

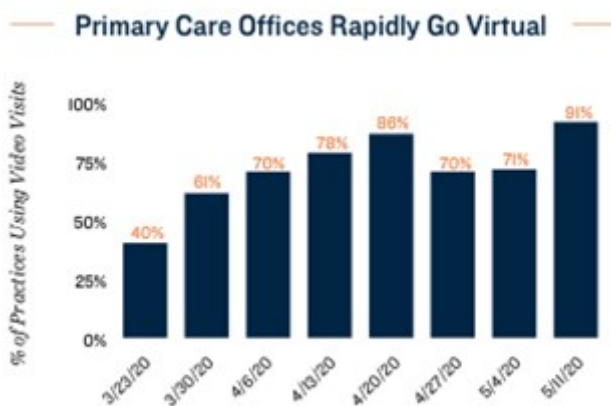
Q3 2020 Market Update

OVERALL MARKET VIEW:

The OrbVest Investment Committee and Acquisition team have been monitoring the Medical Real Estate medical transactional data and trends very closely over the past few quarters.

One of the trends that we are monitoring closely is the impact of telemedicine in the USA and how this may impact our acquisition strategy. As can be seen below, patients are increasingly making use of virtual visits, but still prefer actual 'in person' visits.

During COVID patients with chronic conditions have been monitored by doctors over virtual channels. Many medicines still cannot be prescribed online as it is restricted by law. Some forms of healthcare are more adaptable to online settings, like behavioural health service, though the need for in-person visits, labs and imaging will sustain demand for medical office buildings.



Investment Highlights

- Medical office sales remained strong over the 12-month period in June with transactions dipping just 2 percent. Strong investor interest led medical offices to account for 19 percent of overall office volume in the second quarter, up considerably from the 7 percent average.
- Transaction velocity was headlined by the Southeast region, an area of greater in-migration among the older cohorts in recent years. The average cap rate reseed in the low-7 percent band.
- Pricing averaged just above \$259 per square foot over the past four quarters, a modest 1.9 percent increase from the prior year-long stretch.
- Medical campus and hospital expansions continue to draw REITs and institutional buyers to proximate office assets. Cap rates for newer buildings in these districts begin in the mid-4 percent range.

Construction Trends

- Despite a major pullback in projects underway in the second quarter, more than 2.8 million square feet was delivered, bringing the year-long total to just above 10 million square feet. Deliveries were down by almost 1 million square feet from the prior period. Moving forward, more projects will be shelved, which should help to stabilize the sector and prevent oversupply risks.

Vacancy Trends

- The economic challenges and elimination of major revenue streams experienced by care providers have placed pressure on tenants to reduce expenses and reconsider space requirements. Some health systems may allow a greater share of administrative staff to work remotely going forward, which could bring more sublet space onto the market. Underlying demand factors, including the growing need for healthcare services, overshadow the immediate impacts of the pandemic.
- On a national basis, vacancy climbed to 8.9 percent in the second quarter, a 40-basis-point climb from the same time last year. Net absorption fell by roughly half over the past 12 months in contrast with the prior period, in large part due to limited availability and the shortage of modern and upgraded facilities.

Rent Trends

- A hit to revenue for many tenants has led some to seek deferrals and rent relief, though most REITs have reported strong rent collections, an indication that many operators have been able to weather the worst of the crisis. Small businesses in the healthcare sector often have greater cash reserves than those impacted in other industries, preventing a wave of business closures.
- Amid the current turmoil, rent growth maintained an upward trajectory over the past four quarters, reaching an average of \$25.22 per square foot.

Largest Metros Holding Steady Through 3Q20

3Q20 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	Co InPr Vslnv
New York	70.4M	93.6	1,758,096	1,676,196	\$24.58	1.5	2.2M	
Los Angeles	57.1M	92.1	507,833	371,386	\$31.28	1.4	0.8M	
Chicago	40.8M	91.5	534,211	960,476	\$19.80	2.2	1.5M	
Houston	40.6M	88.6	672,456	392,187	\$22.00	1.4	1.5M	
Dallas	35.4M	89.3	490,620	690,969	\$21.64	1.1	1.2M	
Philadelphia	29.6M	92.6	432,400	503,874	\$19.87	1.9	0.5M	
Atlanta	27.1M	89.7	242,763	288,265	\$20.03	1.9	1.4M	
Boston	26.1M	93.9	394,700	497,965	\$28.00	2.1	0.6M	
Washington DC	22.5M	89.8	324,102	664,909	\$25.70	0.6	1.1M	
Miami	19.9M	90.5	290,534	509,866	\$23.28	2.1	0.9M	

CONCLUSION:

The MOB fundamental remains strong as can be seen by the Revista table above in the largest Metros. The 2Q to 3Q has seen recovery and growth as the asset class attracts new capital and further confirms the resilience of the Medical Real Estate Asset Class. Transaction volumes are consistent with prior year and pricing remains high. Construction picked up in Q3 increasingly moving off campus.

Source: Revista – Q3 2020 update, Marcus and Millichap – Beyond the global Health Crisis

Market Data - Reference

The 4 Metro reports, from Revista, in which Orbvest are managing assets, have been added as a reference below. The data reflects the period of Q3 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 strong in the period of Q3 2020, post COVID-19 and confirms that it remains one of the best investment destinations.

Source: Revista

DALLAS MOB SNAPSHOT		
3Q 2020	VALUE	QUARTER ON QUARTER
Total Square Feet	35 368 611	↑ 0,1%
Square Feet in Progress	1 179 600	↓ -15,0%
Sold Volume (Trailing 12 months)	\$370 370 274	↓ -1,6%
Occupancy (Trailing 12 months)	89,3%	↑ 11 bps
Average Rent (NNN)	\$21,64	↑ 0,3%
Rent Growth (Year on Year)	1,1%	

