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Planners and Program Managers Talk Healthcare & Life Sciences

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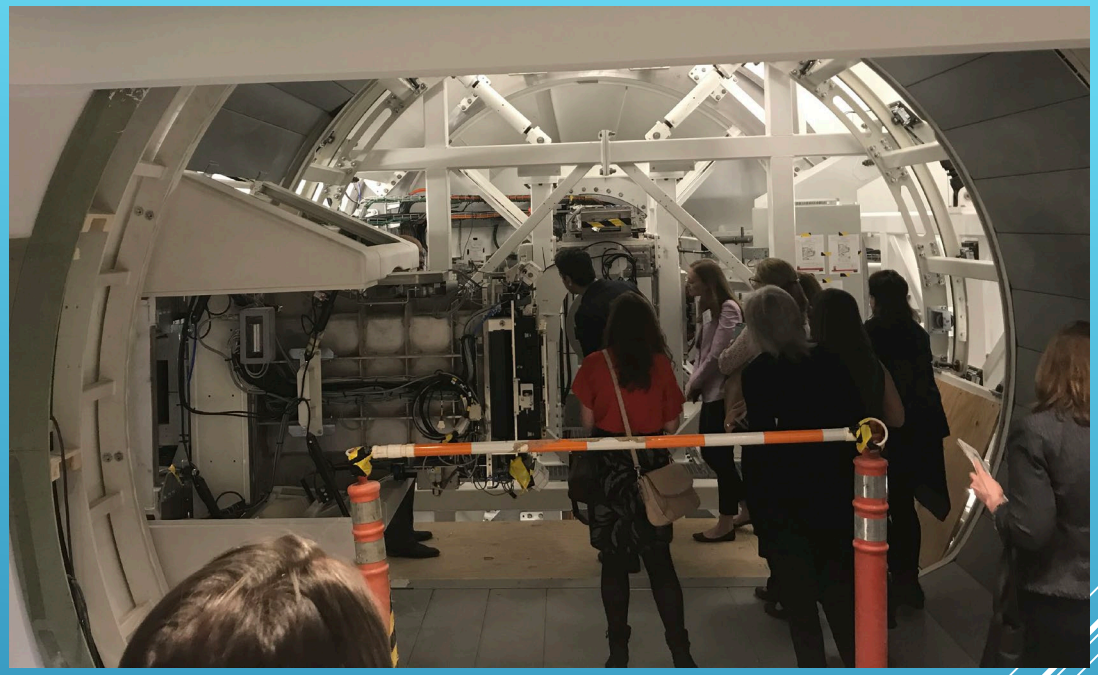


PLANNERS AND PROGRAM MANAGERS TALK HEALTHCARE AND LIFE SCIENCES

PANEL DISCUSSION

NOVEMBER 12, 2020

Over her 25 years in the construction industry, Sara has led teams in the areas of operations, preconstruction, and business development. She has served on the facilities staff at a world-renowned academic medical center, has helped develop several $100+ million design-build and P3 projects, and has led the construction of healthcare and life sciences projects of all sizes. As a passionate supporter of her clients' missions, Sara builds teams who understand partnership and keep the mission at the forefront of what HITT builds.

As senior vice president and business unit leader for HITT's healthcare market, Sara is responsible for the safe, skillful execution of new construction and renovation of healthcare facilities, laboratories, and other clinical environments.

SARA COLLINS

***Fun Fact**: Sara is a runner, gardener and amateur craft beer judge.*

Lynne Cooper brings extensive knowledge in the commercial construction of laboratory buildings, project execution, laboratory and medical equipment qualification and procurement as well as advanced electrical and mechanical system specification and design. Her UT DDOMAL Project earned Facility of the Year (FOYA) for Social Innovation, https://youtu.be/S7OOfaB8qYo. Prior projects range from the interior fit-out of laboratory spaces for clients throughout the county to the development of ground-up projects for George Mason University and Lung Bioengineering. Prior to joining Facility Logix, Lynne was a Senior Project Manager at Edgley Construction. Lynne is an active member of The International Society for Pharmaceutical Engineering (ISPE), National Association of Women in Construction (NAWIC) and International Institute for Sustainable Labs (I2SL). She is invigorated by difficult situations and implementing innovative solutions.

As Director of Project Management for Facility Logix, Lynne leads and manages collaborative teams from the concept stage through move-in for complex laboratory and biopharmaceutical projects.

