National Healthcare Real Estate Market Survey Results

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From Insight to Results




PREPARED BY: GRUBB & ELLIS HEALTHCARE PROPERTIES GROUP

The enclosed results package regarding the BOMA Healthcare Investment and Leasing Market Trends Survey has an excellent scope of perspectives, with **125 respondents across 25 states**. The responses for the survey were compiled during the month of April, 2011. The 125 respondents for this survey were made up of the leading Healthcare providers, investors, developers, appraisers, brokers and architects whom are attending this week's BOMA Medical Office Buildings and Healthcare Facilities Conference.

The Grubb & Ellis Healthcare Properties Group is committed to assisting the healthcare industry in stabilizing and lowering the cost of healthcare through more effective and efficient uses of medical real estate. The Grubb & Ellis Healthcare Properties Group is in the forefront of providing expertise in the management, leasing, development, acquisition and disposition of medical office facilities. We are a full service advisory, management and brokerage firm with 100% of our personnel and effort committed to medical real estate facilities services.

Grubb & Ellis' Healthcare Properties Group takes its cue from the industry it serves, making the well-being of its clients its top priority.

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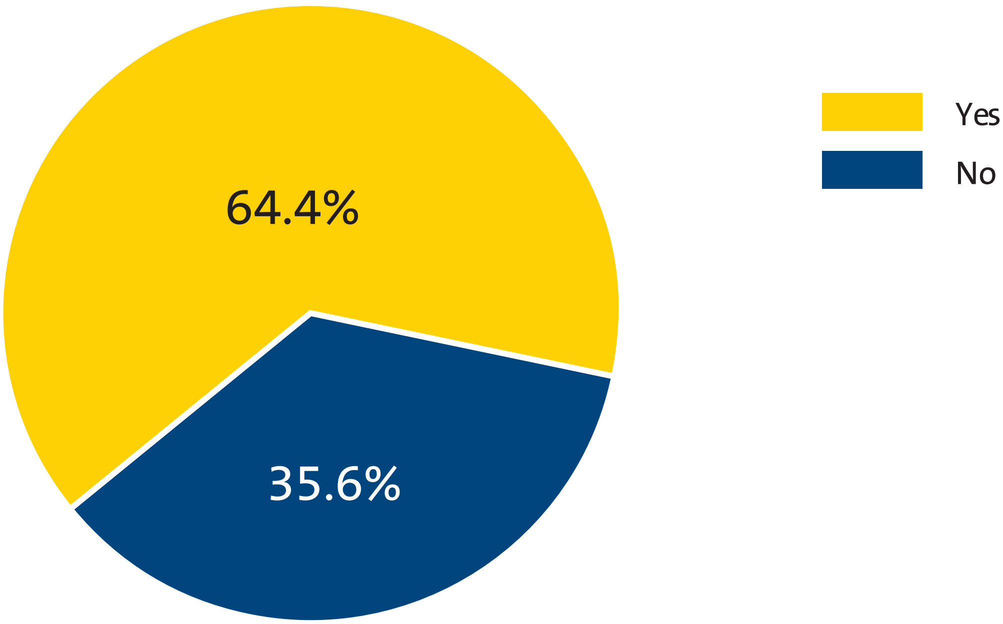
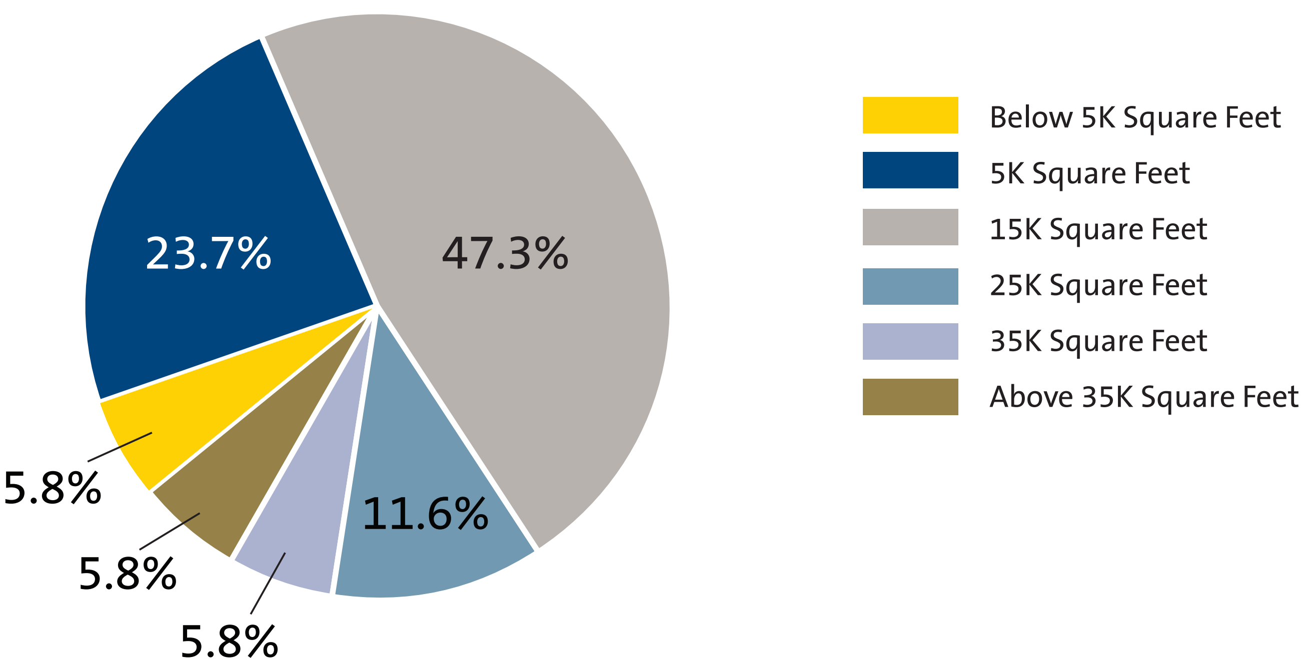
Healthcare System Pursuits

Is your Healthcare System actively pursuing the development of Outpatient Controlled Cost Clinics, "Accountable Care Organizations" ACO's or "Federally Qualified" FQ's Clinics?



Healthcare System Pursuits

If yes, what square footage requirement are you projecting for these Outpatient Controlled Cost Clinics, "Accountable Care Organizations" ACO's or "Federally Qualified" FQ's Clinics?