2

of buildings in area



238,390 sf of GLA

97.8%

Occupancy

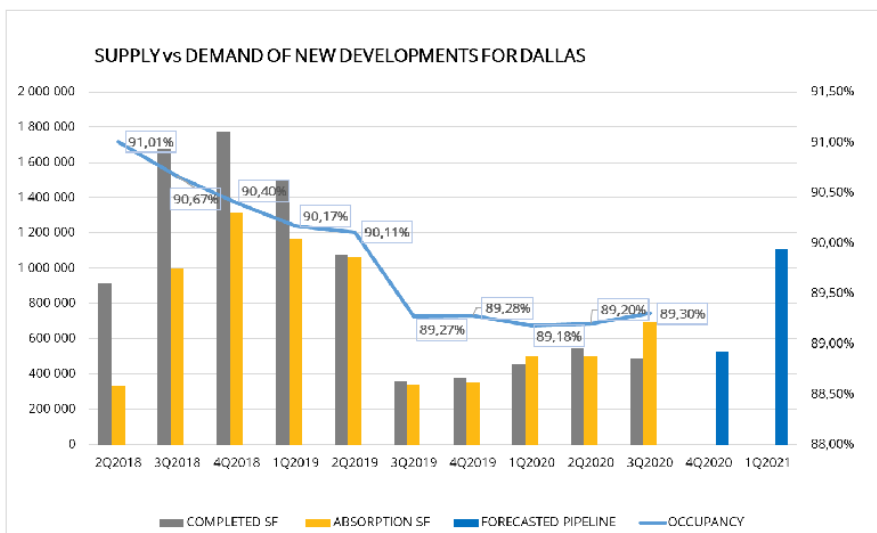
25

of tenants

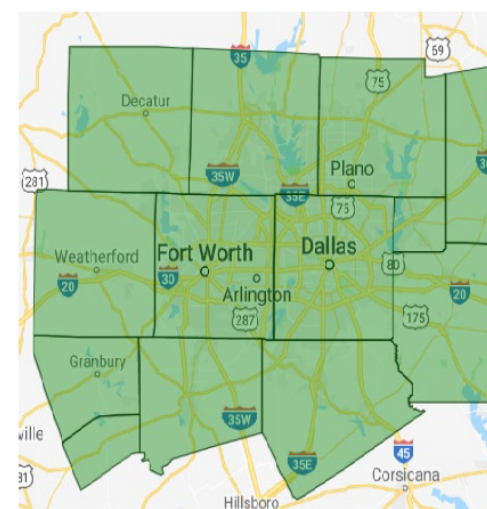
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
DALLAS	\$15,79	\$22,11	\$30,00	\$21,64	1,1%	442
Top 50 Metros	\$14,95	\$22,61	\$35,35	\$22,28	1,7%	8161
Top 100 Metros	\$14,14	\$22,00	\$34,54	\$21,61	1,7%	9927

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

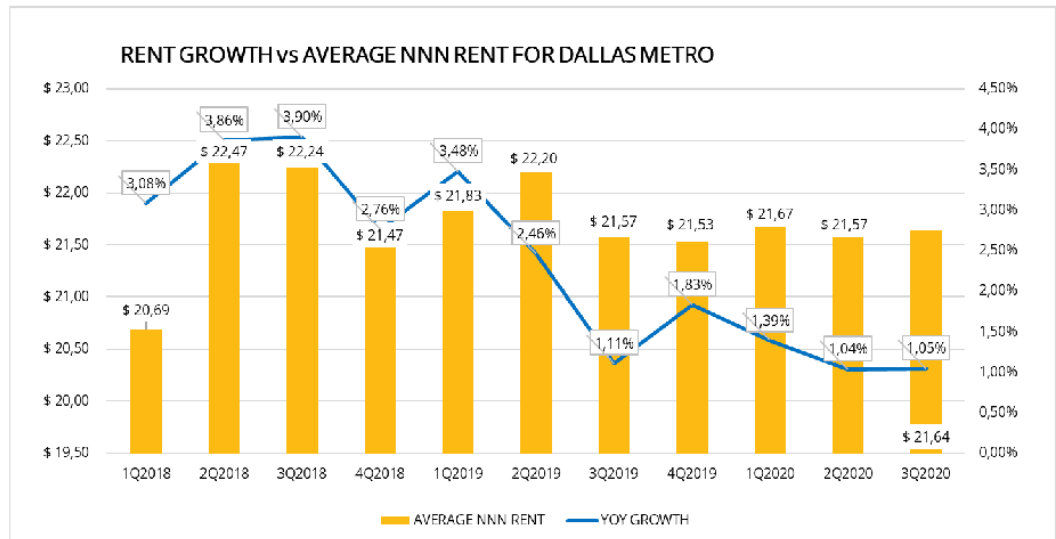
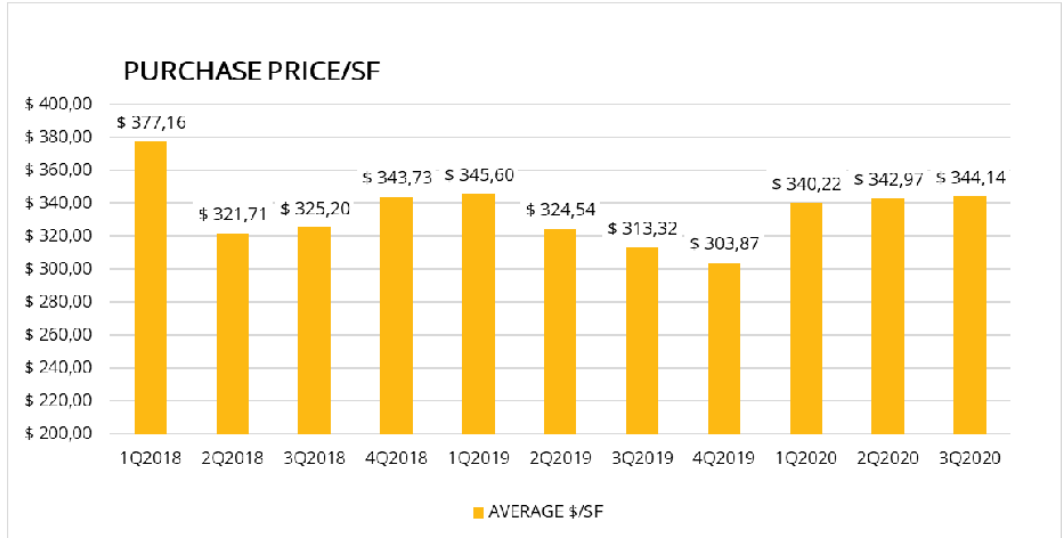
SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP



Source: Revista



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

The fundamental of the MSA show growth and demand in Q3 which reflects in prices paid and occupancy figures.

