



Learn about 2017
Medical Real Estate Trends

5 Common Questions
from Medical Office
Owner Clients

MEDICAL OFFICE UPDATE

MOB | SURGERY CENTERS | HOSPITALS | URGENT CARE | IMAGING CENTERS | OUTPATIENT FACILITIES **JANUARY 2018**

We hope you enjoyed the holidays and your new year is off to a great start! This newsletter is sent to our clients in the healthcare real estate industry, and also to those we work with that are associated with this important sector. Our goal is to identify and fulfill our client's needs based on our expertise of the medical office market. In part, we do this by providing medical office real estate market reports, market trends and other resources throughout the year to assist our clients in the operation, leasing and sale of their healthcare real estate investments.

We hope to continue to be a valuable resource for you in the coming year!

Respectfully,



Chris Huskey, JD
Vice President,
Healthcare Investment Services
chuskey@nainashville.com
(615) 208-4112 (direct)



Allen Bolden, CPA, CCIM
Vice President,
Healthcare Investment Services
abolden@nainashville.com
(615) 208-9635 (direct)

NAI Healthcare
P.O. Box 123
Brentwood, TN 37024
www.naihealthcare.com

The 5 Most Common Questions from our Medical Office Owner Clients

1 What is the value of my property? The answer depends on many factors, including the age, condition and location of the building. Another important consideration is the quality and credit-worthiness of the medical office tenant. How established is the physician practice? Is it a surgery center that is well-funded and known throughout the medical industry with years of repeat referrals from physicians? The length of time left on the terms of each tenant's lease will also affect the value of the building.

2 What is the market like in my area? It is very important for medical office or other commercial real estate owners to have a good idea of the market in which their building(s) are located. Is the building situated in an area where real estate assets are generally increasing in value? Is the medical office property near other healthcare related buildings of high value? Is the property more convenient and easily accessible to residential areas and retail destinations? Is the municipality or local government taking steps to ensure growth and stability in the market where the building is located?

3 How much have other properties that are similar to my property sold for recently? The value of your building ultimately boils down to what a buyer is willing to pay you for your commercial real estate. Working with a real estate advisor that has the knowledge and tools to quickly provide you with information on recent sales of properties that are similar in condition and tenant base type allows you, the real estate owner, to manage your property more efficiently and effectively.

4 How can I best keep my medical office property fully occupied? When using a commercial real estate broker to lease your medical office space, it is important to make sure that your property is not limited to the following strategy: input the property's information and price in the commercial real estate listing service for your region, stick a sign in the front of the property, cross your fingers and hope for the best. No, you want to ENSURE that your broker has a working knowledge of the medical office real estate market and has a database of medical end-users (family practice physicians, surgeon groups, surgery centers, imaging centers, etc.) since this is a crucial component of attracting good credit and long-term tenants.

5 When is it time to sell my medical office properties or healthcare real estate? There are many reasons why people sell their medical office buildings, surgery centers or other healthcare real estate. If it's a physician group that also owns the building where their practice is located, their reason may be related to physicians retiring, moving into a larger space to allow for growth of the practice, or simply to cash in on the equity of their building via a sale-leaseback transaction. For an investment group or investor that wants to grow the portfolio in order to generate more long-term revenue, the focus might need to be on maximizing the value of the building through increasing occupancy of high credit, long-term tenants or through physical improvements to the building such as paint, carpet or other aesthetic enhancements.

Whether your properties are a portfolio of REIT-owned properties throughout the United States, physician-owned medical office real estate, or an individually-owned single building, we hope that you consider **allowing our team to be a trusted resource for you** during your acquisition, ownership phase, and disposition of your properties. We have valuable tools and insights that we utilize and share with our clients which enables them to maximize the value of their medical office properties with each phase of ownership. You can find us online at **NAIHealthCare.com**.



2017 Medical Real Estate Transactions Hit Record Levels

According to research conducted by Revista a 10% increase in construction of new medical office buildings (MOBs), or a total of 20.9 million square feet (SF), is expected in 2018, with approximately 64% of these new MOBs to be constructed off of the campus of a hospital system. This compares to 54% new off campus facilities built in 2014. Therefore, this anticipated trend in construction of off campus MOBs is continuing.

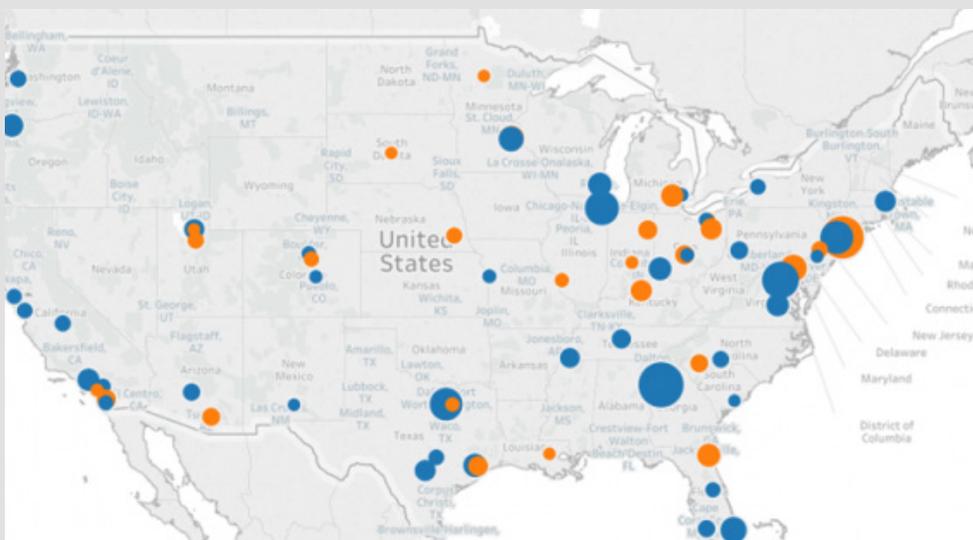


Increase in Off-Campus MOBs projected for 2018

According to research conducted by Revista a 10% increase in construction of new medical office buildings (MOBs), or a total of 20.9 million square feet (SF), is expected in 2018, with approximately 64% of these new MOBs to be constructed off of the campus of a hospital system. This compares to 54% new off campus facilities built in 2014. Therefore, this anticipated trend in construction of off campus MOBs is continuing.

MOB 2018 Expected Completions by Metro Area

Total SF (100k SF Minimum)



■ Off Campus ■ On Campus

Square Feet (copy)



Source: Revista