



HEALTHCARE REAL ESTATE SECTOR UPDATE

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ABOUT FLAGSHIP HEALTHCARE PROPERTIES





- Leading outpatient healthcare real estate company in the Southeast and Southern Mid-Atlantic United States.
- Providing a diverse range of real estate services, including investment and capital solutions, development, property sales, leasing and marketing, and facilities and asset management.
- Focused on the healthcare sector and delivering excellent service to healthcare decision-makers and physicians to help them provide the best possible patient care.
- Portfolio includes medical office buildings (MOBs), outpatient facilities, ambulatory surgery centers (ASCs) and additional medical centers.
- Currently managing over 4.5 million square feet of healthcare real estate across more than 165 properties.
- Developed or acquired more than 80 properties valued at over \$675 million.
- Flagship is manager of its private REIT, Flagship Healthcare Trust, Inc.
- Foundation for success is built on creating long-lasting relationships with clients, co-workers and individuals within the industry.



LEADERSHIP ORGANIZATIONAL STRUCTURE




	CHARLES CAMPBELL Co-Managing Partner, Chief Executive Officer		BRANNEN EDGE Co-Managing Partner, President & Chief Operating Officer
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	JOE SHULL EVP Property Management		TRIPP TATE EVP & Chief Accounting Officer		REED GRIFFITH EVP Leasing & Brokerage
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	DOWNIE SAUSSY EVP Investor Relationships		GORDON SODERLUND EVP Strategic Relationships		REX NOBLE EVP Asset Management
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	DEV GREGG EVP Development		THORN BACCICH EVP Development		GERALD QUATTLEBAUM EVP Acquisitions
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	ALEXIS BUDGE Vice President, Director of Investor Relations		RYAN JUDSON Vice President, Director of Investor Relations
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	CLIFF BERRYMAN VP Acquisitions		TIFFANY SLAYDEN SVP Leasing & Brokerage		RYAN DAWSON SVP Asset Management
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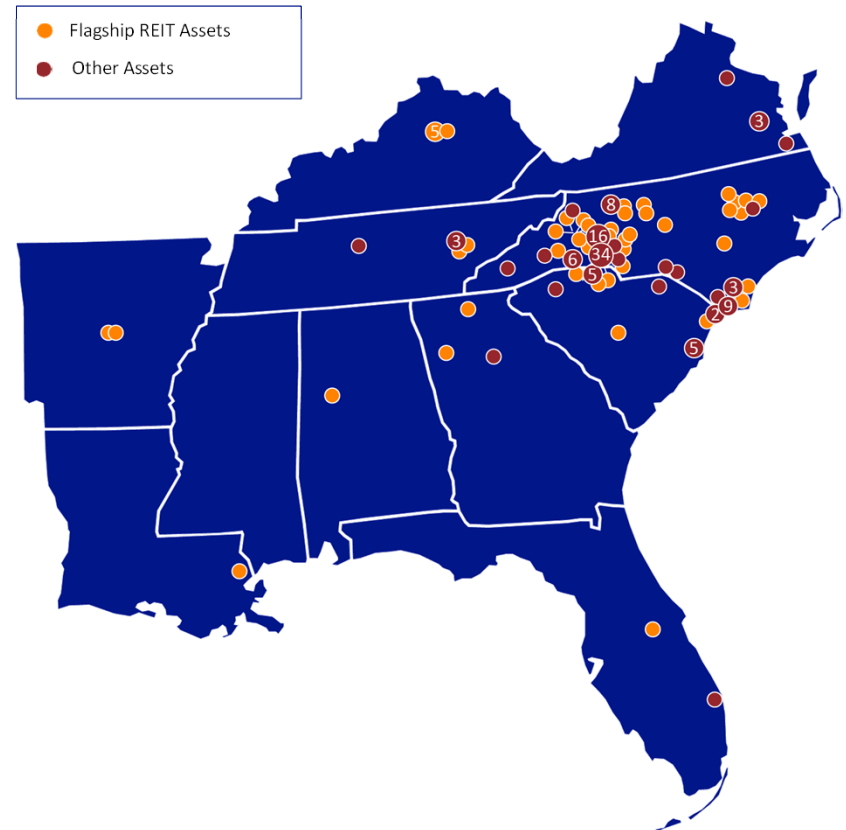
FULLY-INTEGRATED REAL ESTATE FIRM



- Multi-faceted service platform optimizes our ability to:
 - Represent client interests
 - Deliver effective interdepartmental coordination
 - Mitigate risk and maximize the value of every opportunity
- Our clients can select from a full range of services
- Cost savings through efficient communication and collaborative strategies between our diversified services