Source: Revista

ATLANTA MOB SNAPSHOT		
3Q 2020	VALUE	QUARTER ON QUARTER
Total Square Feet	27 068 341	↑ 0,10%
Square Feet in Progress	1 426 961	↑ 43,7%
Sold Volume (Trailing 12 months)	\$282 942 031	↓ -5,60%
Occupancy (Trailing 12 months)	89,7%	↑ 1 bps
Average Rent (NNN)	\$20,03	↑ 0,1%
Rent Growth (Year on Year)	1,9%	

12

of buildings in area



537,761 sf of GLA

95.12%

Occupancy

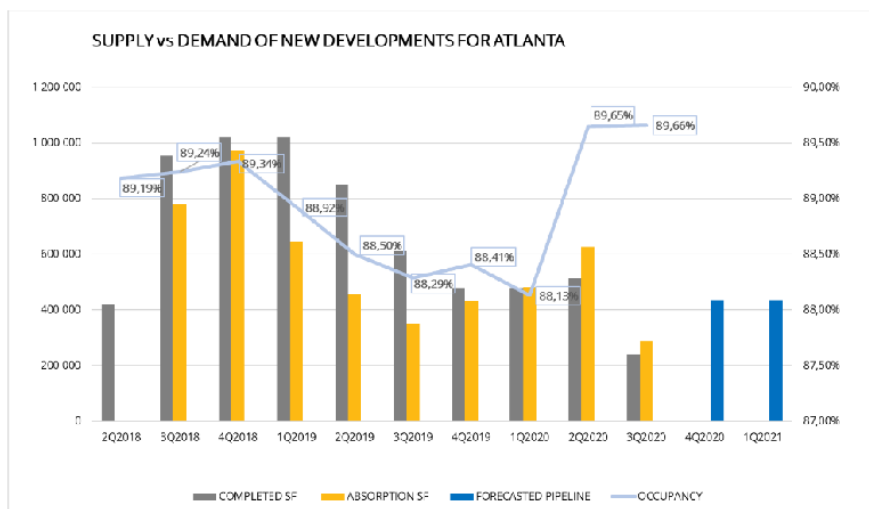
68

of tenants

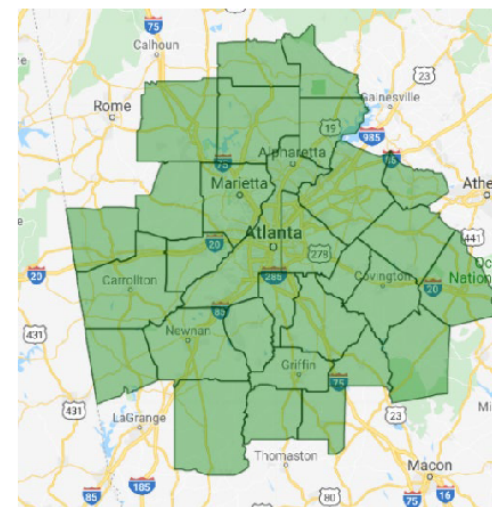
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
Atlanta	\$14,12	\$20,00	\$28,50	\$20,03	1,9%	386
Top 50 Metros	\$14,95	\$22,61	\$35,35	\$22,28	1,7%	8161
Top 100 Metros	\$14,14	\$22,00	\$34,54	\$21,61	17%	9927