LYNNE COOPER

***Fun Facts**: Lynne is a Great Dane enthusiast, and she also grows her own hops.*

Lakshmi Nalluri has over 20 years of experience in development of complex healthcare and life sciences projects including real estate strategy, feasibility, due diligence, team assembly, strategic sourcing, design and construction oversight, and coordination of specialized equipment in the healthcare/life sciences environment. Lakshmi has been and is currently involved with numerous, complex projects, leading a robust and resilient team, and is responsible to ensure clients receive best-in-class advisory and service delivery.

Lakshmi Nalluri is a Senior Vice President with JLL's Project and Development Services (PDS) business line and leads the firm's PDS healthcare practice in the DC/MD/NoVA markets.

LAKSHMI NALLURI

***Fun Facts**: Lakshmi has had cyclophobia all her life, and she knows you will need to Google this. She is also an avid hiker who has visited Everest Base Camp.*

Brian was twelve years old when he first saw the construction of a geodesic dome being built by his hometown's high school carpentry class under the tutelage of a local construction company. This absolutely fascinated him. His mother, an interior designer, saw his interest as an opportunity and introduced him to the world of architecture. After graduation, Brian worked at that same construction company as a carpenter. This experience gave him the real-world constructability base for his designs.

Brian's true passion in architecture comes from program-driven, institutional projects in which he and the project team conceptualize the stage that will be set for discovery or healing. He enjoys seeing his colleagues take on these challenges and exceed clients' expectations.

Brian is an associate principal at Perkins & Will.

BRIAN SYKES

Fun Fact: *Brian founded the Contemporary Art Purchasing Program, which takes six University of Maryland students to New York City with a $50,000 budget to buy contemporary art to be displayed at the UMD Student Union Art Gallery. Brian still participates in the program as an active board member.*

Sandy Young is a licensed Architectural Engineer, a Certified Construction Manager and a LEED Accredited Professional in green building and design. She has been working in the construction field for over 20 years and has completed many projects in the Life Science industry. From small to large projects, Ms. Young's roles have ranged from General Contractor to Activation Manager to Owner Representative providing her with an excellent background to navigate all players through the project process. Experience in all phases including design review, contract management, cost control, budget management, schedule review, move management and quality control enables Ms. Young to guide projects to a successful completion.

As Sr. Project Manager for CBRE leading their Southeast Region Life Sciences group, Ms. Young is excited to bring her myriad experience and strong communication skills to create new spaces that will lead to new health and research discoveries.

