

Q4 2020 Market Update

MARKET TRENDS:

The year 2020 will be remembered for the impact of Covid-19. The number of visits to certain types of facilities, mostly elective-use practices, and dentists plummeted. In stark contrast, critical use facilities, specifically off-campus, experienced a surge of patient visits.

We have also noticed increased usage of telehealth. According to data from the [U.S. Centers for Medicare & Medicaid Services](#), an average of 14,000 beneficiaries per week received telehealth services last year. Between mid-March and early July, after the onset of Covid-19, that figure shot up to 10.1 million beneficiaries per week.

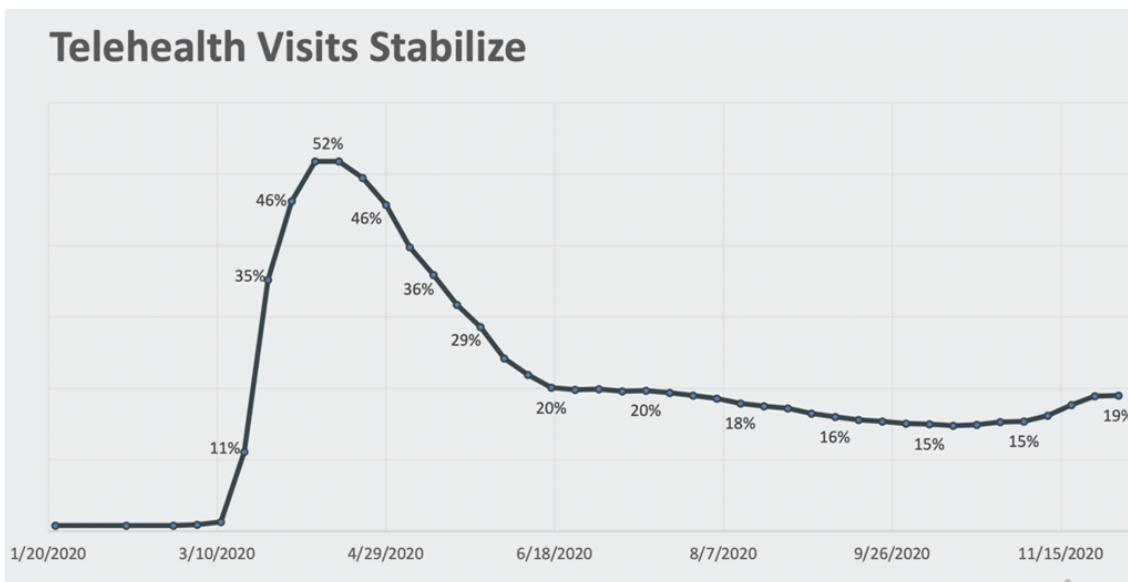


Figure 1 - Telehealth Visits

In response to the pandemic, the federal government adjusted payment plan policy and regulations to support greater access to telehealth. They took a pilot program introduced last year that paid for some rural residents to virtually visit their doctor and expanded it nationwide. The adoption is still not as widespread as anticipated, as tele- visits declined substantially after the Covid-19 peak in Q1/Q2. Specialty's telehealth visits paint a fascinating picture.

Telehealth Adoption by Specialty Varies

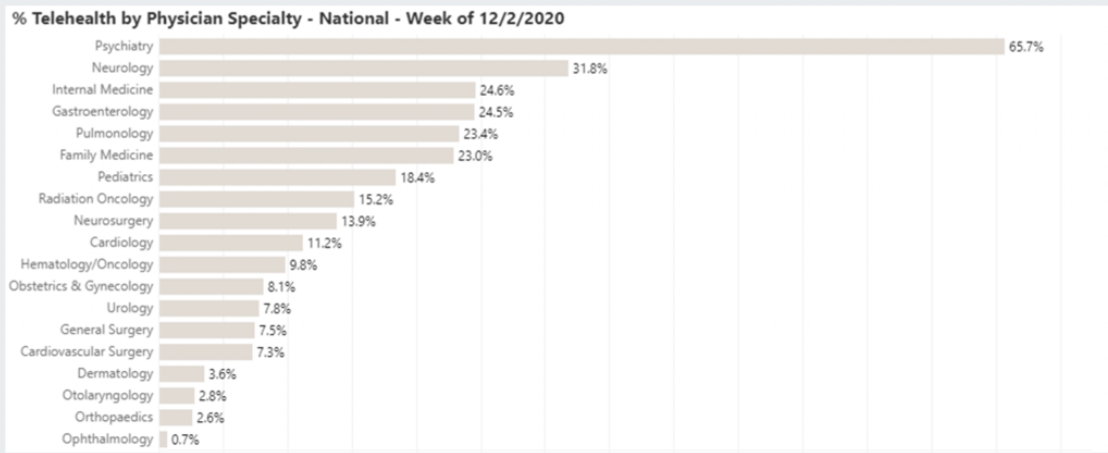


Figure 2 - Telehealth by Specialty

They illustrate what we call "light" and "heavy medical" in terms of the type of medical specialty. The "heavy medical" is the more installation-intensive centers like surgery and they are reflected in the figures towards the bottom of the graph.

