

March 12, 2021

Healthcare Real Estate Update

Q4 2020 Behavioral Health

Scioto Properties



IDD | TBI | Day Centers | Behavioral Health | Substance Abuse

Overview

It has been nearly one year since state and local governments issued stay-at-home lockdown orders with a state of emergency declared in response to the COVID-19 pandemic. As the pandemic unfolded throughout the subsequent bulk of 2020, we have witnessed and experienced the effects of these policies – and administration shifts – in all aspects of life, including the capital markets and the combined impacts on the healthcare real estate industry.

Economic Indicators				
Date:	3/12/2021	Current	Last Month	Last Year
Federal Funds Effective Rate		0.070%	0.080%	1.090%
U.S. Treasury: 2-Year		0.152%	0.110%	0.484%
U.S. Treasury: 10-Year		1.594%	1.207%	0.877%
U.S. Treasury: 30-Year		2.360%	2.010%	1.438%
LIBOR: 1-Month		0.106%	0.112%	0.797%
LIBOR: 3-Month		0.184%	0.198%	0.773%
Swaps (Monthly Money): 5-Year		0.809%	0.520%	0.590%
SOFR		0.010%	0.060%	1.150%
SOFR: 30-Day Average		0.031%	0.056%	1.480%
SOFR: 90-Day Average		0.058%	0.073%	1.529%
SIFMA		0.040%	0.030%	1.250%

Both equity and debt markets experienced two contrasting phases in 2020: the period from January to early March before the COVID-19 outbreak, then early March to year-end, ending with initial vaccine distribution in late December and rapid vaccine development and rollout starting 2021. Just a year ago, combined uncertainty of the sudden economic disruption and the severity of COVID-19 had made capital market conditions unfavorable, and in some cases impossible, for healthcare providers and real estate firms alike to raise equity and debt capital even while interest rates had fallen. Twelve months later, we can now look back at the fallout in the past year and anticipate what the future holds.

At the pandemic outbreak, the market declined rapidly by 35 percent, then it began to slowly settle and recover as the federal government announced relief packages for individuals, state and local governments, and businesses ranging from small private companies to large public companies. The work-from-home transition began to gain traction as a viable short-term and even long-term solution. Investors and companies started to adjust strategies, and the markets began to recover. But the madness surrounding the U.S. presidential election once again increased volatility in the markets. By the end of 2020, equity markets posted a long-tailed V-shape recovery, with the S&P 500 posting gains at 13 percent for the year and 64 percent from the lows in early March (*source: S&P Capital IQ*). Debt markets reached record levels, and renewed spreads to benchmark interest rates indicated the cost of borrowing has returned to pre-pandemic levels.

Many existing and newly formed companies quickly met the surge in pandemic induced consumer and commercial demand, contributing to a record-setting 407 IPOs last year, with the majority 162 deals in Q4 alone netting more than \$55bn in proceeds to round out the year. Within the healthcare space, extensive consolidation activity was widespread as smaller providers struggled to contain outbreaks within their facilities and cover pandemic related expenses (refer to *Transactions of Note* for acquired companies within the Behavioral Health sector in Q4 2020). Many larger private equity backed providers have recognized the opportunity to seize value and expand organic growth. Their superior ability to access capital and take advantage of new governmental funding has created significant buying opportunities as smaller providers continue to struggle.

The private equity industry is expected to face new federal regulatory scrutiny throughout 2021. As a result, many sponsors are exploring annex funds and other structures, including sale-leasebacks of portfolio real estate assets to deploy additional capital quickly to support existing portfolio companies or to take advantage of new opportunities in the market due to favorable pricing fluctuations. The ability of private funds to draw on credit facilities to bridge capital needs has become increasingly vital.

U.S. capital markets demonstrated its strength and resilience in the face of the pandemic, and we expect growth to continue into 2021 as vaccines become more widely available. The outlook for the capital market is looking to be just as busy as 2020, as interest rates remain low and investors expect earnings to increase throughout this year substantially. Consolidation within the healthcare industry is expected to accelerate, and Scioto is prepared to discuss financing solutions for your project or transaction.