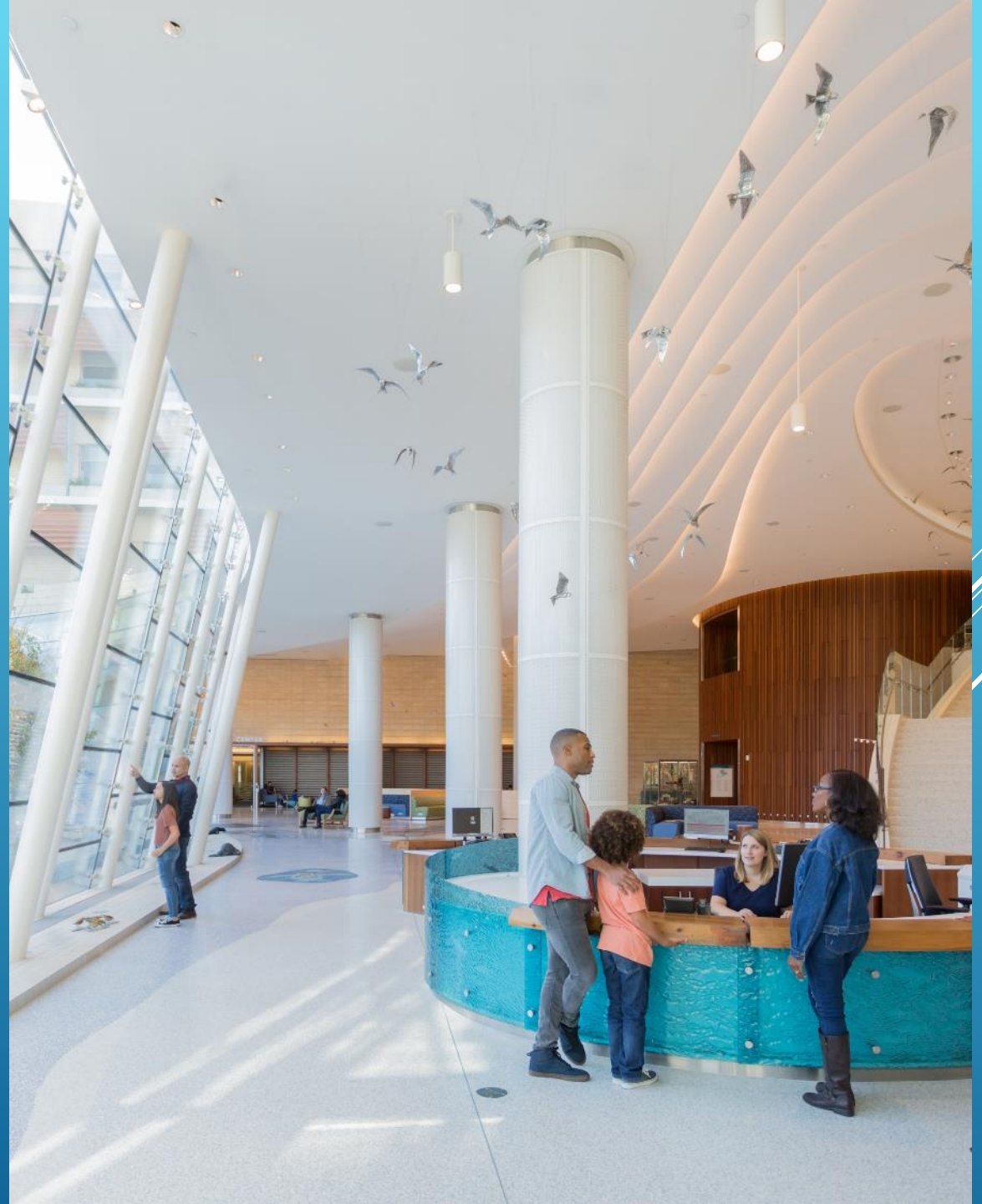
SANDY YOUNG

***Fun Fact**: Sandy has six children, who have provided her a few new management challenges during the pandemic.*

Understanding the Money