OrbVest's acquisition strategy is to focus on buildings with more "heavy medical", where possible. Medical office construction may also gain some momentum in 2021. Despite a construction slowdown due to the pandemic, the sector delivered more than 2.8 million square feet in the second quarter of 2020. On a national basis, vacancy rates climbed 20 basis points to 8.9% this year, but that stands in sharp contrast to the 13.6% vacancy rate for traditional office space.

Rental growth in the medical office sector also maintained its upward trajectory, **rising by 9%** over the last year to a second-quarter average of \$25.22 per square foot. All in all, the outlook for this sector is good. We have also noted investors' preference for more off-campus investment and more in suburban locations. This seems to be a direct reflection of people working from home and preferring to be in closer proximity to residential areas. Secondly, there is a perception that a smaller center has less infection risk than a large hospital or medical facilities.

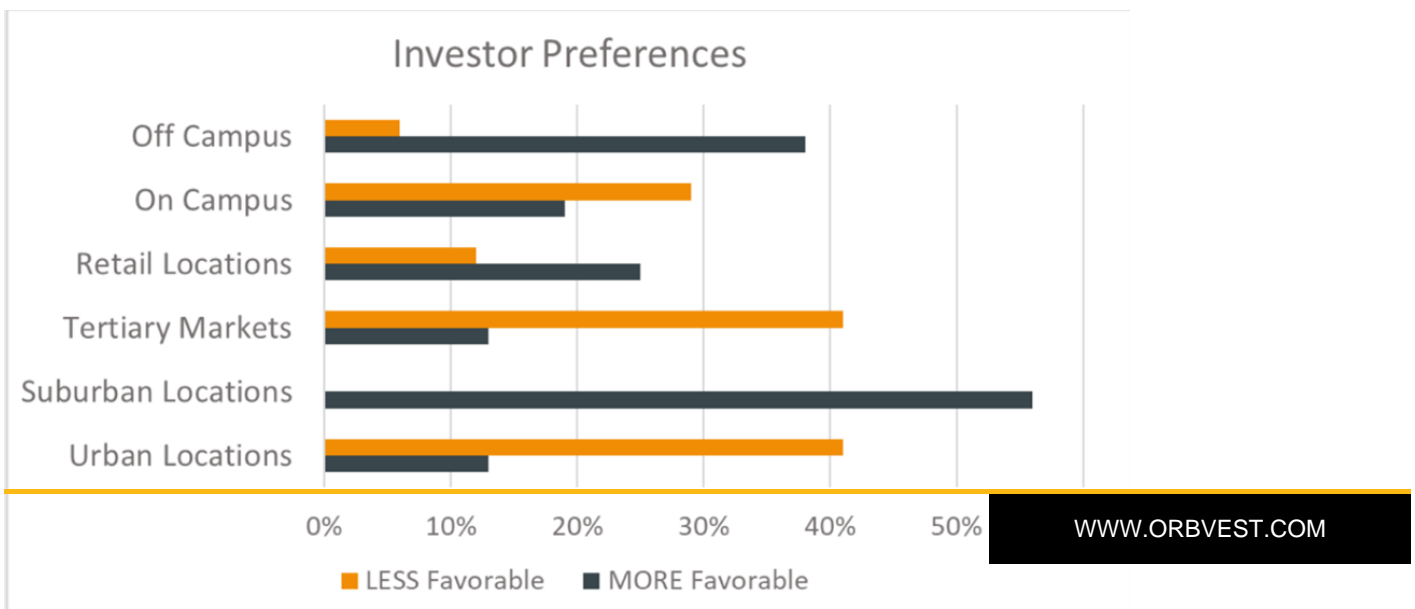


Figure 3 - Real Estate Investor Preference changes - source Revista

OVERALL STATE OF THE MEDICAL OFFICE MARKET:

The Medical Office Market remains very resilient and the steady occupancy and year-on-year rental growth can be seen in Figure 4.

MOB Fundamentals Steady Across Top 50 Metros

4Q20 MOB Fundamentals - 10 Largest Markets (ranked by total SF)

	Total SF	Occupancy Rate TTM (%)	SF Completed Past 4 Quarters	Absorption SF Past 4 Quarters	Rent NNN Avg	YOY Rent Growth SS (%)	Cont. SF InProgress	Const. SF InProgress VsInventory (%)
New York	72.7M	93.6	1,732,988	1,656,760	\$24.50	1.6	1.6M	2.3
Los Angeles	57.4M	91.6	489,115	178,024	\$34.41	1.7	1.1M	2.0
Chicago	41.5M	91.4	560,911	815,968	\$19.76	1.4	1.7M	4.2
Houston	41.5M	88.3	372,956	122,550	\$21.86	1.5	1.4M	3.3
Dallas	35.3M	89.1	498,294	581,403	\$21.76	1.4	1.2M	3.4
Philadelphia	29.3M	92.2	406,000	326,567	\$20.24	1.5	0.5M	1.6
Atlanta	27.3M	90.0	266,500	434,933	\$20.08	2.3	1.7M	6.1
Boston	26.3M	93.6	620,700	604,305	\$27.66	1.5	0.7M	2.5
Washington DC	23.1M	90.0	456,954	691,867	\$25.08	2.2	1.2M	5.2
Miami	20.1M	90.5	370,534	627,842	\$23.36	2.5	1.2M	5.9

Figure 4 - MOB fundamentals

OrbVest’s acquisition strategy is reflected in the investments it has secured in these very active markets (Figure 5): Atlanta, Dallas, Phoenix, San Diego and New York. With the new president, we expect changes to tax laws that will affect real estate investments. Notably, there was an election promise to increase capital gains tax. The exact impact will only be known once the specific proposals are tabled, but we do not expect a material change to investor returns.

