Offering MEMORANDUM

ATI PHYSICAL THERAPY

1950 E DESERT INN
LAS VEGAS, NV 89169

Marcus & Millichap

MEET THE **TEAM**

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Dustin R. Alvino
REAL ESTATE SERVICES
A Marcus & Millichap Team

#1

#1 Marcus & Millichap Brokerage Team in NV

#1 Net Leased Broker in NV

#1 Retail Team in NV

THE ALVINO TEAM

Notable Transactions

Enterprise Rent-A-Car
Las Vegas, NV

Wendy's Portfolio
Las Vegas, NV

Holiday Motel Portfolio
Las Vegas Boulevard

Big O' Tires
Henderson, NV

Shops at Village Square
Las Vegas, NV

Starbucks
Columbus, IN

UCLA Student Housing
Los Angeles, CA

Davita Dialysis
Fallon, NV

Durango-Teton Center
Las Vegas, NV

Sherwin Williams
Omaha, NE

Dollar General
Gettysburg, SD

O'Reilly Auto Parts
Milwaukee, WI

Arby's Portfolio
Las Vegas, NV

Jack in the Box
Henderson, NV

Meineke
Las Vegas, NV

Smith's Food & Drug
Tampa, FL

Fatburger
Las Vegas, NV

Cummin's Inc.
Sparks, NV

Family Dollar Portfolio
Las Vegas, NV

Masco II Industrial Park
Las Vegas, NV

Las Vegas Blvd Land
Las Vegas, NV

DaVita Dialysis
North Las Vegas, NV

Plaza Storage
Las Vegas, NV

O'Reilly Auto Parts
Las Vegas, NV

Jack in the Box
Las Vegas, NV

7-Eleven
Irwin, PA

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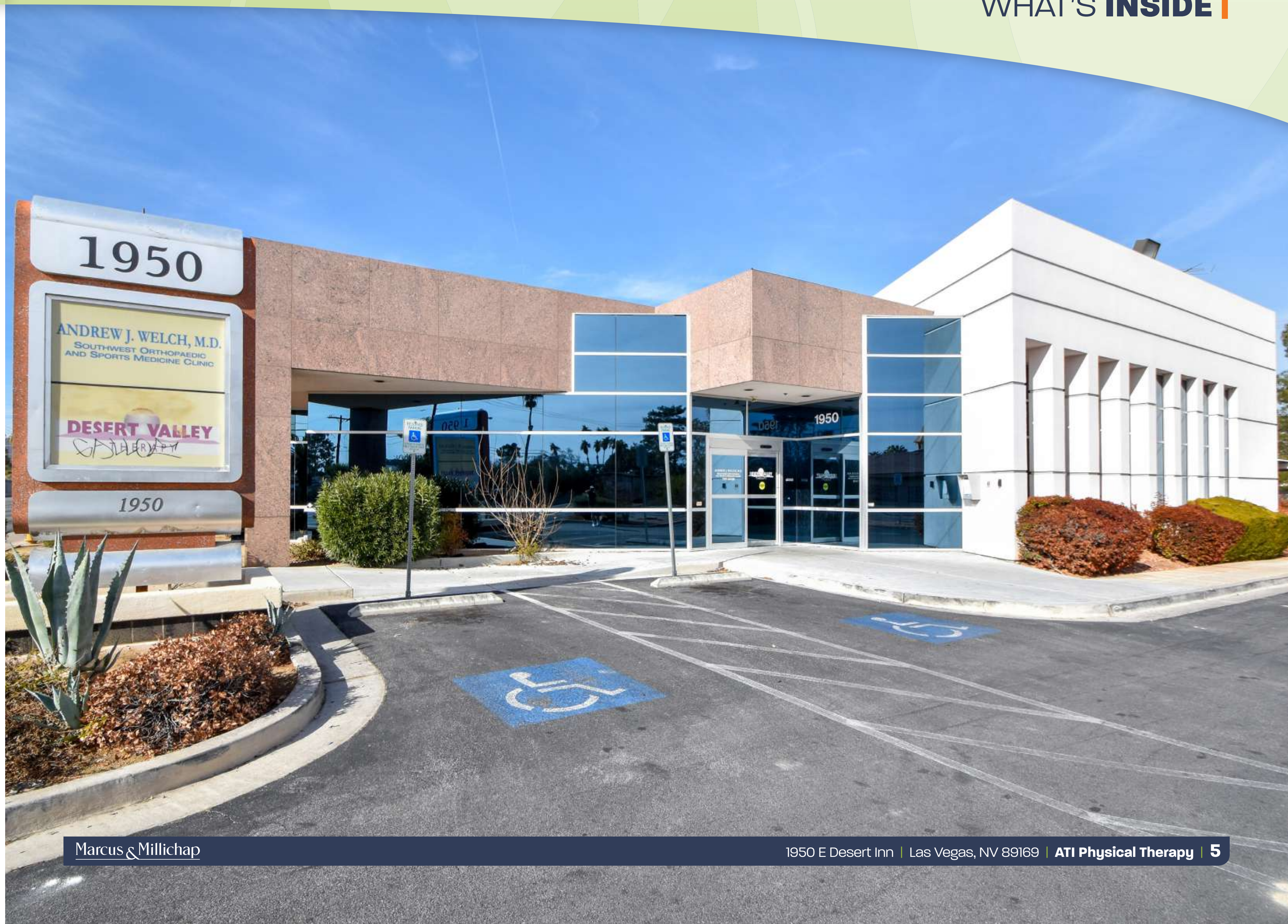

INVESTMENT HIGHLIGHTS

- 100% Leased to ATI Physical Therapy
- Excellent Location Servicing Medical Office Corridor
- Strategically Located between Sunrise Hospital and Desert Springs Hospital (over 1,400 beds)
- Class B Medical Office Building on Desert Inn Road between Eastern Ave. and Maryland Pkwy
- Exposure to over 42,000 VPD
- Rare Parking Ratio for STNL Medical Office Property (5.6 : 1,000 SF / 40 uncovered/10 covered)
- Densely Populated Area (470,000+ Residents within 5 Miles)

OFFERING

PROPERTY . . . . ATI Physical Therapy

ADDRESS . . . . 1950 E Desert Inn

PARCEL NUMBER 162-11-815-017

PRICING $2,200,000

NET OPERATING INCOME $158,072

CAP RATE 7.19%

PRICE PER SF $248.16

PROPERTY SPECS

RENTABLE BUILDING AREA . . . . 8,865 SF

PARCEL SIZE . . . . 1.0 AC

YEAR BUILT 1992

UNCOVERED/COVERED PARKING . . . . 40 / 10

PARKING RATIO . . . . 5.6 : 1,000 SF

OWNERSHIP . . . . Fee Simple

ZONING H-1

OFFERING SUMMARY	
Property	ATI Physical Therapy
Property Address	1950 E Desert Inn Las Vegas, NV 89169
Suggested List Price	$2,200,000
Base Rent (P/SF)	$149,022.98 ($16.81)
Net Operating Income	$158,072
CAP Rate	7.19%
Rentable Square Feet	8,865 SF
Year Built	1992
Lot Size	1.0 AC
Ownership	Fee Simple

TENANT SUMMARY	
Tenant Trade Name	ATI Physical Therapy
Ownership	Corporate
Lease Type	MG
Roof Replacement and Structure	Landlord
Lease Term	10 Years
Lease Commencement Date	6/1/2010
Lease Expiration Date	11/30/2021
Term Remaining on Lease	2.8 Years
Increases	$295.50 per annum
Options	2 x 5 Years

PROFIT & LOSS	2019
Base Rent	$145,388
GROSS POTENTIAL RENT	**$145,388**
CAM	**$31,914**
GROSS POTENTIAL INCOME	**$177,302**
OPERATING EXPENSES	
Property Insurance	$2,345
Fire Alarm Monitoring	$495
Landscape	$3,050
Phone Services Alarm	$859
Repairs & Maintenance	$3,180
Property Taxes	$9,301
TOTAL OPERATING EXPENSES	**$19,230**
NET OPERATING INCOME:	**$158,072**

LEVERAGED RETURN ANALYSIS		
Net Operating Income		$158,072
Debt Service		$82,696
Net Cash Flow After Debt Service	7.18%	$75,376
Principal Reduction		$22,866
Total Return	9.36%	$98,242

SUMMARY	
Price	$2,200,000
Number of Suites	1
Price Per Sqare Foot	$248.16
Gross Leasable Area (GLA)	8,865 SF
Lot Size	1.0 Acres
Year Built/Renovated	1992
Occupancy	100%

FINANCING	1ST LOAN
Loan Amount	$1,150,000
Interest Rate	5.25%
Year Due	5 Years
Amortization	25 Years

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ACCESS
There are two (2) access points, both on Desert Inn Rd.