Thinking Through Health Campus 2.0

Perkins&Will

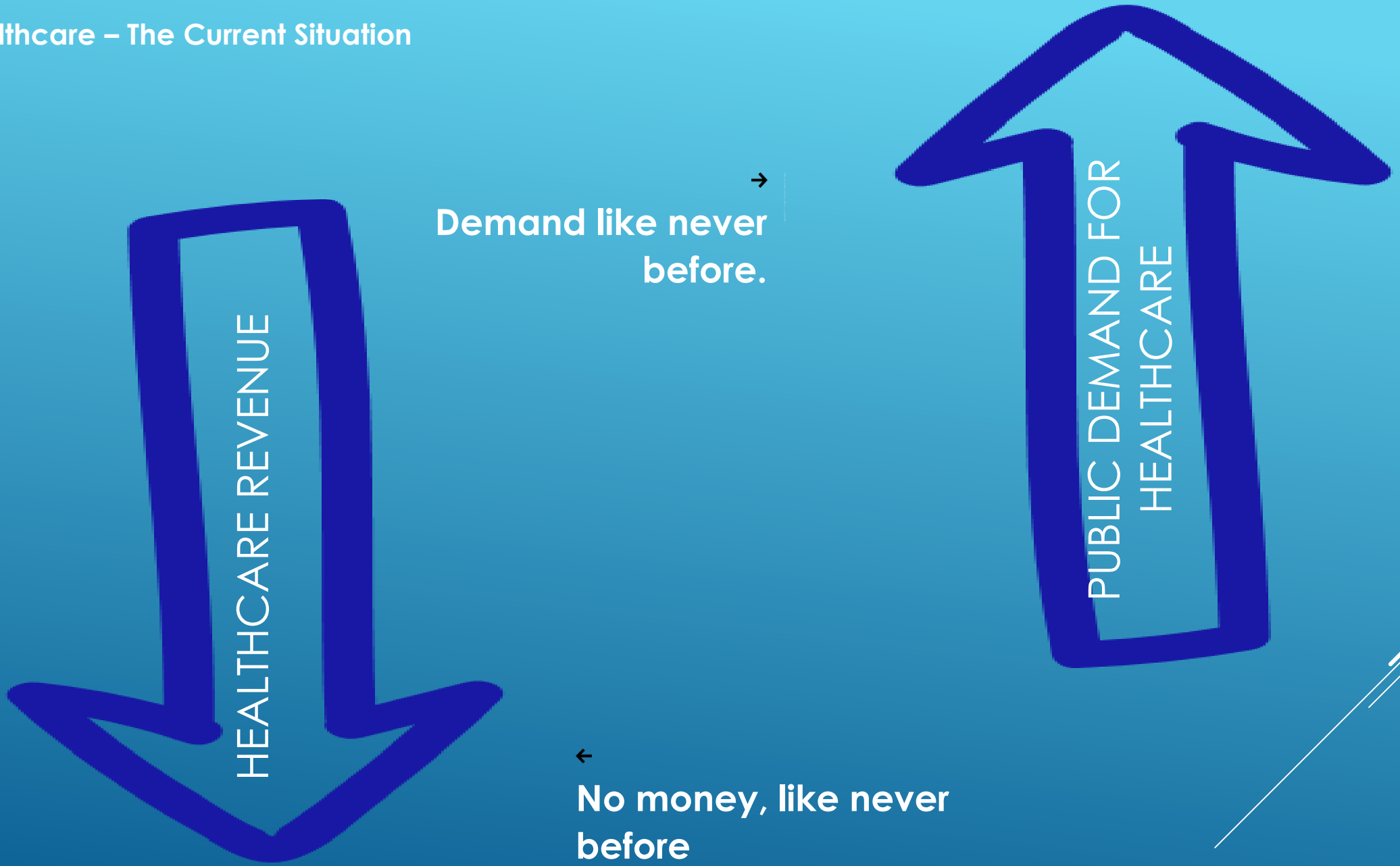


Here is. what we thought 2020 would look like for healthcare and life sciences 12 months ago

