market Performance & Transactions

<b>Volume (\$)</b>	Prior 12 Months	<b>11135.7(M)</b>	<b>51.8%</b>
	Q2 '17	<b>4,292,961,270</b>	<b>149.5%</b>
<b># Props</b>	Prior 12 Months	685	30.2%
	Q2 '17	190	-7.8%
<b>Total sf</b>	Prior 12 Months	<b>35,684,481</b>	<b>17.2%</b>
	Q2 '17	<b>11,875,989</b>	<b>154.7%</b>
<b>Avg Price \$/sf</b>	Prior 12 Months	310	20.1%
	Q2 '17	376	27.4%
<b>Avg Cap Rate</b>	Prior 12 Months	<b>6.5%</b>	<b>-5</b>
	Q2 '17	<b>6.4%</b>	<b>-15</b>

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## Cumulative Monthly Volume \$ (mil)



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

## 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.



**Scott Jackson**  
Analyst



**Melissa Henry**  
Marketing



**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. You may have also heard him as host of the nationally syndicated "Commercial Real Estate Show."



**Aubri Lienemann**  
Marketing



**Jude Sullivan**  
Business Development

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, You Tube 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.



### Recently Sold



**The Exchange** - Two MOB's totaling 61,203 sf in Athens, GA recently **sold for \$16,800,000**. Built in 2007, St. Mary's Healthcare System occupies the majority of the space. Services at this location include full modality outpatient diagnostic imaging, wellness, cardiology, neurology, endocrinology, pediatric & adult dentistry. Paul Zeman represented the Seller in this transaction.

### Investment Opportunities



**Two Emory Healthcare Clinics** - Located in in the Atlanta MSA, each building is occupied by Emory Healthcare. Services include full modality outpatient diagnostic imaging and primary care. Leases are NNN with annual escalations. The properties are available for **\$6,250,000 at a 6.85% cap rate**.



**BioReference Laboratories (BRL)** - This 20,621 sf single tenant net leased property is located in Melbourne, FL. BRL is the third largest laboratory in the U.S. and this facility serves the entire Southeast. The lease is NNN with annual escalations. The property is available for **\$4,200,000 at a 7% cap rate**.

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