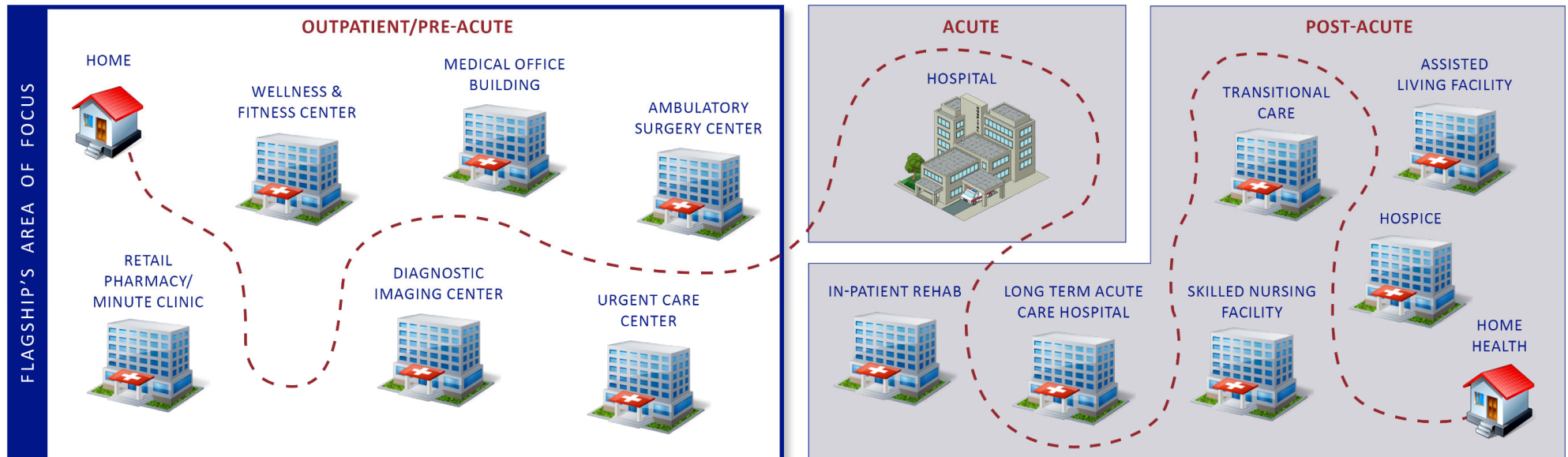
CURRENT MARKET AREA



HEALTHCARE CONTINUUM



Flagship's primary area of focus within the healthcare continuum is on Outpatient/Pre-Acute care. However, when it fits, we do take on assignments in the Acute and Post-Acute arenas.

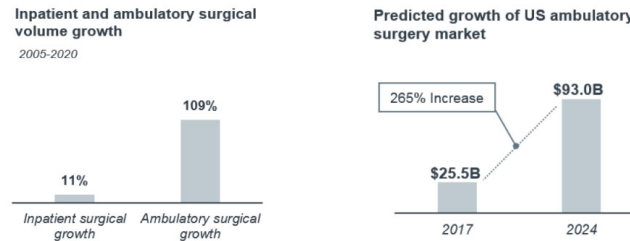


FLAGSHIP HEALTHCARE PROPERTIES THOUGHT PIECE



FUTURE OF OUTPATIENT HEALTHCARE REAL ESTATE

Over the last 15 years, the U.S. healthcare industry has purposefully shifted care away from the inpatient environment – the hospital bed – to more cost effective, efficient and convenient outpatient settings. Advancements and innovations in medical procedures, technology and pharmacology have driven an increasing shift of more complex cases into ambulatory surgery centers (ASC), outpatient cancer clinics, digital imaging centers, rehab facilities and medical office buildings (MOB).



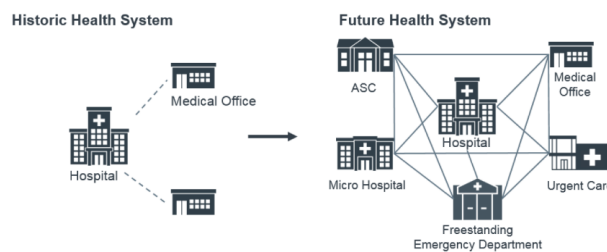
Source: Advisory Board

Healthcare real estate is also benefiting from two firmly rooted trends. “Small ball” real estate has become a solid growth segment. These facilities can range from 3,500 to 40,000 square feet, depending on tenant needs and strategies. Smaller buildings, similar to retail outparcels, are suitable for urgent care centers, primary care clinics and renal dialysis facilities. Larger buildings support complementary tenancy, i.e., ambulatory surgery, digital imaging, exam rooms and pre-op and recovery rooms. “Destination outpatient” centers are significant nodes within a health system. These are larger – upwards of 200,000sf – and include multidisciplinary tenants offering a full range of services to support care coordination – emergency department, primary and specialty care, diagnostic imaging, lab, pharmacy, ambulatory surgery, outpatient rehab/physical therapy – allowing patients to move from suite to suite rather than driving to another location.

