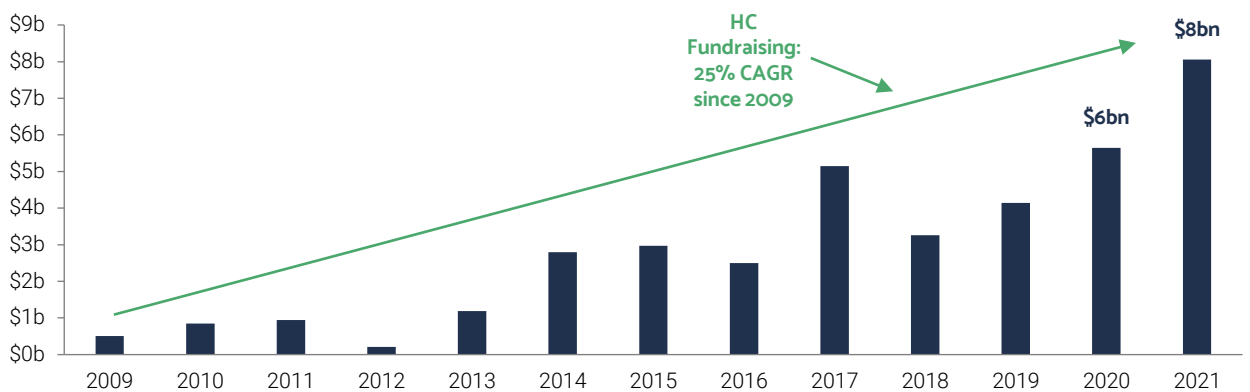


6. MOB Investor Demand

Attracted by strong supply/demand trends and resilient performance, the MOB sector has experienced an ‘institutionalization’ over the past decade, with an expansion of dedicated operators and an influx of institutional capital.

- ▶ Fundraising by closed-end funds targeting healthcare sectors expanded at 25% CAGR since 2009.¹
- ▶ Record fundraising in 2020-21 (\$14bn raised) suggests there is a record level of dry powder targeting medical office and other healthcare property types; depth of capital demand is expected to drive continued growth in institutional investment volume and downward pressure on cap rates.^{1,2}

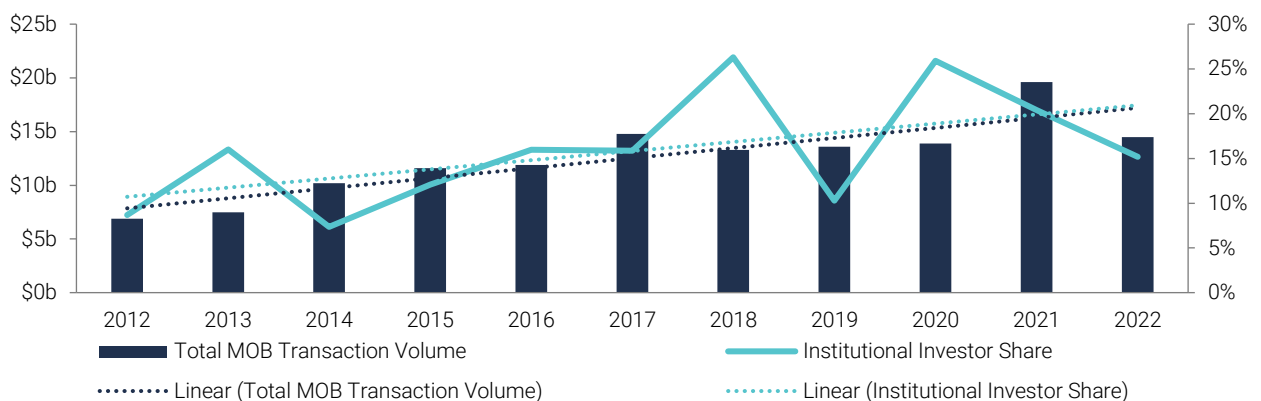
Dedicated Healthcare Capital Raising (2009-2021)¹



MOB investment volume has grown 15% per year over the past 10 years.³

- ▶ Since 2012, institutional investors investment volume has increased by 14% per year on average, with institutional share of total investment volume increasing from an average of 13% in the first half of the decade to ~20% in the latter half.³

MOB Transaction Volume & Institutional Share³



¹Source: Real Capital Analytics; JLL.

