

3Q16

Newmark Grubb
Knight Frank



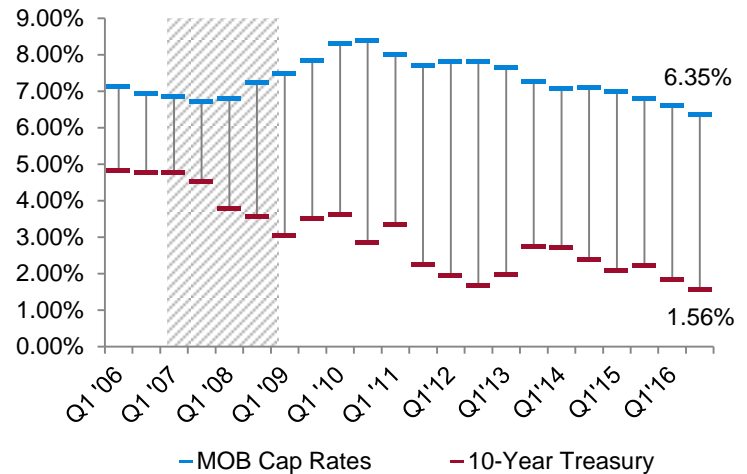
GLOBAL HEALTHCARE SERVICES HEALTHCARE CAPITAL MARKETS FOR THE INTELLIGENT INVESTOR

INVESTMENT INTELLIGENCE

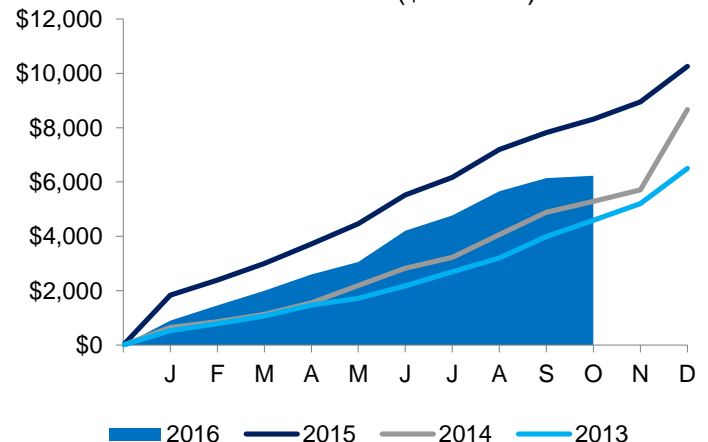
We remain **cautiously optimistic** about the outlook for the healthcare capital market sector. Despite a slowdown in transaction volume, capitalization rates have fallen for the 8th consecutive quarter to pre-recession lows. Pricing seems aggressive at a first glance but a more detailed analysis suggests that there is room for further growth in this market cycle. Risk premiums (the spread between capitalization rates and the risk free rate) remain within normal ranges as shown on the following chart. We expect medical office building investors to continue to remain cautious and reluctant to invest capital towards riskier investment strategies which will continue to drive demand for core medical office properties.

- ◆ **Transaction Volume** – Q3'2016 closed with \$1.9 billion in MOB transactions located in the US, a -16% decrease compared to Q3'2016 (RCA)
- ◆ **Investment Demand** – Capitalization rates declined to an average of 6.35% for Q3'2016, a decrease compared to the prior quarter (RCA)
- ◆ **Buyer Profile** – Private investors represented 44% of the MOB buyer pool followed by publicly traded US healthcare REITs representing 32% year-to-date as of Q3'2016 (RCA)
- ◆ **Vacancy Rate** – The vacancy rate fell for the 10th consecutive quarter, ending Q3'2016 at 7.8%, its lowest level in more than eight years (Costar)

MOB Risk Premiums



Cumulative Monthly Volume
Medical Office (\$ millions)



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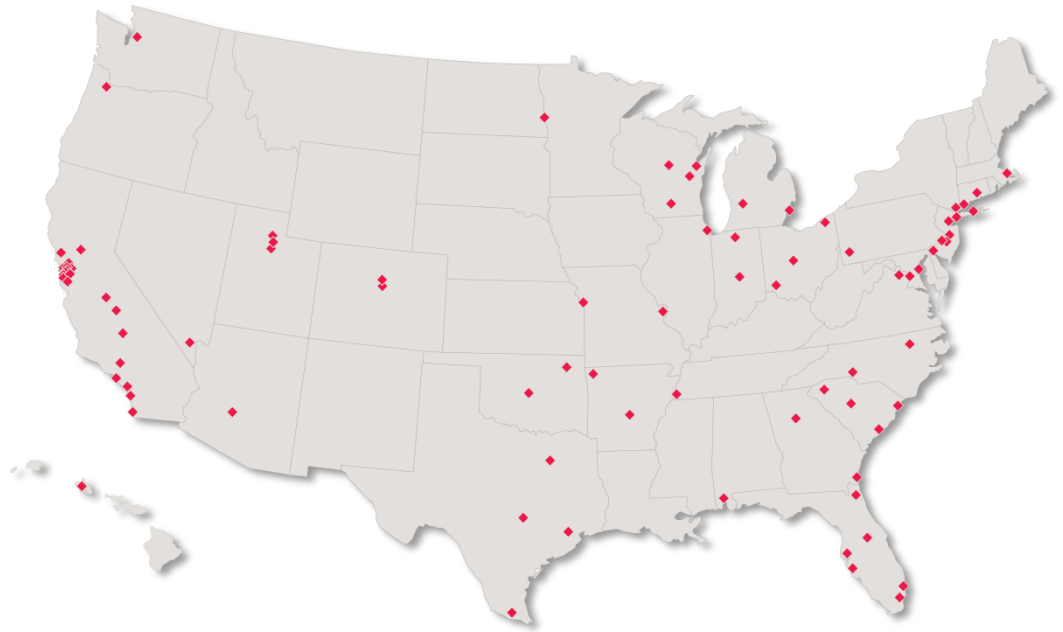
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Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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