Most Active Markets

	Annual Volume	Square Feet TTM	Avg. Price Per SF	Avg. Cap Rate
US	\$10,219.2M	32.2M	\$344	6.3
Top100	\$8,634.9M	26.7M	\$352	6.2
Top50	\$7,023.2M	21.3M	\$357	6.2
Los Angeles	\$767.9M	1.7M	\$464	5.5
Houston	\$358.1M	0.9M	\$333	5.6
Miami	\$344.1M	1.2M	\$319	5.7
Dallas	\$328.3M	1.0M	\$357	7.0
New York	\$302.5M	0.8M	\$393	6.1
Washington DC	\$300.2M	0.9M	\$305	7.8
Chicago	\$298.0M	1.1M	\$296	6.6
Indianapolis	\$287.6M	0.7M	\$405	5.8
Atlanta	\$212.3M	0.7M	\$291	5.9
Phoenix	\$209.6M	0.7M	\$389	6.8
San Diego	\$207.0M	0.4M	\$502	6.5

Figure 5: Most Active Market – source Revista

CONCLUSION:

The medical real estate sector has shown overall steady growth and there has been a marked turnaround within the submarket in which Orbvest has investments. Refer to details in the submarket review below. The industry has adapted well to the pandemic and is now stabilizing and growing further. The vaccine roll-out is progressing quickly and will help to restore the environment to normal. *Source:* Revista – Q4 2020 update, National Real Estate Investor, JLL.

MARKET DATA - REFERENCE:

The 4 Metro reports from Revista, covering areas in which Orbvest is managing assets, have been added as a reference below. The data reflects the period in Q4 2020 that shows the recovery in the market post Covid-19. As can be seen below, the impact of Covid-19 reflects differently in each Metro and make for very interesting reading.

#5 MSA - DALLAS-FORT WORTH-ARLINGTON, TX METRO AREA

The MSA showed market recovery as occupancy started to increase again, indicating new leases are being signed and business is starting to take long-term decisions in Q4 2020.

Source: *Revista*

DALLAS MOB SNAPSHOT

4Q 2020	VALUE	QUARTER ON QUARTER
Total Square Feet	35 277 290	↑ 0,5%
Square Feet in Progress	1 189 600	↑ 3,2%
Sold Volume (Trailing 12 months)	\$322 160 954	↓ -14,9%
Occupancy (Trailing 12 months)	89,1%	↑ 10 bps
Average Rent (NNN)	\$21,76	↑ 0,5%
Rent Growth (Year on Year)	1,4%	

2

of buildings in area



238,390 sf of GLA

97.8%

Occupancy

25

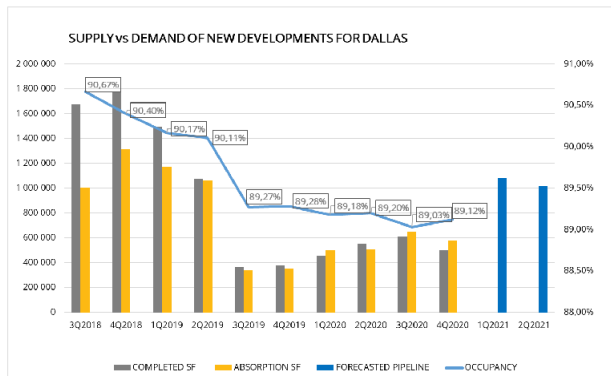
of tenants

MOB RENT ANALYSIS FOR DALLAS METRO

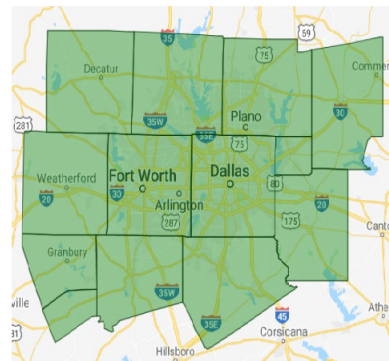
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH YY	(samples)
	10%	50%	90%			
DALLAS	\$15,49	\$22,41	\$30,15	\$21,76	1,4%	468
Top 50 Metros	\$15,00	\$22,84	\$36,00	\$22,55	1,8%	8514
Top 100 Metros	\$14,21	\$22,00	\$35,00	\$21,86	1,8%	10310

