



WHILE UNCERTAINTY REMAINS - OPTIMISM ABOUNDS AMONG MEDICAL OUTPATIENT BUILDING INVESTORS

Mid-December, our U.S. Healthcare Capital Markets Team surveyed national healthcare institutional investors, REITs and private equity sources for Medical Outpatient Buildings (MOBs). Although only 42% expect to see an overall economic improvement in 2024, a resounding 84% of investors expect to see increased sales volume, one of many positive takeaways from this survey.

With an expectation of stabilized cap rates, decreasing interest rates and an overall sense of being on the cusp of a market rebound, we're kicking off 2024 with optimism. Continue reading to find out what this group of seasoned healthcare investors had to say.

Do you expect overall economic improvement or deterioration in 2024?



32%
Deterioration

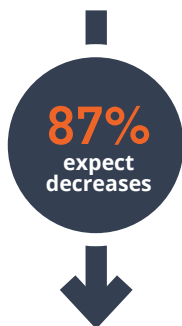


42%
Improvement

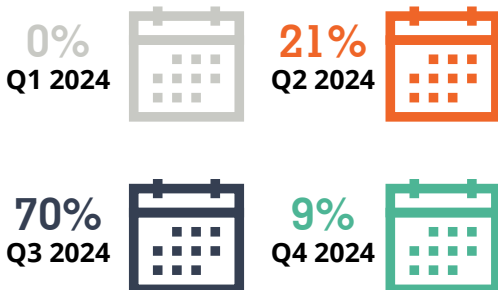


26%
Remain the Same

Do you expect interest rate decreases in 2024?



When do you expect rates to decrease?



DELAYED MOVEMENT IN INTEREST RATE FORECAST

The survey results show that 87% of medical office investors anticipate interest rate decreases in 2024 which align with the broader market expectations of easing monetary policies. Significantly, 70% of those expecting decreases pinpoint the third quarter as the turning point, reflecting a cautious optimism.

Pulse Check

HEALTHCARE INVESTMENT SURVEY & DATA

CAP RATES ON STABILIZED MOB TO MIRROR 2023

What do you expect for stabilized cap rates in Q2 2024?



64% of our polled medical office investors expect stabilized cap rates to remain consistent. In 2022, cap rates for medical office buildings were historically low but have risen since. Market experts note that the low-rate era is likely over and the expected decrease in current rates will not happen overnight.

The medical office building market continues to thrive due to its specificity, stable long-term tenants, and growing demand, with the national average price per square foot reaching \$379 for off-campus facilities and \$390 for on-campus.

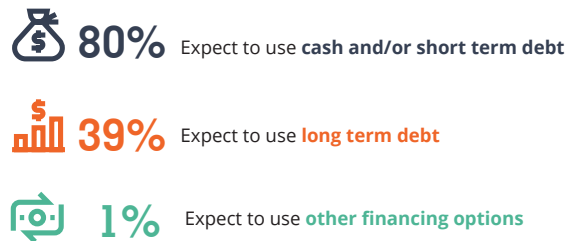
Do you expect to be a net buyer or seller in 2024?



NEW HOPE AFTER A TUMULTUOUS YEAR

The survey results reveal a strong investment appetite, with a notable 84% of polled investors planning to make purchases this year. Among these prospective buyers, a significant 80% are leaning towards utilizing cash or short term debt financing options. This preference is a strategic maneuver to mitigate risks associated with fluctuating interest rates, suggesting a cautious approach while remaining economically agile.

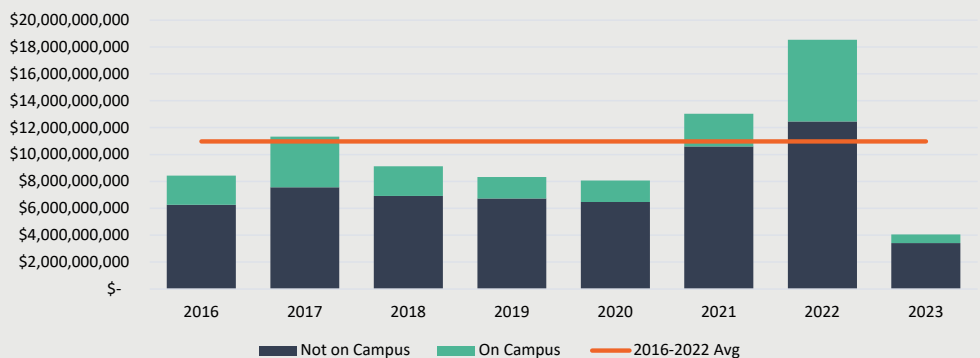
As a buyer, are you expecting to purchase assets with long term debt or Cash (and/or short term debt vehicles) in 2024?



Do you expect sale transaction volume in 2024 to be less than or greater than 2023?



