

August, 2021

Healthcare Real Estate Update

Q2 2021

Scioto Properties



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

Overview

As vaccination rates increase with availability to receive the vaccine throughout the second quarter of 2021, COVID-19 cases began to decline and taper as more businesses and states reopened with a optimistic economic outlook going into the summer. The healthcare real estate sector is built to succeed and supported by strong fundamentals including long-term leases, specialized buildouts, stable occupancy, and high performing tenants, all of which are bolstered by growing demand for healthcare services. Even with halts in the delivery of care, consumer demand did not disappear as was the case in other industries; instead, a backlog quickly developed. Despite the closures during the pandemic in both routine visits and outpatient procedures, the healthcare sector remained a stable environment for providers and investors alike.

Economic Indicators				
Date:	8/16/2021	Current	Last Month	Last Year
Federal Funds Effective Rate		0.100%	0.100%	0.100%
U.S. Treasury: 2-Year		0.196%	0.229%	0.148%
U.S. Treasury: 10-Year		1.226%	1.301%	0.710%
U.S. Treasury: 30-Year		1.897%	1.930%	1.446%
LIBOR: 1-Month		0.093%	0.093%	0.162%
LIBOR: 3-Month		0.124%	0.126%	0.280%
Swaps (Monthly Money): 5-Year		0.714%	0.745%	0.234%
SOFR		0.050%	0.050%	0.090%
SOFR: 30-Day Average		0.050%	0.045%	0.102%
SOFR: 90-Day Average		0.035%	0.022%	0.084%
SIFMA		0.020%	0.020%	0.110%

US real GDP growth remains on track to rebound in 2021 to its fastest pace since the early 1980s. Strong fiscal support, along with elevated spending, should continue to boost consumer demand over the second half of the year. However, the Delta variant of COVID-19 is proving to establish some uncertainty in the coming months.

US debt markets raised \$678 billion in Q2 2021. While investors continue to look for hints from the Fed about future rate increases, the market generally has disregarded inflation concerns. Spreads among many indices are near or at their closest levels as investors continue to search for incremental yield and drive down risk premiums. Leveraged buyout (LBO) activity continues its strong rebound from Q1 with \$55 billion of issuance in Q2, bringing YTD issuance past 2020s volume. The average purchase price multiple for an LBO increased to 11.7x in 2021 as competition among buyers for targets continues to swell. Leverage among large corporate LBOs has increased from 5.9x in 2020 to 6.3x this year as demand for risk assets and the competitive nature of providing capital has swung the pendulum in favor of the borrower.

There continues to be growing venture capital (VC) interest in decentralized finance as well as in healthcare and wellness tech. With about \$150 billion available in dry powder, the VC market is expected to remain active, assuming public equity markets continue to be stable. Traditional IPOs made up the majority of IPOs in Q2 2021, overshadowing special purpose acquisition companies (SPACs) for the first time since Q2 of last year. Positive outlooks for consumer spending, an expected S&P annual earnings growth forecast of 11% and historically high levels of relatively cheap liquidity chasing quality deals all support the expectation for a strong IPO pipeline going into the latter half of this year.

Making An Impact: A Scioto Podcast – Episode 5 Recap of the Lawrence Evans HC Capital Markets & Innovation Summit

Hosted by our very own Director of Business Development, Jason Hare, Making An Impact is a podcast series providing relevant discussions with professionals in the disability healthcare industry. In the latest episode, firm CIO Dave Opalek joins Neil Johnson of Lawrence, Evans & Co. to recap the successful Lawrence Evans Healthcare Capital Markets & Innovation Summit that was held in Columbus, Ohio early June. Listen to the podcast here:

- Scioto link: <https://blog.scioto.com/making-an-impact-episode-5-recap-of-the-lawrence-evans-healthcare-capital-markets-and-innovation-summit>
- Spotify link: <https://sptfy.com/episode5>

