




**ERE**  
HEALTHCARE REAL ESTATE  
ADVISORS  
**SPECIAL REPORT**

**HEALTHCARE  
REAL ESTATE  
INVESTOR  
INSIGHT**

*“To gain an understanding of market sentiment we have interviewed a sample of healthcare real estate buyers from across the country.”*

**Collin Hart, CEO**  
ERE Healthcare Real Estate Advisors

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By Jamion Nash, Financial Analyst  
ERE Healthcare Real Estate Advisors

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**LETTER FROM THE CEO**

In the midst of the worldwide epidemic caused by COVID-19, most of our clients are adapting to a new normal. While the demand for healthcare has increased, many of our clients depend on routine visits and elective procedures to maintain their operations. To “flatten the curve,” these practices have been asked to reduce patient visits to those in need of emergency care, freeing up supplies for hospitals treating COVID-19.

The resultant economic impact of the epidemic remains uncertain, not only for healthcare practices, but for the world as a whole. Equities have suffered historic losses and the credit markets, while not frozen, remain extremely cautious.

With reduced patient loads, many of our clients have time for long-term strategic planning and continue to evaluate their options. It will take months or years for many practices to recover, but that doesn't change the long-term goal of their founders: to create financial security for themselves, their successors, and their families – often times a real estate transaction is part of that strategy.

To gain an understanding of market sentiment we have interviewed a sample of healthcare real estate buyers from across the country. The results of those interviews are enclosed.

Thank you for reading and please do not hesitate to contact us with questions, comments, or if you're seeking a solution.



**Collin Hart, MBA**  
CEO & Managing Director

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## SPECIAL REPORT HEALTHCARE REAL ESTATE INVESTOR INSIGHT

By Jamion Nash, ERE Healthcare Real Estate Advisors

Without a doubt, the unexpected worldwide epidemic has impacted all industries from hospitality, to retail, to healthcare. Given their dependence on the success of their tenants, landlords are not immune. Although the rising influence of COVID-19 has increased the need for healthcare services, this hasn't eliminated the necessity of healthcare operators to lay off staff to offset evaporating revenue; rent deferral requests have also begun.

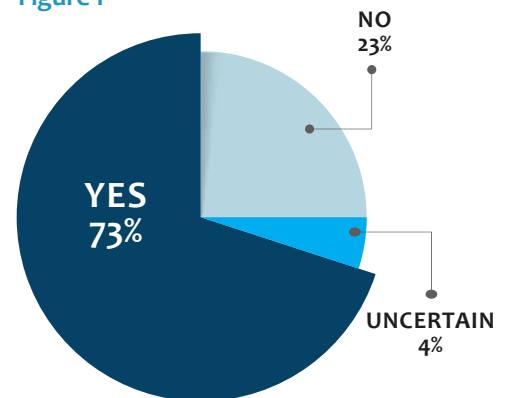
With the exponential rise of investor interest in the healthcare real estate sector over the last decade, how will this epidemic effect demand?

To establish a more informed understanding of the healthcare real estate investors' mindset in this sensitive period, our team interviewed 25 companies to prepare an inclusive report that delivers an up to date perspective. Among those interviewed are executive leadership of REITs, both public and private, real estate private equity funds, family offices, and other buyers of healthcare real estate.

Naturally, the effects of COVID-19 have shaken the healthcare real estate industry, but maybe not as much as expected. Based on our interviews, healthcare real estate investors remain consistent in their pursuit to acquire properties, adjusting their strategies along the way. Although there has been drastic economic impact, many buyers see this issue lasting a short time, with healthcare operators and tenants being among the first to bounce back.

### DO YOU PLAN TO CONTINUE ACQUIRING PROPERTIES?

Figure 1



Despite the pandemic's impact on the economy, healthcare real estate investors remain steadfast in their pursuit of high quality properties; nearly 75% plan to continue buying.

**73%**

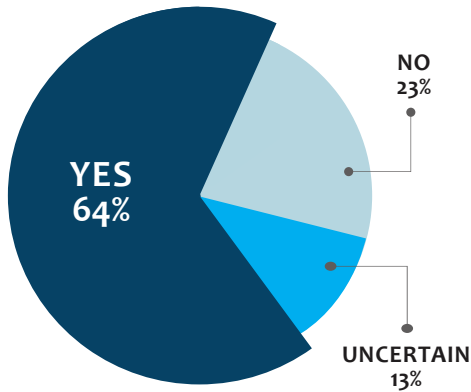
OF HEALTHCARE REAL  
ESTATE BUYERS  
INTERVIEWED  
PLAN TO CONTINUE  
ACQUIRING  
PROPERTIES

*“We expect the market will stabilize by the end of Q2 once the infection rate can be quantified and controlled.”*

*-Director of Acquisitions, Healthcare REIT*

## ARE YOU ANTICIPATING DELAYS TO YOUR TYPICAL TRANSACTION TIMES?

Figure 2

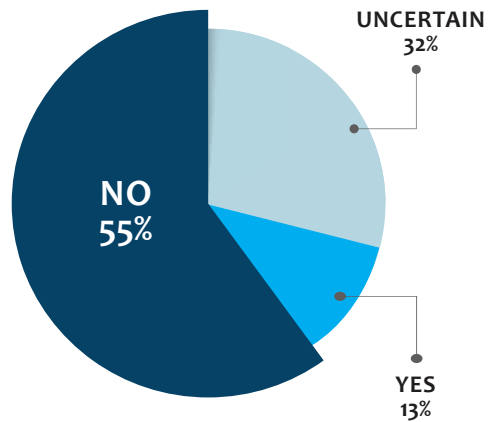


Given abrupt market changes from the request to “shelter in place” among other local precautions, 64% of investors expect longer transaction timelines.