TRAFFIC COUNTS
Desert Inn Rd. ....42,000 +/- VPD
Eastern Ave. ....35,000 +/- VPD

IMPROVEMENTS
There is roughly 8,856 square feet of building area

PARKING
There are 40 uncovered and 10 covered parking spaces on the subject parcel (5.6 : 1,000 Park Ratio)

YEAR BUILT
1992 Construction / 2010 Renovated

PARCEL
Parcel #: 162-11-815-017 ; Acres: 1.0 ; Land SF: 43,560 SF

ZONING
H-1 Limited Resort

At ATI, we are driven by our mission. To achieve it, we look for phenomenal individuals who are bright, creative, dedicated and energetic.

Mission

To exceed customer expectations by providing the highest quality of care in a friendly and encouraging environment.

Values

Teamwork
Communication
Quality of care

Leading the industry, ATI has built a differentiated platform in therapy that is focused on our patients.

A Progressive Vision
With exceptional, patient-centered care, trusted expertise and remarkable outcomes, our goal is to exceed customers' expectations—every day, in every clinic. ATI is a nationally-recognized rehabilitation provider, specializing in research-based physical therapy, workers' compensation rehab, employer worksite solutions, sports medicine, home health, and a variety of specialty therapies.

Named Best Physical Therapy Practice in the Nation
Our Patients Love Us!
Close to Home
We Treat the Pros
Dedicated to Research
Accept Most Insurances
Complimentary Injury Screenings

This is what ATI Physical Therapy was founded on in 1996, and it's what we continue to believe—and practice—today.

After opening our first clinic in Willowbrook, Illinois, we quickly realized there was an opportunity to provide a new and unmatched level of service to injured workers. We developed the internationally recognized F.I.R.S.T. (Functional Integration of Rehabilitation and Strength Training) program, based on extensive research and input from orthopedic surgeons, physical therapists, athletic trainers, exercise physiologists, and bio-mechanists.

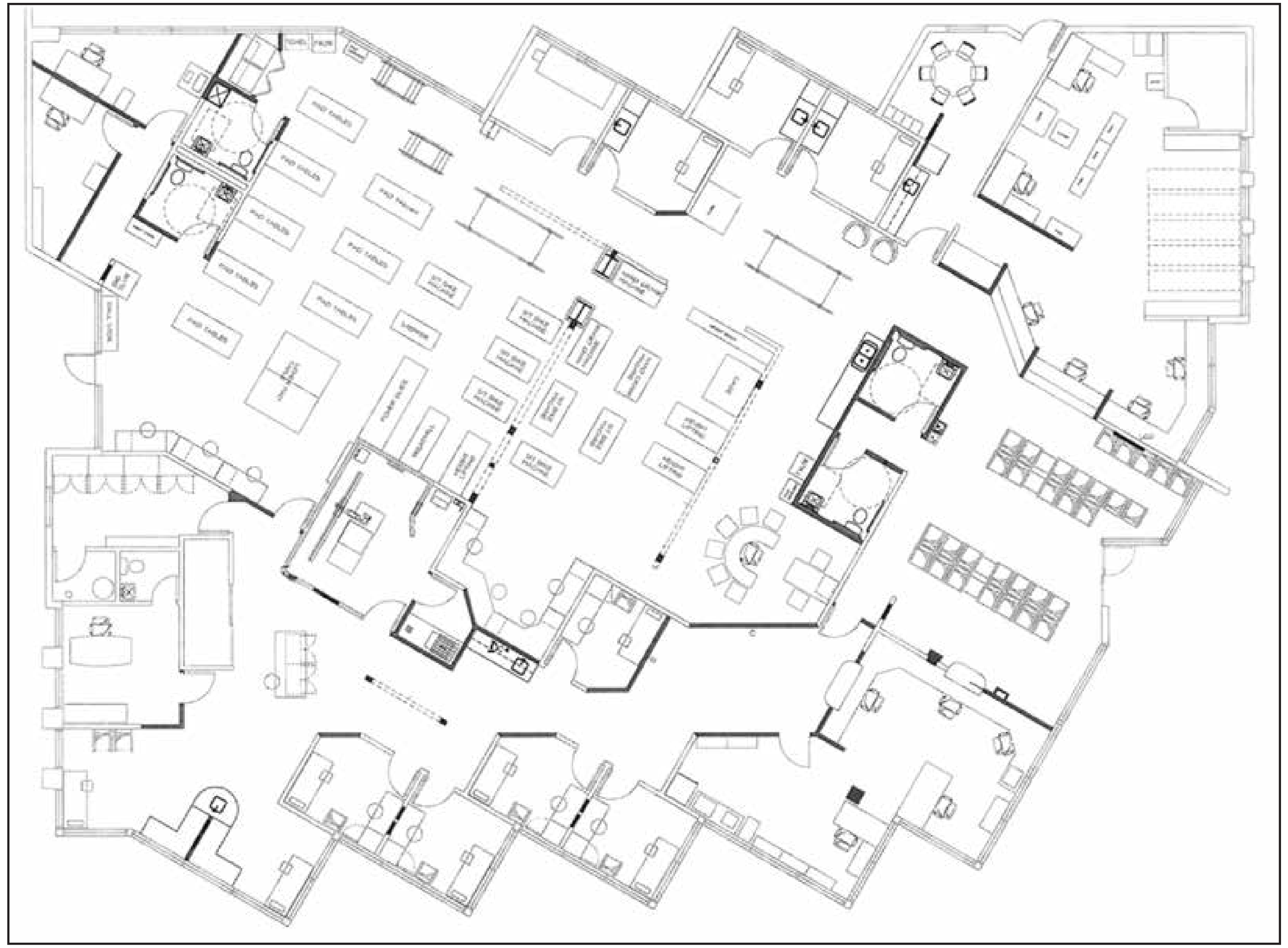
Focused on our vision for aggressive rehabilitation through strength training and conditioning, ATI developed new and superior treatment protocols and techniques.

With a winning combination of exceptional care, incredible people, and a commitment to being the bright spot in the day of every single patient, we quickly began to expand. Now, with hundreds of clinics across the U.S., ATI continues to provide patient care based on its founding principles.

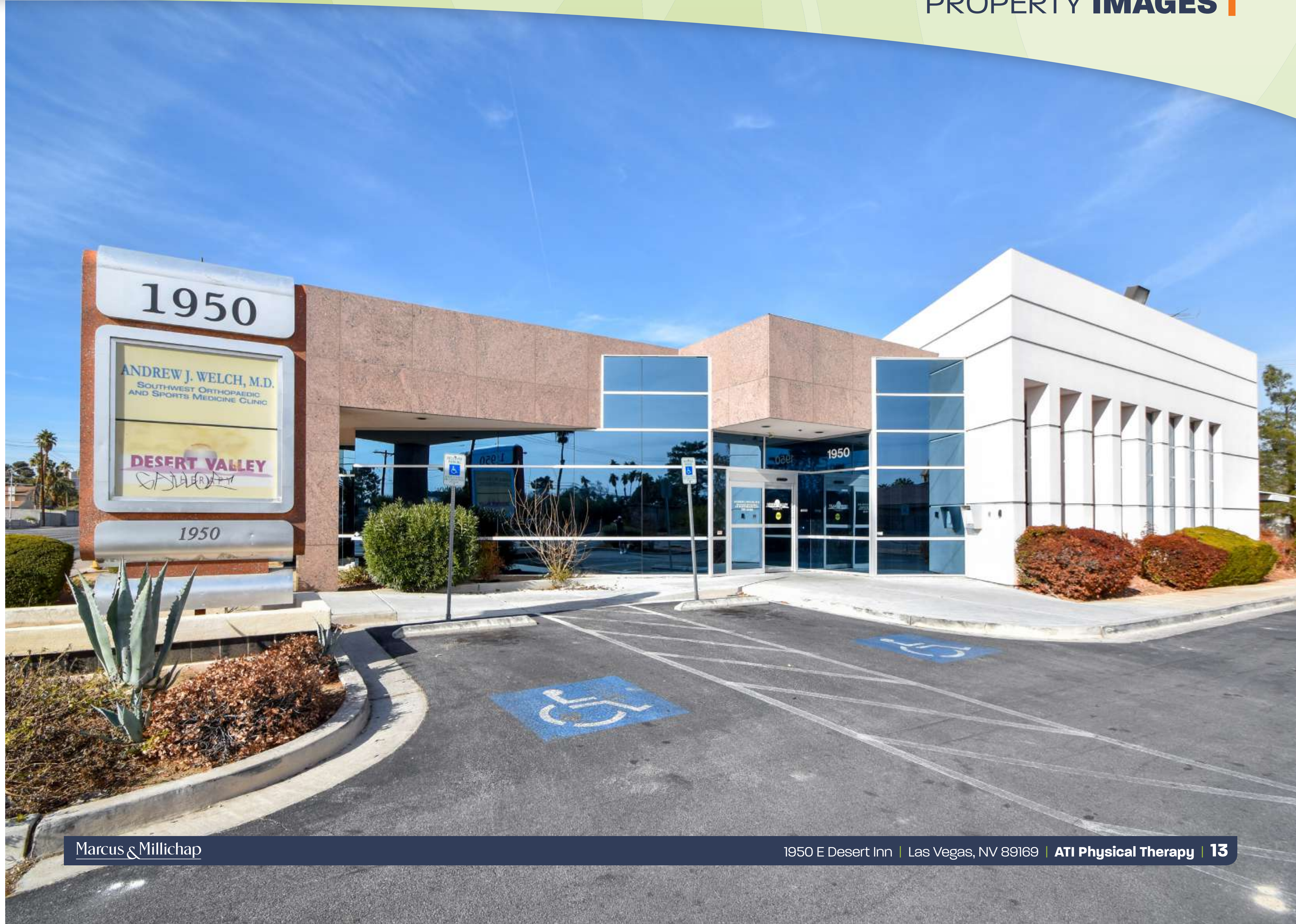
Our patients are like family. Our goal is to help them feel better fast.
Therapists are hand-picked based on your needs, and clinical teams work together to offer expert, effective treatment.

