

**MEDICAL PROPERTIES MEDIAN ASKING CAP RATE COMPARISON**

| Q3 2016 (Previous) | Q3 2017 (Current) | Basis Point Change |
|--------------------|-------------------|--------------------|
| 6.50%              | 6.25%             | -25                |

**NET LEASE MEDICAL VS. NET LEASE MARKET CAP RATE**

|                    | Q3 2016 (Previous) | Q3 2017 (Current) |
|--------------------|--------------------|-------------------|
| Net Lease Medical  | 6.50%              | 6.25%             |
| Net Lease Market   | 6.29%              | 6.20%             |
| Differential (bps) | +21                | +5                |

**NET LEASE MEDICAL PROPERTIES MEDIAN ASKING PRICE**

|                      | Average Price | Average Price Per SF |
|----------------------|---------------|----------------------|
| Investment Grade     | \$2,839,500   | \$386 PSF            |
| Non-Investment Grade | \$2,653,407   | \$318 PSF            |

**MEDIAN ASKING CAP RATES BY PROPERTY TYPE**

|                | Q3 2016 (Previous) | Q3 2017 (Current) | Basis Point Change |
|----------------|--------------------|-------------------|--------------------|
| Dialysis       | 6.38%              | 6.10%             | -28                |
| Urgent Care    | 6.95%              | 6.90%             | -5                 |
| General Doctor | 6.70%              | 6.52%             | -18                |
| Other          | 7.00%              | 7.25%             | +25                |

**NET LEASE MEDICAL MARKET BY CREDIT RATING**

|                      | Q3 2016 (Previous) | Q3 2017 (Current) |
|----------------------|--------------------|-------------------|
| Investment Grade     | 35%                | 32%               |
| Non-Investment Grade | 65%                | 68%               |

**MARKET OVERVIEW**

Cap rates in the third quarter of 2017 in the single tenant net lease medical sector\* compressed by 25 basis points to a 6.25% when compared to the prior year. The dialysis sub-sector, which includes tenants Fresenius and DaVita, experienced the greatest compression of 28 basis points. The dialysis sub-sector represented the lowest cap rates in the net lease medical sector of 6.1%. This is attributable to the long term leases with rental escalations that these two tenants frequently exhibit. In the third quarter of 2017, net lease dialysis properties made up more than 45% of the overall net lease medical supply

Despite the attractive long-term outlook for healthcare due to the aging demographic, the net lease medical sector was priced at a 5 basis point discount to the overall net lease market. This can primarily be attributed to the high concentration of non-investment grade rated tenants within sector. In the third quarter of 2017, non-investment grade tenants comprised approximately 68% of the total supply.

The lower price points associated with properties in the net lease medical sector make these properties a popular acquisition option amongst private and 1031 investors. In the third quarter of 2017, the median price of net lease medical properties was approximately \$2.7 million. In 2017, private and 1031 investors were the buyers of 66% of the net lease medical properties sold. Additionally, many net lease medical properties have rental escalations in their leases providing investors with an inflationary hedge.

The single tenant net lease medical sector will remain active as investors remain attracted to the long term outlook for healthcare related properties. The 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. Net lease medical properties will be a viable alternative to retail investments as private and 1031 buyers with lower price point acquisition requirements. 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 properties priced below \$10 million.*

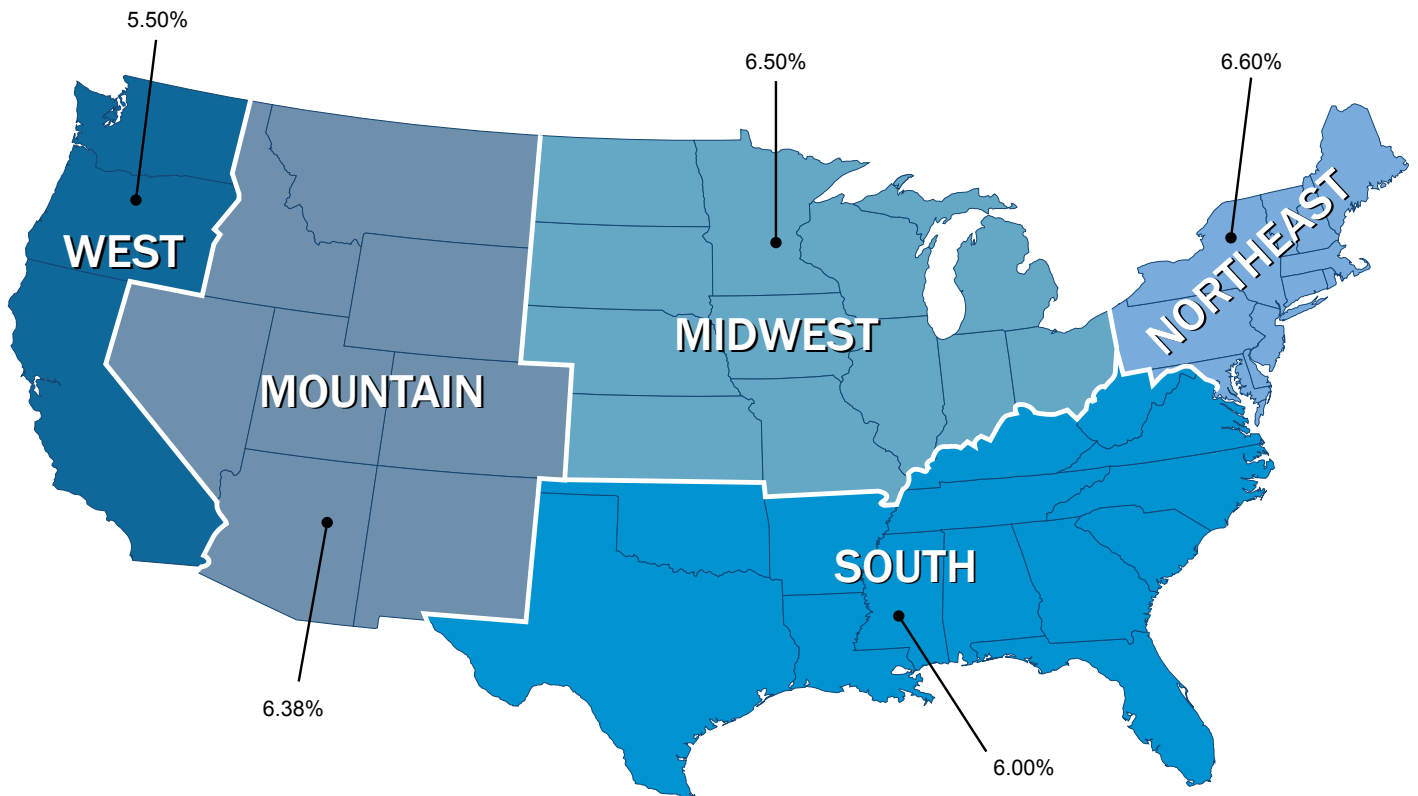
**MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING**