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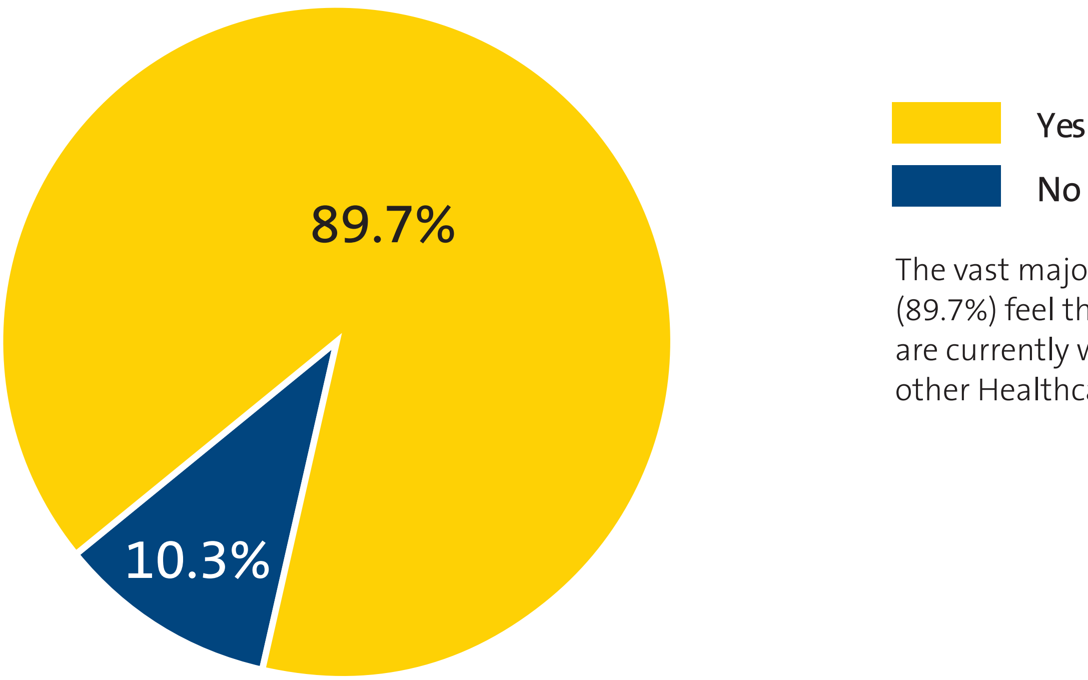
Healthcare Systems

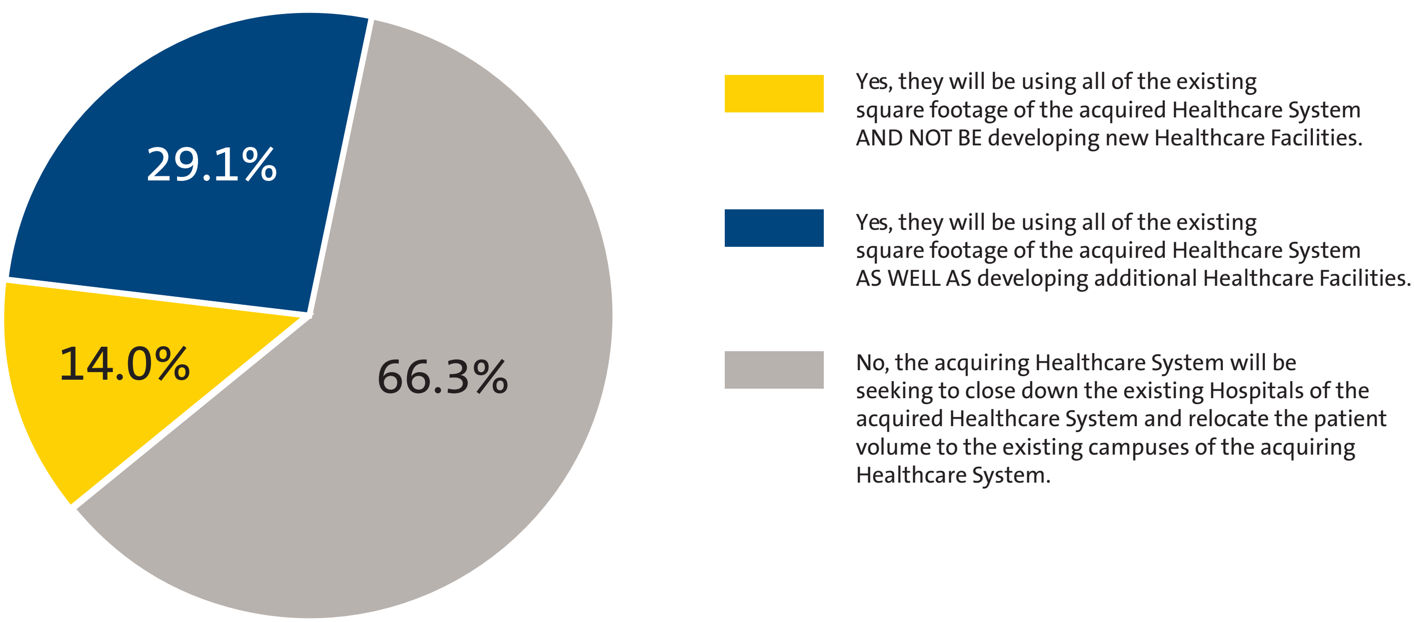
Do you feel Healthcare Systems are currently working on acquiring other Healthcare Systems?



The vast majority of respondents (89.7%) feel that Healthcare Systems are currently working on acquiring other Healthcare Systems.

Healthcare Systems

If yes, do you feel the acquiring Healthcare System will be utilizing the existing square footage of the acquired Healthcare System?



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Ranking Factors

In the future, when we look back at 2011 regarding the Healthcare Real Estate Investment Market, how do you think we will rank the below factors in regards to the largest impact?

Healthcare Reform Bill					
	1	2	3	4	5
Ranks:	**36.1%**	20.8%	19.4%	18.1%	5.6%
Unaffiliated Physicians Trending Towards Affiliation					
	1	2	3	4	5
Ranks:	16.9%	**31.0%**	26.8%	19.7%	5.6%
Acquisition Activity of Healthcare REITs					
	1	2	3	4	5
Ranks:	20.8%	18.1%	**31.9%**	22.2%	6.9%
Lack of Effective Development Financing					
	1	2	3	4	5
Ranks:	20.0%	20.0%	24.3%	**25.7%**	10.0%
Other (Please explain below)					
	1	2	3	4	5
Ranks:	12.5%	18.8%	6.3%	12.5%	**50.0%**

The Healthcare Reform Bill ranked #1 as having the largest impact on the Healthcare Real Estate Investment Market with 36.1% of respondents.

