

Physicians Realty Trust  
Form S-11  
May 24, 2013  
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As filed with the Securities and Exchange Commission on May 24, 2013

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM S-11**  
**REGISTRATION STATEMENT**  
*FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933*  
*OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES*

**PHYSICIANS REALTY TRUST**

(Exact name of registrant as specified in its governing instruments)

250 East Wisconsin Avenue

Suite 1900

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**Milwaukee, Wisconsin 53202**

**(414) 978-6494**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**John T. Thomas**

**Physicians Realty Trust**

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**Milwaukee, Wisconsin 53202**

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**Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer    "	Accelerated filer            "
Non-accelerated filer    x (Do not check if a smaller reporting company)	Smaller reporting company    "

### CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price <sup>(1)(2)</sup>	Amount of Registration Fee <sup>(1)</sup>
Common Shares, \$0.01 par value per share	\$115,000,000	\$15,686

- (1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.
- (2) Includes the offering price of common shares that may be purchased by the underwriters upon the exercise of their overallotment option.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**



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**The information in this prospectus is not complete and may be changed or supplemented. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MAY 24, 2013**

PROSPECTUS

# **Physicians Realty Trust**

## **Common Shares**

This is the initial public offering of Physicians Realty Trust. We are a self-managed healthcare real estate company recently organized to acquire, selectively develop, own and manage healthcare properties that are leased to physicians, hospitals and healthcare delivery systems. We invest in real estate that is integral to providing high quality healthcare services. Our properties typically are on a campus with a hospital or other healthcare facilities or strategically located and affiliated with a hospital or other healthcare facilities. Our management team has significant public healthcare REIT experience and long established relationships with physicians, hospitals and healthcare delivery system decision makers that we believe will provide quality investment opportunities to generate attractive risk-adjusted returns to our shareholders.

We anticipate that the initial public offering price will be between \$        and \$        per share. We intend to apply to list our common shares on the New York Stock Exchange under the symbol    DOC.

We intend to elect and qualify to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2013. Our common shares are subject to restrictions on ownership and transfer that are intended, among other purposes, to assist us in qualifying and maintaining our qualification as a REIT. Our charter, subject to certain exceptions, limits ownership to no more than 9.8% in value or number of shares, whichever is more restrictive, of any class or series of our outstanding shares of beneficial interest.

**We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements. Investing in our common shares involves a high degree of risk. See Risk Factors beginning on page 21 of this prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$

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Proceeds, before expenses, to us	\$	\$
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We have granted the underwriters an option to purchase up to \_\_\_\_\_ additional common shares at the public offering price, less the underwriting discount, to cover over-allotments. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$ \_\_\_\_\_ and our total proceeds, before expenses, will be \$ \_\_\_\_\_.

Delivery of the common shares in book-entry form will be made on or about \_\_\_\_\_, 2013.

## Wunderlich Securities

, 2013

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You should rely only upon the information contained in this prospectus and any free writing prospectus provided or approved by us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely upon it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common shares.

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For investors outside of the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

Until \_\_\_\_\_, 2013 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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**INDUSTRY AND MARKET DATA**

We use industry forecasts and projections and market data throughout this prospectus, including data from publicly available information and industry publications. The forecasts and projections are based on industry surveys and the preparers' experience in the industry and there can be no assurance that any of the projections will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information and the accuracy and completeness of the information are not guaranteed.



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**PROSPECTUS SUMMARY**

*This summary highlights key aspects of this offering. This summary is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read this entire prospectus, including the more detailed information set forth under the caption "Risk Factors," the historical and pro forma financial statements, including the related notes thereto, appearing elsewhere in this prospectus, and any free writing prospectus provided or approved by us before investing in our common shares.*

*Unless the context otherwise requires or indicates, references in this prospectus to we, us, our, our company, and Physicians Realty refer to Physicians Realty Trust, a Maryland real estate investment trust, together with our consolidated subsidiaries, including Physicians Realty L.P., a Delaware limited partnership, which we refer to in this prospectus as our operating partnership, and the historical business and operations of four healthcare real estate funds managed by B.C. Ziegler and Company and another subsidiary of The Ziegler Companies, Inc., that we have classified for accounting purposes as our Predecessor and which we sometimes refer to as the Ziegler Funds.*