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

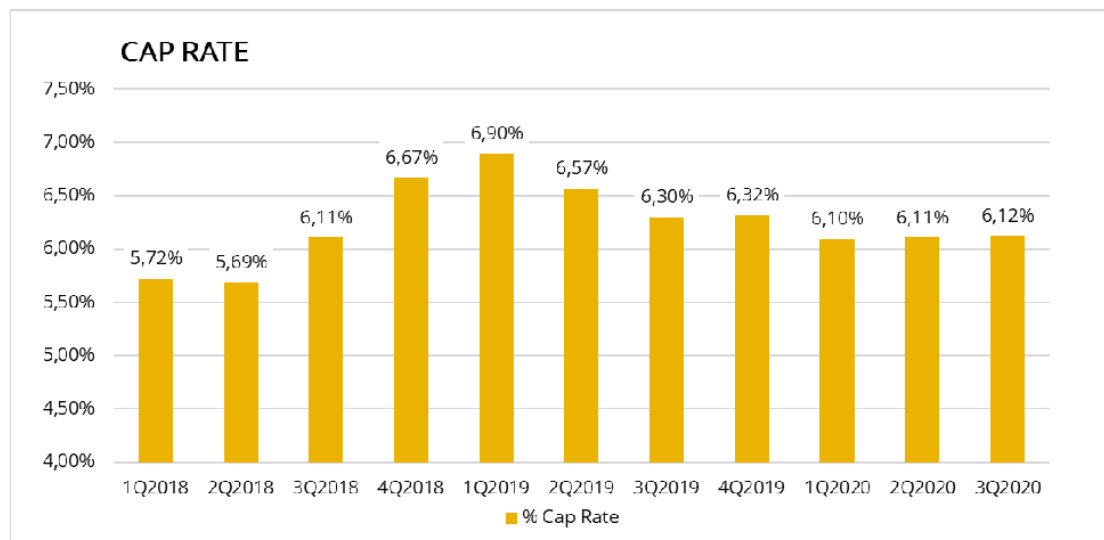
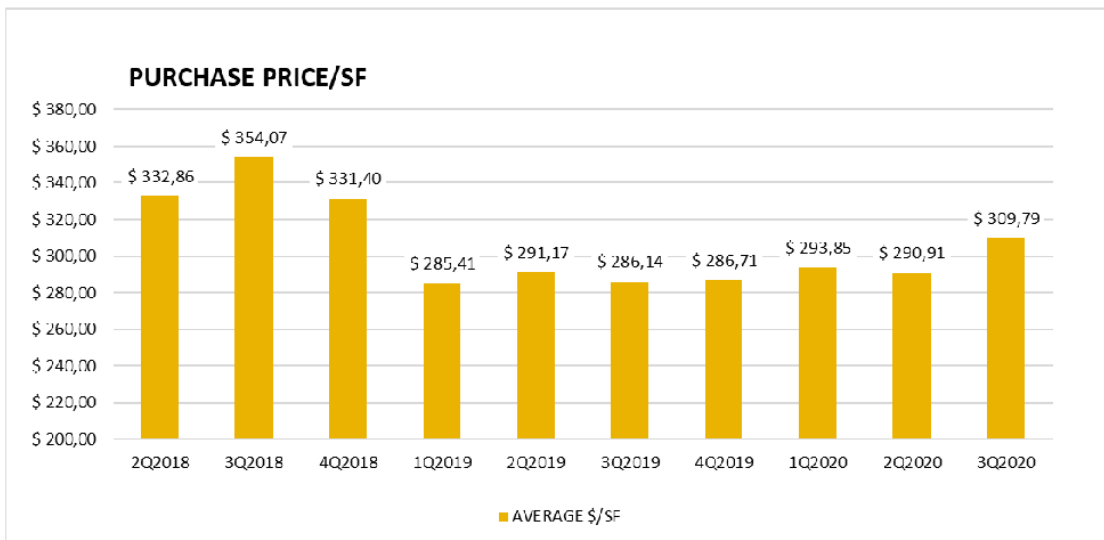
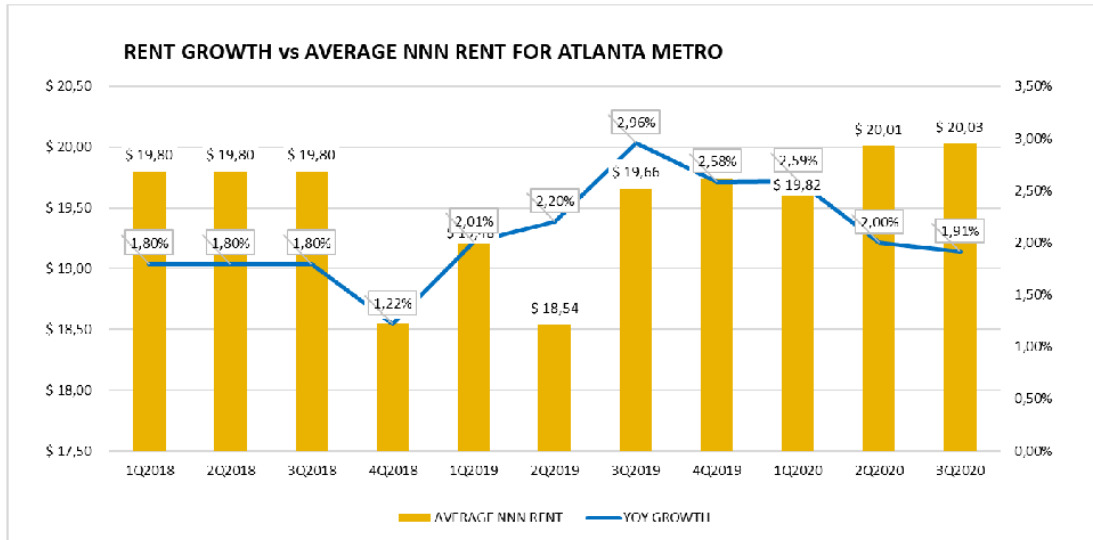
SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP



Source:
Revista



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

The supply of MOB in this MSA is under pressure, although it reflects a higher occupancy. This will assist with the lease up of the 2 assets under management.

Source: Revista

SAN ANTONIO MOB SNAPSHOT			
3Q 2020	VALUE	QUARTER ON QUARTER	
Total Square Feet	12 345 538	↑	0,10%
Square Feet in Progress	382 394	↓	-10,30%
Sold Volume (Trailing 12 months)	\$157 581 668,00	↓	-0,80%
Occupancy (Trailing 12 months)	86,6%	↑	43bps
Average Rent (NNN)	\$22,66	↑	1,00%
Rent Growth (Year on Year)	1,4%		

2 # of buildings in area

303,346 sf of GLA

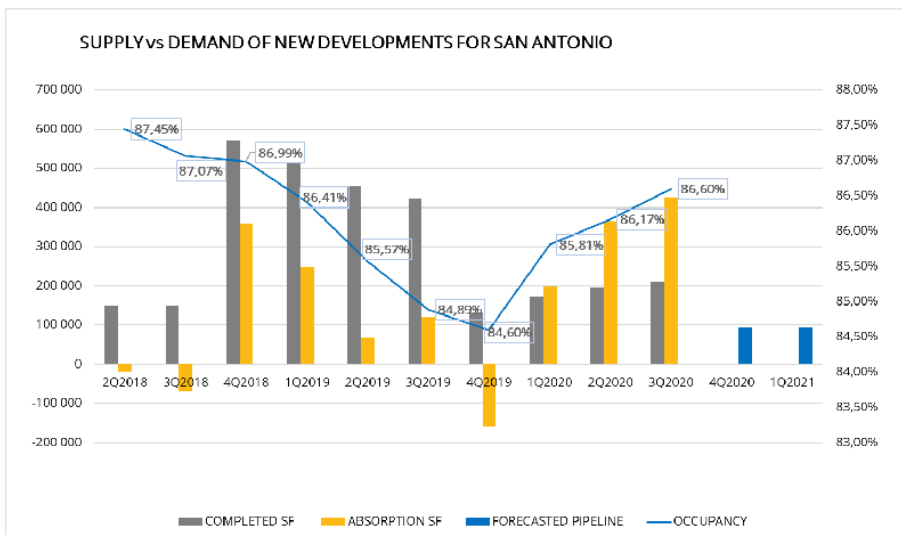
99.66% Occupancy

39 # of tenants

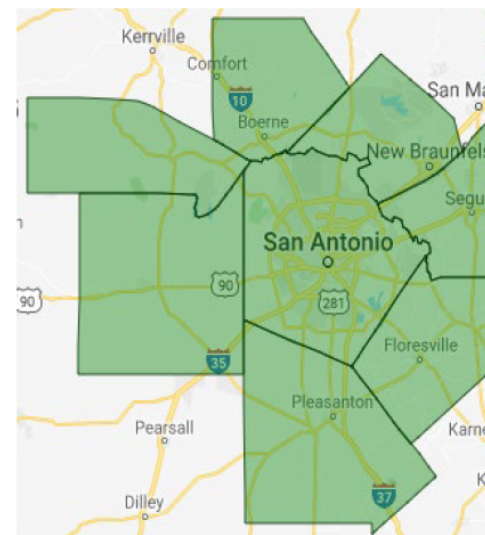
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
SAN ANTONIO	\$17,00	\$21,21	\$27,92	\$22,66	1,40%	144
Top 50 Metros	\$14,95	\$22,61	\$35,35	\$22,27	1,70%	8161
Top 100 Metros	\$14,14	\$22,00	\$34,54	\$21,61	1,7%	9928