31% of respondents ranked Unaffiliated Physicians Trending Towards Affiliation as having the #2 largest impact on the Healthcare Real Estate Investment Market.

Acquisition Activity of Healthcare REITs came in at #3 with 31.9% of respondents agreeing.

The Lack of Effective Development Financing came in ranked at #4 with 25.7% of respondents.

Other Factors ranked at #5 included:

- Functional Change of MOB's & Suite Configurations
- State Budget cutbacks
- Over supply of investors and developers
- Acqusition activity from many types of buyers
- Demand for additional mixed use multi-purpose adult healthcare facilities
- Health System M&A
- Overall Reimbursement rates from both Medicare/Medicaid and Commercial Payers
- Baby Boomer new patient population - 10,000 patients turning 65/day

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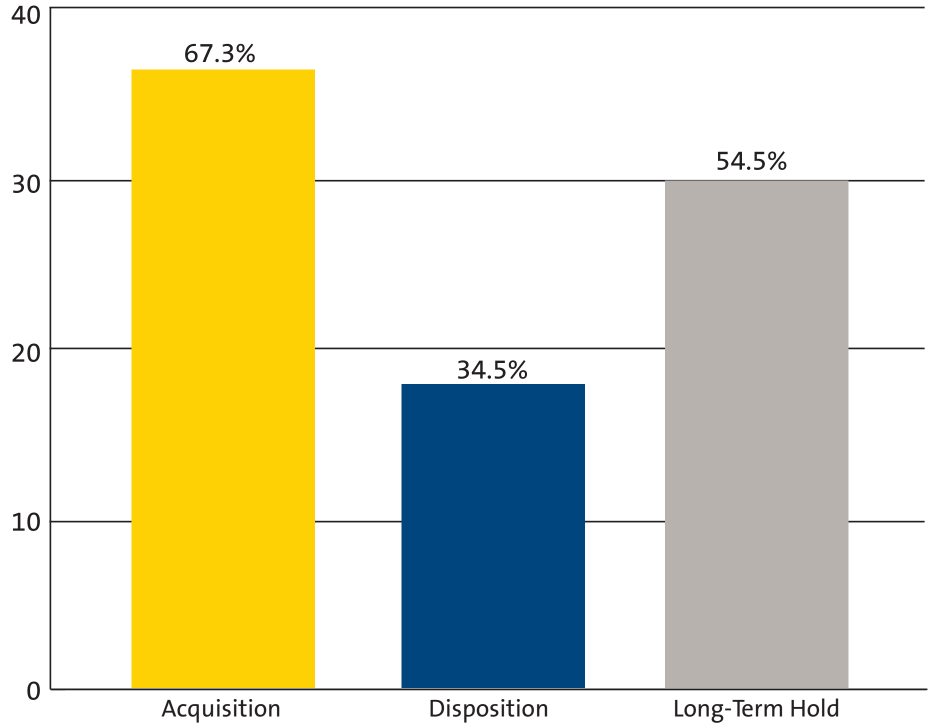
Market Focus

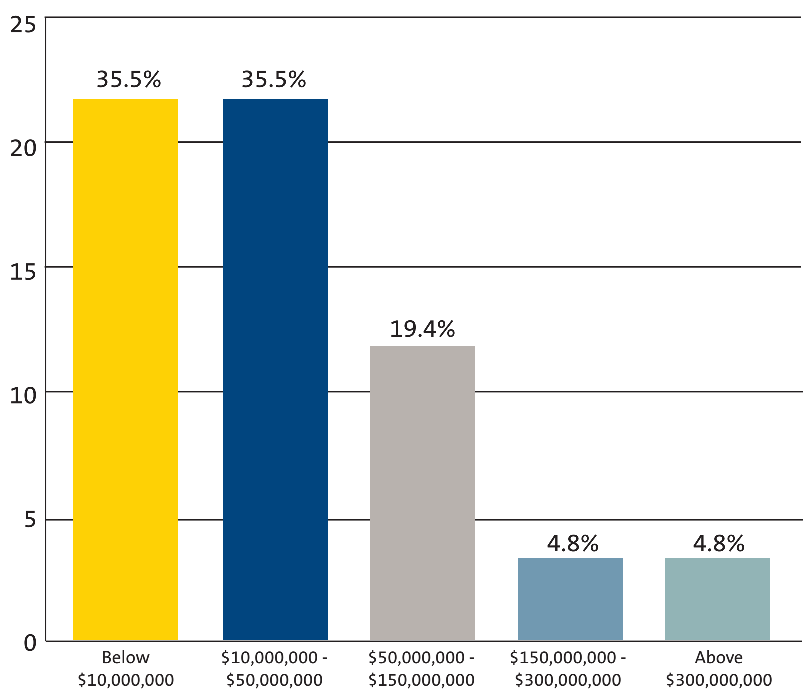
Where do you see your company focusing in the Healthcare Investment Market in 2011?



A majority of respondents (67.3%) foresee their company focusing in acquisitions in 2011.

Transaction Volume

Where do you project your Transaction Volume to be in 2011?



35.5% of respondents project their Transaction Volume to be below $10,000,000 in 2011.

Another 35.5% of respondents project their Transaction Volume to be between $10,000,000 and $50,000,000 in 2011.