| Years Remaining | Dialysis | Urgent Care | General Medical <sup>1</sup> | Other <sup>2</sup> |
|-----------------|----------|-------------|------------------------------|--------------------|
| 16-20           | -        | 6.60%       | N/A                          | -                  |
| 11-15           | 5.60%    | 6.70%       | 6.00%                        | 6.38%              |
| 6-10            | 6.50%    | 7.60%       | 6.50%                        | 6.83%              |
| 5 & Under       | 7.75%    | 8.00%       | 7.71%                        | 8.75%              |

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 |
|-----------|--|------------------|-------|-------------|-----------|----------|----------------------|
| 8/10/17   | Satellite Healthcare Dialysis Facility | San Jose         | CA    | \$9,795,000 | \$951 PSF | 5.35%    | 16                   |
| 10/11/17  | Community Health Systems               | Las Cruces       | NM    | \$8,350,000 | \$377 PSF | 5.75%    | 12                   |
| 8/23/17   | Fresenius                              | Chicago          | IL    | \$8,237,000 | \$525 PSF | 5.90%    | 15                   |
| 10/2/17   | Mississippi Coast Endoscopy            | Pascagoula       | MS    | \$7,800,000 | \$422 PSF | 7.41%    | 12                   |
| 9/21/17   | Carondelet Medical                     | Green Valley     | AZ    | \$7,450,000 | \$304 PSF | 6.50%    | 10                   |
| 9/22/17   | Franciscan Medical Group               | Silverdale       | WA    | \$6,950,000 | \$362 PSF | 6.25%    | 10                   |
| 10/10/17  | Fresenius                              | Orem             | UT    | \$6,616,791 | \$683 PSF | 5.68%    | 15                   |
| 8/22/17   | Duke Primary Care                      | Apex             | NC    | \$5,667,000 | \$471 PSF | 5.20%    | 14                   |
| 7/13/17   | Lehigh Valley Health                   | Hamburg          | PA    | \$4,725,000 | \$307 PSF | 6.50%    | 8                    |
| 9/29/17   | DaVita                                 | Charlotte        | NC    | \$4,220,500 | \$390 PSF | 5.25%    | 15                   |
| 7/20/17   | Palmetto Primary Care                  | North Charleston | SC    | \$3,710,125 | \$181 PSF | 7.78%    | 7                    |
| 9/29/17   | Fresenius                              | Fernandina Beach | FL    | \$3,542,895 | \$499 PSF | 5.25%    | 15                   |
| 8/16/17   | Riverside Hospital, Inc.               | Newport News     | VA    | \$3,446,900 | \$266 PSF | 7.72%    | 6                    |
| 10/12/17  | MedCare Urgent Care                    | North Charleston | SC    | \$3,250,000 | \$506 PSF | 7.16%    | 10                   |
| 11/6/17   | DaVita                                 | Fruitland        | ID    | \$3,091,150 | \$501 PSF | 5.65%    | 14                   |
| 10/31/17  | DaVita                                 | Hastings         | NE    | \$1,584,000 | \$213 PSF | 6.00%    | 12                   |
| 8/7/17    | Gentle Dental                          | Moore            | OK    | \$1,525,000 | \$212 PSF | 7.21%    | 15                   |

**FOR MORE INFORMATION**

**AUTHOR**

John Feeney | Vice President

[john@bouldergroup.com](mailto:john@bouldergroup.com)

**CONTRIBUTORS**

Randy Blankstein | President

[randy@bouldergroup.com](mailto:randy@bouldergroup.com)

Jimmy Goodman | Partner

[jimmy@bouldergroup.com](mailto:jimmy@bouldergroup.com)

Asher Wenig | Vice President

[asher@bouldergroup.com](mailto:asher@bouldergroup.com)

Scott Harris | Analyst

[scott@bouldergroup.com](mailto:scott@bouldergroup.com)

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