

MEDICAL PROPERTIES MEDIAN ASKING CAP RATE COMPARISON

Q3 2019 (Previous)	Q3 2020 (Current)	Basis Point Change
6.45%	6.50%	+5

NET LEASE MEDICAL VS. NET LEASE MARKET CAP RATE

	Q3 2019 (Previous)	Q3 2020 (Current)
Net Lease Medical	6.45%	6.50%
Net Lease Market	6.35%	6.22%
Differential (bps)	+10	+28

NET LEASE MEDICAL PROPERTIES MEDIAN ASKING PRICE

	Average Price	Average Price Per Foot
Investment Grade	\$4,716,500	\$479 PSF
Non-Investment Grade	\$2,566,666	\$420 PSF

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

	Q3 2019 (Previous)	Q3 2020 (Current)	Basis Point Change
Dialysis	6.15%	6.00%	-15
Urgent Care	7.25%	7.13%	-12
General Doctor	6.75%	6.91%	+16
Other	7.00%	7.05%	+5

NET LEASE MEDICAL MARKET BY CREDIT RATING

	Q3 2019 (Previous)	Q3 2020 (Current)
Investment Grade	27%	11%
Non-Investment Grade	73%	89%

MARKET OVERVIEW

Cap rates in the third quarter of 2020 for the single tenant net lease medical sector* increased by five basis points to 6.50% when compared to the previous year. The primary reason for the slight increase in cap rates for the net lease medical sector is attributed to the higher concentration of non-investment grade tenants in the sector. In the third quarter of 2020, non-investment grade tenanted properties made up 89% of the supply. Despite investor concerns surrounding the Covid-19 pandemic for the overall net lease sector, the net lease medical sector saw an uptick in transaction volume through the third quarter of 2020. When compared to 2019, transaction volume in the third quarter for the net lease medical sector increased by approximately 6%. Investor demand increased as medical related assets are considered essential.

The net lease medical sector is priced at a significant discount to the overall net lease sector. In the third quarter, net lease medical properties were priced at a 28-basis point discount to the overall net lease sector. However, cap rates for properties with investment grade rated medical tenants commanded a significant premium. In the third quarter of 2020, investment grade back tenants were priced at a 57-basis point premium (5.93% cap rate) over the overall net lease sector.

Both private and institutional investors continue to seek investment opportunities within the single tenant medical sector. Investment grade medical tenants such as hospital backed systems and Fresenius typically generate lower cap rates due to the increased demand from private and 1031 investors. However, as new brands emerge from the "medtail" sector, private investors have widened their acquisition criteria to include urgent care groups as higher yields can be achieved.

The single tenant net lease medical sector will remain active as investors are attracted to the long-term outlook of the healthcare sector and the increased need for conveniently located healthcare. As the impact of Covid-19 continues to evolve in the overall net lease sector, e-commerce resistant and essential based businesses including the medical sector will be the biggest beneficiaries. Demand from both private/1031 exchange buyers as well as institutional investors will continue to target this asset class.