*Unless the context otherwise requires or indicates, the information set forth in this prospectus assumes that (i) the formation transactions described in detail elsewhere in this prospectus have been completed, (ii) the underwriters' option to acquire additional common shares is not exercised, (iii) the common shares to be sold in this offering are sold at \$ per share, which is the mid-point of the price range indicated on the cover page of this prospectus, and (iv) the value of each OP unit of limited partnership interest in our operating partnership, or OP unit, issuable in the formation transactions is equivalent to the initial public offering price of one common share.*

**Overview**

We are a self-managed healthcare real estate company recently organized to acquire, selectively develop, own and manage healthcare properties that are leased to physicians, hospitals and healthcare delivery systems. We invest in real estate that is integral to providing high quality healthcare services. Our properties are typically located on a campus with a hospital or other healthcare facilities or strategically located and affiliated with a hospital or other healthcare facilities. We believe the impact of government programs and continuing trends in the healthcare industry create attractive opportunities for us to invest in health care related real estate. Our management team has significant public healthcare REIT experience and has long established relationships with physicians, hospitals and healthcare delivery system decision makers that we believe will provide quality investment and growth opportunities. Our principal investments will include medical office buildings, outpatient treatment facilities, acute and post-acute care hospitals, as well as other real estate integral to health care providers. We seek to generate attractive risk-adjusted returns for our shareholders through a combination of stable and increasing dividends and potential long-term appreciation in the value of our properties and our common shares.

Our initial portfolio will consist of 19 medical office buildings located in ten states with approximately 528,048 net leasable square feet, which as of March 31, 2013 were approximately 83.1% leased with a weighted average remaining lease term of 7 years. As of March 31, 2013, approximately 46% of the net leasable square footage of our initial properties is affiliated with a healthcare delivery system and approximately 49% of the net leasable square footage of our initial properties is located within approximately  $\frac{1}{4}$  mile of a hospital campus. Approximately 96% of our annualized base rent payments as of March 31, 2013 is from triple net leases, pursuant to which our tenants are responsible for all operating expenses relating to the property, including but not limited to real estate taxes, utilities, property insurance, routine maintenance and repairs, and property management. This structure helps insulate us from increases in certain operating expenses and provides more predictable cash flow. Our leases typically include rent escalation provisions designed to provide us with annual growth in our rental revenues. As of March 31, 2013, leases representing 2.4%, 4.2% and 2.1% of leasable square feet in our initial portfolio will expire in 2013, 2014 and 2015, respectively.

Our initial portfolio was acquired or developed by healthcare real estate funds managed by B.C. Ziegler & Company, or Ziegler, a specialty investment banking firm focused on the healthcare industry. As part of our formation transactions, the Ziegler Funds will contribute their ownership interests in these properties, as well as certain operating assets and liabilities, to our operating partnership in exchange for OP units and our assumption or repayment of mortgage debt related to the properties. The principals at Ziegler responsible for establishing these funds and managing the properties will become senior members of our management team upon completion of our formation transactions.

We are a Maryland real estate investment trust and intend to elect to be taxed as a REIT for U.S. federal income tax purposes beginning with our short taxable year ending December 31, 2013.



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### **Our Objectives and Growth Strategy**

Our principal business objective is to provide attractive risk-adjusted returns to our shareholders through a combination of (i) sustainable and increasing rental income and cash flow that generates reliable, increasing dividends, and (ii) potential long-term appreciation in the value of our properties and common shares. Our primary strategies to achieve our business objective are to invest in, own and manage a diversified portfolio of high quality healthcare properties and pay careful attention to our tenants' real estate strategies, which we believe will drive high retention, high occupancy and reliable, increasing rental revenue and cash flow.

We intend to grow our portfolio of high-quality healthcare properties leased to physicians, hospitals, healthcare delivery systems and other healthcare providers primarily through acquisitions of existing healthcare facilities that provide stable revenue growth and predictable long-term cash flows. We may also selectively finance the development of new healthcare facilities through joint venture or fee arrangements with premier healthcare real estate developers. Generally, we only expect to make investments in new development properties when approximately 70% or more of the development property has been pre-leased before construction commences. We will seek to invest in properties where we can develop strategic alliances with financially sound healthcare providers and healthcare delivery systems that offer need-based healthcare services in sustainable healthcare markets. We will focus our investment activity on the following types of healthcare properties:

medical office buildings

outpatient treatment and diagnostic facilities

physician group practice clinics

ambulatory surgery centers

specialty hospitals and treatment centers

acute care hospitals

post acute care hospitals and long-term care facilities

We may opportunistically invest in senior housing properties, including skilled nursing, assisted living and independent senior living facilities. Consistent with our intent to qualify as a REIT, we may also opportunistically invest in companies that provide healthcare services, in joint venture entities with operating partners, structured to comply with the REIT Investment Diversification Act of 2007 ( RIDEA ).