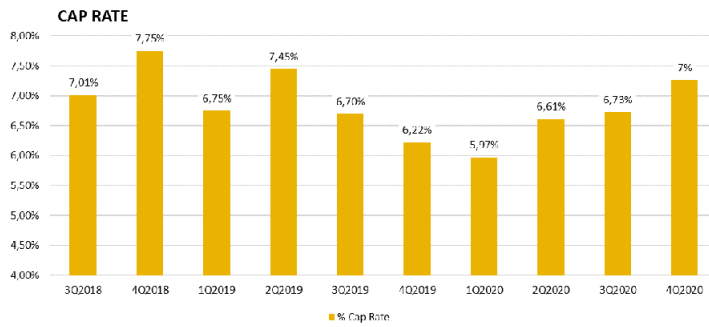
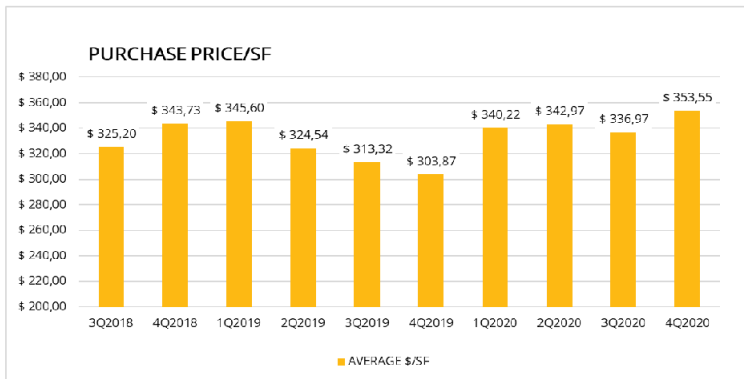
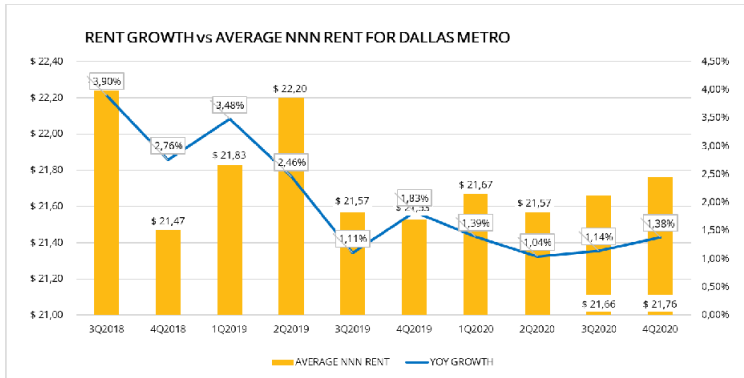
* Base rents include all rent types. Stats are for MOBs, all sizes. Rent growth is on a same store basis.

SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP





Source: Revista

#7 MSA - ATLANTA-SANDY SPRINGS-MARIETTA, GA METRO AREA

The Atlanta MSA is proving its resilience. The market is showing solid growth in occupancy and rental rate increases and the price of property is increasing, as shown by the downward trend in the market capitalization trend in Q4.

Source: *Revista*

ATLANTA MOB SNAPSHOT			
4Q 2020	VALUE		QUARTER ON QUARTER
Total Square Feet	27 320 717	↑	0,50%
Square Feet in Progress	1 656 863	↑	16,5%
Sold Volume (Trailing 12 months)	\$212 237 426	↓	-21,00%
Occupancy (Trailing 12 months)	90,0%	↑	18 bps
Average Rent (NNN)	\$20,08	↑	0,5%
Rent Growth (Year on Year)	2,3%		

12 # of buildings in area

537,761 sf of GLA

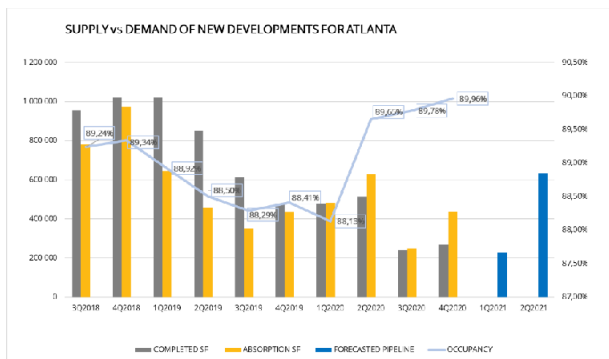
95.12% Occupancy

68 # of tenants

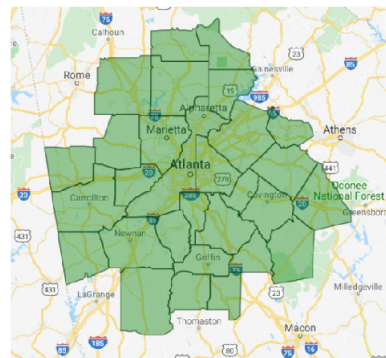
MOB RENT ANALYSIS FOR ATLANTA METRO						
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
Atlanta	\$14,02	\$20,20	\$28,30	\$20,08	2,3%	390
Top 50 Metros	\$15,00	\$22,84	\$36,00	\$22,55	1,8%	8514
Top 100 Metros	\$14,21	\$22,00	\$35,00	\$21,86	2%	10310