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

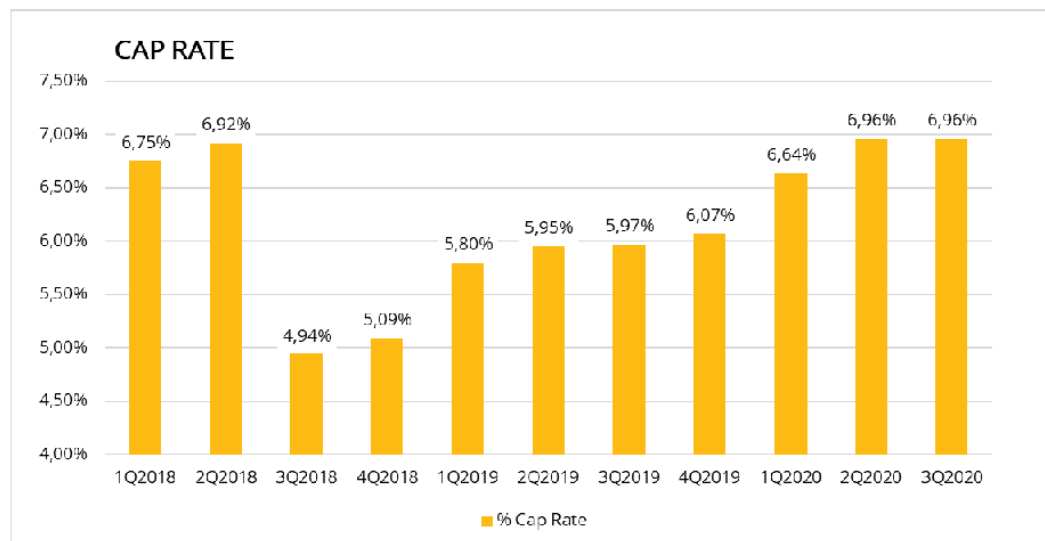
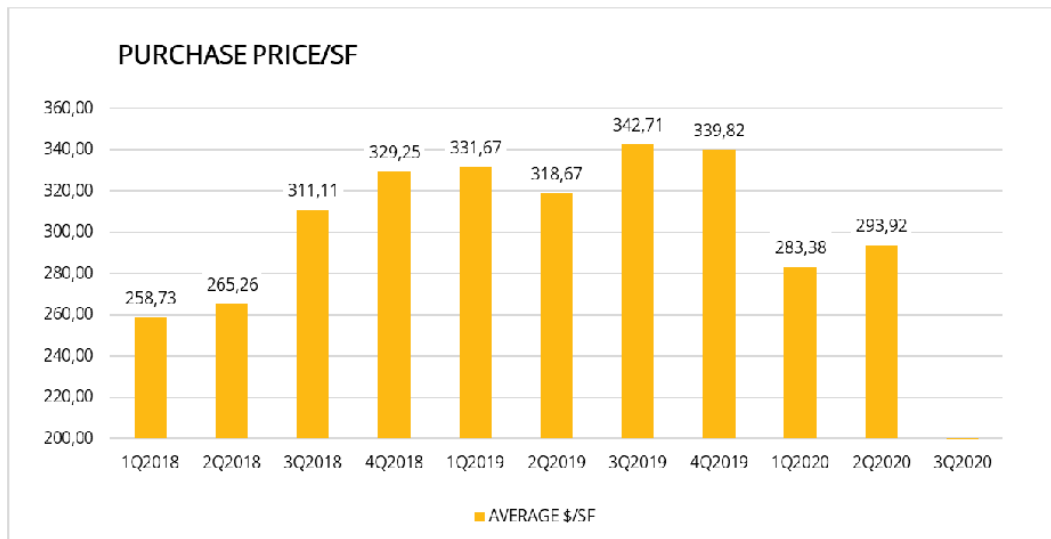
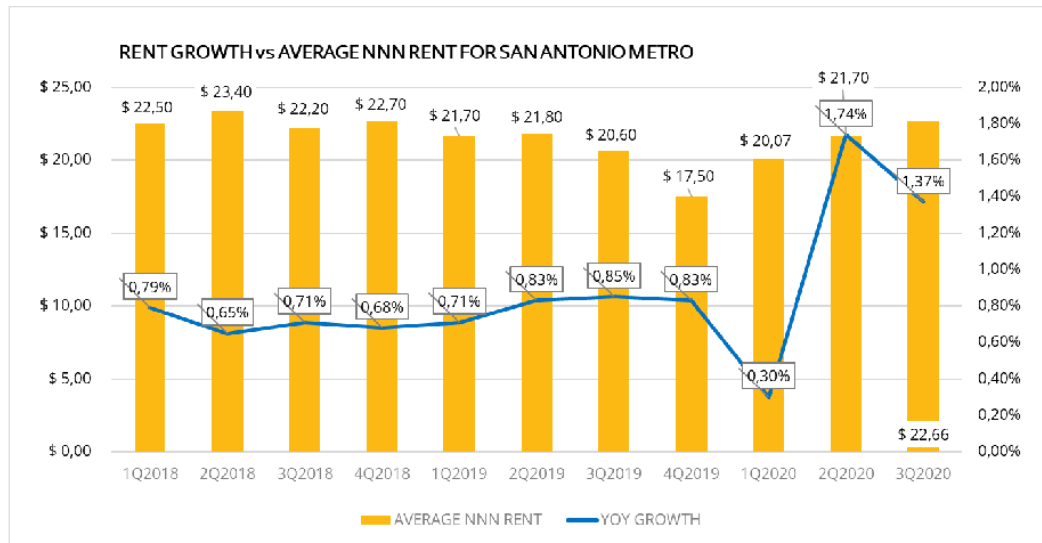
SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP



Source:
Revista



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

The fundamental of the MSA remain in place with huge increase quarter on quarter of average NNN rent. The demand has nearly matched the supply in Q2 2020. Price per sf is recovering post COVID.