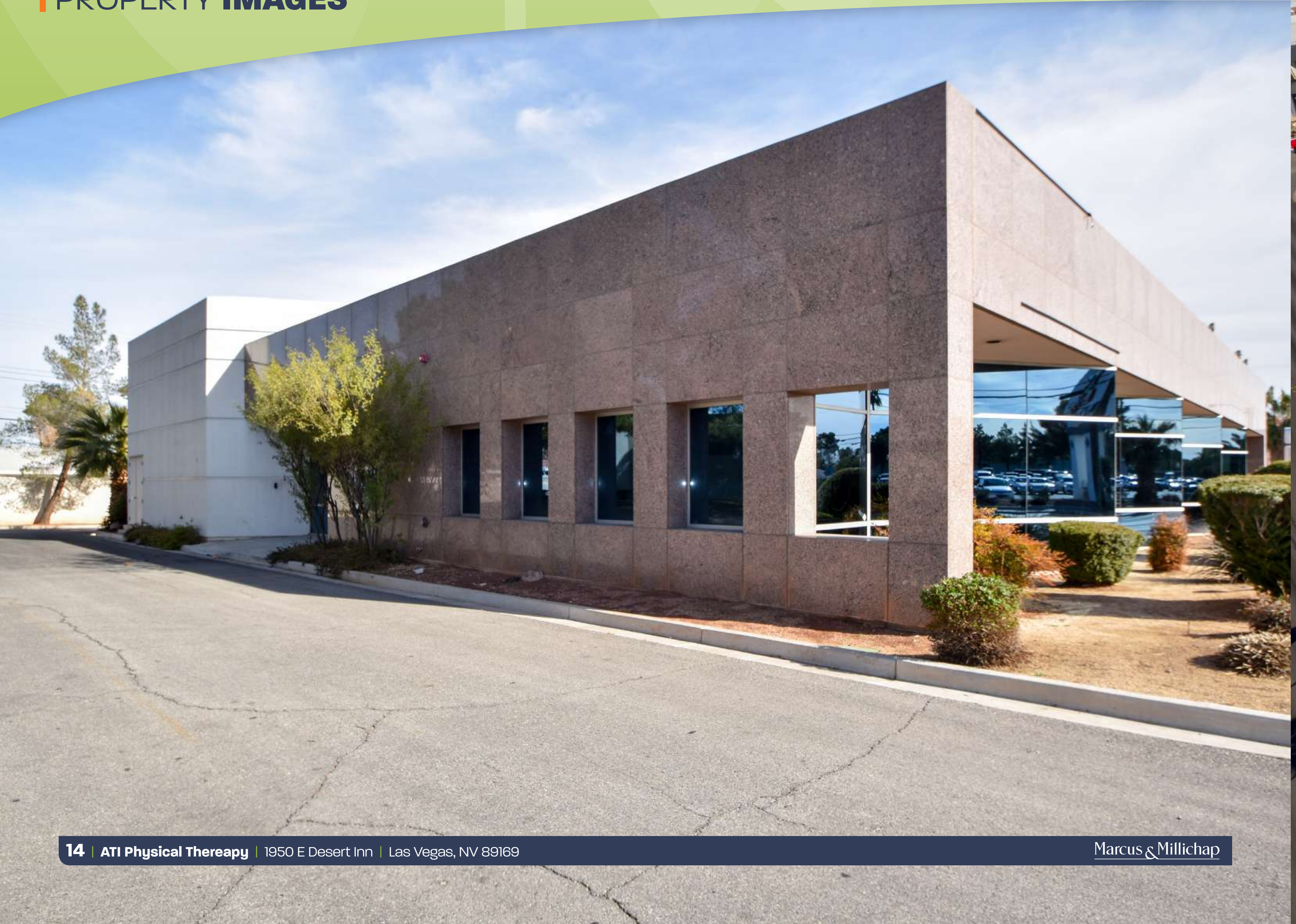
ATI has 470+ locations nationwide. With convenient locations close to home, ATI will schedule your first appoitment in 24-48 hours.

SITE **PLAN**



PROPERTY **IMAGES**





PROPERTY **IMAGES**

Marcus & Millichap

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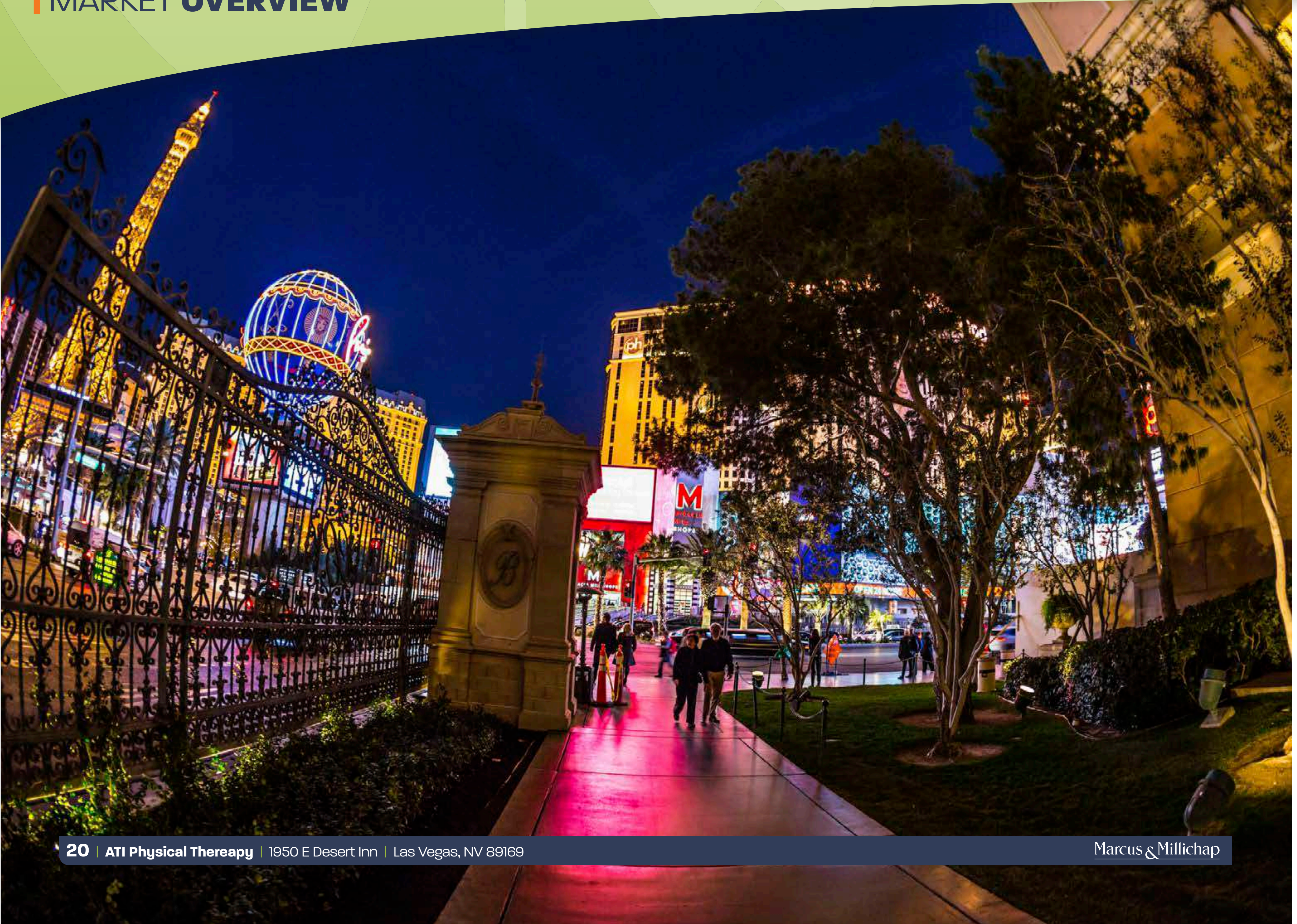