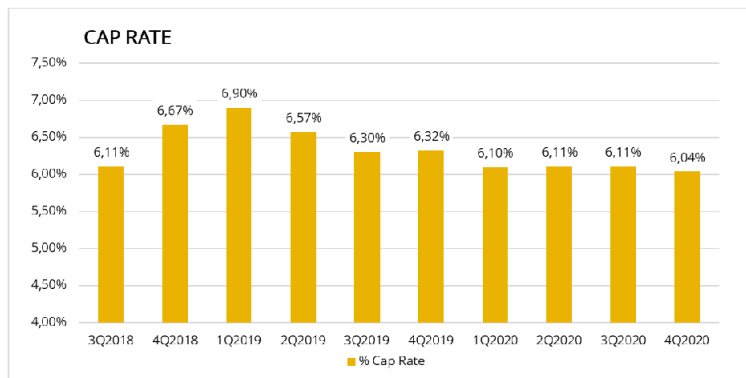
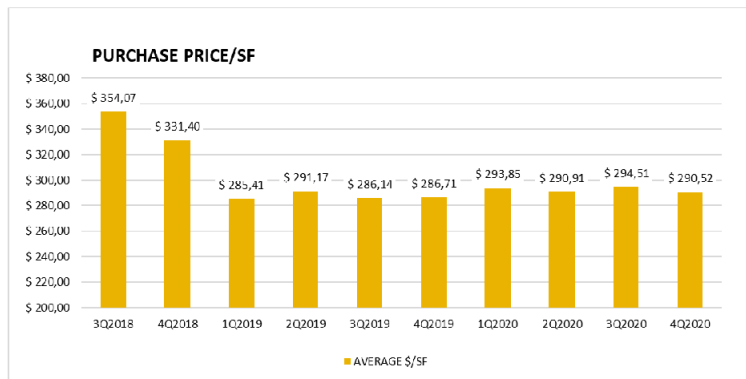
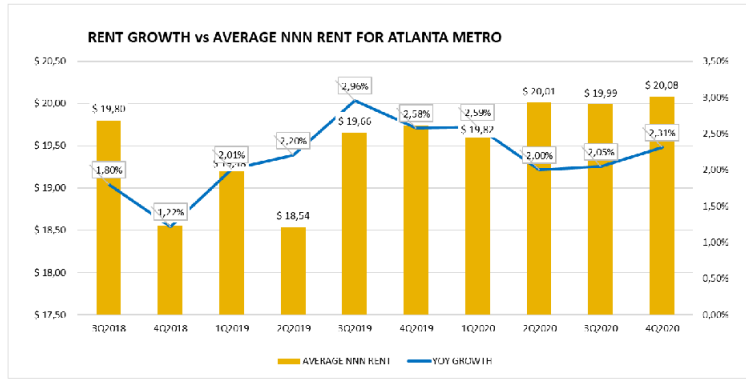
* Base rents include all rent types. Stats are for MOBs, all sizes. Rent growth is on a same store basis.

SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP





Source: Revista

#21 MSA - SAN ANTONIO-NEW BRAUNFELS, TX METRO AREA

The SAN ANTONIO MSA has had a marked recovery from the impact of Covid-19. This MSA is also linked to Austin, as it is in close proximity and urban growth is starting to fill the space between the two cities.

Source: *Revista*

SAN ANTONIO MOB SNAPSHOT

4Q 2020	VALUE	QUARTER ON QUARTER	
Total Square Feet	12 745 294	↑	1,00%
Square Feet in Progress	378 940	↓	-22,90%
Sold Volume (Trailing 12 months)	\$161 731 102,00	↑	5,70%
Occupancy (Trailing 12 months)	86,0%	↑	23bps
Average Rent (NNN)	\$22,65	↓	-0,30%
Rent Growth (Year on Year)	1,7%		

2 # of buildings in area

303,346 sf of GLA

99.66% Occupancy

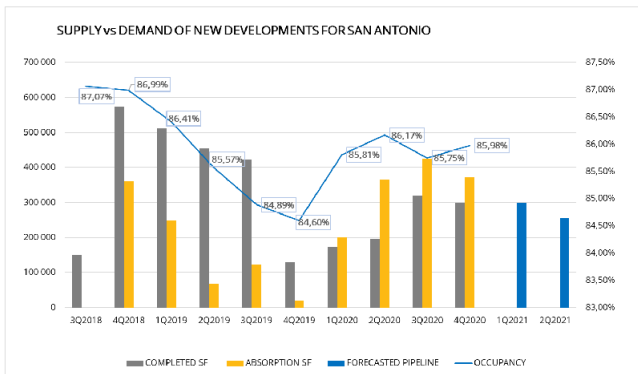
39 # of tenants

MOB RENT ANALYSIS FOR SAN ANTONIO METRO

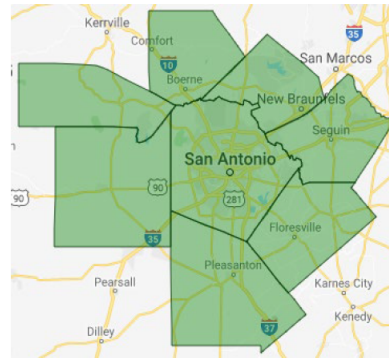
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
SAN ANTONIO	\$17,00	\$21,32	\$28,05	\$22,65	1,70%	141
Top 50 Metros	\$15,00	\$22,84	\$36,00	\$22,55	1,80%	8514
Top 100 Metros	\$14,21	\$22,00	\$35,00	\$21,86	1,8%	10310