Source: Revista

AUSTIN MOB SNAPSHOT			
3Q 2020	VALUE	QUARTER ON QUARTER	
Total Square Feet	6 952 683	↑	0,5%
Square Feet in Progress	166 600	↓	-5,8%
Sold Volume (Trailing 12 months)	\$132 684 260,00	↓	-3,3%
Occupancy (Trailing 12 months)	89,7%	↓	-12 bps
Average Rent (NNN)	\$24,83	↑	1,8%
Rent Growth (Year on Year)	4,1%		

2 # of buildings in area

70.557 sf of GLA

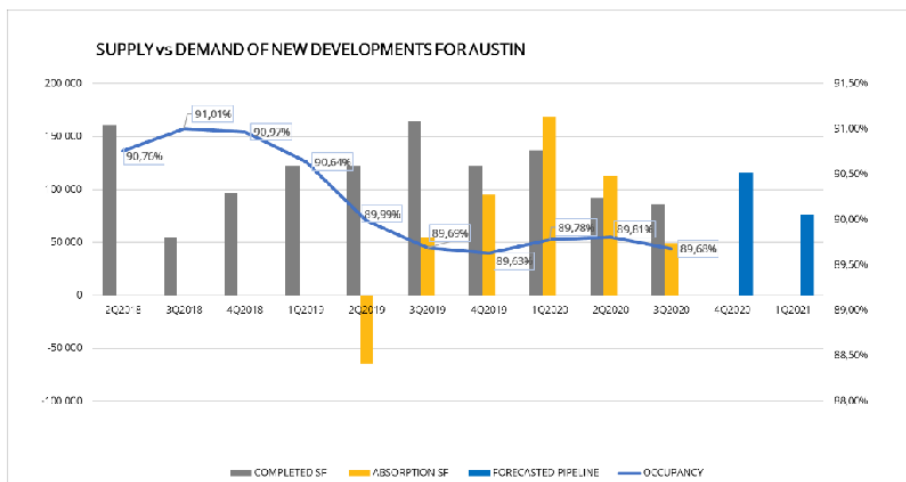
91.63% Occupancy

18 # of tenants

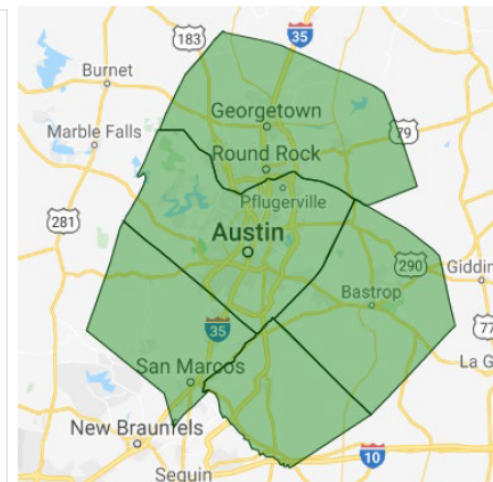
MOB RENT ANALYSIS FOR AUSTIN METRO						
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
AUSTIN	\$19,27	\$25,00	\$32,04	\$24,84	4,10%	121
Top 50 Metros	\$14,95	\$22,61	\$35,35	\$22,28	1,70%	8161
Top 100 Metros	\$14,14	\$22,00	\$34,54	\$21,61	1,70%	9927