FLAGSHIP HEALTHCARE PROPERTIES THOUGHT PIECE (CONT.)



Reimbursement structures are evolving, from a volume-based model to value-based care. Medicare, Medicaid and private insurers are encouraging multidisciplinary care coordination, a focus on wellness, and measured outcomes with incentive payments for better care at lower cost¹ – taming the cost trajectory by “bending the curve.”² Consumers are paying for a greater share of their healthcare costs and demanding more convenience. The health system infrastructure is evolving to more cost effective and convenient sites of care, many of them away from hospital campuses. Each facility becomes an important node in an integrated network of inpatient and outpatient care.



Source: Advisory Board

Healthcare is a significant growth engine. It is now the largest employer in the U.S., representing 13.4% of all jobs.³ Healthcare employment is projected to grow 14% from 2018 to 2028, much faster than the average for all occupations, adding about 1.9 million new jobs.⁴ National healthcare spending is projected to grow 62% from \$3.5 trillion in 2017 to nearly \$5.7 trillion in 2026.⁵

A Baby Boomer, born between 1946 and 1964, turns 65 every eight seconds, over 10,000 daily.⁶ In 2018, there were 52 million people age 65 and older. By 2034, there will be 77 million.⁷ The aging population has a direct effect on the demand for healthcare services as doctor visits and medical expenses increase with age. People over age 65 spend five times more on healthcare than Millennials. Incidentally, that younger cohort is now forming families and moving away from urban environments, thereby serving as a driver for MOB growth in suburban markets.⁸

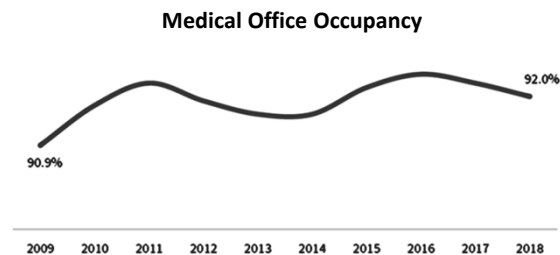
At the onset of the COVID pandemic, healthcare providers were urged to suspend elective procedures, dramatically reducing patient volumes. For four months ending June 30, 2020, hospitals will incur an estimated \$200 billion in losses.⁹ And yet, analysts are confident the crisis will be followed by a wave of patient services due to pent up demand during the COVID lockdown.¹⁰ A Johns Hopkins study suggested it will take seven to sixteen months for surgeons to complete the backlog of suspended surgeries.¹¹ Physicians are requiring six-and seven-day operating schedules from their landlords and 12-hour shifts from their staff to catch up.

FLAGSHIP HEALTHCARE PROPERTIES THOUGHT PIECE (CONT.)



Looking forward, building designs for existing and future MOB's will accommodate enhanced air filtration systems, social distancing protocols, touchless technology and other features to diminish the spread of germs and enhance safety. Flexibility across sites of care will require redefining the boundaries of traditional care settings. Facilities will need to dynamically scale capacity up or down to respond to changing needs.¹²

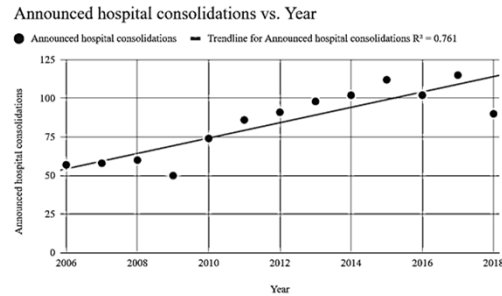
Despite economic volatility and ongoing regulatory changes, healthcare real estate continues to remain a stable property type. Its fundamentals are cyclical-resistant, offering consistent and positive income growth and stable occupancy compared to other property sectors. Case in point: While telemedicine has grown dramatically in a very short time during the COVID pandemic and will likely remain relevant in the future, analysts and industry experts are confident telemedicine will not decrease overall medical office space demand. In fact, it may have the opposite effect, serving as a complementary gateway to more in-person care. Most physicians and patients want a physical touch point.¹³



Source: Revista

Hospital and physician practice consolidations and mergers have been a consistent trend for years as providers seek economies of scale. These transactions are resulting in examinations of their real estate portfolios. Hospitals have encountered liquidity challenges during the COVID-19 pandemic and are placing a higher premium on their capital, driving some to monetize non-core assets to raise cash and avoid triggering debt covenants and penalties. In a recent McKinsey & Company survey of health system CFOs, 24% indicated they have less than 90 days cash on hand and 32% expect the financial impact of COVID-19 to deepen by the end of the year.¹⁴

FLAGSHIP HEALTHCARE PROPERTIES THOUGHT PIECE (CONT.)