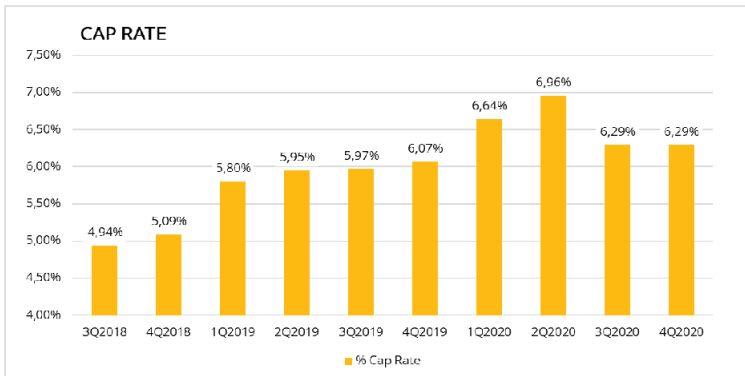
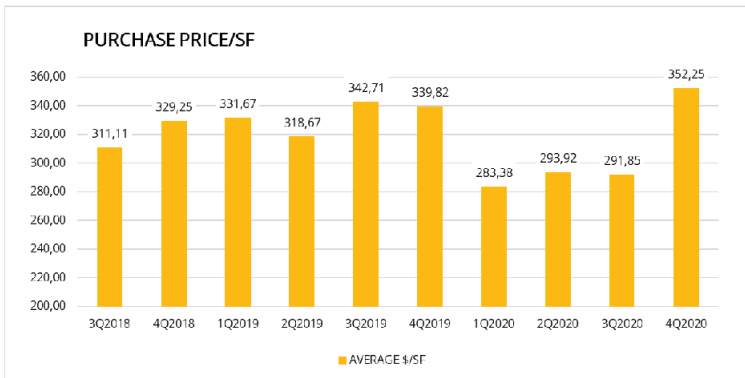
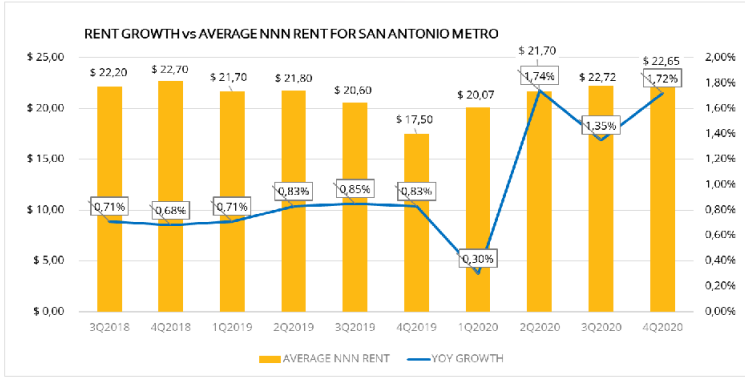
* Base rents include all rent types. Stats are for MOBs, all sizes. Rent growth is on a same store basis.

SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP






Source: Revista

#45 MSA - AUSTIN-ROUND ROCK-SAN MARCOS, TX METRO AREA

The Austin MSA has recovered nicely from the impact of Covid-19 in Q1 2020. The growth in most metrics is also reflected in the nearby MSA of San Antonio, as discussed earlier in this report. Rental rates showed marked increases over the last two quarters, which bodes well for potential leasing at our one asset.

Source: Revista

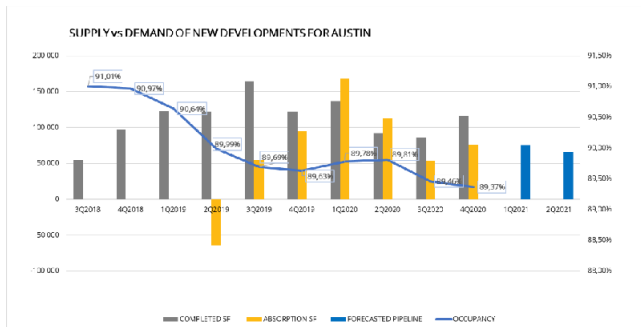
AUSTIN MOB SNAPSHOT			
4Q 2020	VALUE	QUARTER ON QUARTER	
Total Square Feet	6 927 641	↑	0,4%
Square Feet in Progress	101 000	↓	-39,4%
Sold Volume (Trailing 12 months)	\$23 633 510,00	↓	-82,2%
Occupancy (Trailing 12 months)	89,4%	↓	-10 bps
Average Rent (NNN)	\$25,33	↑	0,8%
Rent Growth (Year on Year)	6,3%		