Perkins&Will

Here is what 2020 looks like now…

Healthcare – The Current Situation



→ **Demand like never before.**

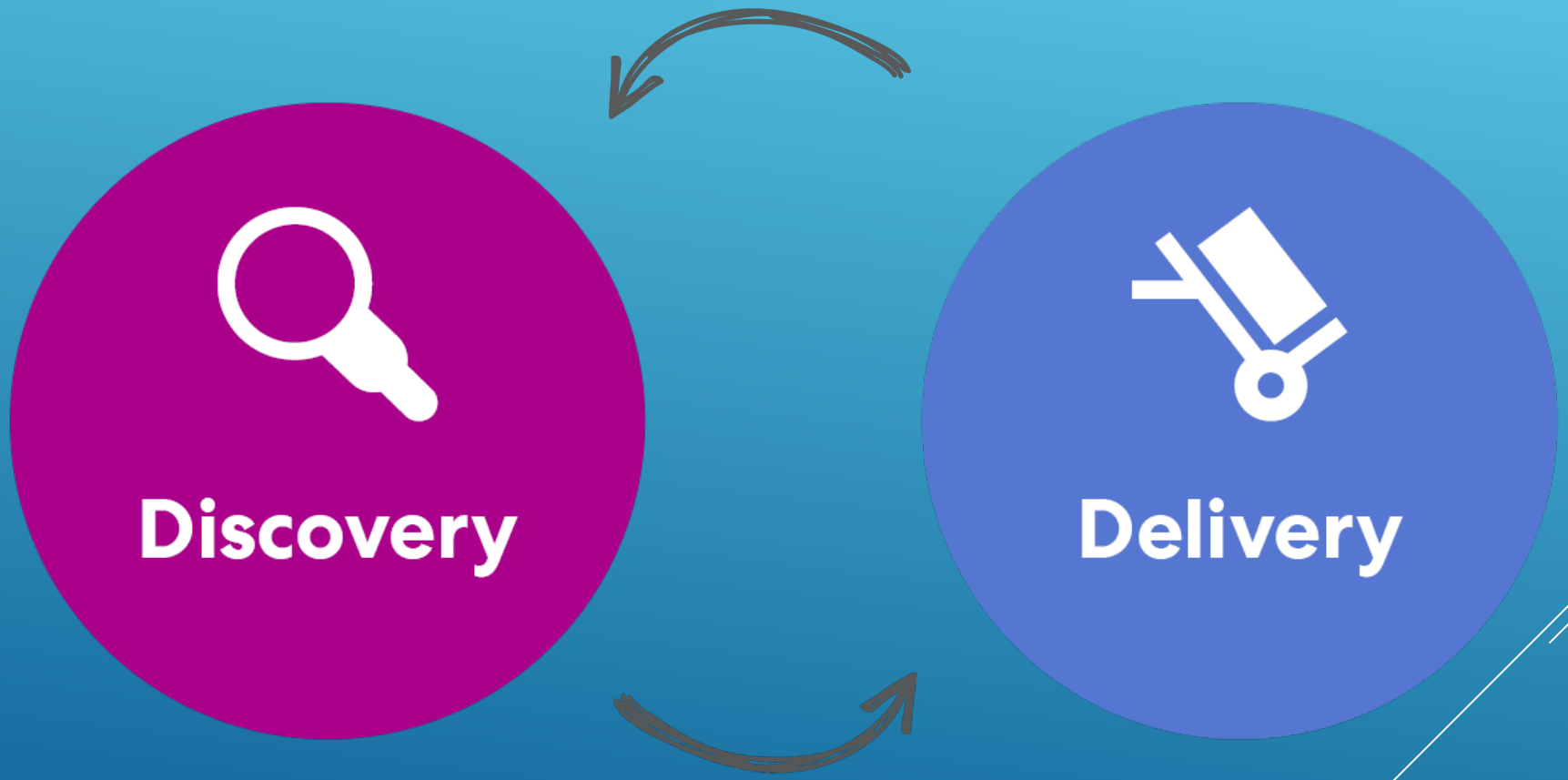
← **No money, like never before**

Real Estate Rock Stars

After 2020 what does all this really mean?

The future is not radically different, it is radically sooner.

A Concept of Academic Medical Centers



Who pays for the capital project and how is it paid for?

DISCOVERY

Clinical Research for Patient Care

Typically, AMC pays for research center. Pay with cash on hand. Maybe go to bond market. HC bonds may not apply.

How do they generate revenue?

1. Public research grants
2. Private industry research grants/sponsorship

DELIVERY

Patient Care | Train Medical Staff

Typically, AMC pays for core healthcare facilities and some AMC's. Pay with cash on hand. Maybe go to bond market.

Generate revenue with clinical care.

A Concept of Academic Medical Centers

Health Campus 2.0

More typical footprint of AMC Health Campus 2.0

Clinical spaces can anchor development

Co-Working spaces and wet lab spaces could be mixed. (*Most wet lab space footprints are decreasing as data becomes more important than bench space*).

This should be considered on a service line basis. (Oncology is a good place to start)