In connection with our review and consideration of healthcare real estate investment opportunities, we generally take into account a variety of market considerations, including:

Whether the property is anchored by a financially-sound healthcare delivery system or whether tenants have strong affiliation to a healthcare delivery system;

the performance of the local healthcare delivery system and its future prospects;

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property location, with a particular emphasis on proximity to healthcare delivery systems;

demand for medical office buildings and healthcare related facilities, current and future supply of competing properties, and occupancy and rental rates in the market;

population density and growth potential;

ability to achieve economies of scale with our existing medical office buildings and healthcare related facilities or anticipated investment opportunities; and

existing and potential competition from other healthcare real estate owners and operators.

### **Our Management Team**

Our senior executive officers have extensive experience investing in and developing healthcare related real estate through several real estate, credit and healthcare cycles. John Thomas, our President and Chief Executive Officer, most recently served as Executive Vice President-Medical Facilities Group of Health Care REIT (NYSE: HCN ) where he was responsible for managing over \$5 billion of medical facilities and oversaw the acquisition and development of medical properties valued in excess of \$2.5 billion from 2009 to 2012. Prior to Health Care REIT, Mr. Thomas held senior healthcare executive management positions with the Sisters of Mercy Health System of St. Louis, Inc. and Baylor Health Care System. Mr. Thomas' s experience includes managing medical office, outpatient care facilities, hospitals and research life science facilities. John Sweet, our Executive Vice President and Chief Investment Officer, established and manages the Ziegler Funds, whose properties will comprise our initial portfolio. Prior to re-joining Ziegler in 2005 to establish the Ziegler Funds, Mr. Sweet was a co-founder of Windrose Medical Properties Trust ( Windrose ), a publicly-held healthcare REIT, which completed its initial public offering in August 2002. Mr. Sweet assisted in the creation and initial public offering of Windrose as an independent consultant and subsequent to its initial public offering joined the company as the Vice President Business Development where he was responsible for identifying and negotiating the acquisition of medical office buildings.

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Mr. Lucey, our Senior Vice President Principal Accounting and Reporting Officer, has more than twenty years of public company financial experience, of which more than ten of those years have been in the senior living healthcare industry. Since 2005, Mr. Lucey has served as the Director of Financial Reporting for Assisted Living Concepts, Inc. (NYSE: ALC ), a senior housing operator with over 200 locations in 20 states and annual revenues of approximately \$230 million. Prior to Assisted Living Concepts, Mr. Lucey served as the Manager of Financial Reporting for Case New Holland from 2003 to 2005 and as a Division Controller at Monster Worldwide from 2001 to 2003. From 1996 to 2001, Mr. Lucey was the Director of Financial Reporting for Alterra Healthcare Corporation (now Brookdale Living Communities, NYSE: BKD ). Mr. Lucey's experience includes initial public offerings, as well as various equity and debt offerings and mergers and acquisitions. Mark Theine, our Senior Vice President of Asset and Investment Management, has been the senior asset manager of the Ziegler Funds since September 2005. We believe our management team's long established, trusted relationships with physicians, hospitals and healthcare delivery system decision makers, provides to us and our shareholders a competitive advantage in sourcing attractive investment opportunities and growth opportunities. Our management team and trustees also have relationships and access to state and federal policy makers to stay informed with health care policy directions that may affect our investment decisions and management.

Our shared services agreement with Ziegler will provide us with access to Ziegler's proprietary research and market analysis of the healthcare industry, as well as office space, IT support, accounting support and similar services, helping us to manage our overhead costs prudently. Founded in 1902, Ziegler is a national underwriter of tax exempt bonds for not-for-profit senior living providers, hospitals, and healthcare care delivery systems. In addition to its research team that provides research on over 500 healthcare organizations, Ziegler has over 60 investment banking professionals focused on the healthcare industry. We believe Ziegler's industry knowledge and relationships will help us identify and evaluate investment opportunities.