2 # of buildings in area
 70.557 sf of GLA
 91.63% Occupancy
 18 # of tenants

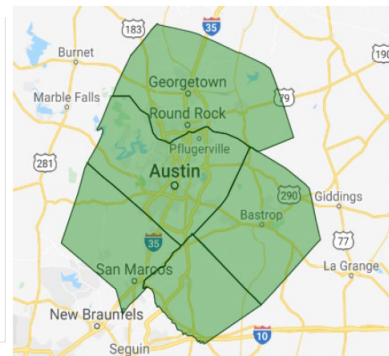
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
AUSTIN	\$20,00	\$25,69	\$31,65	\$25,33	6,30%	119
Top 50 Metros	\$15,00	\$22,84	\$36,00	\$22,55	1,80%	8514
Top 100 Metros	\$14,21	\$22,00	\$35,00	\$21,86	1,80%	10310

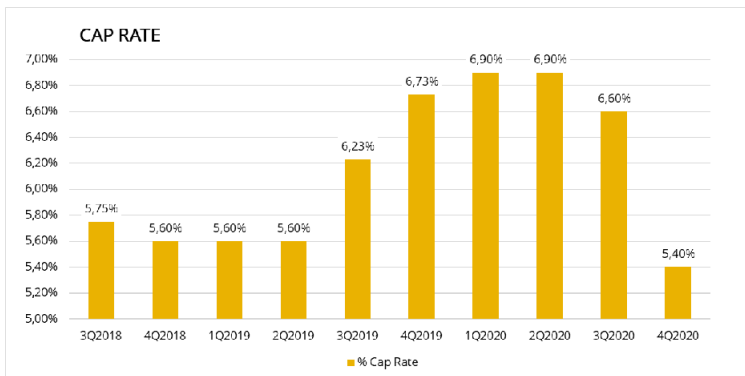
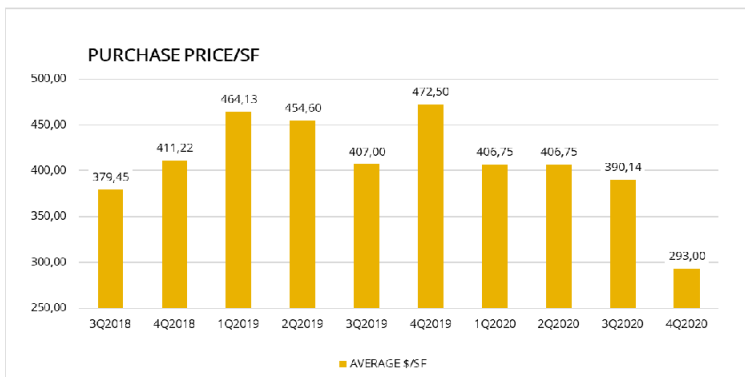
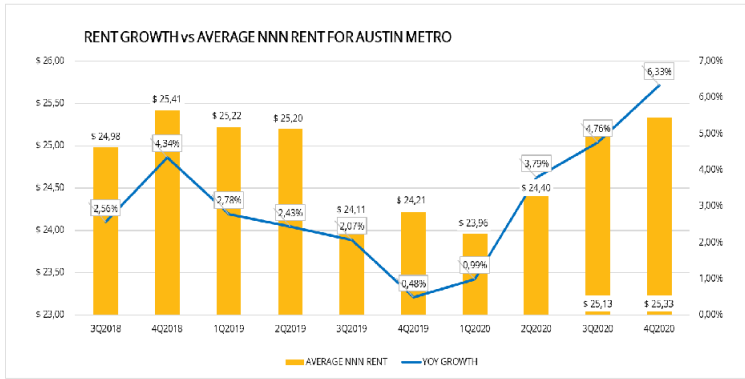
* Base rents include all rent types. Stats are for MOBs, all sizes. Rent growth is on a same store basis.

SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP





Source: Revista

#1 MSA - NEW YORK-NEW JERSEY, NY-NJ-PA METRO AREA

The greater New York MSA maintained its occupancy levels and rental rate growth has been steadily recovering. Prices show a larger than normal drop. OrbVest has capitalized on this by making its third acquisition in the state, namely Princeton 300B.

Source: *Revista*

NEW YORK-NEW JERSEY MOB SNAPSHOT		
4Q 2020	VALUE	QUARTER ON QUARTER
Total Square Feet	72 665 169	↑ 0,20%
Square Feet in Progress	2 156 124	↓ -0,1%
Sold Volume (Trailing 12 months)	\$301 704 795,00	↓ -60,2%
Occupancy (Trailing 12 months)	93,6%	↑ 1 bps
Average Rent (NNN)	\$24,50	↓ 0,0%
Rent Growth (Year on Year)	1,6%	