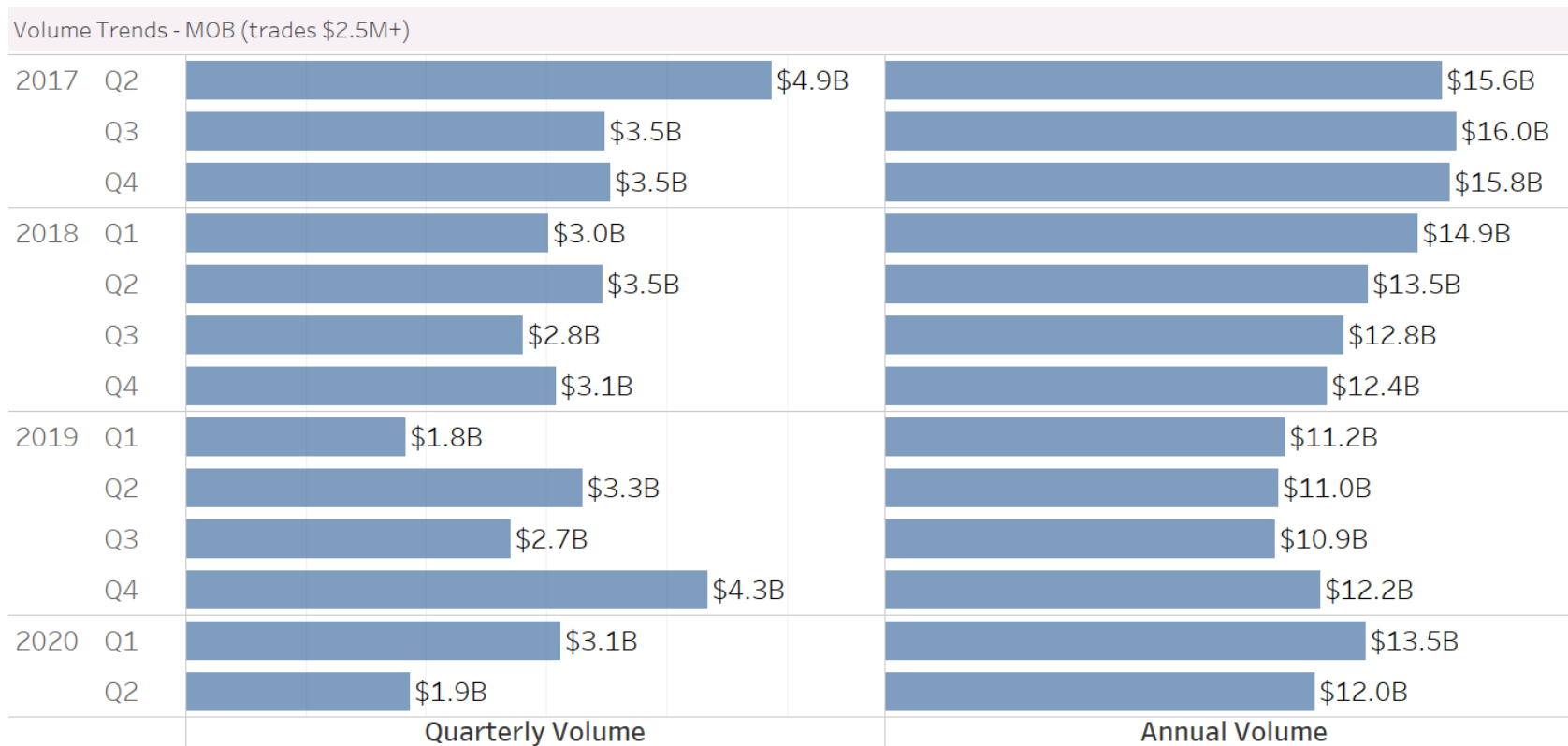


Source: Healthcare Economist

The future for outpatient real estate is extremely positive as the shift in services from inpatient to outpatient environments continues and the healthcare industry exhibits solid future growth. As lower cost venues, MOBs meet the challenges of the insurance industry pressing for lower reimbursements. They satisfy the demands of consumerism and patient satisfaction by offering accessibility, visibility and convenience. Healthcare providers benefit from lower occupancy costs and the ability to dot the landscape with off campus facilities to protect and grow market share. With complementary tenancy, MOBs facilitate care coordination, encourage more efficient utilization of services and improve the patient experience. For the foreseeable future, outpatient facilities will benefit from these very positive trends in healthcare.

