

WEEKLY HEALTH CARE REAL ESTATE BRIEFING: RATING AGENCIES DOWNGRADE SEVERAL HOSPITAL SYSTEMS | CPI INCREASES BY 3% | BAIN CAPITAL TO RAISE \$3B FOR REAL ESTATE FUND

1. Nearly 2.2 million people **have moved** to the Southeastern U.S. over the past two years, creating a \$100B wealth migration. For the first time in recent history, Florida, Texas, Georgia, the Carolinas, and Tennessee collectively contribute more to the national GDP than states located in the Northeast.
2. Inflation is beginning to ease, **according to new Consumer Price Index data**. For the trailing twelve months ending in June, the Consumer Price Index increased by 3%. This is one of the smallest increases over the past two years. The inflation rate hit its peak in June of 2022 when the Consumer Price Index increased by 9%.
3. According to a **new report** from H2C, a number of non-profit health care and higher education institutions have been downgraded by credit rating agencies. In recent months, only one health care system has received a credit upgrade, 42 received an affirmation of their rating, and 8 have been downgraded. Financial performance among non-profit health care providers has improved this year, but recovery has been uneven. Rating actions are expected to trend negative over the next few months.
4. Senior housing occupancy rose to 83.7% in the second quarter of 2023, which is a sizable gain from the industry's pandemic-low occupancy of 77.8%, **according to NIC data**. Among the 31 major metro areas NIC tracks, the highest occupancy rates for the quarter were seen in Boston, Baltimore, and Portland, OR.
5. A **recent WSJ article** outlines trends in ground lease negotiations for properties in New York. Historically, ground leases include periodic adjustments of rent to current market values. In recent years, parties are opting for more certainty by negotiating set increases to provide ground lessees with more predictable expenses.
6. Becker's ASC Review **released** a summary of Certificate of Need (CON) requirements for ASCs by state, reporting notable changes in North Carolina and Montana. Currently, 17 states do not have CON laws, 10 states do not require CONs for ASCs, and 25 states do regulate ASCs using CON laws.
7. A **new report** from Cushman & Wakefield outlines supply chain delays impacting new life science development projects. It can take up to 2 years to get emergency power generators, 1 year to get chillers and air handlers and nearly 1 year to get elevators. There is over 33M square feet of life science space under construction.
8. Bain Capital **intends to raise** \$3.75B for a new real estate fund focusing on medical office, senior housing and life science assets, among other asset types.
9. According to a **new article**, IU Health is aiming to give 30% or \$690M in design and construction work on its \$4.3B Indianapolis hospital campus to minority, women and veteran-owned companies.
10. IU Health is currently **searching** for a Director of Real Estate. This position may oversee and direct systemwide real property transactions and monitor and measure portfolio performance.

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