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

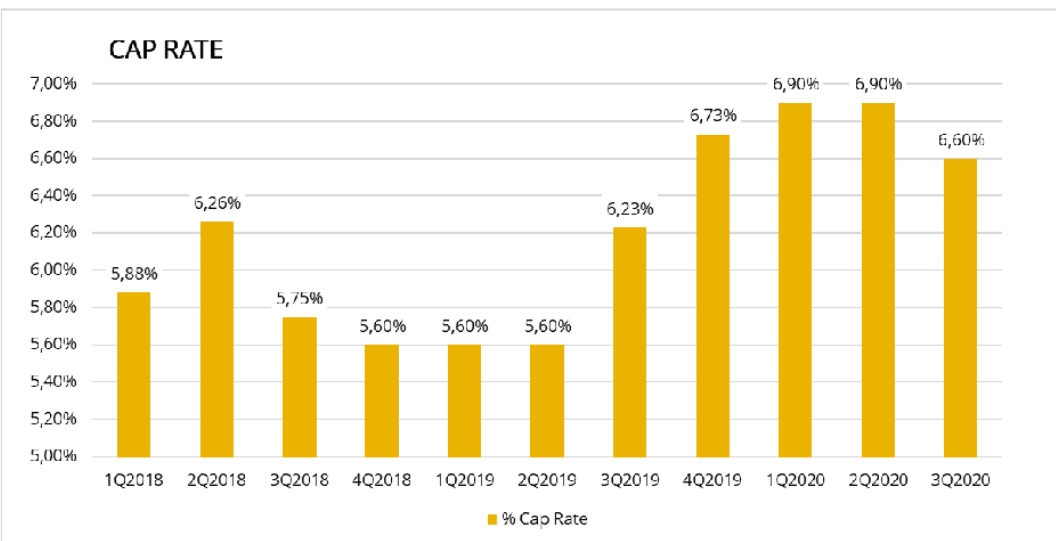
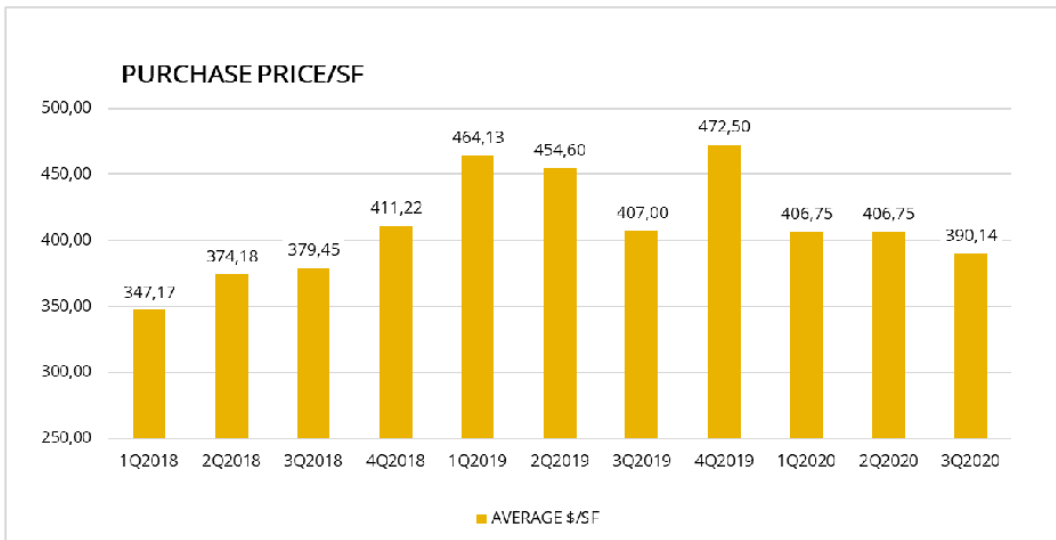
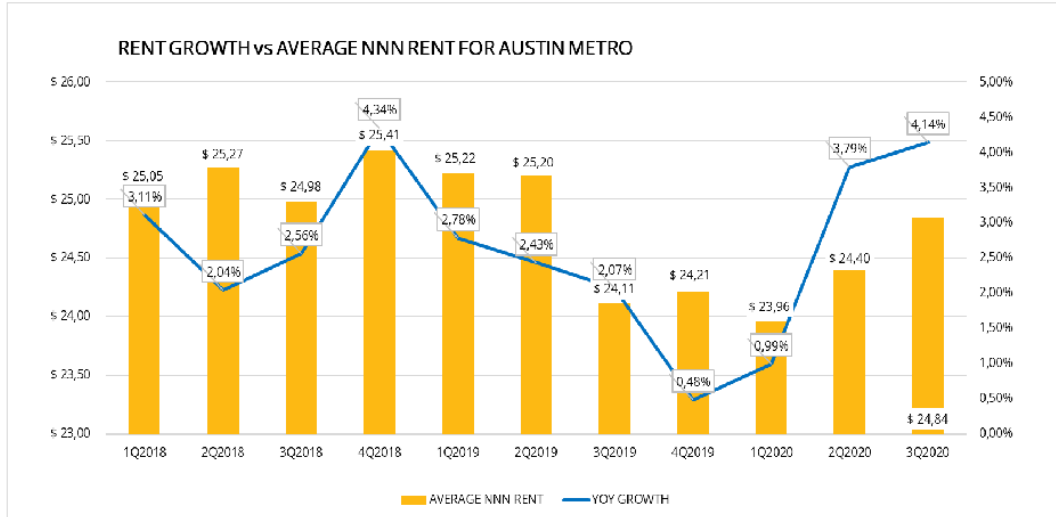
SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP



Source:
Revista



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

The fundamentals of the MSA is strong from a price perspective, however rent rates are under pressure. We are pleased to add Princeton 300A to portfolio with an acquisition price below market.

Source: Revista

NEW YORK-NEW JERSEY MOB SNAPSHOT		
3Q 2020	VALUE	QUARTER ON QUARTER
Total Square Feet	70 372 038	↑ 0,20%
Square Feet in Progress	2 249 079	↑ 51,20%
Sold Volume (Trailing 12 months)	\$755 862 903,00	↓ -26,0%
Occupancy (Trailing 12 months)	93,6%	↓ -3 bps
Average Rent (NNN)	\$24,58	↑ 1,0%
Rent Growth (Year on Year)	1,5%	

2 # of buildings in area



77,264 sq. ft of GLA

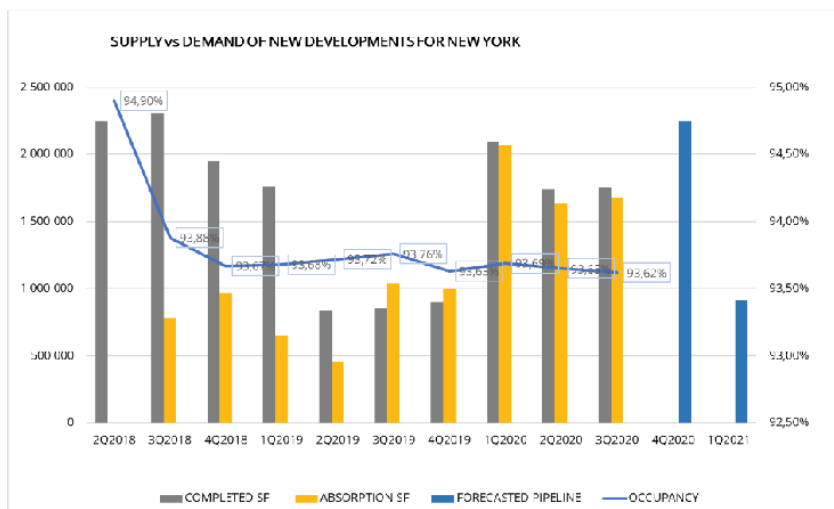
95% Occupancy

12 # of tenants

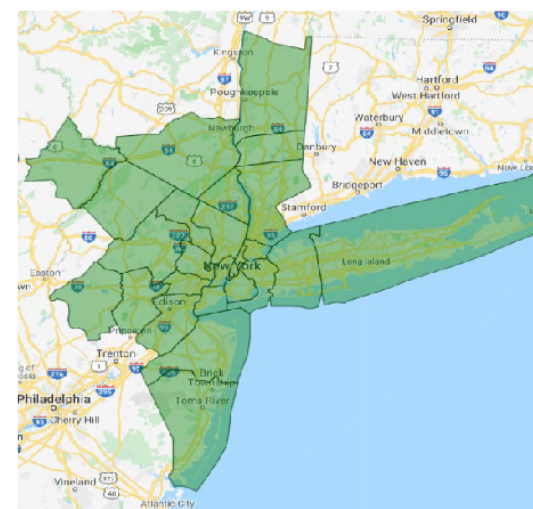
GEOGRAPHY	BASED RENT RANGE*			AVERAGE RATE (NNN)	RENT GROWTH Y/Y	(samples)
	10%	50%	90%			
NEW YORK	\$16,31	\$25,25	\$43,80	\$24,58	1,50%	570
Top 50 Metros	\$14,95	\$22,61	\$35,35	\$22,27	1,70%	8161
Top 100 Metros	\$14,14	\$22,00	\$34,54	\$21,61	1,7%	9928