**Healthcare Industry and Healthcare Real Estate Overview and Market Opportunity**

The nature of healthcare delivery continues to evolve due to the impact of government programs, regulatory changes and consumer preferences. We believe these changes have increased the need for capital among healthcare providers and increased pressure on these providers to integrate more efficient real estate solutions in order to enhance the delivery of quality healthcare. In particular, we believe the following factors and trends are creating an attractive environment in which to invest in healthcare properties.

***\$2.8 Trillion Healthcare Industry Projected to Grow to \$4.8 Trillion (and 19.6% of U.S. GDP) by 2021***

According to the U.S. Department of Health and Human Services, or HHS, healthcare spending accounted for 17.9% of U.S. gross domestic product, or GDP, in 2012. The general aging of the population, driven by the Baby Boomer generation and advances in medical technology and services which increase life expectancy, are key drivers of the growth in healthcare expenditures. The anticipated continuing increase in demand for healthcare services, together with an evolving complex and costly regulatory environment, changes in medical technology and reductions in government reimbursements are expected to pressure capital-constrained healthcare providers to find cost effective solutions for their real estate needs.

We believe the demand by healthcare providers for healthcare real estate will increase as health spending in the United States continues to increase. As shown in the chart below, national healthcare expenditures continue to rise and are projected to grow from an estimated \$2.8 trillion in 2012 to \$4.8 trillion by 2021 representing an average annual rate of growth of 5.7%, reaching a projected 19.6% of GDP in 2021.

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Source: Centers for Medicare & Medicaid Services, Office of the Actuary

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***Aging Population***

The aging of the U.S. population has a direct effect on the demand for healthcare as older persons generally utilize healthcare services at a rate well in excess of younger people. Between 2010 and 2050, the U.S. population over 65 years of age is projected to more than double from 40.2 million to nearly 88.5 million and the 85 and older population is expected to more than triple, from 5.7 million in 2010 to 19.0 million, as reflected in the chart below. The number of older Americans is also growing as a percentage of the total U.S. population with the number of persons older than 65 estimated to comprise 13.0% of the total U.S. population in 2010 and projected to grow to 20.2% by 2050.

**Projected U.S. Population Aged 65+ (1900-2050)**

Source: U.S. Census Bureau

***Affordable Care Act (30 Million More Insured and Increased Market Certainty)***

The Patient Protection and Affordable Care Act of 2010, or the Affordable Care Act, constitutes a significant overhaul of many aspects of healthcare regulations and health insurance. We believe this evolution of U.S. health care policy creates the framework for healthcare services over the near term. The Affordable Care Act requires every American to have health insurance by 2014 or be subjected to a tax. Those who cannot afford health insurance will be offered insurance subsidies or Medicaid coverage. The U.S. Census Bureau estimates that approximately 50 million Americans did not have healthcare insurance in 2009. HHS predicts the Affordable Care Act will result in an additional 30 million Americans having healthcare insurance by 2020 which we believe will substantially increase the demand for healthcare services.

The Affordable Care Act also contains provisions which are designed to lower reimbursement amounts under Medicare and tie reimbursement levels to the quality of services provided. We believe these and other provisions of the Affordable Care Act will increase the pressure on healthcare providers to become more efficient in their business models, invest capital in their businesses, lower costs and improve the quality of care, which in turn will drive health care systems to monetize their real estate assets and create demand for new, modern and specialized facilities.

***Clinical Care Continues to Shift to Outpatient Care***

As shown in the chart below, procedures traditionally performed in hospitals, such as certain types of surgery, are increasingly moving to outpatient facilities driven by advances in clinical science, shifting consumer preferences, limited or inefficient space in existing hospitals and lower costs in the outpatient environment. This continuing shift toward delivering healthcare services in an outpatient environment rather than a traditional hospital environment increases the need for additional outpatient facilities and smaller, more specialized and efficient hospitals. Studies by the Medicare Payment Advisory Commission and others have shown that healthcare is delivered more cost effectively and with higher patient satisfaction when it is provided on an outpatient basis. Increasingly, hospital admissions are reserved for the critically ill, and less critical patients are treated on an outpatient basis with recuperation in their own homes. We believe the recently enacted Affordable Care Act and

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health care market trends toward outpatient care will continue to push health care services out of larger, older, inefficient hospitals and into newer, more efficient and conveniently located outpatient facilities and smaller specialized hospitals. We believe that increased specialization within the medical field is also driving demand for medical facilities designed specifically for particular specialties and that physicians want to locate their practices in medical office space that is in or adjacent to these facilities.