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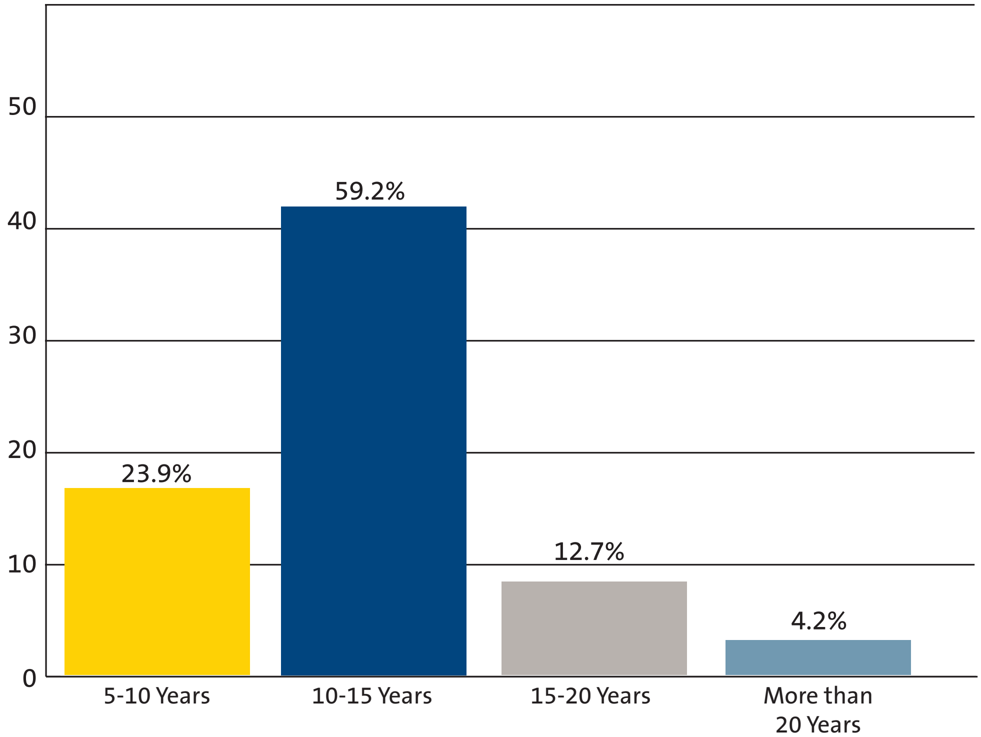
Minimum Lease Term

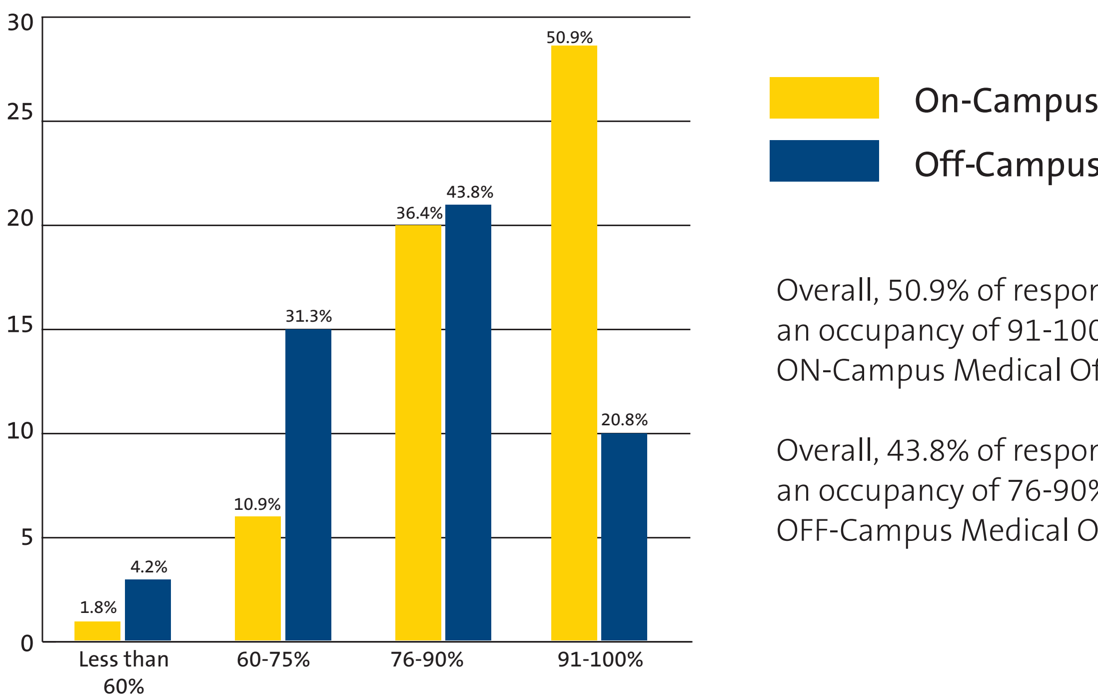
What is the minimum lease term you would consider for the sale-leaseback of a health system?



A majority of respondents (59.2%) feel that 10-15 years is the minimum lease term they would consider for the sale-leaseback of a health system.

Occupancy Levels

What are the overall occupancy levels in your Medical Office Buildings?



Overall, 50.9% of respondents have an occupancy of 91-100% in their ON-Campus Medical Office Buildings.

Overall, 43.8% of respondents have an occupancy of 76-90% in their OFF-Campus Medical Office Buildings.

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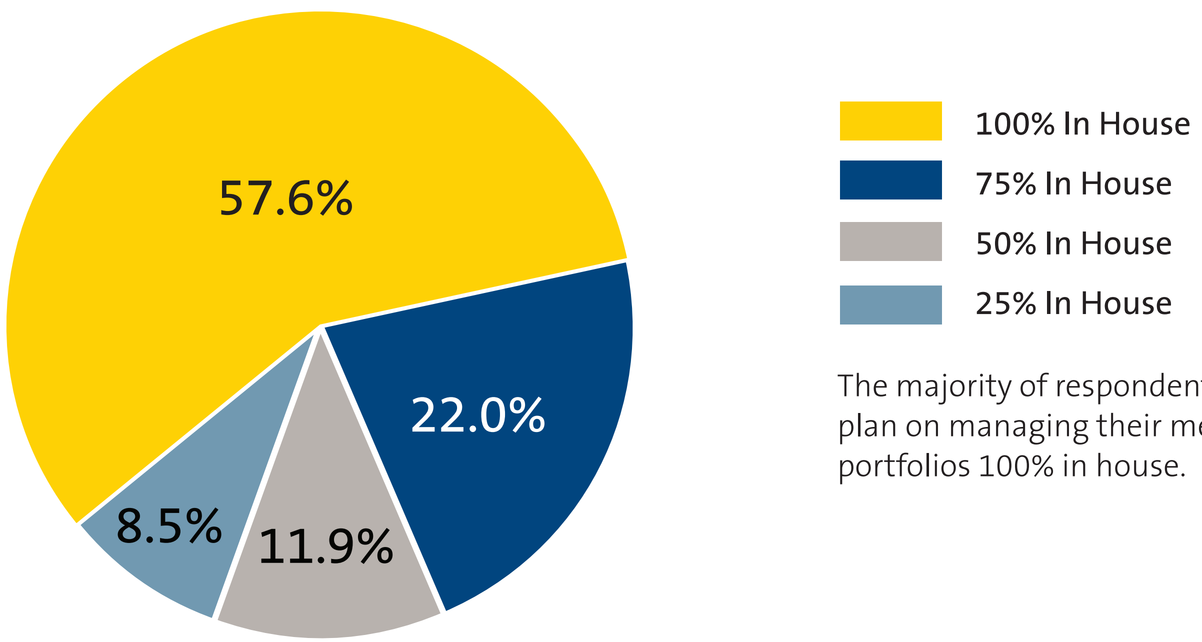
Medical Office Portfolios