1 www.cms.gov | 2 "What Is Bending the Cost Curve? An Exploration of Possible Drivers and Unintended Consequences," Kimberlyn McGrail, PhD, MPH and Meghan Ahuja, MPH | 3 JLL Research | 4 Bureau of Labor Statistics | 5 Centers for Medicare and Medicaid Services (CMS) | 6 www.generations.com | 7 www.census.gov | 8 <https://www.forbes.com/sites/ellenparis/2019/10/31/millennials-with-families-are-leaving-major-cities-for-the-sub-urbs-transforming-them-into-hipsturbia/#613ef83b6746> | 9 American Hospital Association | 10 www.fiercehealthcare.com | 11 Johns Hopkins Medicine | 12 "From Wartime to Peacetime: Five stages for healthcare institutions in the battle against COVID-19," McKinsey & Company, April 24, 2020 | 13 <https://rejournal.com/medical-office-still-targeting-smaller-neighborhood-locations/> | 14 McKinsey & Company's Health System Financial Resiliency Survey, May 2020

MOB TRANSACTION VOLUME SLOWS IN 2Q2020

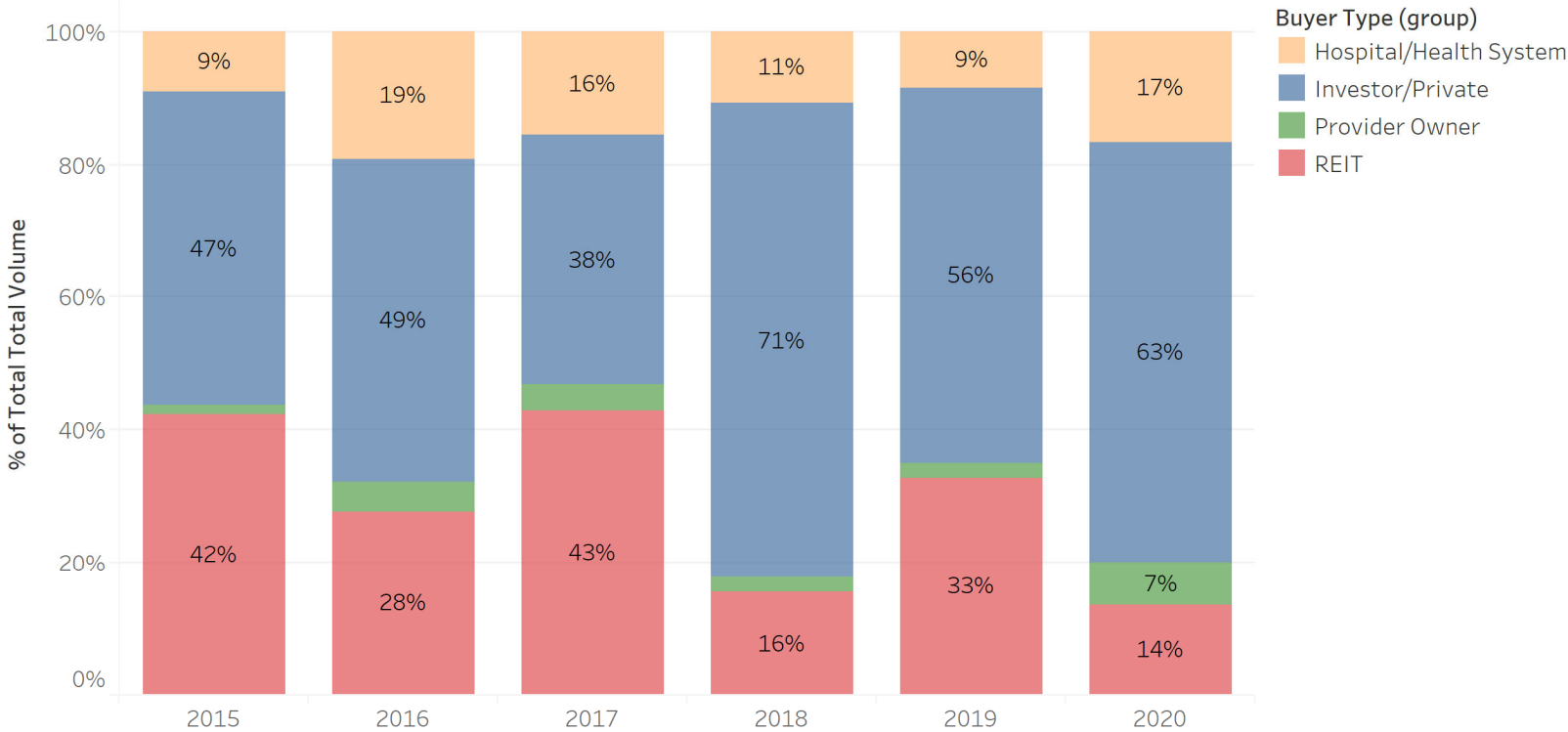


Source: Revista; Data believed to be accurate but not guaranteed. You may quote this data with proper credit to Revista or www.revistamed.com

PRIVATE EQUITY INCREASES SHARE OF MOB BUYING IN 2020



Key Stats by Buyer Type Trend (MOBs, 2020 through June 30)