Las Vegas Investors

TOP COMPANIES INVESTING IN LAS VEGAS

TIAA Financial Services: TIAA (Teachers Insurance and Annuity Association) is a Fortune 100 financial services organization that is leading retirement provider for people who work in the academic, research, medical, and cultural fields. In 2016, the company recently jointly bought foreclosed, 100-care commercial property south of the Las Vegas Strip with Fairbourne Properties.
● **Volume Invested: $1.25 Billion** ● **Properties in Las Vegas: 1**

CalPERS: In 2016, California's giant public pension fund recently jointly bought Las Vegas' high-profile Miracle Mile Shops for a reported $1.1 billion with Miller Capital Advisory Inc.
● **Volume Invested: $1.1 Billion** ● **Properties in Las Vegas: 1**

Invesco Ltd.: MGM Resorts International and Dubai World's Infinity World Development Corp. sold The Shops at Crystals, a Las Vegas luxury shopping center to mall operator Simon Property Group Inc. and Invesco Ltd. for about $1.1 billion in 2016.
● **Volume Invested: $1.1 Billion** ● **Properties in Las Vegas: 1**

Vestar: Vestar, one of the largest privately held retail real estate companies in the western United States, completed a buyout of The District at Green Valley Ranch, in Henderson, Nevada. Vestar paid its joint venture partner, Rockwood Capital, $120 million to take full ownership of the 37-acre, 384,107-square-foot landmark retail property minutes from Las Vegas in 2015.
● **Volume Invested: $194.55 Million** ● **Properties in Las Vegas: 1**

Jordache Enterprises: The company designs and manufactures a wide variety of denim. In 2015, the Jordache Enterprises, the Nakash family, and a real estate investory, Eli Gindi, recently paid $82.85 million for a roughly 42,000-square-foot section of Showcase, which is known for its Giant Coke bottle and M&M's out front. In addition, the enterprises owns the Strip House on the Las Vegas Strip.
● **Volume Invested: $100+ Million** ● **Properties in Las Vegas: 2**

Other Companies Investing in Las Vegas

IKEA: Opened in 2016, the building is a 351,000-square-foot two-level superstore which employs 300 people and includes a 450-seat restaurant.

Panattoni Development: One of the full-service development companies in the world is building a 482,300-square-foot industrial building on a 28-acre parcel located on Executive Airport Drive in Henderson, NV.

Stations Casino: The undeveloped land kitty corner to Durango Arby Plaza is planned to be have a 120,000-square foot casino with a 1,000-room hotel.

Restoration Hardware: At more than 70,000 square feet, the store is Restoration Hardware's first Nevada location, and only its fifth RH Gallery worldwide opened in National Football League: The Southern Nevada Tourism Infrastructure Committee recently approved $750 million in public funding for a new stadium and the Raiders organization has trademarked the phrase "The Las Vegas Raiders."

KB Homes: Within a few years, the development company will built up to 4,000 single-story planned units with prices beginning at $190,000 and square footage up to 4,343 square feet.

The Raiders Stadium

The stadium project is estimated to come at a cost of around $1.9 billion.

It's a state-of- the-art facility that neighbors the Las Vegas Strip and is being designed by Kansas City-based MANICA Architecture. The site it'd be located on is a 63-acre piece of land on Russell Road, on the west side of Interstate 15.

The plan is for it to be a domed, air-conditioned stadium with a capacity of 65,000 spectators. If a Super Bowl were to come to Las Vegas — which seems highly likely — the stadium can increase its capacity to 72,000 seats.

The design of the stadium currently includes a retractable, natural turf field and giant glass walls that open for a better view of the strip.

MARKET **OVERVIEW**

Time To Make Las Vegas a Professional Sports Town

We are passionate about the game and dedicated to bringing the high-energy excitement of NHL® action to the Las Vegas community. We are dedicated to seeing more than 40 hockey games played in our hometown each season, sharing the excitement of having an NHL® team in Las Vegas and showing the world that Las Vegas is a professional sports town. We are committed to creating a successful legacy franchise. With roots in the Las Vegas community, we are dedicated to seeing it grow.

MARKET **OVERVIEW**

NHL Hockey Has Come to Las Vegas!

Our story began with a goal ... to bring NHL hockey to Las Vegas. Our goal has been realized and Las Vegas has shown that we are ready - ready for the energy, excitement and thrill that only NHL hockey can deliver. We've done the research, polled the community and rallied our local businesses. ALL are eager to support an NHL team. Las Vegas is proud to have joined the elite list of NHL cities.

For Our Community

We want friends and families to attend games together — and look forward to those outings, where memories will be created. We want coworkers to gather around the water cooler the day after an exciting hockey game to talk about the plays, the hat tricks and who got iced. And, we want to add to the quality of life in Las Vegas. We believe an NHL® team in Las Vegas will make all of this a reality.

For Our Youth

Hockey is an excellent motivator for our youth, teaching the value of team skills, hard work and determination. If we are able to secure a team in Las Vegas, we are committed to supporting youth hockey in Las Vegas through the development of youth hockey rinks, programs and other activities.

LAS VEGAS
OVERVIEW

Billed as the Entertainment Capital of the World, Las Vegas is one of the most recognizable city brands in the world, attracting over 42 million visitors annually to its world-class resorts, restaurants, shopping malls, and numerous entertainment options.

The Las Vegas metro is also one of the fastest-growing regions in the nation and boasts a population of nearly 2.2 million people, ranking it as the 28th largest metro in the United States.

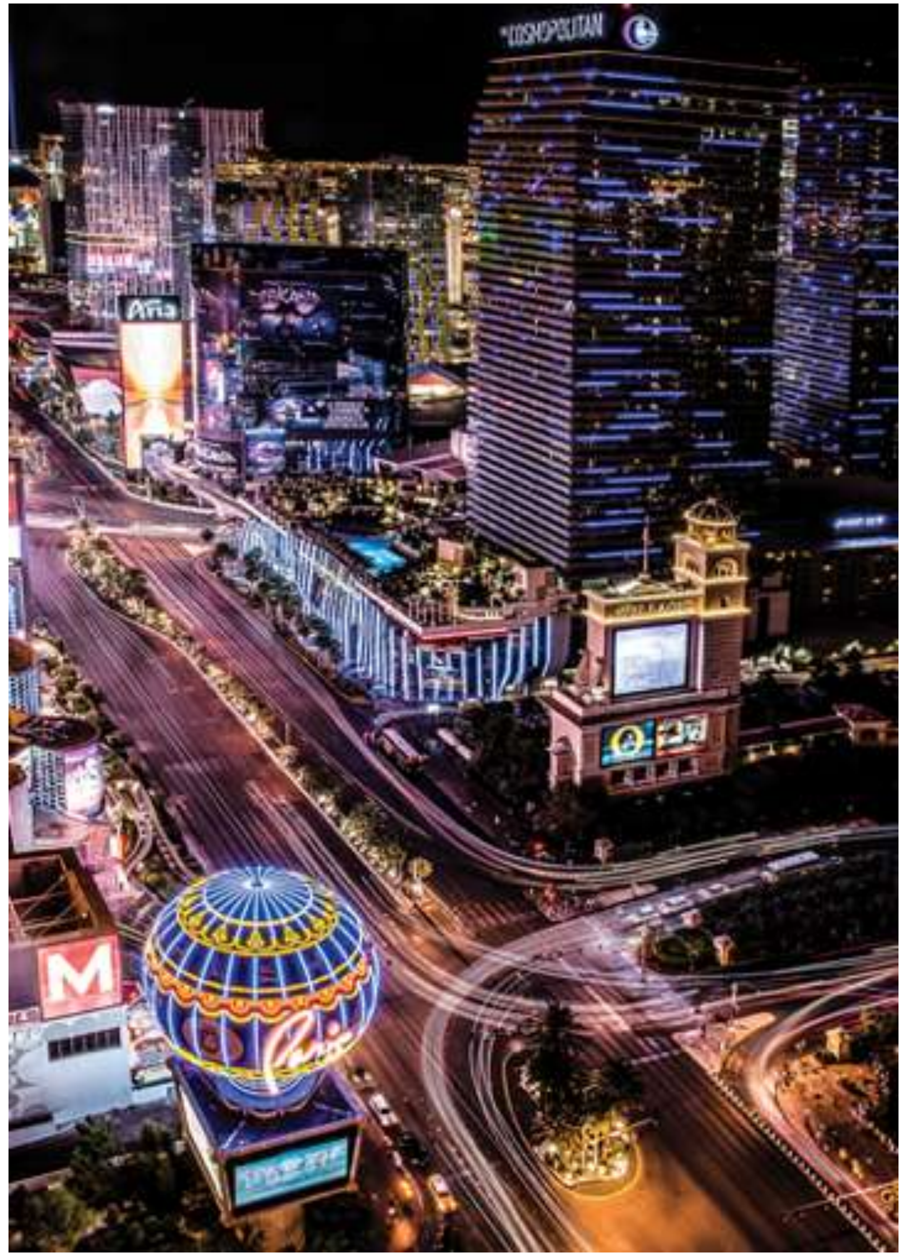
The metro, which comprises much of Clark County, is situated at the southernmost tip of Nevada, bordering California and Arizona, and is home to more than 70 percent of Nevada's total population.