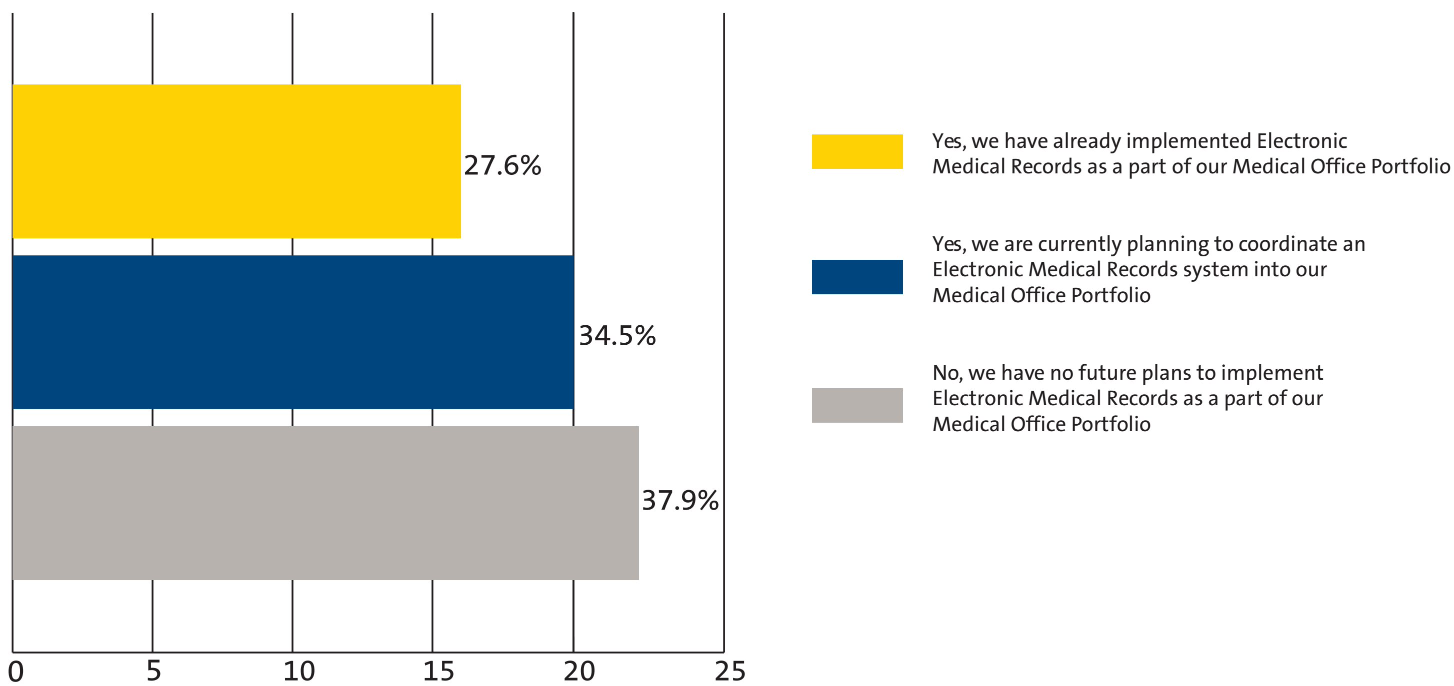
How does your organization plan on managing your medical office portfolio?



The majority of respondents (57.6%) plan on managing their medical office portfolios 100% in house.

Electronic Medical Records

Do you plan to make Electronic Medical Records a factor in your Medical Office Portfolio?



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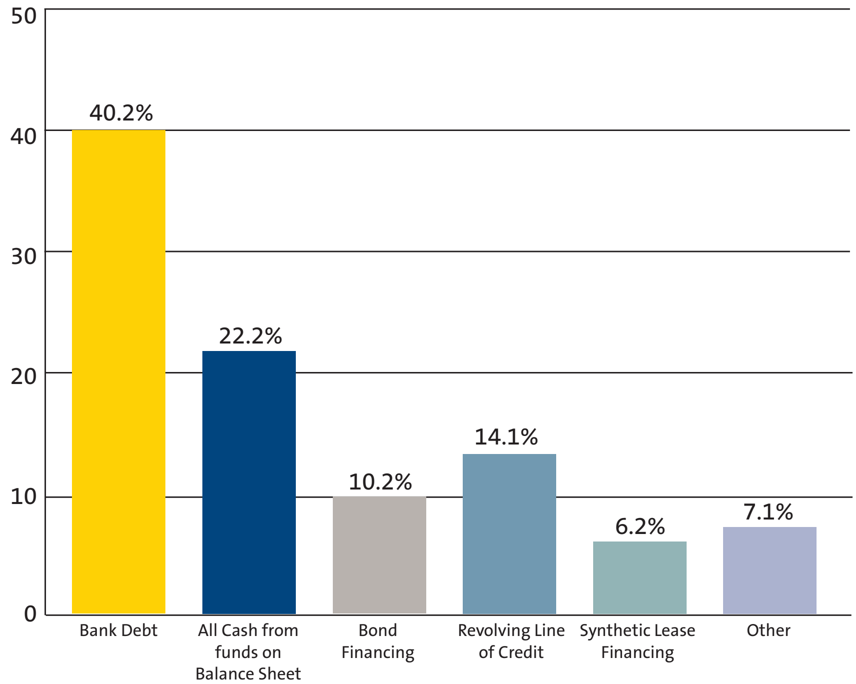
Acquisition Financing

What are your plans for structuring your financing of new acquisitions?