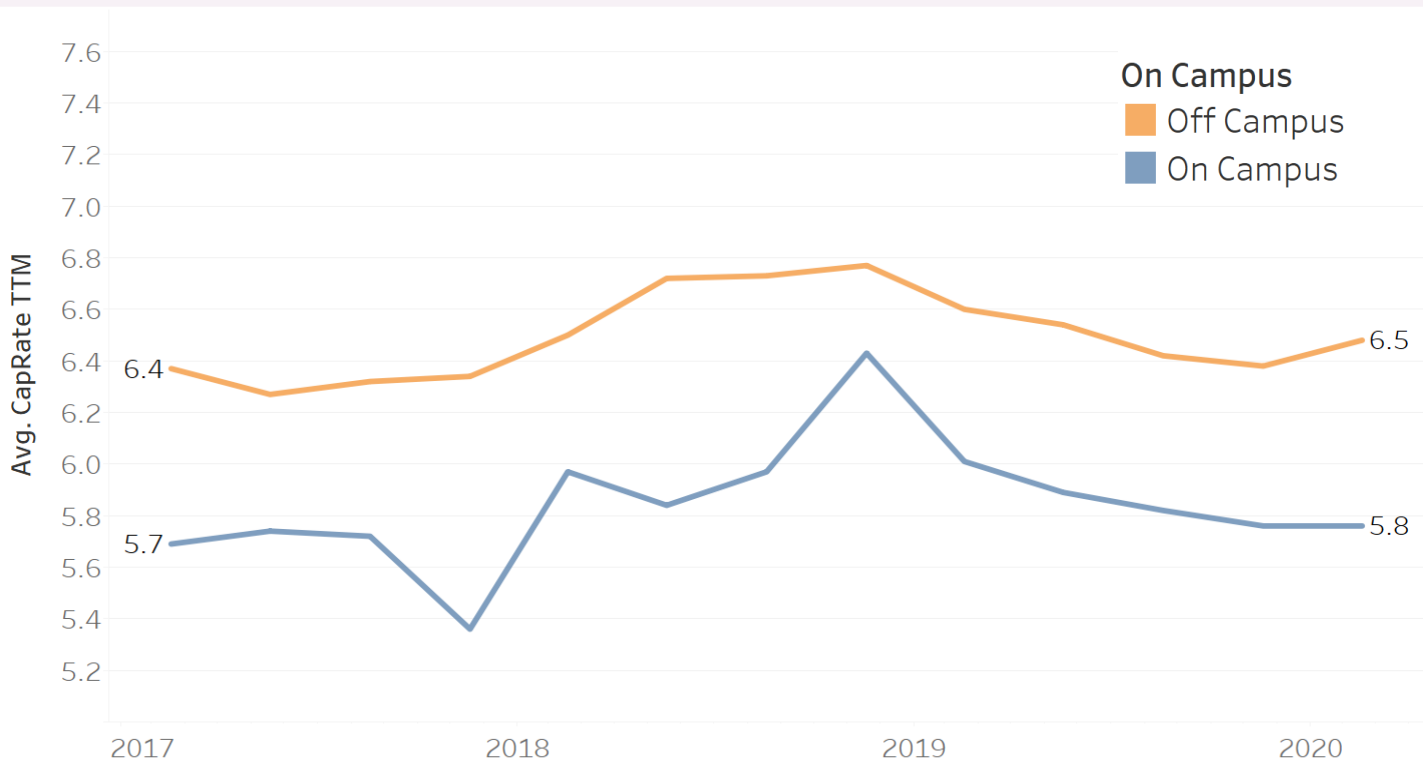


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MOB CAP RATES REMAIN STEADY

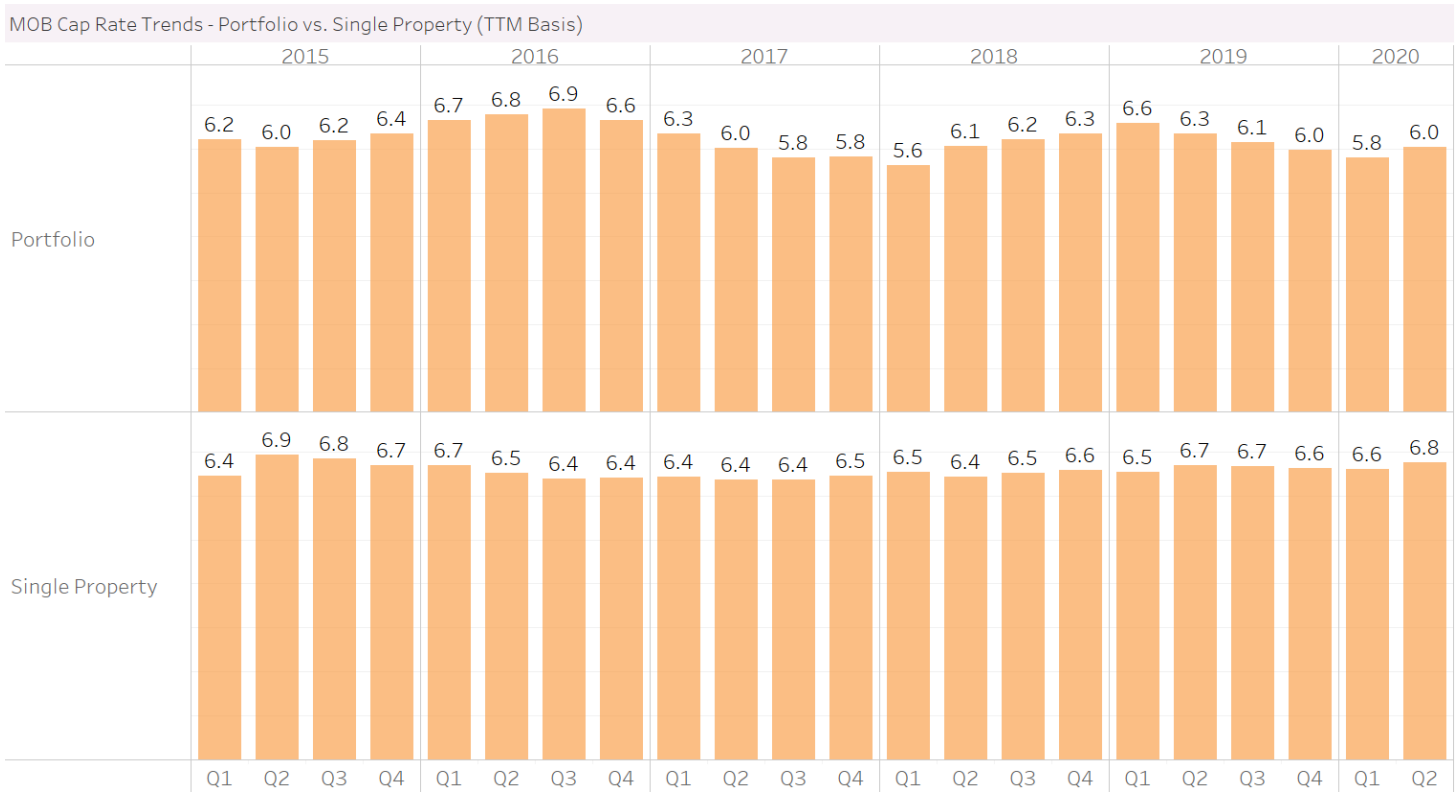


Cap Rate Analysis - On/Off Campus (US, MOB \$2.5M and Higher TTM Basis)



Source: Revista; Data believed to be accurate but not guaranteed. You may quote this data with proper credit to Revista or www.revistamed.com

PORTFOLIOS TRADE AT A PREMIUM



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MOB PRICING REMAINS STEADY