METRO HIGHLIGHTS

ROBUST EMPLOYMENT GROWTH
A diversifying employment base will support job growth that will outpace the U.S. growth rate over the next five years.

STRONG POPULATION GAINS
The metro's population is expected to increase dramatically, in the coming years, exceeding national gains.

VAST TOURISM INDUSTRY
Visitor volume reached 39 million in 2017, ranking Las Vegas among the top tourist destinations in the country.



ECONOMY

- With all 10 of the nation's largest hotels located in Las Vegas, tourism and entertainment are the most significant drivers of the Las Vegas economy; however, the economy is diversifying into distribution, back-office operations and manufacturing.
- The metro's business-friendly environment, access to Western markets, large labor force, and availability of high-speed data attract companies such as Switch, Amazon, K2 Energy, Scientific Games, Sunpreme, Tectonics, Virtual Guard, VadaTech and Zappos.
- The 2.3 million-square-foot Las Vegas Convention Center is one of the largest in the world and draws more than six million attendees annually.

MAJOR AREA EMPLOYERS
Wynn Resorts
Station Casinos
MGM Resorts
Las Vegas Sands
Caesars Entertainment
Boyd Gaming
The Valley Health System
Cosmopolitan of Las Vegas
Dignity Health-St. Rose Dominican
United Healthcare of Nevada

SHARE OF 2017 TOTAL EMPLOYMENT

MANUFACTURING	2%
PROFESSIONAL AND BUSINESS SERVICES	14%
GOVERNMENT	11%
LEISURE AND HOSPITALITY	29%
FINANCIAL ACTIVITIES	5%
TRADE, TRANSPORTATION AND UTILITIES	17%
CONSTRUCTION	7%
EDUCATION AND HEALTH SERVICES	10%
INFORMATION	1%
OTHER SERVICES	3%

DEMOGRAPHICS

- The population will expand by more than 253,000 residents over the next five years, resulting in the formation of nearly 117,000 households.
- The homeownership rate of 52 percent is well below the national rate of 64 percent, providing a strong rental market.
- Roughly 22 percent of the population age 25 and older have attained a bachelor's degree, with 7 percent also holding a graduate or professional degree.

2017 Population by Age

6%	20%	7%	29%	25%	14%
0-4 YEARS	5-19 YEARS	20-24 YEARS	25-44 YEARS	45-64 YEARS	65+ YEARS

2017 POPULATION:	2017 HOUSEHOLDS:	2017 MEDIAN AGE:	2017 MEDIAN HOUSEHOLD INCOME:
2.2M	786K	37	$53,000
Growth 2017-2022*: 11.7%	Growth 2017-2022*: 14.9%	U.S. Median: 37.8	U.S. Median: $56,300

QUALITY OF LIFE

With approximately 320 days of sunshine annually and an average temperature of 80 degrees, residents and visitors alike have plenty to do besides enjoy the resorts and casinos in Clark County. Water-sports enthusiasts can take advantage of various activities at Lake Mead and the Colorado River, including boating, fishing, water skiing and sailing. Red Rock Canyon Conservation Area, located off the Strip, offers outstanding hiking and mountain-climbing opportunities. Las Vegas is home to the University of Nevada-Las Vegas (UNLV), which has received national recognition for its hotel management, criminal justice and social-work programs. Other institutions of higher learning in Las Vegas include the College of Southern Nevada.

* Forecast
Sources: Marcus & Millichap Research Services; BLS; Bureau of Economic Analysis; Experian; Fortune; Moody's Analytics; U.S. Census Bureau

SPORTS

EDUCATION

ARTS & ENTERTAINMENT

LAS VEGAS METRO AREA

Plummeting Vacancy Foreshadows

Robust Future Performance

Net absorption doubles, vacancy plummets amid rapidly improving market dynamics. Several years of limited development and steady net absorption have combined to prompt a sharp decline in the vacancy rate in Las Vegas. Net absorption more than doubled in 2017, pushing vacancy more than 550 basis points below the cycle high to just above 16 percent. The first quarter of 2018 has seen even more dramatic gains as a slow pace of rent growth and little new supply are generating substantial vacancy declines throughout the metro. Continued downdrafts in vacancy are beginning to stabilize rental rates, which have remained largely stagnant throughout the entire recovery. However, key submarkets in the core and southern areas should begin to show meaningful progress on rent growth as the year progresses.

Two commercial developments highlight pipeline; overall completions remain subdued. As construction reaches the highest point since 2011, the six-story Two Summerlin office building and the new headquarters for Aristocrat Technologies will dominate a pipeline that remains well below pre-recession levels. Underscoring the caution builders have displayed this cycle, development since 2012 has remained less than the 2007 total, allowing existing assets to shine as the market recovery advances this year.

* Trailing 12 months through 1Q18; 10-Year Treasury rate through March 29th
Sources: CoStar Group, Inc.; Real Capital Analytics

Office 2018 Outlook

600,000 sq. ft. will be completed

Construction:
Development reaches the highest level since 2011 yet remains well off of pre-recession highs.

180 basis point decrease in vacancy

Vacancy:
Net absorption has finally picked up dramatically, even as construction has begun to emerge. Vacancy falls to 14.5 percent by year's end.

1.3% increase in asking rents

Rents:
The average asking rent will reach $20.40 this year, returning to the previous cycle highs reached in early 2016.

Investment Trends

- Interest in Las Vegas office properties continues to improve as vacancy plummets rapidly. Deal flow and dollar volume are accelerating, pushing prices per square foot higher on a consistent basis. South, Southwest and Northwest Las Vegas attract the majority of the transaction volume.
- Cap rates remain in the mid-7 percent range, encouraging a broad array of out-of-state capital to invest in the metro. Combined with operational improvements and filling empty spaces, returns can far exceed the metro average.
- Fully leased medical plazas and other stabilized medical office assets will exchange ownership at cap rates in the mid-5 to mid-6 percent range, underscoring the stability of these return streams. Properties near suburban housing additions and major transportation routes are the most highly valued.

LAS VEGAS METRO AREA

1Q18 - 12-Month Trend

EMPLOYMENT

2.4% increase in total employment Y-O-Y

- Over the past year, Las Vegas organizations created 22,900 new jobs, expanding total employment by 2.4 percent. Leading sectors included construction and trade workers, where roughly 10,800 positions were added.
- Unemployment tumbled an additional 20 basis points during the past four quarters, ending at 5.2 percent as economic strength translates into a tighter labor market.