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

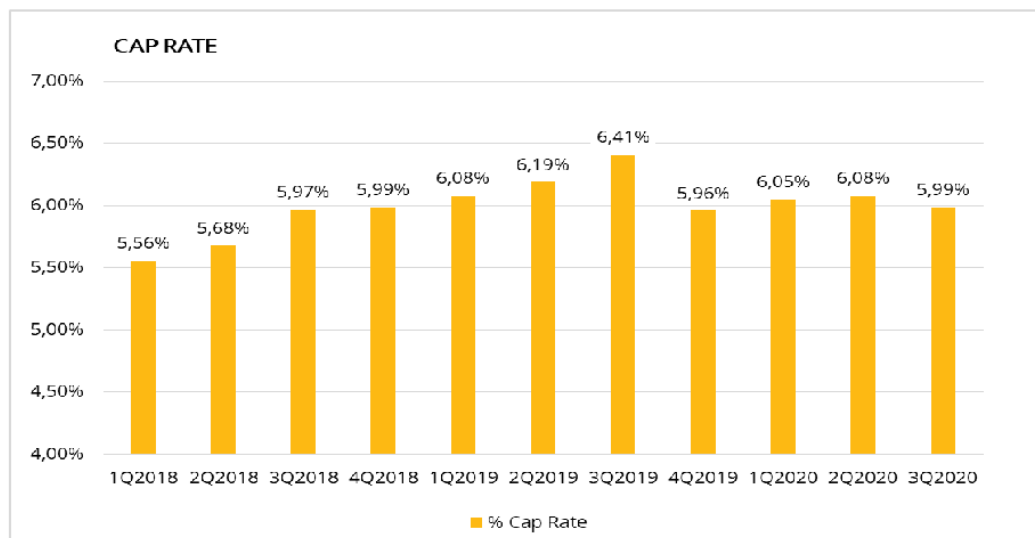
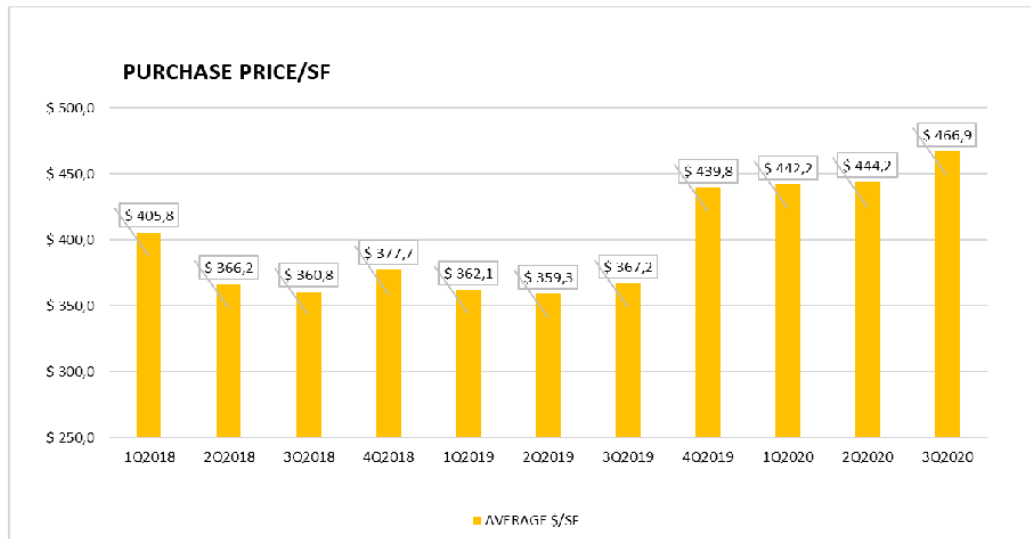
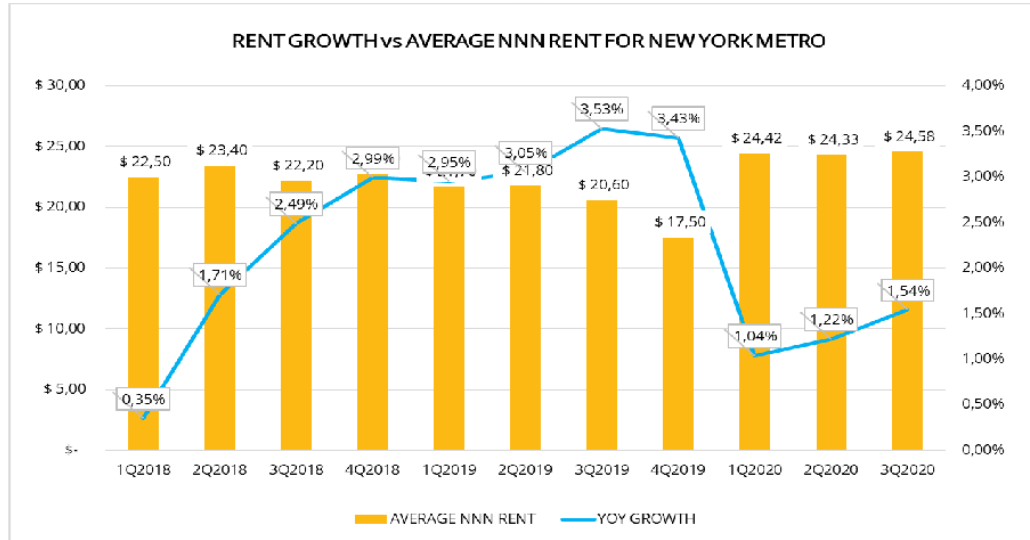
SUPPLY vs DEMAND OF NEW DEVELOPMENTS



METRO MAP



Source:
Revista



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