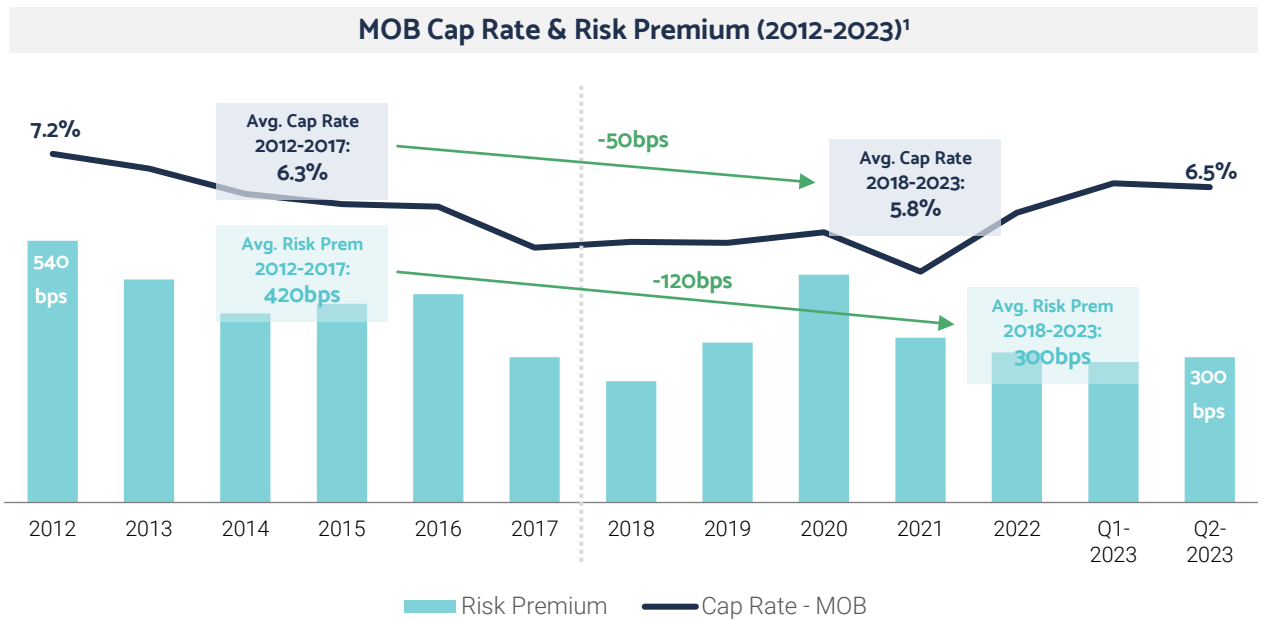
²Pantheon opinion.

³Source: Real Capital Analytics; Transwestern.

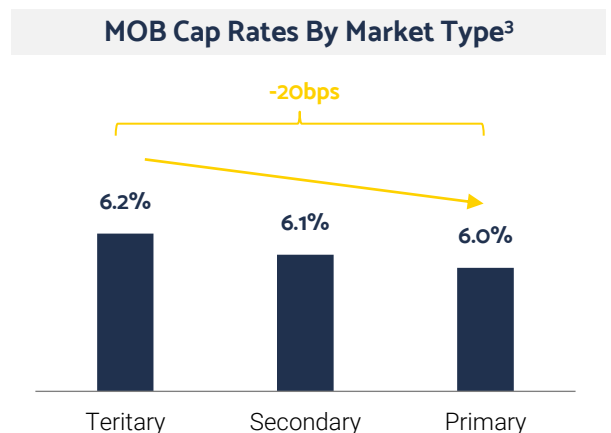
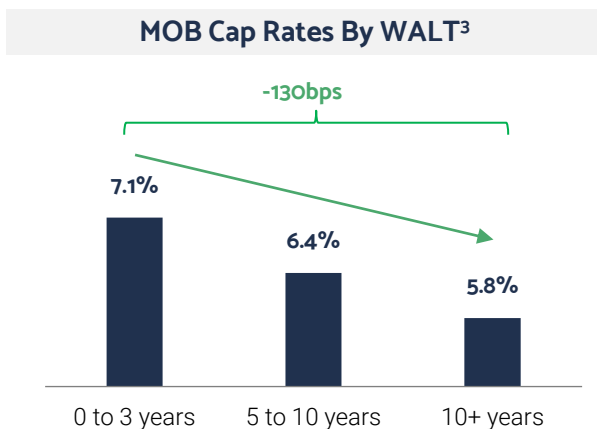
6. MOB Investor Demand (continued)