CONSTRUCTION

510,000 square feet completed Y-O-Y

- **The pace of completions in the office sector eased somewhat over the past year as 510,000 square feet were brought online, down from 530,000 square feet in the previous yearlong period.**
- **In 2018, builders will deliver 600,000 square feet, led by the corporate headquarters for Aristocrat Technologies and Two Summerlin, a six-story office project.**

VACANCY

280 basis point decrease in vacancy Y-O-Y

- **Vacancy plummeted 280 basis points during the past year to 15.4 percent as net absorption reached above 1.8 million square feet, far outpacing new supply over the same period.**
- **Minimal construction and healthy net absorption led to a 560-basis-point contraction to 14.1 percent in the South Las Vegas submarket.**

RENT
S

0.8% decrease in the average asking rent Y-O-Y

- **The average asking rent ticked down 0.8 percent to $20.21 per square foot over the past year, driven by discounting to backfill existing floorplates.**
- **The Central East Las Vegas submarket outperformed the broader metro, as the average asking rent climbed 5.2 percent to $20.03 per square foot. Asking rents are highest in Downtown Las Vegas, at $25.83 per square foot.**

LAS VEGAS METRO AREA

ƆEMOGRAPHIC HIGHLIGHTS

2018 FORECAST JOB GROWTH
Metro 1.8%
U.S. Average 1.2%

2018 OFFICE-USING JOB GROWTH
Metro 1.6%
U.S. Average 2.2%

*POPULATION AGE 20-34
Metro 21%
U.S. Average 21%

POPULATION OF AGE 25+
*PERCENT WITH BACHELOR DEGREE+
Metro 22%
U.S. Average 29%

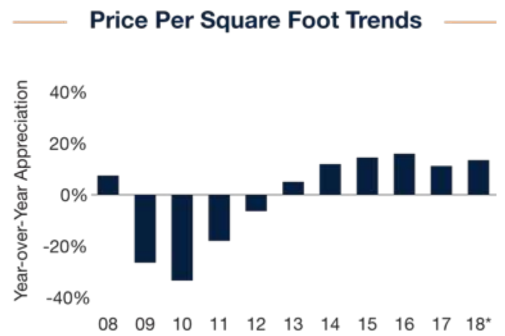
**SQ. FT. PER OFFICE WORKER
Metro 223
U.S. Average 213

**OFFICE SQUARE FOOTAGE
8% Urban
U.S. Average 32%
92% Suburban
U.S. Average 68%

Sales Trends

Deal Flow and Dollar Volume Accelerate As Investors Cheer Sharp Vacancy Decline

- Transactions and prices rose in tandem over the past year as the average price per square foot reached $193, led by properties in South and Southwest Las Vegas, where prices exceeded $200 per square foot.
- Cap rates ticked down 20 basis points to the low- to mid-7 percent range. Lower cap rates are typically to the south of the metro, while higher cap rates are achieved in the northern portion of the city.



Outlook: Declining vacancy and a lack of supply will continue to encourage investors to deploy capital at returns that can be 200 basis points above coastal markets.

Submarket Trends

Lowest Vacancy Rates 1Q18

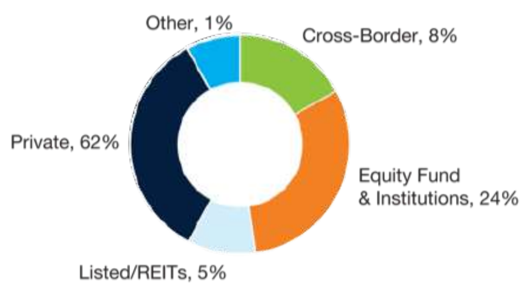
Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Asking Rent	Y-O-Y % Change
Central North Las Vegas	5.7%	10	$23.96	0.0%
Downtown Las Vegas	9.8%	-70	$25.83	-6.1%
Southwest Las Vegas	12.0%	-380	$21.99	-1.0%
North Las Vegas	13.2%	-90	$14.06	-16.9%
South Las Vegas	14.1%	-560	$19.53	0.3%
West Las Vegas	15.1%	-190	$17.11	-2.6%
Northwest Las Vegas	18.4%	-330	$19.41	-0.1%
Central East Las Vegas	22.4%	-80	$20.03	5.2%
SE Las Vegas-Henderson	23.9%	30	$17.94	-3.1%
Overall Metro	15.4%	-280	$20.21	-0.8%

LAS VEGAS METRO AREA

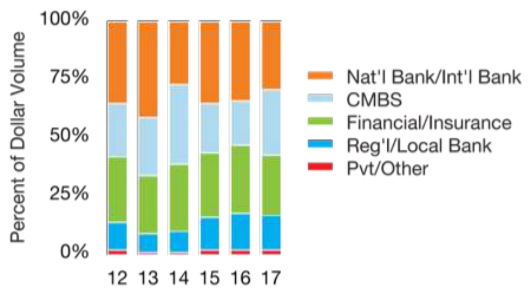
Capital Markets

- **Fed raises benchmark interest rate, plots path for additional increases.** The Federal Reserve increased the federal funds rate by 25 basis points, lifting the overnight lending rate to 1.75 percent. The Fed noted that inflation has broadly reached its objective, while the domestic economy is performing tremendously well as tax cuts power household spending and corporate investment. As a result, the Fed has guided toward two additional rate hikes this year, likely in September and December, while setting the stage for as many as four increases in 2019.
- **Lending costs rise alongside Fed rate increase.** As the Fed continues to lift interest rates, lenders are increasingly tightening margins in order to compete for loan demand. Despite these efforts, borrowing costs remain on an upward trajectory, which may prompt investors to seek higher cap rates or pursue greater returns in secondary markets. However, robust economic growth and rising net operating incomes are keeping selling prices elevated, which may widen an expectation gap as property performance and demand trends remain positive.
- **Lending continues to be highly competitive.** While the Fed has committed to tightening policy, global markets and foreign central banks are keeping pressure down on long-term interest rates, restraining the 10-year Treasury to the 3 percent range. Banks, commercial mortgage-backed securities (CMBS) and life insurance companies are providing debt for office assets, with leverage at banks typically capped at 65 percent. Meanwhile, life insurance companies will typically provide capital with leverage between 60 and 65 percent, with CMBS offering up to 70 percent. Lender spreads have narrowed in recent months, while 10-year loan structures will typically range between 4.25 and 5.25 percent, depending on tenancy, location, sponsorship and loan-to-value ratio. Minimum debt service coverage required is 1.3 times expected asset revenues, supporting debt yields of 8.5 percent. The national economy should grow strong and office demand should support a 10-basis-point decline in vacancy to 13.7 percent nationally.

1Q18 Office Acquisitions By Buyer Type



Office Mortgage Originations By Lender



Shifts Toward Outpatient Care Encourage Off-Campus Medical Office Development; Investors Optimistic About Market Outlook

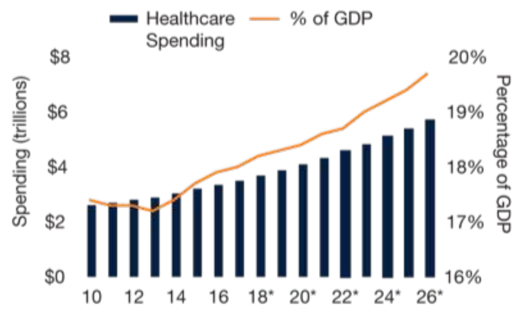
Industry consolidation prompts medical office development. Mergers among healthcare companies and providers has been a driving force behind changes in the industry and how physicians interact with patients. Emerging technologies and a shift in the care delivery model are spilling over into the development of medical offices. A rise in outpatient services and procedures has encouraged medical office development in off-campus locations over the past few years. Hospitals and medical providers seek to place offices in neighborhoods and suburban areas, closer to where people live and work, in order to reduce costs and appeal to patients seeking medical care. While these factors bode well for today's medical office market, the industry still faces numerous challenges as an aging population is met with a physician shortage, rising healthcare costs and insurance reform uncertainty. Despite these challenges, patient demand for services remains strong and will continue to drive further expansion and growth in the medical office building sector.

Advancing healthcare costs. Healthcare expenditures have risen at a hastened pace since 2014 and current projections place annual growth at an average near 5.5 percent through 2026. With expenses rising faster than forecasted GDP growth, healthcare expenditures are expected to make up nearly 20 percent of U.S. GDP by 2026, growing from 13.3 percent in 2000. In 2016, healthcare expenditures surpassed $10,000 per capita.