Transactions of Note in Q2 2021

Behavioral Health

Companies	Description
Springstone	Operator of psychiatric hospitals intended to serve people who are struggling to deal with their stresses. The company's hospitals provide behavioral health care services that treat mental illness and substance abuse, offering healthcare facilities to underserved communities throughout the United States.
Glendora Oaks Behavioral Health Hospital	Operator of a hospital specializing in the care of mental health disorders among seniors. The company engages in the treatment of behavioral and geriatric behavioral health services, self-harm, mood disorders, dementia and psychosis and offers psychotherapy, group therapy and other planned activities, thereby assisting distressed patients to return to a normal life.
Bluestone Physician Services	Provider of integrated medical and clinical care delivery services intended for high-risk, chronically ill patients residing in senior living, community and other home-based settings. The Company deploys its multi-dimensional care model focused on the home through primary care, care coordination and behavioral health services, thereby serving complex geriatric and disabled patients in Minnesota, Wisconsin, Florida, and Virginia.
CARMAhealth	Provider of primary medical and integrated care services focusing on addiction and related behavioral and medical disorders. The company offers medication-assisted treatment, telehealth services and TMS therapy services, thereby helping clients to discover and heal the underlying root causes of conditions while also treating symptoms.
Community Neuro Rehab	Provider of rehabilitation services to people recovering from a brain injury intended to build strength and maximize recovery. The company focuses on providing a wide range of interventions designed to achieve individualized goals, cognitive remediation, behavioral supports that assist with self-identification, sobriety support development, health and wellness management, progressive physical strengthening, helping participants become more independent with everyday activities of daily living.
Forbes Behavioral Services	Provider of applied behavior analysis therapy services to children and their families serving families throughout Lake County. The company's evidence-based ABA therapy services help clients from the age of 18 months to 25 years old to increase communication, social skills, functional living skills, and overall quality of life.
Harrisburg Medical Center	Operator of rural health hospital intended to serve the Illinois community. The company offers primary care, behavioural health, inpatient care, surgical procedures, and ancillary services such as radiology and lab, helping clients to meet their healthcare needs.
Harry Co.	Provider of mental health treatment services committed to helping youth and their families to build and maintain a nurturing, supportive, healthy and caring living environment. The company offers services such as case management, crisis intervention and therapeutic counseling, ensuring both f individual and family prevent out-of-home placement and reacclimate youth back into the home, school and community settings.
IAC Associates	Operator of rehabilitation centers intended for individuals seeking treatment for drug addiction as well as substance and alcohol use disorders. The company offers on-line and in-person treatments through telemedicine, counseling and behavioral therapy and intensive outpatients programs, enabling patients to incorporate the treatment into their daily lives and regain control.
VirtuHealth	Provider of behavioral health services intended for patients in institutional healthcare settings such as skilled nursing facilities, assisted facilities and group homes. The company's team of psychiatrists and psychiatric nurse practitioners treat a wide range of behavioral health disorders including depression, anxiety, bipolar, schizophrenia, dementia and PTSD, thereby providing customers with on-site and telehealth behavioral health services.

Source: PitchBook Data, Inc.

Autism

Company Name	Description
The Sails Group	Provider of developing and operating service programs intended for behaviorally challenging children and adults. The company offers training related to self-injurious behavior, prader-willi syndrome, autism spectrum disorders, seizure disorder, manic depression and various other disabilities, dedicated to helping such patients to live a normalized, integrated, independent and least restrictive life.
JF Autism Services	Provider of applied behavioral analysis services intended for autism spectrum disorder treatment. The company specializes in autism therapy, applied behavior analysis therapy, intensive early intervention services, tolerance training and verbal behavioral training, providing clients with home-based, personalized and evidence-based treatments.
Priorities Aba	Provider of behavioral consulting and therapy services intended to offer treatment for both children and families with autism. The company offers insurance, assessment, workshops and training services to its clients.

Source: PitchBook Data, Inc.

Substance Abuse

Companies	Description
Springstone	Operator of psychiatric hospitals intended to serve people who are struggling to deal with their stresses. The company's hospitals provide behavioral health care services that treat mental illness and substance abuse, offering healthcare facilities to underserved communities throughout the United States.
Pyramid Healthcare	Provider of behavioral health and substance abuse treatment services. The company focuses on offering comprehensive care through various therapies and treatments with the help of trained staff, enabling adults and teens suffering from addiction or substance abuse, as well as individuals with mental health disorders to recover and cope up with tailor-made programs.
AMFM Healthcare	Operator of an healthcare organization intended to offer mental rehabilitation services. The company's activities include providing treatment for those who suffer from substance abuse and co-occurring mental illness by using a biological, psychological and social model for the foundation of their comprehensive treatment curriculum, enabling their patients to overcome mental disorders.

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 in more than 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	Developmental Disability, Traumatic Brain Injury, Behavioral Health, Substance Abuse, HUD, Affordable Housing
Provider Payor Source(s)	Medicaid, Medicare, Private Pay, Managed Care, HUD, Workers Compensation, Commercial Insurance
Investment Range	\$1 million to \$100 million+
Property Type	Residential and Commercial

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Real Estate with Impact