**Cumulative Change in Total Admissions and Total Outpatient Visits**

**Note:** Cumulative change is the total percent increase from 1999 through 2010. Data are admissions (all payers) to and outpatient visits at about 5,000 community hospitals.

**Source:** American Hospital Association, AHA Hospital Statistics.

***Physician Employment by Healthcare Delivery System Trend Improves Credit***

As shown in the chart below, the total number of physicians is growing and the number and percentage of physicians employed by healthcare delivery systems and by large physician groups has increased in recent years, and this increase is expected to accelerate due to, among other factors, declining physician reimbursement and the increasing costs of practice due to changes under the Affordable Care Act, other healthcare regulations, expensive information technology and malpractice insurance. We also believe the continuing trends in hospital systems consolidation will accelerate the integration of physician practice groups and other clinicians with hospitals. We believe physician employment by healthcare delivery systems and large group practices increases the demand for efficient real estate solutions and can lead to an improvement in the credit quality of our physician tenants and target physician tenants.



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***Healthcare Industry Employment Growth***

According to the U.S. Department of Labor's Bureau of Labor Statistics, the healthcare industry was the largest industry in the United States in 2010 providing nearly 14 million jobs. While total U.S. employment dropped by over 2% between 2000 and 2010, health care employment grew by more than 25% during the same period. The Bureau of Labor Statistics estimates that healthcare sector employment is projected to grow from over 14 million jobs in 2010 to nearly 18.3 million jobs in 2020, an increase of 30%, compared to only 13% growth for jobs in all other employment sectors. Of the approximately 4.3 million new healthcare jobs expected between 2010 and 2020, 63% are projected to arise in ambulatory settings (offices of health practitioners, home health, and other non-institutional settings) with office employment projected to increase by nearly 1.4 million jobs and hospital employment projected to increase by over 940,000 jobs between 2010 and 2020. We believe the continued growth in employment in the healthcare industry, and in particular the ambulatory sector, will lead to growth in demand for medical office buildings and other facilities that serve the healthcare industry.

***Monetization and Modernization***

According to Stifel Nicolaus, hospitals and health systems own and control approximately 80% of the medical office buildings and outpatient facilities in the United States. We expect the need for capital and the growth in demand for healthcare at lower cost to cause many hospitals to seek to monetize their real estate through sale/leaseback or other arrangements as they seek capital for their physician integration and growth strategies. Hospitals also are seeking to become more efficient in the face of declining reimbursement and changing patient demographics by developing new, smaller, specialty healthcare facilities, as well as modernizing existing general acute care facilities.

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***Highly Fragmented Market***

According to the Journal of Real Estate Portfolios' research report on "Slicing, Dicing, and Scoping the Size of the U.S. Commercial Real Estate Market", there is more than \$1 trillion in U.S. healthcare real estate and less than 10% of all medical office/outpatient care facilities currently are owned by public REITs and even a smaller percentage of hospitals. While a large percentage of these assets are not desirable for institutional investment, we believe the market of desirable, institutional quality assets in our target asset classes is large and there is growing demand by healthcare providers for new, high quality specialized space. We believe the current highly fragmented ownership of these target assets by, including hospital systems, physician groups, local developers and smaller private investors, provides a significant source of investment opportunities for the foreseeable future.

Stifel Nicolaus estimates the value of the total supply of medical office buildings and out-patient facilities at approximately \$414 billion, with approximately \$262 billion available for private investment, and is expected to grow at approximately \$4.5 billion per year. In estimating facilities available for private investment, Stifel Nicolaus excludes medical office buildings and outpatient facilities located on hospital campuses or other property owned by government and buildings housing small physician practices that are likely not attractive to institutional investors.

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### ***Limited New Supply***

We believe construction of medical office buildings and other healthcare facilities has been relatively constrained by the recent recession and uncertainty in U.S. healthcare policy, while available space was absorbed and physicians, hospitals and healthcare delivery systems planned for the implementation of the Affordable Care Act. According to Marcus and Millichap's mid-year Medical Office Research report, approximately 9 million square feet of new medical office space was delivered in 2012, which is significantly lower than the square feet of medical office space delivered from 2007 to 2009, when medical office inventory grew collectively by nearly 60 million square feet. We believe the low levels of new medical office space delivered and increasing demand in recent years will create a positive environment for both occupancy and rental rates in the near term and longer term. We believe these trends will result in an increase in the number of quality properties meeting our investment criteria.