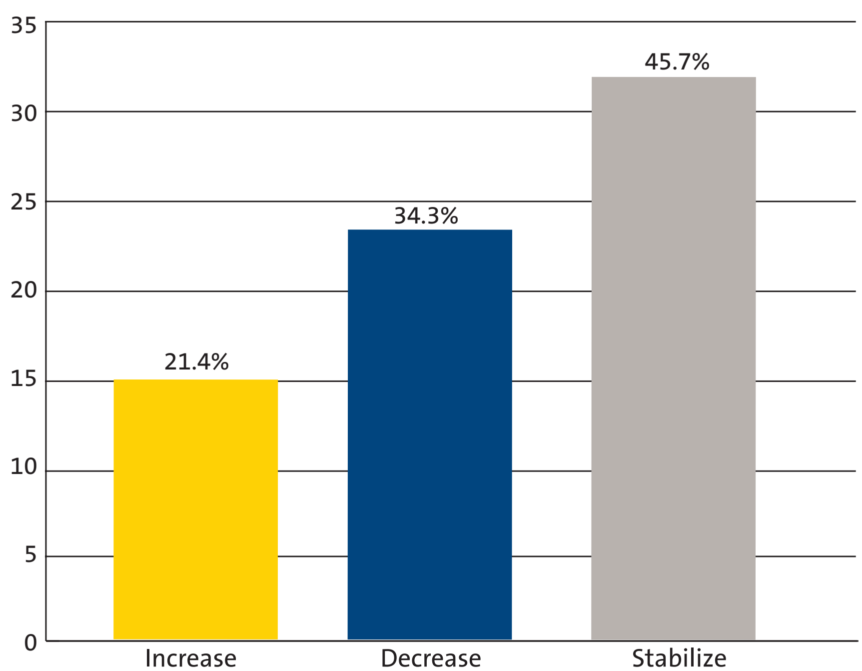
40.2% of respondents planned on Bank Debt as a way of structuring their financing on new acquisitions.

Other Responses:

- Private Equity
- Life company
- Capital Partnering
- Reserves
- Insurance Companies
- Pension Funds
- Tax Exempt Bonds
- Institutional Lenders
- Cash

Real Estate Values

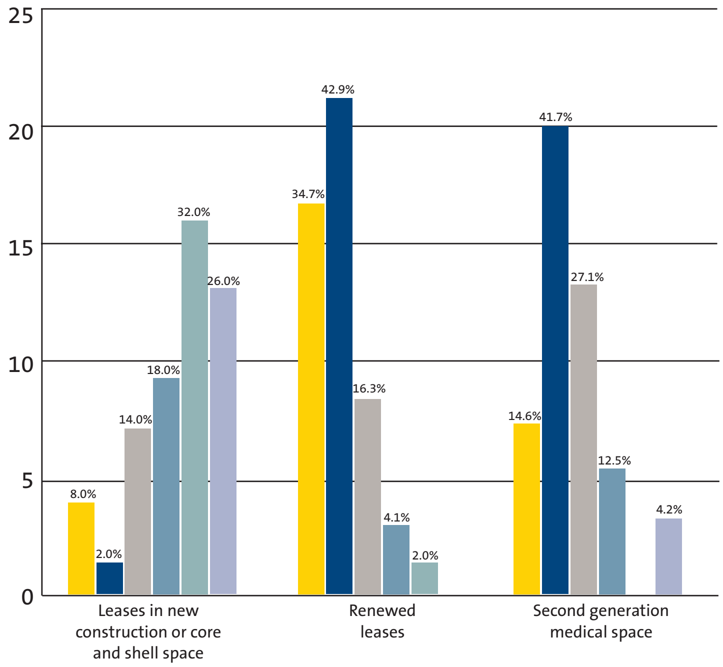
Where do you feel Healthcare Real Estate Values are headed in 2011?



45.7% of respondents feel that Healthcare Real Estate values will stabilize in 2011.

Tenant Improvement: ON-Campus

On "average" how much tenant improvement $/SF do you contribute for leases for ON-CAMPUS Medical Office Buildings?



- Less than $10/SF
- $10-$20/SF
- $20-$30/SF
- $30-$40/SF
- $40-$50/SF
- More than $50/SF

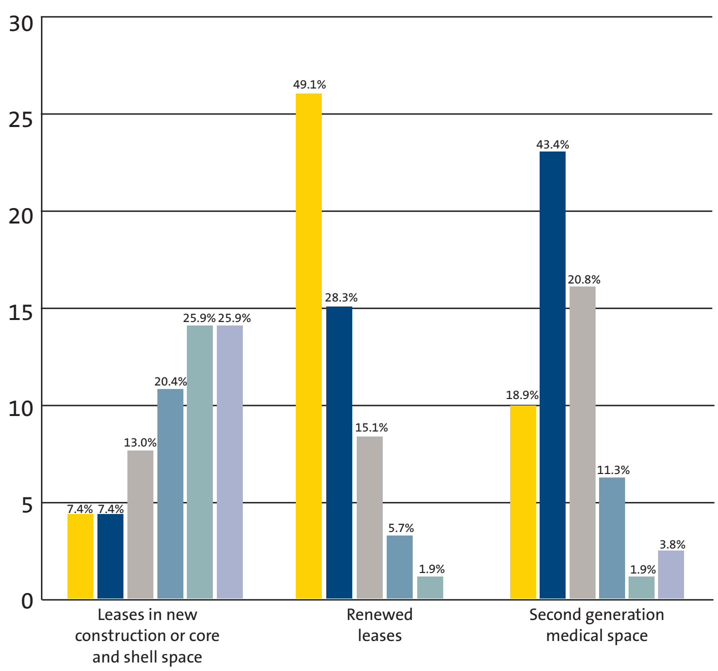
For ON-Campus Medical Office Buildings, on average, for leases in new construction or core and shell space, 32.0% of respondents allowed between $40-$50/SF for tenant improvement.

42.9% of respondents allowed for an average of $10-$20/SF for tenant improvement on reneweed leases. Note: No responses for More than 50/SF.

41.7% of respondents agreed an average of $10-$20/SF was allowed for tenant improvement in second generation medical space. Note: No responses for $40-$50/SF.

Tenant Improvement: OFF-Campus

On "average" how much tenant improvement $/SF do you contribute for leases for OFF-CAMPUS Medical Office Buildings?



- Less than $10/SF
- $10-$20/SF
- $20-$30/SF
- $30-$40/SF
- $40-$50/SF
- More than $50/SF

For OFF-Campus Medical Office Buildings, on average, for leases in new construction or core and shell space, over half of all respondents allowed more than $40/SF for tenant improvement.

49.1% of respondents allowed for less than $10-$20/SF for tenant improvement on renewed leases.

43.4% of respondents agreed an average of $10-$20/SF was allowed for tenant improvement in second generation medical space.

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Market Cap Rate Values: ON-CAMPUS - SINGLE TENANT Lessee

Where do you perceive the current National Healthcare Real Estate Market Cap Rate Values to be regarding the following ON-CAMPUS Medical Office Building asset and SINGLE TENANT lessee scenarios?