2 # of buildings in area



77,264

of sq ft

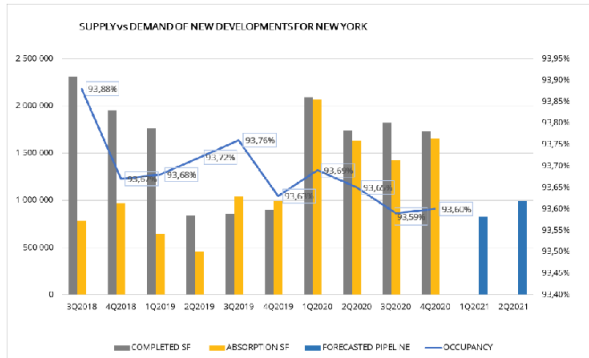
95% Occupancy

12 # of tenants

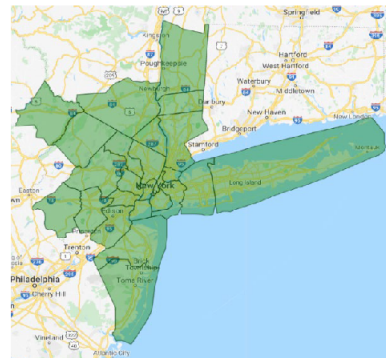
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
NEW YORK	\$16,24	\$25,25	\$42,85	\$24,50	1,60%	600
Top 50 Metros	\$15,00	\$22,84	\$36,00	\$22,55	1,80%	8514
Top 100 Metros	\$14,21	\$22,00	\$35,00	\$21,86	1,80%	10310

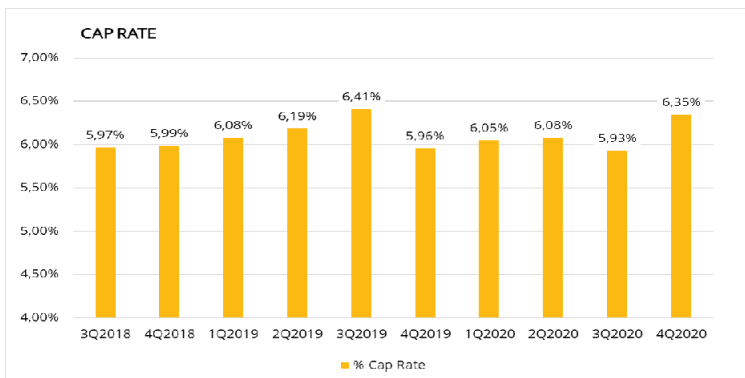
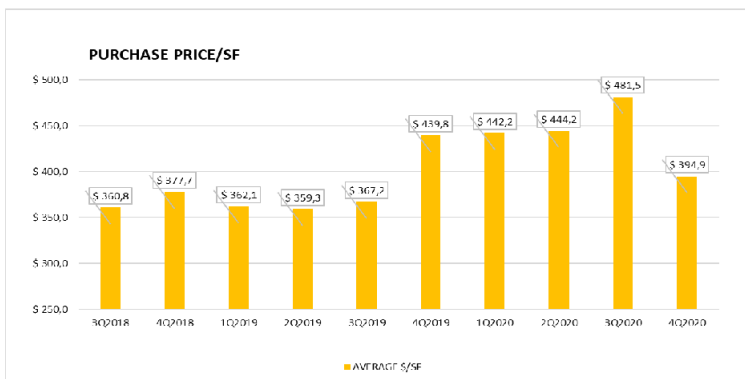
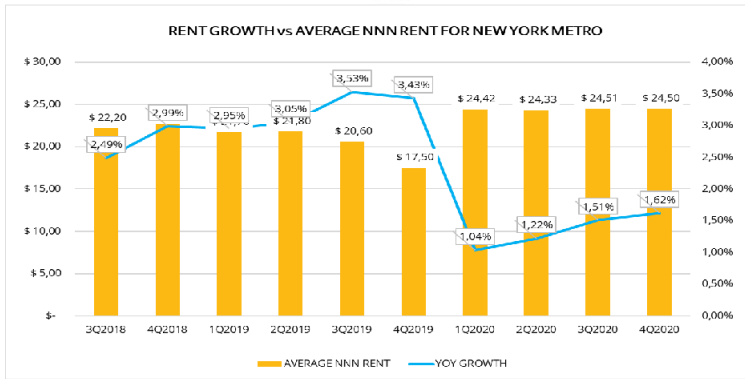
* Base rents include all rent types. Stats are for MOBs, all sizes. Rent growth is on a same store basis.

SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP





Source: Revista

DISCLAIMER:

The content and information herein contained and being distributed by Orbvest are for information purposes only and should not be construed, under any circumstances, by implication or otherwise, as advice of any kind or nature, or as an offer to sell or a solicitation to buy or sell or to invest in any securities or currencies herein named. The information was obtained from sources believed to be reliable but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Past performance does not guarantee future performance. Any market data or information used herein is for illustrative and informational purposes only. Please get the advice of a competent advisor before investing your money in any financial instrument or product and it is your responsibility to obtain the necessary legal, tax, investment, financial or any other type of advice in this regard.



: REVISTA, WALL STREET JOURNAL, AVISON YOUNG RESEARCH, BLOOMBERG,
DALLASFED.ORG AND U.S. BUREAU OF LABOR STATISTICS LATEST NUMBERS.