### **Competitive Strengths**

We believe our management team's extensive public REIT and healthcare experience distinguishes us from many other real estate companies, both public and private. Specifically, our company's competitive strengths include, among others:

*Strong Relationships with Physicians and Healthcare Delivery Systems.* We believe our management team has developed a reputation among physicians, hospitals and healthcare delivery system decision makers of accessibility, reliability and trustworthiness. We believe this will result in attractive investment opportunities for us and high tenant satisfaction, leading to high occupancy rates, tenant retention and increasing cash flow from our properties.

*Experienced Senior Management Team.* Our senior management team has over 50 years of healthcare delivery system executive and related experience in healthcare real estate, finance, law, policy and clinical business development. Our management team's experience providing full service real estate solutions for the healthcare industry gives us a deep understanding of the dynamics and intricacies associated with insurance reimbursement practices, government regulation, cross-referrals, clinical interdependencies and patient behaviors. These same factors drive the profitability of the healthcare delivery systems with whom we will be strategically aligned.

*Investment Focus.* We believe that healthcare-related real estate rents and valuations are less susceptible to changes in the general economy than many other types of commercial real estate due to demographic trends and the need-based rise in healthcare expenditures, even during economic downturns. For this reason, we believe healthcare-related real estate investments could potentially offer a more stable return to investors when compared to other types of real estate investments.

*Nimble Management Execution.* We expect to focus on individual investment opportunities of \$25 million or less in off market or lightly marketed transactions, with few transactions exceeding \$50 million. We are establishing our company to identify and execute on these types and size of transactions efficiently, which we believe provides us an advantage over other healthcare real estate investors, such as the larger health care REITs, that focus on larger properties or portfolios in more competitively marketed investment opportunities.

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*Access to State and Federal Healthcare Policy Makers.* Our management team and Trustees have relationships and access to state and federal policy makers to stay informed with health care policy directions that may affect the investment decisions and management of the company.

*Strong Healthcare Delivery System Affiliation and Diverse Medical Tenant Base in Initial Properties.* As of March 31, 2013, approximately 46% of the net leasable square footage of our initial properties is affiliated with a healthcare delivery system and approximately 49% of the net leasable square footage of our initial properties is located within approximately  $\frac{1}{4}$  mile of a hospital campus. We believe that a healthcare delivery system anchored property with a diversified, clinically interdependent tenant mix is essential to the success of any healthcare facility, and our management team's understanding of the dynamics associated with tenant mix and clinical interdependency will be a key to our success. At March 31, 2013, the leases for our initial properties have a weighted average remaining lease term of approximately 7 years and only 8.8% of our annualized rent expires over the following three years.

**Properties**

The table below sets forth certain information regarding the properties in our initial portfolio as of March 31, 2013:

PROPERTY	PROPERTY MSA LOCATION	YEAR BUILT	% OWNED	NET LEASABLE SQUARE FOOTAGE	% LEASED	ANNUALIZED BASE RENT <sup>(1)</sup>	ANNUALIZED	HEALTHCARE DELIVERY SYSTEM AFFILIATION	PRINCIPAL TENANTS
							BASE RENT PER LEASED SQUARE FOOT		
Arrowhead Commons	Phoenix, AZ	2004	50.0%	12,800	100.0%	\$ 313,237	\$ 24.47	N/A	Paseo Family Physicians
Aurora Medical Office Building	Green Bay, WI	2010	100.0%	9,112	100.0%	\$ 184,518	\$ 20.25	Aurora Health Care	Aurora Health Care
Austell Medical Office Building <sup>(2)</sup>	Atlanta, GA	1971	100.0%	14,598	35.5% <sup>(2)</sup>	\$ 80,077 <sup>(2)</sup>	\$15.47 <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Canton Medical Office Building	Atlanta, GA	1994	50.0%	38,098	100.0%	\$ 801,201	\$ 21.03	Medical Associates of North Georgia	Medical Associates of North Georgia
Decatur Medical Office Building	Atlanta, GA	1974	100.0%	13,300	100.0%	\$ 336,365	\$ 25.29	N/A	Georgia Urology, P.A.
El Paso Medical Office Building	El Paso, TX	1987	100.0%	21,777	100.0%				