

ASKING CAP RATE COMPARISON

Q3 2015 (Previous)	Q3 2016 (Current)	Basis Point Change
6.50%	6.50%	+0

NET LEASE MEDICAL VS. NET LEASE MARKET CAP RATE

	Q3 2015 (Previous)	Q3 2016 (Current)
Net Lease Medical	6.50%	6.50%
Net Lease Market	6.65%	6.29%
Differential (bps)	-15	+21

NET LEASE MEDICAL PROPERTIES MEDIAN ASKING PRICE

	Average Price	Average Price Per SF
Investment Grade	\$2,613,874	\$303
Non-Investment Grade	\$3,495,038	\$341

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

	Q3 2015 (Previous)	Q3 2016 (Current)	Basis Point Change
Dialysis	6.60%	6.38%	-22
Urgent Care	6.30%	6.95%	+65
General Medical	6.68%	6.70%	+2
Other	7.58%	7.00%	-58

NET LEASE MEDICAL MARKET BY CREDIT RATING

	Q3 2015 (Previous)	Q3 2016 (Current)
Investment Grade	40%	35%
Non-Investment Grade	60%	65%

MARKET OVERVIEW

Through the first three quarters of 2016, transactions in the single tenant medical sector* were up approximately 8% when compared to the first three quarters of 2015. In the same time period, the number of transactions in the overall net lease market was down 2.6%. Cap rates in the single tenant net lease medical sector remained unchanged in the third quarter of 2016 with a median asking cap rate of 6.50%. More specifically, the dialysis sector, which includes tenants Fresenius and DaVita, experienced compression of 22 basis points. The growing net lease medical sector continues to attract investor interest due to the increasing aging population of the country and the sector's resistance to e-commerce. In addition to the positive outlook of the healthcare sector, most medical related leases feature rental escalations. These attributes are highly sought after characteristics amongst net lease investors.

While the overall net lease market experienced cap rate compression of 36 basis points from the third quarter of 2015 to the third quarter of 2016, cap rates for the net lease medical sector remained unchanged. This can be attributed to the influx of non-investment grade medical properties like urgent care and general doctor properties. In the third quarter of 2016, there was a 26% increase in the supply of non-investment grade medical properties which typically trade at a discount to investment grade properties. Furthermore, non-investment grade medical properties made up 65% of the net lease medical sector.

Dialysis clinics continue to be at the forefront of investor demand due to their strong corporate guarantees and familiarity with investors. In the third quarter, dialysis clinics made up 57% of the overall net lease medical sector and represented lower cap rates than urgent care and general doctor properties. The lower price points associated with net lease dialysis properties have garnered interest from 1031 buyers who traditionally purchase net lease retail assets. The median price for net lease dialysis properties in the third quarter of 2016 was approximately \$2.4 million while the overall price point of the net lease medical sector is approximately \$3.4 million.

The single tenant net lease medical sector will remain active as investors remain attracted to the long term outlook for healthcare as the aging demographic grows. Investors across all profile types will continue to acquire net lease medical properties as cap rates remain attractive when compared to the overall net lease sector.