Cap Rate Values

	5.0 - 5.5	5.5 - 6.0	6.0 - 6.5	6.5 - 7.0	7.0 - 7.5	7.5 - 8.0	8.0 - 8.5	8.5 - 9.0	9.0 - 9.5	9.5 - 10.0
Healthcare System with STRONG Financials, STRONG Credit Single Tenant Building	2.0%	10.2%	16.3%	20.4%	**32.7%**	8.2%	6.1%	4.1%	0.0%	0.0%
Healthcare System with STRONG Financials, AVERAGE Credit Single Tenant Building:	0.0%	4.1%	2.0%	18.4%	**30.7%**	26.5%	10.2%	4.1%	2.0%	2.0%
Healthcare System with AVERAGE Financials, STRONG Credit Single Tenant Building:	0.0%	2.1%	2.1%	18.8%	**29.2%**	22.9%	20.8%	2.1%	2.1%	0.0%
Healthcare System with AVERAGE Financials, AVERAGE Credit Single Tenant Building:	0.0%	2.1%	2.1%	2.1%	20.7%	22.9%	**24.9%**	18.8%	2.1%	4.2%

Market Cap Rate Values: ON-CAMPUS - MULTI TENANT Lessee

Where do you perceive the current National Healthcare Real Estate Market Cap Rate Values to be regarding the following ON-CAMPUS Medical Office Building asset and MULTI TENANT lessee scenarios?

Cap Rate Values

	5.0 - 5.5	5.5 - 6.0	6.0 - 6.5	6.5 - 7.0	7.0 - 7.5	7.5 - 8.0	8.0 - 8.5	8.5 - 9.0	9.0 - 9.5	9.5 - 10.0
Healthcare System with STRONG Financials, STRONG Credit Multi Tenant Building:	0.0%	4.3%	14.9%	**27.7%**	**27.7%**	14.9%	6.4%	8.8%	0.0%	0.0%
Healthcare System with STRONG Financials, AVERAGE Credit Multi Tenant Building:	0.0%	2.1%	6.3%	18.7%	18.7%	**35.5%**	10.3%	2.1%	4.2%	2.1%
Healthcare System with AVERAGE Financials, STRONG Credit Multi Tenant Building:	0.0%	4.3%	0.0%	10.6%	27.7%	**31.9%**	14.9%	8.5%	2.1%	0.0%
Healthcare System with AVERAGE Financials, AVERAGE Credit Multi Tenant Building:	0.0%	4.3%	0.0%	4.3%	14.9%	14.9%	**34.1%**	12.7%	12.7%	2.1%

Market Cap Rate Values: OFF-CAMPUS

Where do you perceive the current National Healthcare Real Estate Market Cap Rate Values to be regarding the following OFF-CAMPUS Medical Office Building asset and lessee scenarios?

Cap Rate Values	5.0 - 5.5	5.5 - 6.0	6.0 - 6.5	6.5 - 7.0	7.0 - 7.5	7.5 - 8.0	8.0 - 8.5	8.5 - 9.0	9.0 - 9.5	9.5 - 10.0
PRIMARY Market, SINGLE Tenant, Health System:	0.0%	6.4%	10.6%	12.8%	**31.9%**	21.3%	10.6%	6.4%	0.0%	0.0%
SECONDARY Market, SINGLE Tenant, Health System:	2.1%	2.1%	2.1%	10.6%	17.1%	**27.7%**	25.5%	6.4%	6.4%	0.0%
PRIMARY Market, MULTI Tenant Physician:	0.0%	4.1%	4.1%	10.2%	18.4%	**24.5%**	22.4%	12.2%	4.1%	0.0%
SECONDARY Market, MULTI Tenant Physician:	2.1%	2.1%	2.1%	8.4%	4.2%	18.8%	**31.2%**	14.6%	10.3%	6.2%

Market Cap Rate Values: By Asset Types

Where do you perceive the current National Healthcare Real Estate Market Cap Rate Values to be regarding the following asset types?

Cap Rate Values	6.0 - 6.5	6.5 - 7.0	7.0 - 7.5	7.5 - 8.0	8.0 - 8.5	8.5 - 9.0	9.0 - 9.5	9.5 - 10.0	10.0 - 10.5	10.5 - 11.0
Acute Care Hospitals:	0.0%	18.2%	9.1%	**27.3%**	24.2%	9.1%	9.1%	3.0%	0.0%	0.0%
Long Term Acute Care Hospitals:	0.0%	11.8%	20.6%	5.9%	**41.2%**	14.7%	0.0%	2.9%	0.0%	2.9%
Specialty Hospitals:	0.0%	11.8%	11.8%	14.7%	**44.1%**	8.8%	5.9%	0.0%	0.0%	2.9%
Rehab Hospitals:	0.0%	16.1%	6.5%	13.0%	**35.5%**	16.1%	9.7%	0.0%	0.0%	3.1%
Assisted Living:	0.0%	6.5%	13.0%	16.1%	**29.0%**	22.6%	9.7%	0.0%	0.0%	3.1%
Skilled Nursing:	0.0%	6.1%	18.2%	12.1%	**27.3%**	24.2%	3.0%	3.0%	0.0%	6.1%
Memory Care:	0.0%	6.3%	21.9%	9.4%	**28.1%**	25.0%	3.1%	3.1%	0.0%	3.1%

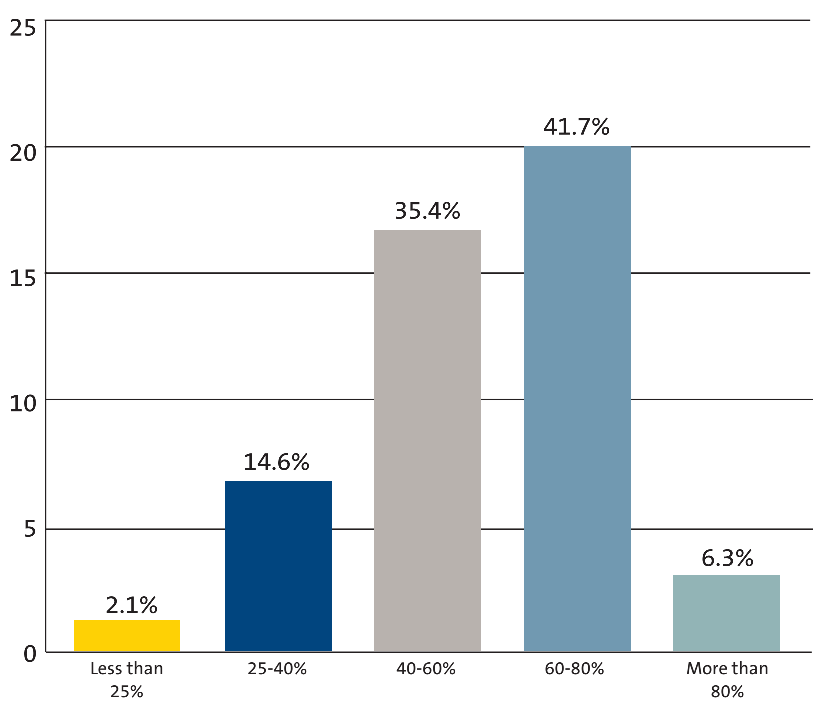
EBITDAR Coverage Ratio Values: By Asset Types

