

This Real Estate Practice Newsletter covers market activity and trends in certain regional market areas and will continue to focus on issues impacting the healthcare real estate market and those who are figuring out how to succeed in it. The PHC real estate group has compiled articles via various sources such as CoStar, and Healthcare Real Estate Insights that summarize expectations and performance during this period.

Market Update – Real Estate Transactions and New Construction

Vaccine Producer Breaks Ground on Manufacturing Facility in North Houston. VGXI Inc. produces DNA plasmid for use in preclinical research and human clinical trials of DNA vaccines and gene therapies. Recently, VGXI Inc. has broken ground on a 240,000-square-foot manufacturing and headquarters facility in the Houston area; and is currently developing a COVID-19 vaccine candidate. The new manufacturing facility will support a wide range of biopharma projects from clinical trials through commercial supply production and is expected to be fully operational by 2022. Launches for similar projects are down 49% in dollar value this year alone. This new development has strengthened Houston's resume as a life science capital city. Houston was ranked number 2 in the U.S. as an emerging life science cluster in a recent CBRE report, following Pittsburgh.

Pension Fund Buys Healthcare Portfolio in \$240 Million Deal. A public pension fund bought an 11-property healthcare portfolio spanning eight U.S. states in a deal valued at \$240 million; a move reflective of the growing interest by investors in medical real estate. The healthcare portfolio deal includes nearly 475,000 square feet of healthcare real estate in properties such as rehabilitation hospitals, surgery centers and medical office buildings in Texas, Indiana, Ohio, Pennsylvania, Maryland, Georgia, Mississippi and Iowa. The Sanders Trust, the joint venture sellers, declined to share specific property addresses. The Sanders Trust typically shops healthcare properties valued at \$10 million or above. In developing facilities, the company can build a wide variety of healthcare real estate including rehabilitation centers, specialty medical office space and ambulatory surgery centers.

Cincinnati Children's Opens New Behavioral Health Regional Care Center. Cincinnati Children's Hospital has opened a new regional care center for behavioral health in Norwood. The center is designed to provide increased behavioral health access for patients in need of intensive services and crisis intervention, while offering a more central location. It will include a variety of providers and programs such as a Partial Hospitalization Program (PHP), which allows patients to receive intensive mental health care services with the ability to return to home on the same day, avoiding an inpatient stay. In addition, the regional care center offers Bridge Clinic services through referrals from the Psychiatric Intake Response Center (PIRC). PIRC is the evaluation and admission center for all psychiatric services for Cincinnati Children's. Patients will have access to a team of providers including a psychiatrist, advanced practice nurses, psychologist and the PIRC Bridge staff. Each of the providers works together as they approach patient care and evaluate treatment, giving patients the well-rounded care, as needed.

Community Healthcare Trust Lands a 9-MOB Portfolio. Community Healthcare Trust has acquired nine MOB's in seven states for a total of \$38.52 million and one of the properties is a group of medical condominiums. The portfolio is anchored by GenesisCare, which acquired 21st Century Oncology in May 2020. This multi-asset deal is a surprising acquisition considering a majority of deals have been mostly single-asset and less than \$10 million.

MetLife Investment Management Provides \$52.76 Million Loan for Research Triangle Lab Conversion. JLL Capital Markets announced that it has arranged \$52.76 million in financing for Perimeter's Edge, a flex/office, lab-convertible portfolio totaling 341,547 square feet across four buildings in Morrisville, NC. JLL secured a five-year floating-rate acquisition loan through MetLife Investment Management. The loan proceeds were used to acquire the property and fund the lab conversion project. According to JLL research, life sciences real estate capital markets are well positioned for outperformances in 2020.

Tennessee Outpatient facility to be developed in partnership with United Surgical Partners International. OGA, a full-service real estate services and development company out of Nashville, broke ground on a new outpatient medical facility in Rutherford County. The 28,549 square foot facility is being developed in partnership with United Surgical Partners International (USPI) with a targeted completion date of June 2021. It will be designed to include a range of state-of-the-art amenities; but is not the first of its kind for OGA in Middle Tennessee. The company has also developed numerous medical properties in several neighboring areas including Brentwood, Gallatin, Hendersonville and Nashville. OGA also develops and manages a wide range of healthcare and other commercial properties nationwide. The company's more than 600 completed projects span the country and include cancer centers, medical office buildings, urgent care facilities, orthopedic offices, pharmaceutical compounding and infusion suites and behavioral health facilities.

Montecito Medical Acquires Minneapolis Area Medical Office Complex. Montecito Medical Real Estate has completed its acquisition of Ridges Pondview Medical Office Building, a high-profile medical complex in the Greater Minneapolis area. The two-story facility is situated on the campus of M Health Fairview Ridges Hospital in Burnsville. The 34,224 square-foot building, which is 100% leased, was constructed in 2005 and underwent recent capital improvements. Ridges Pondview Medical Office Building is strategically situated in the south metro area of Minneapolis. Located 15 minutes from downtown Minneapolis, Burnsville is a dynamic marketplace with more than 200 healthcare-related businesses and nearly 150 information technology-related businesses. Tenants of the Ridges Pondview Medical Office Building includes providers in pediatrics, kidney care, and neurology. Information on each of the tenants are listed below.

- Minneapolis Clinic of Neurology, which leases more than 6,800 square feet of the space, is one of the largest neurology practices in the nation. At the Ridges Pondview location, the group provides services that include adult and neurodiagnostic testing, physical therapy, pediatric neurology and neuropsychology.
- DaVita Health is a global leader focused on transforming kidney health care delivery to improve the quality of life for patients. DaVita is the largest provider of kidney care services in the United States and has been a leader in clinical quality and innovation for two decades.
- Southdale Pediatric Associates, which leases nearly half of the building's office space, is a well-known market leader with two other locations around the Minneapolis area. Twenty-four of the group's pediatricians practice at the Ridges Pondview location. It is also staffed by nurses, allergists, and x-ray and lab technicians.

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