MOB Sales Volume *Source: AVANT and Revista*



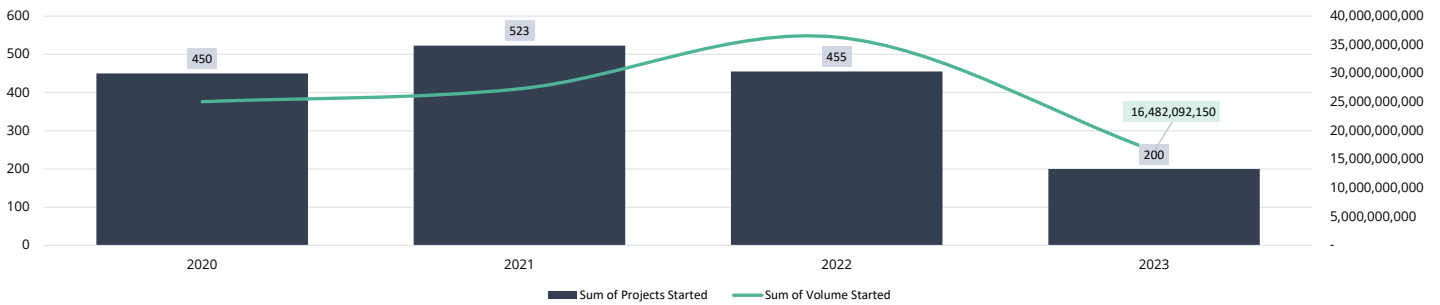
Pulse Check

HEALTHCARE INVESTMENT SURVEY & DATA

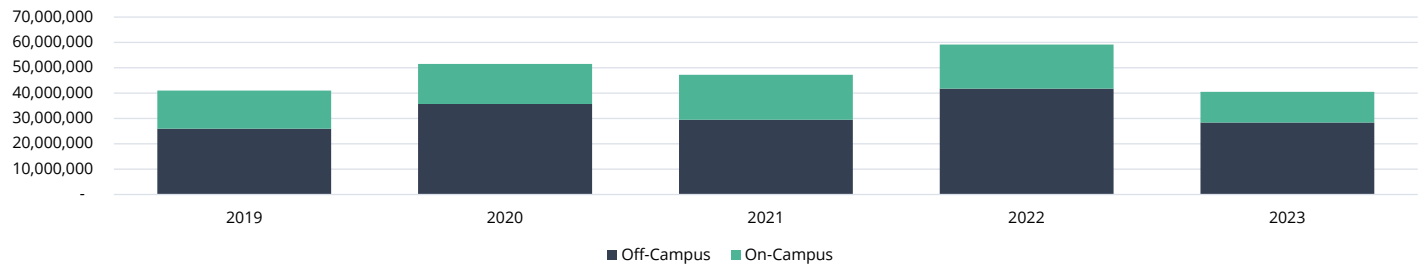
INVESTORS SEEK OUT A STEADY COURSE FOR HEALTHCARE INVESTMENT MARKET

Our survey reveals strategic caution in MOB development. Construction starts were elevated in 2020 through 2022. They declined in 2023 and our survey respondents are neutral on that changing in 2024. Therefore, we can expect an increase in deliveries from earlier starts with new supply moderating thereafter. Only 10% of the respondents expect the rate of absorption to increase in 2024, therefore we may see a slight short-term elevation in vacancy. As absorption increases propelled by the known demand drivers and deliveries decline, investors will be betting occupancy will soon reach or exceed historic highs.

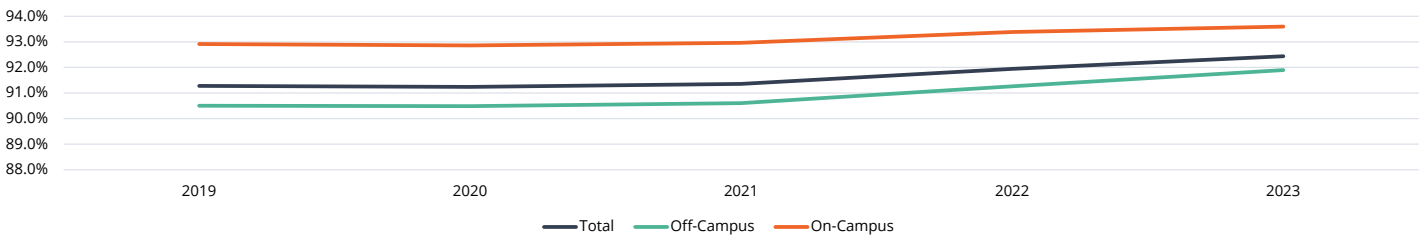
MOB Construction Starts *Source: AVANT and Revista*



MOB Absorption *Source: AVANT and Revista*



MOB Occupancy *Source: AVANT and Revista*



Do you expect your development pipeline to grow or shrink in 2024?



Do you expect absorption to be positive, negative or relatively neutral in 2024?



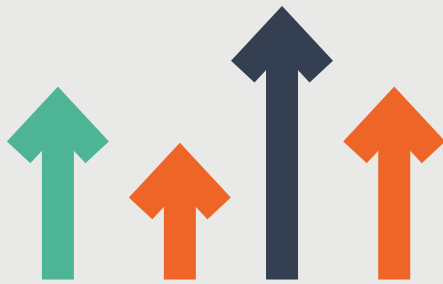
Pulse Check

HEALTHCARE INVESTMENT SURVEY & DATA

TAKEAWAY: HEALTHCARE INVESTORS ANTICIPATE INCREASED EQUITY CAPITAL IN MOBS

The most notable sentiment is the overwhelming 94% of investors expecting an increase in healthcare capital interest this year, showing confidence in the sector's attractiveness. This optimism aligns with industry trends, where MOBs continue to thrive due to specific utility, stable long-term tenants, and growing demand supported by an aging population and medical technology advancements.

Do you expect increased or decreased equity capital interest in healthcare real estate in 2024?



94%
of investors polled expect
INCREASED equity capital interest
in healthcare real estate this year

Let's Connect.

Jim Kornick | Principal
Co-Leader U.S. Healthcare Capital Markets
jim.kornick@avisonyoung.com
301.529.1283

Mike Wilson | Principal
Co-Leader U.S. Healthcare Capital Markets
mike.wilson@avisonyoung.com
773.405.8990