A Concept of Academic Medical Centers

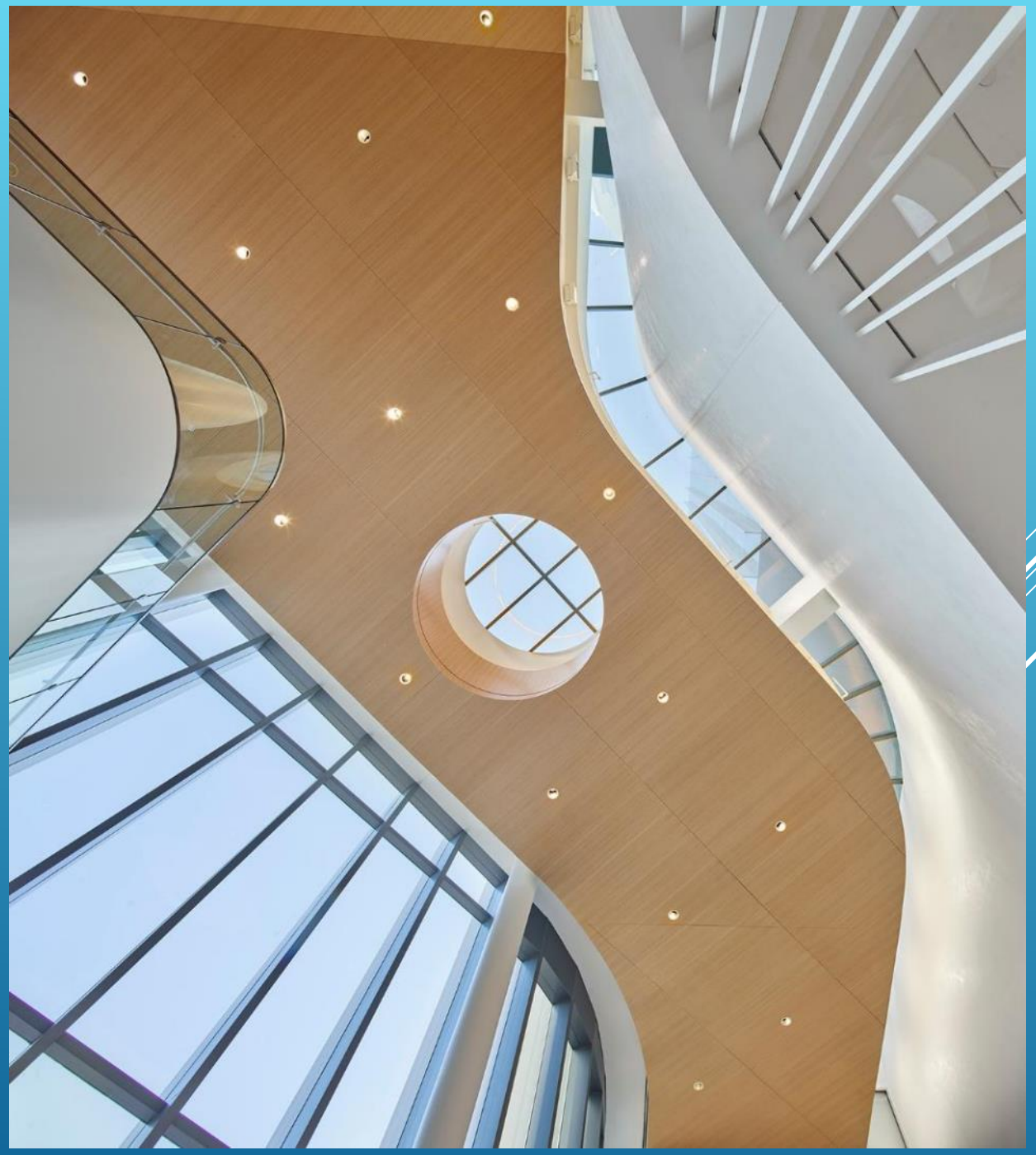
Health Campus 2.0

Co-Working/Innovation centers not typically under AMC umbrella.

Paid for by University or private sector.

Hub for tech transfer.

Recent projects are focused on the TAMI disciplines (technology, advertising, marketing, information). *Can you work from your laptop?*



A Concept of Academic Medical Centers

Health Campus 2.0

New Revenue Streams for AMC's

Tech transfer incubation spaces (rent)

Ownership stake in start-up's (stock options)

Plus Up services from University or AMC

Corporate pods (more rent)