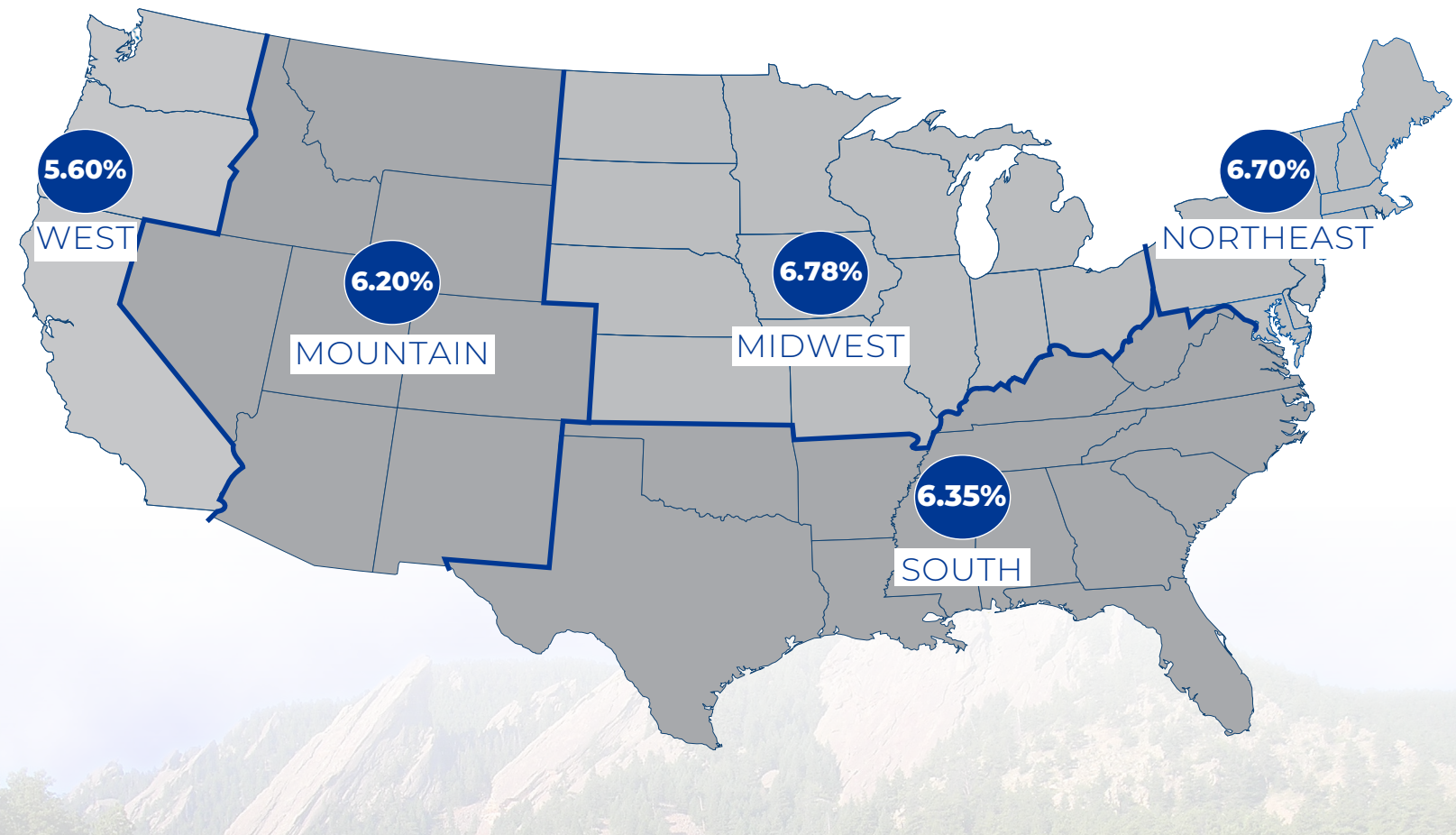
* For the purpose of this report, the single tenant net lease medical sector is defined as net lease medical properties priced below \$10 million.

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dialysis	Urgent Care	General Medical ¹	Other ²
16-20 Years	5.85%	--	--	--
11-15 Years	6.10%	6.40%	6.50%	6.75%
6-10 Years	7.00%	6.90%	6.88%	7.00%
5 Years & Under	7.30%	7.50%	7.45%	7.50%

- 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
Aug-20	Davita Dialysis	Palmdale	CA	\$6,669,000	\$485 PSF	5.75%	10
Sep-20	Davita Dialysis	Portland	OR	\$5,300,000	\$650 PSF	5.30%	12
Oct-20	South Miami Pain Center	Miami	FL	\$3,401,408	\$653 PSF	7.10%	9
Oct-20	Medcare Urgent Care Center	Anderson	SC	\$3,250,000	\$463 PSF	7.36%	15
Aug-20	Fresenius Medical Care	Orangeburg	SC	\$3,085,000	\$589 PSF	6.50%	14
Sep-20	Medcare Urgent Care Center	Spartanburg	SC	\$2,900,000	\$414 PSF	8.26%	5
Aug-20	Aspen Dental	North Chesterfield	VA	\$2,650,000	\$757 PSF	6.34%	9
Oct-20	Davita Dialysis	Mercedes	TX	\$2,456,506	\$274 PSF	5.95%	14
Oct-20	Fresenius Medical Care	Jourdanton	TX	\$2,449,937	\$257 PSF	6.41%	6
Oct-20	Mayo Clinic Health System	New Prague	MN	\$2,400,000	\$288 PSF	8.14%	1
Sep-20	Gastric Binding Center of San Diego	San Diego	CA	\$2,300,000	\$456 PSF	4.78%	16
Oct-20	Aspen Dental	Brentwood	MO	\$2,056,000	\$587 PSF	6.30%	8
Aug-20	IMA Medical Group	Saint Cloud	FL	\$1,720,000	\$345 PSF	6.15%	5
Oct-20	Fast Pace Urgent Care	Chuch Hill	TN	\$1,447,000	\$587 PSF	7.75%	11

FOR MORE INFORMATION

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