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

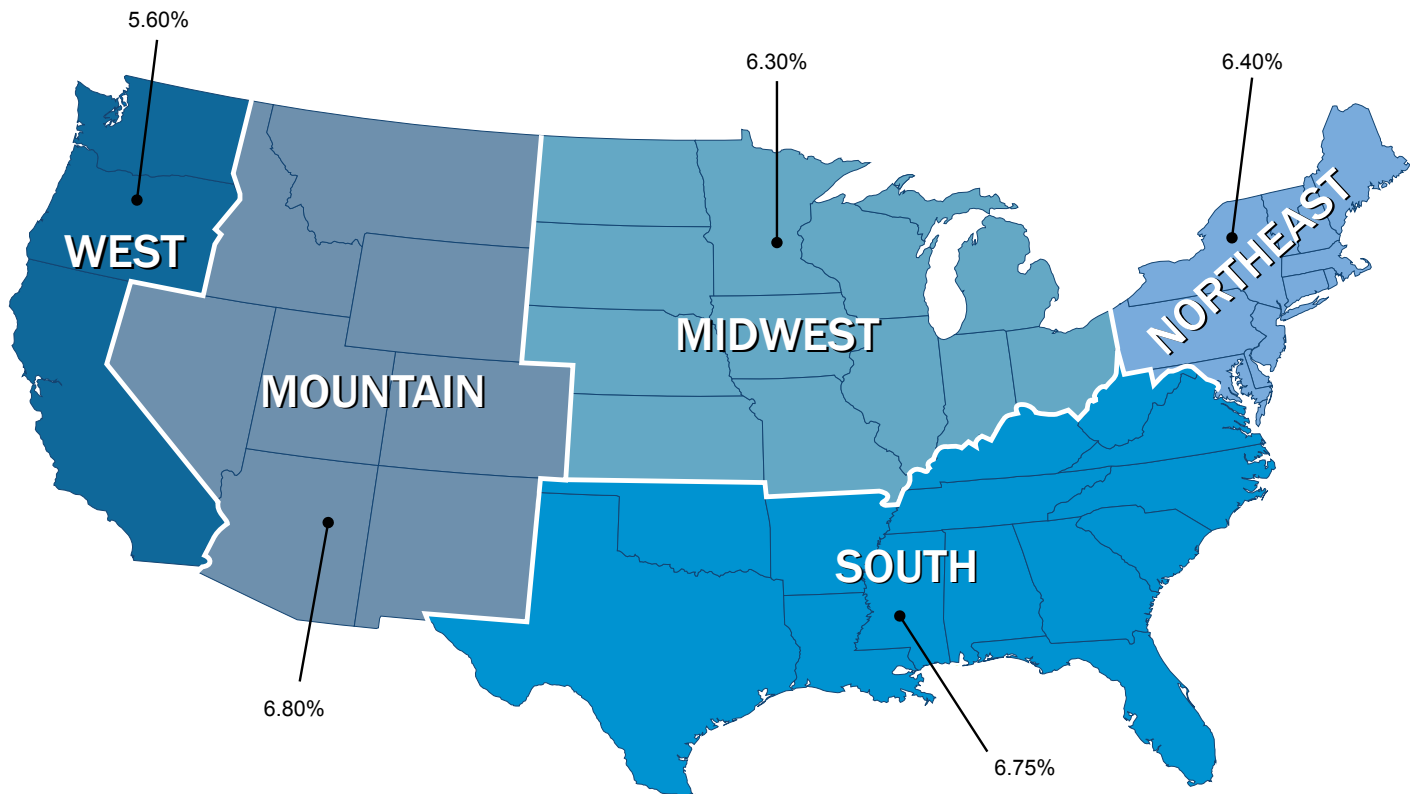
MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dialysis	Urgent Care	General Medical ¹	Other ²
16-20	N/A	6.35%	N/A	6.65%
11-15	5.50%	6.50%	6.00%	6.85%
6-10	6.50%	7.50%	6.48%	7.25%
5 & Under	8.20%	7.67%	7.93%	N/A

1) The General Medical 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
Jun-16	Lakeside Women's Hospital	Oklahoma City	OK	\$19,840,000	\$316 PSF	6.63%	12
Apr-16	DaVita	Anaheim	CA	\$11,450,000	\$774 PSF	4.91%	14
Oct-16	First Choice Emergency Room	Phoenix	AZ	\$8,705,800	\$1,172 PSF	6.50%	20
Aug-16	First Choice Emergency Room	Houston	TX	\$6,716,793	\$1,004 PSF	6.75%	15
Jun-16	Legacy ER & Urgent Care	Coppell	TX	\$6,548,160	\$638 PSF	6.75%	9
Apr-16	Atlanta Gastroenterology Associates	Gainesville	GA	\$5,450,000	\$506 PSF	5.50%	15
May-16	Fresenius	River Forest	IL	\$4,765,000	\$299 PSF	6.50%	10
Apr-16	Urgent Care Extra	Surprise	AZ	\$3,162,393	\$607 PSF	5.85%	15
Jun-16	DaVita	Clinton	OK	\$1,467,500	\$267 PSF	5.62%	10

FOR MORE INFORMATION

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