A Concept of Academic Medical Centers

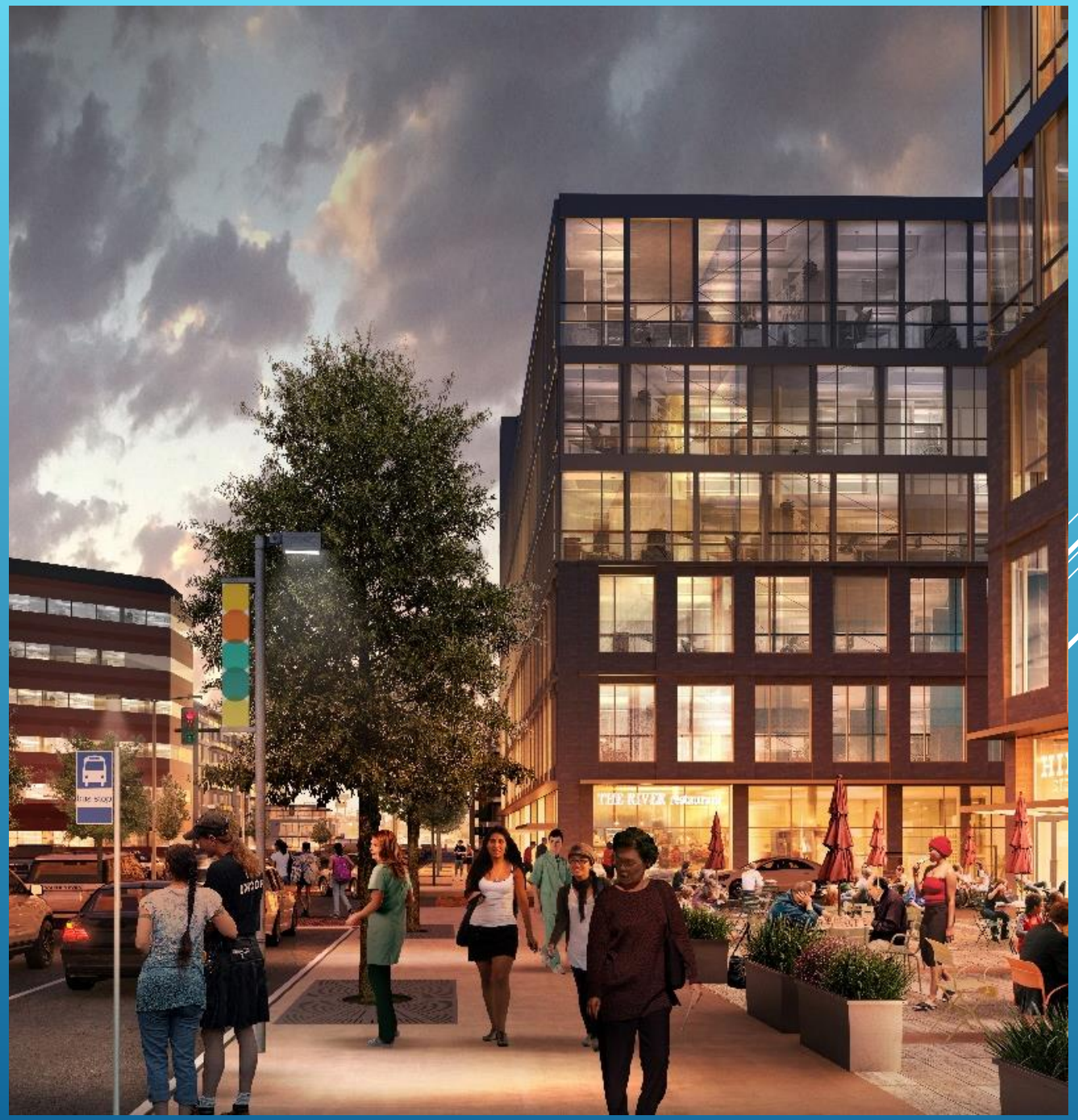
Health Campus 2.0

Additional Benefits

- Retention of Doctors
- Engagement with the VC community
- Engagement with AMC alumni/talent shed

Who can pay for this?

- Academic Medical Center
- P3 with developer
- Developer only with AMC as tenant



Trending Priorities: Fostering innovation; Heighten productivity; adapt to more acute consumer and patient needs.

+16% growth forecast through 2025 for brand-name pharmaceutical manufacturing.

Key Research and Development (R&D) Indicators

310,575 clinical trials

61,736 drugs in pipeline

117,606 companies developing Life Sciences drugs

3,557,035 investigations in research and development

Source: Global Data, October 2020

COVID-19 impact on future life sciences demand

	Health-driven changes	Economic-driven changes	Strategic-driven changes
Key theme	Social distancing	Capital preservation	Workforce deployment
Immediate tactical response	• Strategic occupancy or space plans, prioritized based on business impact, are becoming essential.	• Flexibility is key; waiting to deploy resources	• Establishing criteria for projects that can be deferred within a 90- to 120-day window is becoming a best practice
Short-term CRE impact	– Demand picking up as FDA approvals accelerate	= Lab tenants largely operate on long timelines	+/= Reduce space usage in the short term (but compensated by staggered shifts and extended hours for COVID-19 labs)
Long-term CRE impact	+/- Depends on lab activity; ultralow vacancy going into pandemic should help keep fundamentals balanced	+/= Could see an increased emphasis on leasing vs. ownership to facilitate right-sizing as conditions change; this would be a positive for CRE	= The fundamentals of the sector remain robust; investment thesis for life sciences will strengthen in coming years, prompting demand for lab space

Short-term impact on lab demand: neutral. **Long-term impact: positive.**

JLL Achieve Ambitions

COVID-19 has rapidly accelerated healthcare delivery trends, disrupting both patient and clinician preferences. Real estate must adapt to this new reality.

What are three key concepts healthcare providers and investors should embrace?

#1
Telehealth advances will supplement, not supplant, onsite care.

#2
COVID-19 will accelerate segmentation of wellness and acute care in real estate.

#3
Medical office investment is well-positioned to remain strong in a post-COVID environment.

Structural growth in medical office demand will include but not be limited to telehealth: COVID-19 impact on future MOB demand

	Health-driven changes	Economic-driven changes	Strategic-driven changes
Key theme	**Social distancing**	**Capital preservation**	**Workforce deployment**
Immediate tactical response	• Telehealth where at all possible • Postponing or canceling elective procedures to dedicate space to COVID-19 testing or overflow care	• Focus on cash and liquidity • Balancing risk with need to resume operations for cash flow growth • Revised/shortened capital plans	• Shift to extended hours for COVID-essential staff needs
Short-term CRE impact	— Capacity will be limited by need to limit number of patients to a reassuringly low number	— Tenants may be asking for rent relief or deferment; however, plenty of anecdotal evidence for intact asking rents	— Massive headcount reductions based on deferred procedures, though this is starting to change
Long-term CRE impact	**+/-** Specialties that cannot operate virtually will require larger spaces for social distancing, while telehealth could cut into space requirements for others	= Tenants may be more conservative when considering space needs, especially for public areas such as lobbies and waiting rooms	= Given the aging population and a long-term increase in demand for care, the healthcare workforce will continue to grow

Short-term impact on MOB demand: negative. Long-term impact: neutral to positive.