Transactions of Note

Autism

Company Name	Description
Behavior Pioneers	The company primarily operates in the Healthcare Services industry. Behavior Pioneers was founded in 2016 and is headquartered in Carrollton, TX.
Behavior Therapy Solutions of Minnesota	Operator of a mental health clinic to treat autism. The company provides individualized and effective behavioral and mental health services to children and families by working together to find creative solutions.
Life Changes Group	Operator of clinics intended to help reach behavioral health goals. The company's services include treatment for anger management, attention disorder, autism spectrum disorder, career counselling, cognitive behavioural therapy and other therapies.
Catalyst Behavior Solution	Provider of mental health therapy and behavior programs services intended for individuals and families, telehealth services, and other community services. The company offers treatment for autism and other behavioral issues through the use of evidence-based and data-driven treatment methods, including applied behavior analysis (ABA) therapy.
Momentum Autism Therapy Services	Provider of Applied Behavior Analysis (ABA) therapy services intended to treat children with Autism Spectrum Disorder (ASD). The company offers a broad range of home, telehealth, and center-based therapy services to children and their families in the southeastern Michigan autism community including ABA services, speech therapy, social skills, family guidance, and counseling services.
Family Behavioral Resources	Provider of outpatient and community-based behavioral health services intended to empower people to improve their lives by providing high-quality behavioral health care. The company works with local schools, homes and communities, serving children with diagnosed behavioral and mental health disorders and offers outpatient mental health therapy in numerous locations throughout the states of Pennsylvania and Ohio.
Family Support Center	Provider of applied behavioural analysis services for children and their families. The company offers a range of services including applied behaviour analysis therapy, individualized treatment for children, psychological services, occupational therapy, and physical therapy, thereby helping children with autism and their families.

Source: PitchBook Data, Inc.

Substance Abuse

Company Name	Description
Column Health	Operator of mental health clinics intended to treat substance abuse and related health issues. The company's clinics offer comprehensive and community-based outpatient treatment using psychotherapy with pharmacotherapy, medication management and care coordination, enabling patients and families suffering from mental illness and substance addiction to get adequate treatment and improve their quality of life.
Renew Recovery	Provider of drug addiction treatment services intended to offer comprehensive outpatient treatment. The company offers substance abuse prevention, intervention, and treatment services, helping patients to overcome and heal in their life.
Keys Counseling	Operator of a mental health agency dedicated to empowering and uplifting children and families in need. The company offers an array of therapeutic services including clinical assessments, treatment modalities, substance abuse, day treatment and transitioning from restrictive placement programs at home and in office.
Limestone Health	Operator of outpatient clinics providing methadone maintenance treatment. The company provides outpatient medication-assisted treatment (MAT) with methadone services including medication management and substance abuse counseling and education.
Child & Family Psychological Services PC	Operator of mental health clinics serving a variety of concerns through individual, couples, family and group counseling. The company provides professional and comprehensive psychological care in a confidential, comfortable setting for psychological testing, substance abuse counseling, domestic violence, behavioral issues, anxiety, depression and sexual counseling.
NorthEast Health Services	Operator of a mental healthcare clinic serving southeast Massachusetts. The company provides outpatient mental health services to members of the community regardless of life challenges due to poverty, victimization, substance abuse, physical or mental illness and developmental or cognitive delays.

Source: PitchBook Data, Inc.

Behavioral Health

Company Name	Description
Magellan Complete Care	Provider of Medicare and Medicaid services intended to help patients and their families with physical, behavioral and social health needs. The company's services include digital programs, pharmacy assistance and targeted medicine management, providing Medicaid patients and families with an optimized experience that improves health outcomes.
Connections Health Solutions	Provider of crisis and emergency psychiatric care services intended to treat people whenever they need it. The company offers its services through a combination of psych-focused ED or observation units, urgent care clinics, and transitional outpatient services, enabling patients who are suffering from behavioral emergent health problems to procure treatment round-the-clock.
Bayless Integrated Healthcare	Operator of integrated primary care and behavioral health practice based in Avondale, Arizona. The company addresses the mental and physical care needs of patients through a team of specialists who provide compassionate, adaptable, innovative, reliable, and relentless care from infancy through late adulthood, offering family medicine, emotional and behavioral healthcare, addiction treatment, and social healthcare services for all ages and socioeconomic classes, thereby providing comprehensive telehealth and virtual care services for residents throughout the entire state of Arizona.
HMC HealthWorks	Provider of population healthcare management programs with an intention to reduce healthcare costs. The company offers plan sponsors value-added programs including integrated clinical solutions, chronic care management, behavioral health solutions, wellness or lifestyle coaching and care coordination.
Family Care Center	Operator of a behavioral health treatment center serving the United States Armed Forces, veterans and the surrounding communities. The center offers individual treatment for those dealing with depression, anxiety, trauma, mood disorders and other serious mental health conditions as well as providing family therapy and marriage counseling for both children and adults.
Seabrook House Foundation	Operator of behavioral healthcare centers intended to provide addiction treatment. The company through their emphasis on family therapy, intervention services and relapse prevention provides detoxification, residential rehab, long-term rehab, sober living and outpatient services.
Beacon Behavioral Hospital	Provider of psychiatric care intended for adults and seniors with acute mental health needs. The company operates as a leading regional behavioral health provider offering treatment for depression, anxiety, mood swings, thoughts of self-harm and other related issues through its network of seven intensive outpatient locations and four inpatient hospitals committed to providing compassionate, confidential care to those in need of an avenue of hope and recovery.
Simple Intervention	Provider of behavioral health services throughout Central Virginia. The company offers behavioral health, mental health, crisis stabilization, psychiatry, medical management, therapy and other services, enabling youth, adolescents and adults to get adequate help and focus on a healthy work-life balance.
Aymira	Provider of healthcare management tools and services intended for improving people's lives. The company offers software as a service product used by behavioral health professionals for tracking integrated clinical, accounting and electronic health record information, thereby providing clients with specialized consultative services, developmental therapies and other specific interventions targeted to helping those with IDD and related conditions.
New Directions Behavioral Health	Provider of managed behavioral healthcare services intended to help people find a healthy balance and improve health through positive change. The company's managed behavioral health services, an Employee Assistance Program, Student Assistance Program, organizational consulting and health coaching to private and public health plans, large and medium employers and labor groups, thereby enhancing health, reducing costs and improving the individual experience in receiving care.
Associates in Pediatric Therapy	Provider of pediatric therapeutic services intended to treat patients with honesty, empathy, professional integrity as well as sensitivity and respect for all areas of diversity. The company operates a therapeutic clinical practice that treats pediatric patients for physical therapy, occupational therapy, speech therapy, audiology and behavioral therapy, providing services to children with special needs in Metro Louisville, Lexington, Bowling Green, Erlanger and Southern Indiana.
North Shore Pediatric Therapy	Provider of pediatric therapy for infants and children with pediatric neuropsychology evaluations. The company provides pediatric occupational therapy, speech therapy, applied behavior analysis, behavior 911, nutritional counseling, reading and neuropsychology diagnostics.