## HAVE YOU ALREADY OR DO YOU PLAN TO CHANGE YOUR ACQUISITION CRITERIA GOING FORWARD?

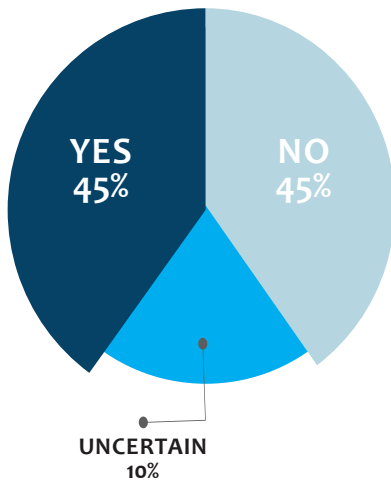
Many investors anticipate the healthcare industry will normalize over a short period of time and do not plan to change course in their investment criteria.

Figure 4



## ARE YOU RE-EVALUATING DEALS THAT YOU HAVE UNDER LOI?

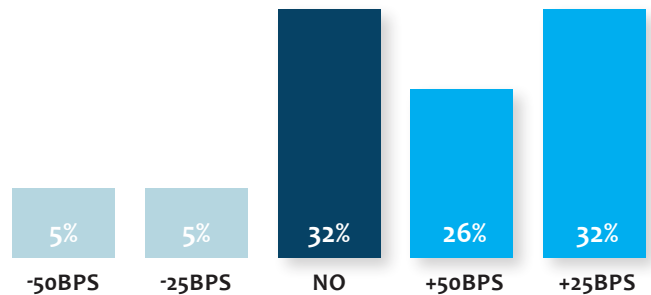
Figure 3



With uncertainty in long-term operational and economic impact, many investors are re-evaluating the creditworthiness of their prospective tenants to ensure they can weather the storm.

## DO YOU EXPECT YOUR PRICING TO CHANGE, IF SO, BY HOW MUCH?

Figure 5



In regard to pricing expectations, economic uncertainty and caution in the credit markets is driving healthcare real estate investors to forecast higher cap rates (lower values); nearly 60% anticipate a degradation in market value. Still, 30% anticipate no change in value.

**“I think economic stabilization may happen in the third quarter of this year, with GDP growth returning in the fourth quarter.”**

**-Chief Investment Officer, Healthcare Fund**

## ERE HEALTHCARE REAL ESTATE ADVISORS TRANSACTION ACTIVITY | MARCH 2020

Property	Location	Building Size	Status	Date
Ophthalmic Clinic & ASC	Corpus Christi, TX	33,492 SF	Closed	3/10/2020
Ophthalmic Clinic & ASC	Mansfield, OH	8,352 SF	LOI	3/12/2020
Ophthalmic Clinic	Paducah, KY	20,771 SF	Closed	3/23/2020
Multi-Specialty ASC	Columbus, GA	14,384 SF	Closed	3/24/2020
Dialysis Center	Columbus, GA	8,536 SF	Closed	3/25/2020



*“Even though 45% of buyers interviewed expect delays, we are seeing forward motion.”*

*-Collin Hart, CEO, ERE Healthcare Real Estate Advisors*

## YOUR GUIDE TO

# SALE AND LEASEBACKS HEALTHCARE REAL ESTATE

## WHAT IS A SALE AND LEASEBACK?

A sale and leaseback is a type of real estate sale in which a practice sells its property for cash and simultaneously executes a long-term lease with the buyer.



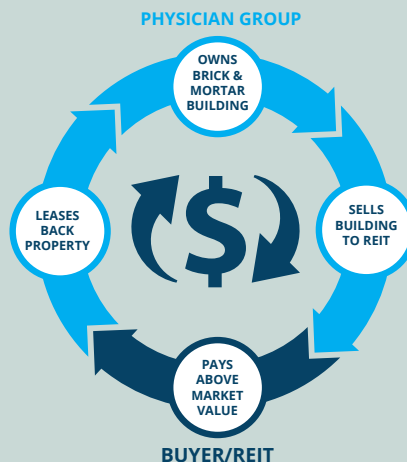
## WHY A SALE AND LEASEBACK?

This gives physician-owners an opportunity to cash out of their real estate investment while the market is at a peak, but allows them to continue operating long-term, uninterrupted, and with full control of the building.



## HOW CAN A SALE AND LEASEBACK HELP ME TODAY?

- With a long-term lease in place, your facility is marketable as a cash-flowing real estate investment.
- Valuations for cash-flowing healthcare facilities leased to best-in-class providers have reached historic highs.
- Monetizing your real estate investment at the top of the market may allow you to pay off debt, eliminate personal liabilities, and create liquidity for your partnership.



## CONCLUSION

With all of the commotion surrounding COVID-19, our clients are top of mind. Given the lack of liquidity in the stock market, we wanted to let you know that opportunities still exist in monetizing your practice real estate, providing a more certain exit strategy in an uncertain environment.

As you encounter downtime or a cash crunch and seek information on your options, please do not hesitate to use us as a resource.

Our team is quarantining and available to take calls at your convenience.

PLEASE CONTACT US TO LEARN MORE:

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