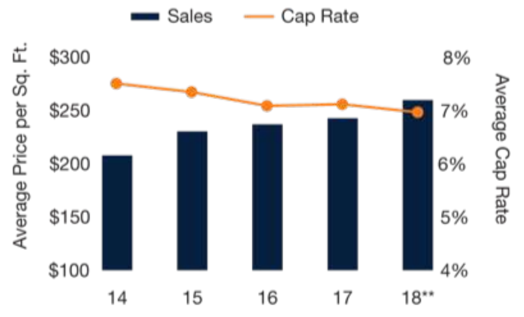
Investment Highlights

- Recently completed single-tenant medical office assets remain in high demand across both private and institutional buyer segments. Properties with major medical providers or hospital systems backing leases trade at a premium, with first-year returns averaging in the high-5 percent to low-6 percent span.
- Sale-leaseback opportunities with private physician groups often require personal guarantees of leases. Many physicians are bringing buildings to market in order to cash in on increased equity as property values have risen over the past few years. Investors will be mindful of lease terms and are scrutinizing these deals closely as many buyers prefer the longer lease guarantees that come with deals tenanted by a major hospital system or healthcare group. Buildings tenanted by a private physician typically trade 100 basis points above properties leased by major groups.
- Investors are seeking stabilized multi-tenant medical office properties in primary and secondary markets. Yield spreads between on-campus and off-campus assets have compressed over the past few years, with private investors and institutions expecting similar returns regardless of assets' proximity to an established hospital.

Total Healthcare Expenditures



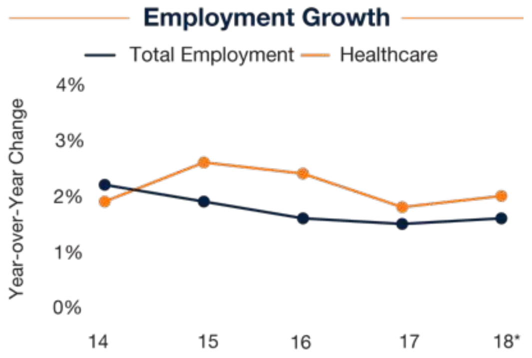
Sales Trends



* Forecast ** Trailing 12 months through 2Q
Sources: CoStar Group, Inc.; National Health Expenditure Accounts (NHEA)

Economic and Demographic Trends

- Healthcare employment gains have been some of the strongest over the past few years, with approximately 307,000 healthcare services positions added over the past 12 months. While total job growth posted losses during the Great Recession, employment in the healthcare segment remained positive. Hiring among ambulatory care services, which includes a range of physicians and general practitioners, has been the strongest at 27 percent since 2009.
- The 65 and older population has grown at an annual pace greater than 3 percent since 2011. The age group is anticipated to rise by 20 million people by 2028 and will comprise 20 percent of our nation's population base.
- Hiring in healthcare services remains steady this year with the addition of nearly 300,000 positions, or growth of 2.0 percent. Though growth remains healthy this year, the potential for a future physician shortage and steadily rising healthcare costs are facilitating changes and innovations in the healthcare industry that could restrain future medical office space demand.



DEMOGRAPHICS

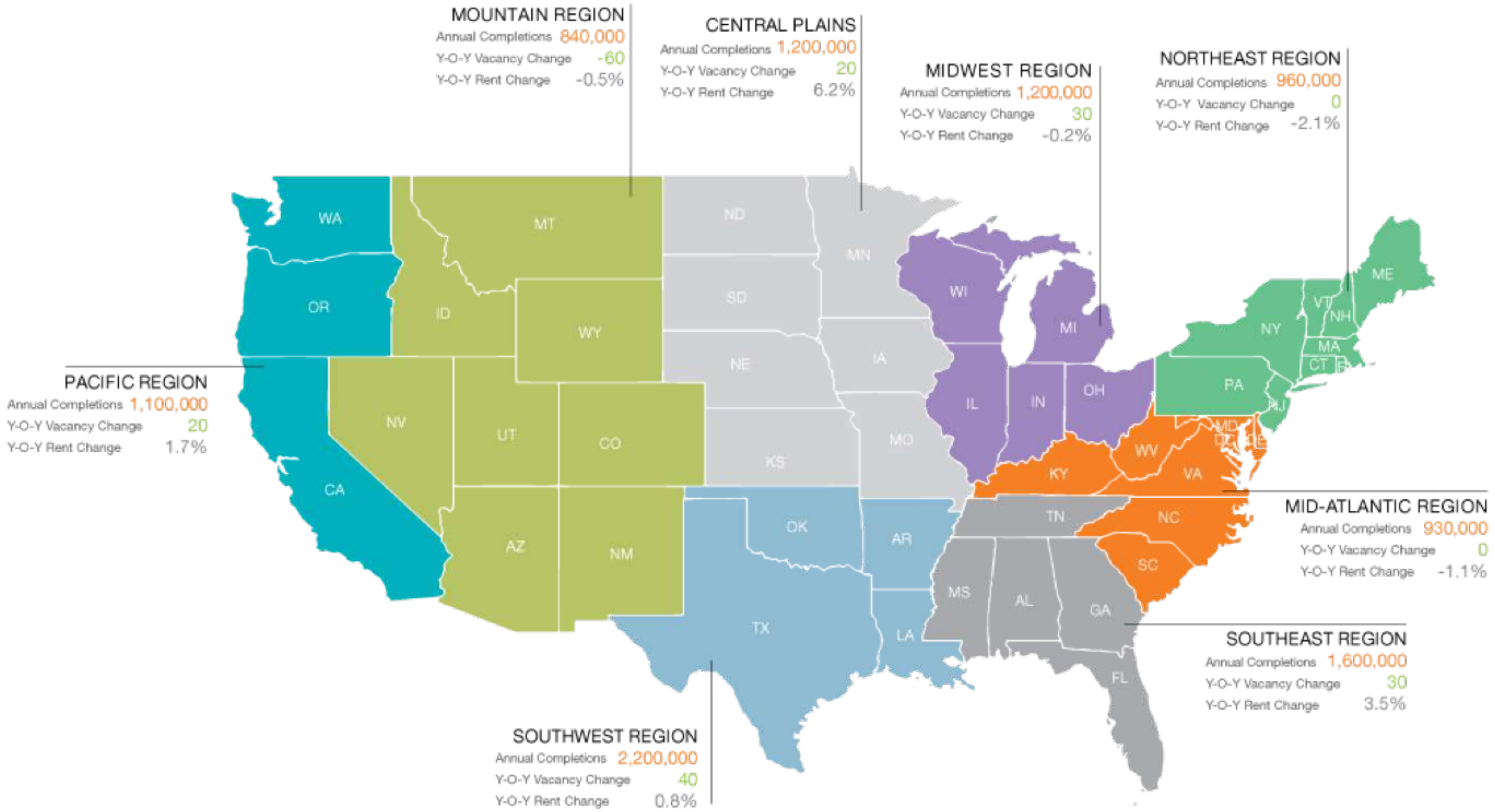
Construction Trends

- Medical office developers completed nearly 4.1 million square feet of space in the first six months of the year, with annual deliveries approaching 9.9 million square feet. The pace of deliveries slowed from the previous annual period when 10.8 million square feet of space was added to stock.
- Developers continue to focus on off-campus locations for new medical office space as medical providers expand services into neighborhoods and locations farther away from hospitals and major medical centers.
- The southern United States remains a target for developers with 3.8 million square feet of space coming online in the Southeast and Southwest regions during the past 12 months. More than 1 million square feet of space also came online in each of the Central Plains, Midwest and Pacific regions.

Vacancy and Rent Trends

- Vacancy in the property sector ticked up 10 basis points over the past four quarters to 8.2 percent, remaining near a 10-year low. Nearly every region realized an increase in vacancy during the annual period, with the exception of the Mountain region, where vacancy plummeted 60 basis points year over year to 11.1 percent.
- The average gross rent ticked up 0.9 percent since the middle of 2017, reaching $23.18 per square foot in the second quarter. Consolidation within the healthcare industry is keeping pressure on rental rate growth. Two regions recorded rent advancement of more than 3.0 percent over the past year, the Central Plains and the Southeast.
- While the Central Plains recorded the lowest medical office vacancy rate in the country at 5.4 percent in the second quarter, the highest rents are found in the Pacific. The region's average gross rent reached $29.89 per square foot during the past year, and six of the state's major metropolitan areas boast some of the highest rental rates in the U.S.

Marcus & Millichap Medical Office Building Regions
Trailing 12 Months Through 2Q18



Source: CoStar Group, Inc.

DEMOGRAPHICS

2018 Medical Office Building Forecast

10.7 million square feet

Construction:

Medical office deliveries totaled nearly 11.3 million square feet during 2017, but completions taper slightly this year. The bulk of new space comes online in the Southwest and Southeast regions, where 980,000 and 950,000 square feet of space is slated for delivery in 2018.

40 basis point decrease

Vacancy:

The vacancy rate ticks up this year to 8.4 percent. The increase will be the first after eight consecutive years of vacancy declines. Despite the uptick, the rate remains near the 10-year low of 8.0 percent achieved during 2017.