Supported by entrenched secular trends, medical office’s strong fundamentals and defensive characteristics have contributed to a steady decline in cap rates over the past decade.^{1,2}

- ▶ While MOB cap rates are partially correlated with interest rates, **the risk premium has declined by 120bps over the last 5 years**, suggesting that the sector has been ‘re-rated’ by institutions who are increasing capital inflows.
- ▶ Despite the recent rise in interest rates, the average trailing five-year (2018-23) MOB cap rate is ~50bps below the previous five-year period (2012-17).



- ▶ Valuations for MOB differs from other property types in that market size / location does not have a significant impact on cap rates, **while tenancy profile and lease term (WALT) have a more pronounced influence.**³



¹Source: GreenStreet; FRED.

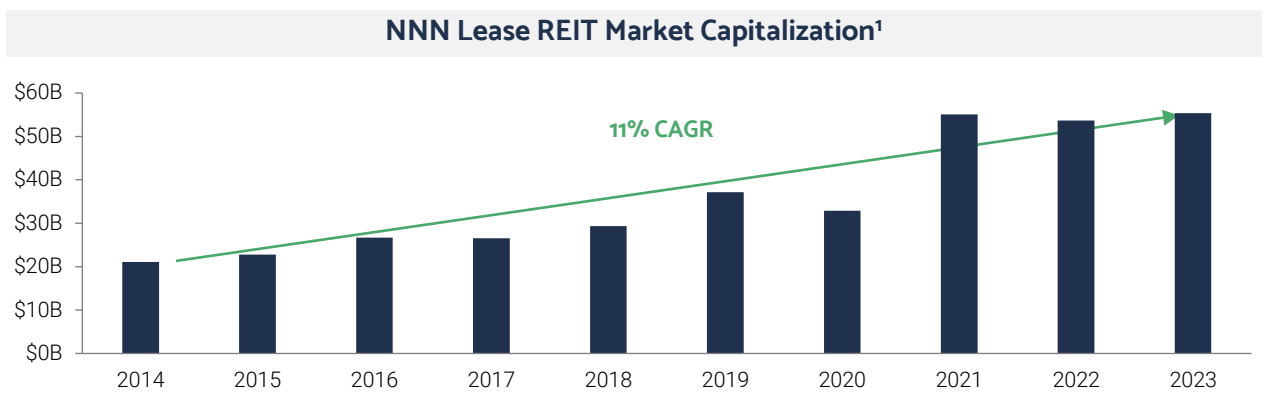
²Pantheon Opinion.

³Source: Proprietary information – includes single-property transactions involving small-format MOB from 2019-2022. Market type determination based on Pantheon assessment.

6. MOB Investor Demand (continued)

The market has also seen diversified net lease ('NNN') REITs, which have experienced strong capital inflows, increasing their exposure to healthcare amidst a changing retail landscape, as evidenced through recent single-tenant healthcare portfolio acquisitions.

- ▶ Single-tenant NNN-leased MOB share many of the same characteristics as traditional property types owned by net lease REITs (grocery stores, pharmacies, home improvement store), including long-term NNN leases, strong tenant credit and minimal landlord capex resulting in predictable income yield.
- ▶ Given favorable MOB fundamentals, resilient demand and overlap in investment criteria, net lease REITs have become increasingly active participants in transactions involving portfolios of specialty healthcare portfolios.
- ▶ Realty Income, the largest NNN REIT by market cap, in Q1 2023 announced its acquisition of a 224-property portfolio of dental practices, and emphasized intentions to push further into consumer-centric healthcare.



¹Source: GreenStreet – as of June 2023. Includes three REITs (NNN, O, SRC) covered by GreenStreet with market capitalization data available going back to 2014.

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