JLL Achieve Ambitions

DC | Baltimore: Life Science Market

FIGURE 1: U.S. TOP LIFE SCIENCE CLUSTERS

1. Boston-Cambridge
2. San Francisco Bay Area
3. San Diego
4. Washington, D.C. - Baltimore
5. Raleigh-Durham
6. New Jersey
7. Philadelphia
8. New York City
9. Seattle
10. Los Angeles
11. Chicago
12. Orange County, CA
13. Denver-Boulder

Source: CBRE Research, Q3 2020.

Note: Ranked by size, growth and concentration of life sciences employment, concentration of R&D life sciences employment, size of laboratory inventory, and amount of NIH and life sciences venture capital funding.

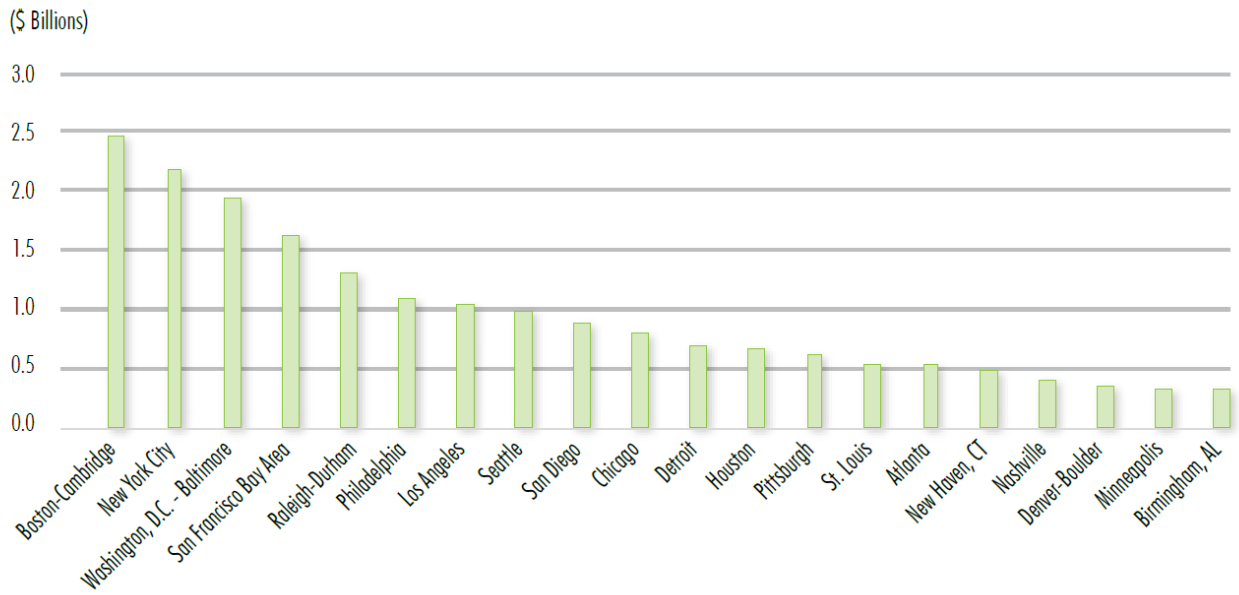
FIGURE 2: U.S. TOP 10 EMERGING CLUSTERS

1. Pittsburgh
2. Houston
3. Austin
4. Detroit
5. Phoenix
6. Dallas/Ft. Worth
7. St. Louis
8. Atlanta
9. Portland
10. Minneapolis

Source: CBRE Research, Q3 2020.

Note: Ranked by size and growth of life sciences employment, concentration of R&D life sciences employment, amount and growth of life sciences venture capital funding and NIH funding.

FIGURE 13: TOP 20 MARKETS FOR 2019 NIH FUNDING



Source: NIH, CBRE Research, Q3 2020.

Note: Amounts above $20 million.

CBRE

https://www.cbre.com/thewayforward

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