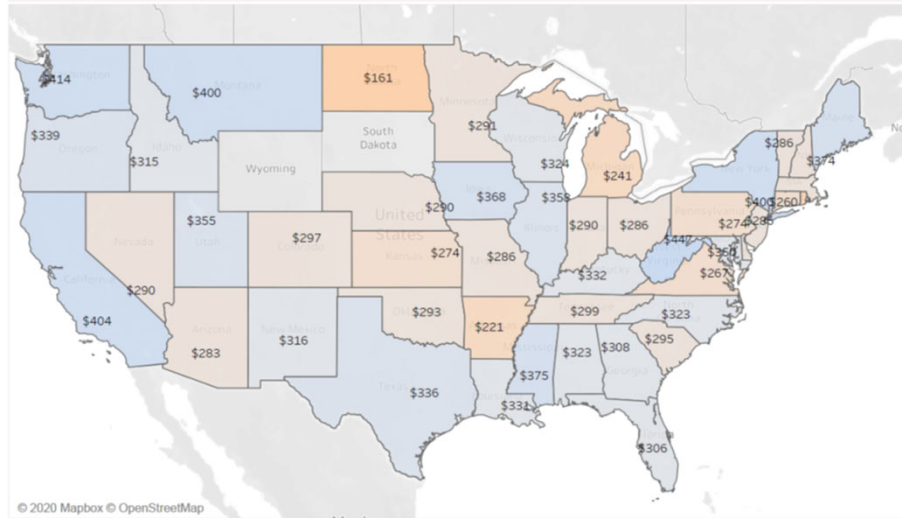
Avg. Price per SF MOBs (TTM Basis)		All	Off Campus	On Campus
2016	Q1	\$286	\$293	\$256
	Q2	\$283	\$289	\$259
	Q3	\$302	\$306	\$288
	Q4	\$313	\$315	\$304
2017	Q1	\$317	\$317	\$315
	Q2	\$323	\$319	\$339
	Q3	\$316	\$315	\$321
	Q4	\$318	\$315	\$327
2018	Q1	\$323	\$322	\$330
	Q2	\$323	\$327	\$301
	Q3	\$323	\$330	\$288
	Q4	\$330	\$336	\$284
2019	Q1	\$324	\$330	\$274
	Q2	\$325	\$328	\$307
	Q3	\$323	\$323	\$323
	Q4	\$329	\$329	\$324
2020	Q1	\$333	\$334	\$320
	Q2	\$336	\$339	\$308