1.0% increase

Asking Rent:

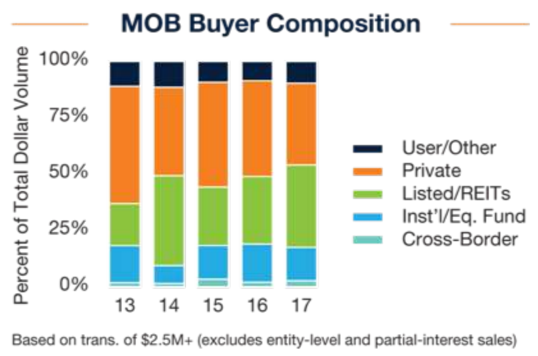
A slight increase in the average gross rent advances the rate to $23.05 per square foot this year. The average medical office rent has yet to climb back to the peak rate achieved before 2009 but is now within 20 cents of the mean recorded during 2008.

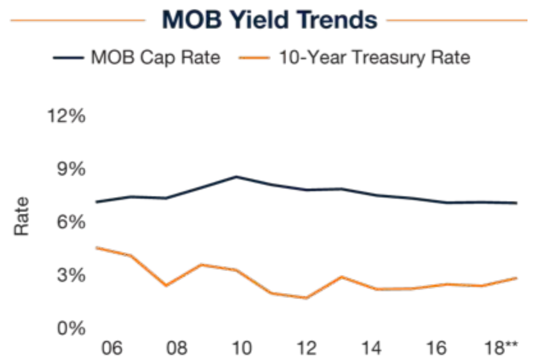
Capital Markets

Fed watchful as economic surge raises inflationary pressure. Strengthened hiring amid exceptionally low unemployment levels has boosted wage growth, placing upward pressure on inflation. Amid this trend coupled with rising trade protectionism and tariffs, the Federal Reserve appears determined to head off inflation risk by continuing its quarterly increases of the overnight rate. These actions are lifting short-term interest rates while the 10-year Treasury rate remains range bound near 3.0 percent. Should the 10-year remain steadfast, Fed tightening could create an inverted yield curve in which short-term rates rise above long-term rates. Although this event has preceded every recession of the past 50 years, many economists suggest such an inversion this year could be an exception to the rule. Because of distortions caused by regulatory changes and quantitative easing, this inversion could be different. Nonetheless, the Fed's stated path does raise recessionary risk levels because it could weigh on confidence levels and restrain spending by consumers and businesses, thus slowing economic growth.

Lending market remains competitive as interest rates rise. Though interest rates are rising and cutting into investors leverage objectives, yield spreads for medical office buildings are still favorable. Average medical office cap rates remain more than 400 basis points above the 10-Year Treasury rate, which could prompt additional investors to seek assets in the property sector as they search for higher-yielding alternatives. Medical office interest rates currently reside in the mid-4 percent to mid-5 percent realm with maximum leverage of 70 percent.

Potential rapid interest rate escalation a downside risk. Although capital remains plentiful, lending could tighten quickly for a short period if interest rates rise rapidly. As experienced in late 2016 when the 10-year rose by more than 80 basis points in 60 days, and again at the beginning of 2018 when there was a 60-basis-point surge, market liquidity could tighten if rates jump. Considering this has happened twice in the last two years, borrowers will likely benefit by taking a cautious approach with their lenders and lock in financing quickly.





** Cap rate trailing 12-month average through 2Q;
Treasury rate as of June 28.
Sources: CoStar Group, Inc.; Real Capital Analytics

POPULATION	1 Miles	3 Miles	5 Miles
▪ 2022 Projection			
Total Population	24,577	200,775	508,042
▪ 2017 Estimate			
Total Population	24,249	201,066	506,945
▪ 2010 Census			
Total Population	22,559	186,407	467,738
▪ 2000 Census			
Total Population	23,983	197,109	464,365
▪ Current Daytime Population			
2017 Estimate	29,759	362,465	780,825
HOUSEHOLDS	**1 Miles**	**3 Miles**	**5 Miles**
▪ 2022 Projection			
Total Households	9,935	81,603	187,933
▪ 2017 Estimate			
Total Households	9,484	79,656	181,554
Average (Mean) Household Size	2.55	2.38	2.66
▪ 2010 Census			
Total Households	8,940	74,794	170,471
▪ 2000 Census			
Total Households	10,056	81,887	176,194
HOUSEHOLDS BY INCOME	**1 Miles**	**3 Miles**	**5 Miles**
▪ 2017 Estimate			
$200,000 or More	1.77%	1.46%	1.43%
$150,000 - $199,999	1.52%	1.68%	1.66%
$100,000 - $149,000	7.52%	5.52%	5.93%
$75,000 - $99,999	7.52%	6.79%	7.98%
$50,000 - $74,999	14.47%	14.76%	16.78%
$35,000 - $49,999	16.49%	15.13%	16.42%
$25,000 - $34,999	16.00%	15.12%	14.79%
$15,000 - $24,999	14.89%	17.55%	15.89%
Under $15,000	17.24%	19.19%	17.13%
Average Household Income	$51,146	$47,010	$49,471
Median Household Income	$34,517	$31,820	$35,165
Per Capita Income	$20,078	$19,262	$18,147

POPULATION PROFILE	1 Miles	3 Miles	5 Miles
▪ Population By Age			
2017 Estimate Total Population	24,249	201,066	506,945
Under 20	24.79%	22.46%	26.04%
20 to 34 Years	22.78%	22.90%	23.07%
35 to 49 Years	19.89%	20.05%	20.29%
50 to 59 Years	12.88%	13.56%	12.56%
60 to 64 Years	5.24%	5.82%	5.19%
65 to 69 Years	4.44%	5.16%	4.41%
70 to 74 Years	3.50%	3.73%	3.30%
Age 75+	6.45%	6.33%	5.15%
Median Age	36.75	38.51	35.63
▪ Population by Gender			
2017 Estimate Total Population	24,249	201,066	506,945
Male Population	52.00%	53.75%	52.20%
Female Population	48.00%	46.25%	47.80%
AVERAGE HEALTH CARE EXPENDITURE	**1 Miles**	**3 Miles**	**5 Miles**
▪ 2017 Estimate Total Expenditure			
Percent of Total	14.98%	14.83%	16.14%
Health Care Insurance	$2,017	$1,916	$1,970
Percent of Total	67.08%	67.08%	67.29%
Medical Services	$583	$549	$566
Percent of Total	19.40%	19.23%	19.34%
Medical Supplies	$118	$115	$114
Percent of Total	3.93%	4.01%	3.90%
▪ Percentage Change 2017-			
Health Care Insurance	24.73%	23.81%	24.61%
Medical Services	24.79%	23.41%	24.02%
Medical Supplies	33.22%	32.24%	32.85%

DEMOGRAPHICS

Population

In 2018, the population in your selected geography is 24,249. The population has changed by 1.11% since 2000. It is estimated that the population in your area will be 24,577.00 five years from now, which represents a change of 1.35% from the current year. The current population is 52.00% male and 48.00% female. The median age of the population in your area is 36.75, compare this to the US average which is 37.83. The population density in your area is 7,713.98 people per square mile.

Race and Ethnicity

The current year racial makeup of your selected area is as follows: 47.62% White, 12.79% Black, 0.55% Native American and 9.29% Asian/Pacific Islander. Compare these to US averages which are: 70.42% White, 12.85% Black, 0.19% Native American and 5.53% Asian/Pacific Islander. People of Hispanic origin are counted independently of race.

People of Hispanic origin make up 48.40% of the current year population in your selected area. Compare this to the US average of 17.88%.

Households

There are currently 9,484 households in your selected geography. The number of households has changed by -5.69% since 2000. It is estimated that the number of households in your area will be 9,935 five years from now, which represents a change of 4.76% from the current year. The average household size in your area is 2.55 persons.

Housing

The median housing value in your area was $153,442 in 2018, compare this to the US average of $193,953. In 2000, there were 3,473 owner occupied housing units in your area and there were 6,583 renter occupied housing units in your area. The median rent at the time was $594.

Income

In 2018, the median household income for your selected geography is $34,517, compare this to the US average which is currently $56,286. The median household income for your area has changed by 5.56% since 2000. It is estimated that the median household income in your area will be $39,508 five years from now, which represents a change of 14.46% from the current year.

The current year per capita income in your area is $20,078, compare this to the US average, which is $30,982. The current year average household income in your area is $51,146, compare this to the US average which is $81,217.

Employment

In 2018, there are 14,526 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 41.62% of employees are employed in white-collar occupations in this geography, and 58.59% are employed in blue-collar occupations. In 2018, unemployment in this area is 7.22%. In 2000, the average time traveled to work was 24.00 minutes.

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