Where do you perceive the current EBITDAR Coverage Ratio to be regarding the following asset types?

Cap Rate Values	1.0	1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.6	2.8	3.0
Acute Care Hospitals:	0.0%	18.8%	25.0%	0.0%	**37.4%**	18.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Long Term Acute Care Hospitals:	0.0%	**25.0%**	6.3%	**25.0%**	12.4%	**25.0%**	6.3%	0.0%	0.0%	0.0%	0.0%
Specialty Hospitals:	0.0%	18.8%	**24.9%**	12.5%	12.5%	18.7%	12.5%	0.0%	0.0%	0.0%	0.0%
Rehab Hospitals:	0.0%	18.8%	12.5%	12.5%	**24.9%**	18.8%	12.5%	0.0%	0.0%	0.0%	0.0%
Assisted Living:	5.5%	5.5%	11.0%	16.7%	**27.9%**	16.7%	0.0%	16.7%	0.0%	0.0%	0.0%
Skilled Nursing:	0.0%	11.0%	11.0%	**27.9%**	**27.9%**	5.5%	16.7%	0.0%	0.0%	0.0%	0.0%
Memory Care:	5.5%	11.1%	11.1%	16.7%	**27.9%**	11.1%	5.5%	11.1%	0.0%	0.0%	0.0%

Pre-leasing Requirements

For new developments, how much pre-leasing is required by your lender, joint venture partner or yourself?



41.7% of respondents agree that 60-80% pre-leasing is required for new developments.

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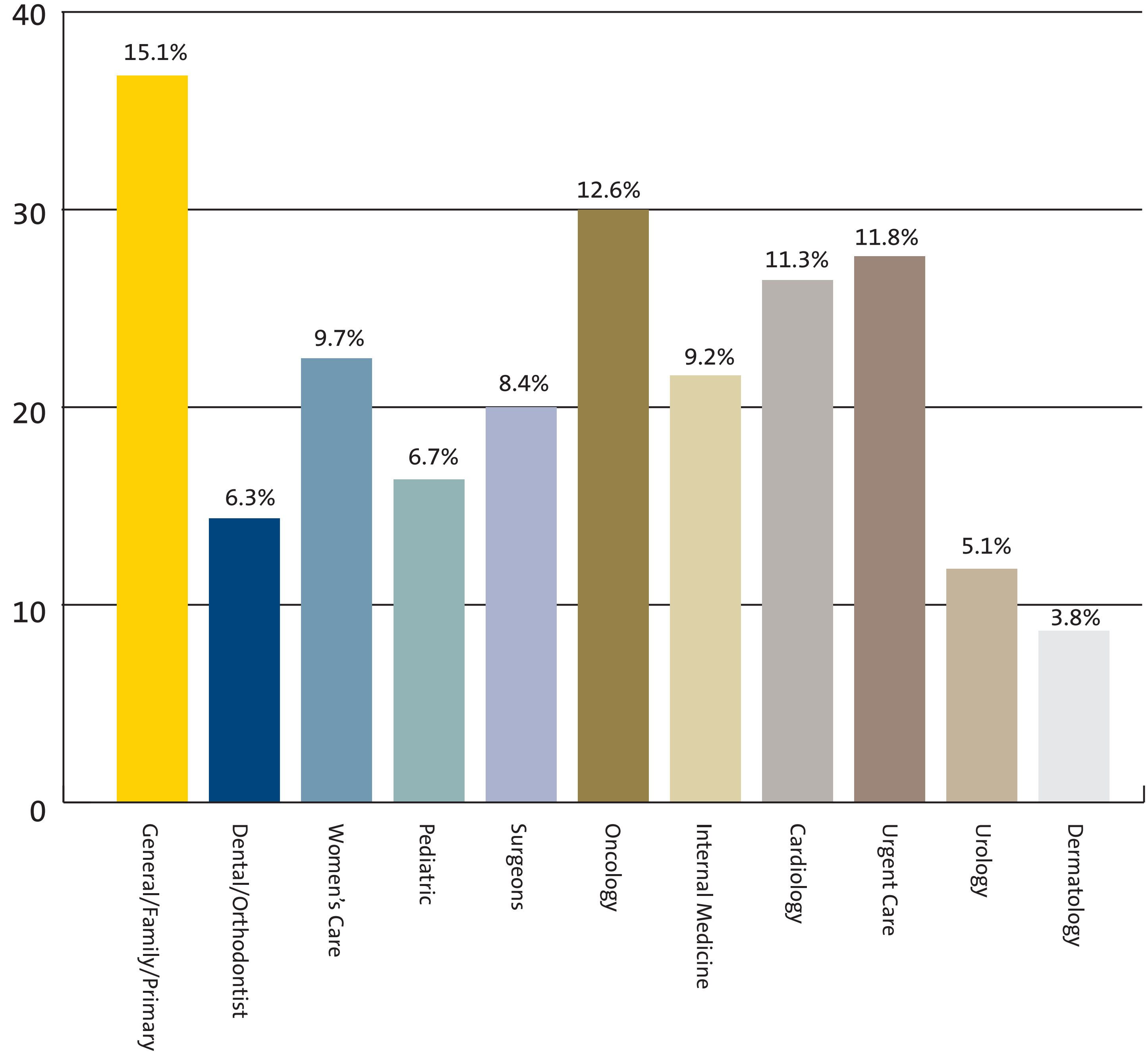
Medical Office Space: Demand

Currently, from where is the most demand coming for medical office space?



Respondents feel that General/Family/Primary is where the most demand is coming from for medical office space.