Source: Revista; Data believed to be accurate but not guaranteed. You may quote this data with proper credit to Revista or www.revistamed.com

MOST ACTIVE MARKETS



Avg. Price per SF by State, MOBs 2017-Present



Key MOB Stats by Selected Metro Area (TTM Basis through 1Q20)

	Annual Volume	Sf Ttm	Avg Price Per SF	Avg. CapRate/Yield
Top50	\$9,564.3M	30.4M	\$339	6.3
New York	\$1,017.0M	2.3M	\$442	6.1
Los Angeles	\$737.3M	1.9M	\$381	5.3
Charlotte	\$549.7M	1.6M	\$354	6.0
Washington..	\$504.8M	1.8M	\$361	5.8
Dallas	\$452.4M	1.5M	\$340	6.0
Atlanta	\$417.2M	1.6M	\$294	6.1
Houston	\$373.8M	1.1M	\$309	6.2
Chicago	\$345.3M	1.1M	\$313	7.5
Philadelphia	\$342.0M	1.0M	\$289	6.0
Seattle	\$326.4M	0.8M	\$450	6.2
Phoenix	\$316.5M	1.3M	\$293	6.6
Boston	\$311.3M	1.0M	\$295	6.3

Source: Revista; Data believed to be accurate but not guaranteed. You may quote this data with proper credit to Revista or www.revistamed.com

NAVIGATING COVID-19



Though the novel Coronavirus (COVID-19) has created an unprecedented time for the global market, Flagship REIT and Flagship Healthcare Properties Operating Company are stable and on sound footing. Our structure, strategy and team allow us to continue providing support to our healthcare provider tenants and their patients, as well as a consistent return for our investors as we move forward, together.

INVESTMENT LANDSCAPE

- The healthcare real estate asset class is a “safe harbor” in uncertain markets.
- The current pipeline of opportunities is robust and active.
- Interest rates are historically low.
- Lenders have communicated market liquidity and are actively seeking strong real estate loans.
- Recent fluctuations and instability in equity markets put the public REITs on the sidelines, changing the overall competitive acquisitions landscape.
- Construction is deemed an essential function, thus presenting no shortage of labor. Medical office construction lenders continue to aggressively lend.

FLAGSHIP REIT IS WELL-POSITIONED IN THE CURRENT ENVIRONMENT

During challenging financial markets, Flagship Healthcare Trust provides an element of stability in an otherwise turbulent macro climate. Even with the current tumultuous economic climate, Flagship continues to stay the course. As a private REIT, we are not correlated to the public market and its daily fluctuations. Healthcare real estate continues to be a defensive asset class and a safe bet in times like these.

Flagship REIT is strategically focused on investing in healthcare-related properties in the Southeastern and Southern Mid-Atlantic U.S. This region of the country continues to experience the nation’s greatest population growth due to a favorable climate and regulatory environment, strong economic fundamentals and popularity among retirees.

Facilities dedicated to outpatient healthcare delivery are essential in serving this dynamic population growth. Moreover, they are an integral part of healthcare provider’s strategy, improving outcomes and care while lowering the cost of providing that care. Well located, designed and maintained outpatient facilities are the foundation of this mandate.

Flagship’s leadership and full-service management platform provides experience and perspective to adapt in a rapidly changing environment and will continue to adapt and morph going forward. We are committed to being there when our tenants, employees and investors need us the most. Strong relationships with providers and an understanding of the changing healthcare landscape are competitive advantages for Flagship REIT.

A stable, resilient and well-located portfolio provides a basis for strategic investment opportunities. Flagship is ideally positioned as an industry thought and action-leader evaluating, implementing and investing in the outpatient facility strategy that is currently being validated during the COVID-19 crisis.

POTENTIAL OPPORTUNITIES

- COVID-19 related revenue and income interruption may incentivize physician groups, healthcare systems, other investors to dispose of capital-intensive real estate holdings, resulting in increased sale-leaseback prospects.
- Pandemic lessons lead health systems to focus more time and resources on public health and crisis preparedness, less on ownership of brick-and-mortar buildings.
- Near-term revenue impairment or shifts in capital spending priorities means health system/provider clients are looking for development and capital partners for projects they may have previously planned to execute themselves.

HEADQUARTERS

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Property Management Offices

Tampa, FL | Blue Ridge, GA | Covington, LA | Charlotte, NC | Greensboro, NC | Mooresville, NC
Raleigh, NC | Myrtle Beach, SC | Richmond, VA | Norfolk, VA

