

Healthcare REITs raise \$22.5 billion in 18 months

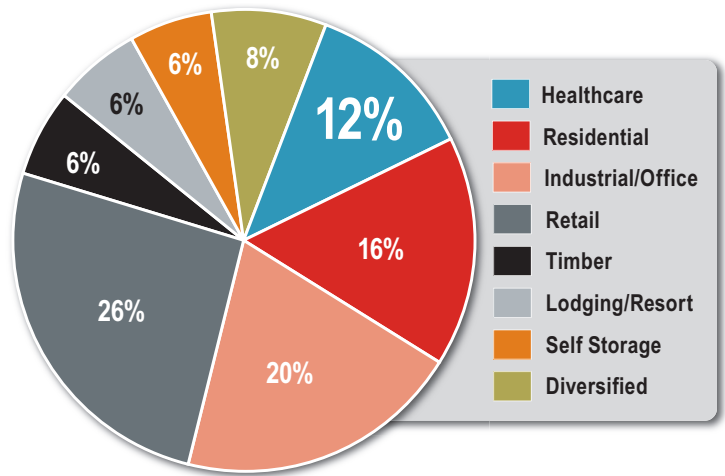
Third party interest is booming in healthcare real estate, a property sector that has only marginal penetration by real estate investors in spite of the scale of sector. The estimated value of all healthcare real estate assets in the United States including all forms of healthcare real estate including hospitals, outpatient facilities and senior housing totals \$700 billion, with public Real Estate Investment Trusts (REITs) holding approximately 15 percent of the product in the market. This investment includes medical office, hospitals, assisted living and skilled nursing. While REITs continue to aggressively acquire healthcare assets, a swell of new investors are maneuvering to purchase healthcare real estate.

According to the Healthcare Capital Markets group at Jones Lang LaSalle, the surge in healthcare real estate appeal comes with good reason. The continued strong performance of healthcare real estate, specifically medical office buildings, which has propelled the market capitalization of public Healthcare Real Estate Investment Trust (HCREITS) to \$50 billion as of June 30, 2011. Public healthcare REITs represent 12 percent of the entire REIT market capitalization and are the single largest property type after retail, office and industrial and residential property, which together along with healthcare comprise three-quarters of total REIT interest.

REIT property Sector Equity Market Capitalization

Interest in healthcare real estate investment has grown over the last two years based on the superior performance of this asset class during the downturn. The asset type has proven recession-resistant and we expect this asset class will continue to outpace all other product types as the strongest real estate sector if the economic malaise continues to plague the United States.

The stature of healthcare as an asset class will only increase as healthcare reform becomes clearer and as hospitals and healthcare systems undertake efforts to further solidify the strategic management of their properties.



And as demographics and reimbursement modes push for development of outpatient facilities, hospitals are increasingly looking for third-party capital that brings investor sensibilities to the development and operation of facilities and help with regulatory compliance in relationships with affiliated physicians.

Rampant Capital Raises

A mass of capital has been raised as public healthcare REITs raised a total of \$17.4 billion in equity and debt capital in the 18 months ending June 30, 2011. Non-listed healthcare REITs raised an additional \$5.1 billion of capital during the same 18 months for a total of \$22.5 billion for healthcare REITs. The disproportionate share of capital raised by healthcare REITs, as compared with non-healthcare REITs, reflects the attractiveness of healthcare real estate performance and prospective capital requirements that healthcare systems face.

The New Buyer Complexion

Jones Lang LaSalle has been contacted by REIT management companies, asset managers and developers with interest in starting dedicated healthcare real estate investment vehicles and from private equity looking to acquire healthcare assets.

Traditionally, the REITs and certain institutional investors have been the dominant purchasers of quality healthcare real estate in the past several years, however a number of traditional real estate investors and new capital sources are seeking to diversify their holdings with a greater percentage of healthcare assets.

Jones Lang LaSalle reports the top investors in medical properties year to date were the non-listed REITs: Grubb & Ellis Healthcare REIT II with 29 properties; Healthcare Trust of America with 23 properties followed by American Realty Capital Healthcare Trust. These three top buyers acquired more than \$500 million of properties in 2011, representing nearly 30 percent of the total \$1.8 billion in medical office acquisitions. The three REITs acquired 55 properties – more than a third of all medical office assets trading hands during the period. The most price competitive healthcare investors – public REITs and institutional investors – were faced with a dearth of the highest quality product as on campus medical office in core locations were rarely available from hospital sellers or the small number of investor owners.

The Payback in Healthcare Performance

In addition to the strong position in market capitalization and growing market share, HCREITS also are the top income producing property type amongst REITs, producing current average dividend yields of 5.3 percent. In comparison, industrial, office and apartment REITS produced yields of 3.8, 3.1 and 3.1 percent, respectively, proving that Healthcare real estate is one of the fastest growing investment sectors, and a preferred choice of savvy investors. While no asset class can be considered recession proof, healthcare property might be recession 'resistant' and is the preferred class today.

About Jones Lang LaSalle Healthcare Capital Markets Group

Jones Lang LaSalle's national healthcare solutions group works with hospitals, health systems, developers and investors throughout the nation delivering program management, strategic consulting, financial strategy, transaction and sustainability advisory services and facilities and property management. Through its work, the Healthcare group drives efficiencies and enhances quality through the unrealized potential of real estate assets and infrastructure.

About Jones Lang LaSalle

Jones Lang LaSalle (NYSE:JLL) is a financial and professional services firm specializing in real estate. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2010 global revenue of more than \$2.9 billion, Jones Lang LaSalle serves clients in 70 countries from more than 1,000 locations worldwide, including 200 corporate offices. The firm is an industry leader in property and corporate facility management services, with a portfolio of approximately 1.8 billion square feet worldwide. LaSalle Investment Management, the company's investment management business, is one of the world's largest and most diverse in real estate with \$45.3 billion of assets under management. For further information, please visit our website, www.joneslanglasalle.com.

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