Behavioral Health Cont'd

Company Name	Description
Westchester General Hospital	Owner and operator of a hospital facility intended to improve the health & wellness of South Florida residents by providing exceptional service and personalized care in Miami, Florida. The company's services include medical and psychiatric services such as preferred medical plans, managed care, emergency services, inpatient services, outpatient services, behavioral health services, and also provides postgraduate training programs emphasizing primary care practice, enabling patients to get personalized and acute care services.
Sundance Behavioral Resources	Provider of outpatient counseling, psychotherapy and psychiatric medication management services based in Murray, Utah. The company offers a wide variety of mental health services for the treatment of depression, dysthymia, anxiety, panic attacks, mood disorder, ADHD, bi-polar syndrome, abuse, PTSD, behavior problems and other behavioral healthcare treatment s to adults, couples, teens, adolescents and children.
LifeSolutions Counseling	Operator of a strengths-based, collaborative, and trauma-informed counseling practice dedicated to helping people reach their full potential and heal from challenges throughout all stages of life. The company provides professional and supportive services such as mental health services, including counseling, psychiatric services, psychological assessments and case management, that take into account each individual's life experiences and therapeutic needs
Access Family Services	Provider of community-based outpatient behavioural health services based in Charlotte, North Carolina. The company provides an array of foster care and specialized family treatment, including family foster care, therapeutic foster care (TFC), intensive alternative treatment (IAFT), rapid response crisis beds (RR), enhanced therapeutic foster care (E-TFC) and B-3 crisis overnight respite.
Center for Treatment and Recovery	Provider of medication-assisted treatment for opiate addiction based in Pawtucket, Rhode Island. The company provides individual physician supervision, behavioural health counselling, abstinence from drug use, improvements in employment, family dynamics, and other support services for a comprehensive treatment approach to addiction.
Gentle Care Home Services	Provider of care home services focused on providing quality home care, elderly care and children's behavioral health. The company offers behavioral health assessment services committed to ensuring professional standards in providing services to their clients.

Source: PitchBook Data, Inc.

Report contents were researched and written by Zheng Da Lim, Acquisitions Associate



UNLOCK CAPITAL IN REAL ESTATE

Scioto Properties is an institutionally-backed healthcare real estate firm that specializes in the acquisition and monetization of healthcare real estate portfolios. Since 1999, we have provided real estate solutions to growing healthcare providers across the U.S., investing over \$550 million in 1700 properties in 40 states.

Our staff of real estate experts has experience working with legal and corporate teams to help buyers structure transactions that align with their business goals and objectives. We can successfully execute transactions ranging in size from \$1m to \$100mm+.

Scioto helps you focus on the business by taking on the burden of the real estate. With the power of institutional equity, we can buy any real estate assets owned or leased by a healthcare provider and execute sale/leasebacks instantly upon closing to inject capital funds back into the business under favorable terms.

Criteria Overview:

Industry Focus	Disability, Traumatic Brain Injury, Behavioral Health, Substance Abuse, HUD, Affordable Housing
Payor Reimbursement	Medicaid, Private Pay, Managed Care, HUD
Investment Range	\$1 million to \$100 million+
Property Type	Residential and Commercial

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Real Estate with Impact