Carter Validus Mission Critical REIT II, Inc.

The Company commenced principal operations on July 3, 2014 when it satisfied the minimum offering requirement and issued approximately 213,333 shares of Class A common stock for gross proceeds of $2,000,000. Its primary investment objectives are to acquire well-maintained and strategically located mission critical real estate investments in high-growth sectors in the U.S. including data centers and healthcare sectors which provide current cash flow from operations.

The Company is offering Class A and Class T shares. The Class T shares have a lower selling commission (3% vs. 7% for Class A shares) and the Company will pay an annual distribution fee of 0.80% of the purchase price per share of Class T shares on an ongoing basis. The distribution fees will be paid with respect to Class T shares until the earlier of a listing on a national exchange, following completion of the offering or the total underwriting compensation equals 10% of the gross proceeds of the offering. As of July 10, 2015, the Company has raised $308.4 million by issuing 31,050,000 shares of Class A stock.

As of July 13, 2015, the Company owned 100% interests in thirteen properties consisting of 705,000 gross rentable square feet of commercial space.

The REIT is in the Growth LifeStage of effective REITs that is marked by accelerated growth in capital raise and acquisitions. The investment style of this REIT is considered to be "Core," which is typically defined as a REIT which generates a high percentage of its total return from income and a modest percentage from asset appreciation. REITs in this category are expected to exhibit low volatility in asset values.

Key Highlights

- In June, 2015, the REIT acquired four health care facilities, a rehabilitation hospital in Webster, Texas with 45 beds for $25.7 million, a 33,000 s.f. Primary Health Network facility in Clarion, Pennsylvania for $6.9 million, the Eagan Data Center for $5.8 million and the Houston Surgical Hospital and LTACH for $49.3 million.
- On July 22, 2015, the Company purchased five healthcare properties in Kentucky, Maine and Ohio for $79.1 million.
- On July 24, 2015, the Company acquired the Reading Surgical Hospital for $25.0 million.
- On July 30, 2015, the Company purchased the Post Acute Warm Springs Specialty Hospital of Luling for $9.7 million.

Capital Stack Review

- Debt Ratio – The Company did not have any long-term debt as of June 30, 2015.
- Loan Activity – The Company increased the maximum commitments available under the KeyBank Credit Facility to an aggregate of up to $180 million with a right to extend for 12 months and subject to certain conditions, increase to $400 million.
- Cash on Hand – 14.4% cash to total assets ratio is up from the 3.8% ratio reported in 4Q 2014.

Metrics

- Distribution – The Company declared and paid a cash distribution of $0.16 per share for a yield of 6.40% on an annualized basis in 2Q 2015. The board authorized distributions at that rate through November, 2015.
- Distribution Source – Distributions for the six months ended June 30, 2015 were funded by cash flows from operations (23%), offering proceeds (16%) and DRIP proceeds (61%).
- MFFO Payout Ratio – MFFO for the quarter ended June 30, 2015 was $1.4 million and the payout ratio was 223%. MFFO year to date as of June 30, 2015 was $2.2 million and the payout ratio was 200%.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – The Company's interest coverage ratio was 5.5x for the year to date, as of June 30, 2015.
- Impairments – None.

Real Estate Portfolio

- Acquisitions - During the three months ended June 30, 2015, the Company acquired five properties for $95.4 million.
- Dispositions – None.
- Occupancy – 99.9%
- Lease Expirations – Weighted average 14.9 years.
- Geographic Diversification – Properties in Texas, Ohio, Florida, Pennsylvania, Massachusetts, North Carolina, Minnesota, Indiana, Kansas, Kentucky and Maine.

Cash Flow Analysis

- Operating Cash Flow -- Increased to $1.024 million for the six months ended June 30, 2015.
- Net Cash Flow – Totaled $33.576 million for the six months ended June 30, 2015, with investing cash outflows of $125.1 million and financing cash inflows of $157.7 million.
- Outlook – With no long-term debt and strong capital raising ($122.8 million in 2Q 2015), the REIT has high growth potential and can lever its equity to build its property portfolio. Cash flows are positive at an early point in the REIT's life cycle.

Additional nontraded REITs currently managed by Carter Validus

- Carter Validus Mission Critical REIT I, Inc.

Nontraded REITs managed by Carter Validus that have completed full-cycle events: None