Griffin-American Healthcare REIT III, Inc.

The Company was initially capitalized on January 15, 2013 and commenced its best efforts initial public offering in February, 2014, for up to $1.9 billion including shares offered pursuant to the DRIP. On March 12, 2015 it terminated the primary portion of the offering. As of April 22, 2015, the Company had received $1.843 billion excluding shares of common stock issued pursuant to the DRIP.

The Company currently operates through four reportable business segments: medical office buildings, hospitals, senior housing and senior housing — RIDEA. As of June 30, 2015, it had completed 25 real estate acquisitions comprising 58 properties, or 60 buildings, and approximately 3,190,000 square feet of gross leasable area, or GLA, for an aggregate contract purchase price of $882,545,000. In addition, it acquired real estate-related investments for an aggregate purchase price of $60,217,000.

The REIT is in the Maturing LifeStage of closed REITs that is marked by refinement of the portfolio through dispositions, targeted acquisitions and debt policy. Metrics should begin to move in line with publicly traded REITs. Also, valuation of shares begins within 18 months from the close of the equity raising.

Key Highlights

- For the six months ended June 30, 2015, the REIT completed 14 property acquisitions comprising 36 buildings. The aggregate contract purchase price of these properties was $604,845,000.
- Subsequent to June 30, 2015, acquired six buildings for combined purchase price of $48.0 million.
- On February 4, 2015, acquired eight promissory notes in the aggregate outstanding principal amount of $60,217,000, comprising four fixed-rate notes in the aggregate outstanding principal amount of $28,650,000, and four floating rate notes in the aggregate outstanding principal amount of $31,567,000.

Capital Stack Review

- Debt Ratio – The Company's debt to total assets ratio was very low at 3.2% at June 30, 2015.
- Debt Maturity – One fixed-rate mortgage loan is due in 2017. All other debt in place is due beyond 2019.
- Debt Breakdown – 100% of the Company's debt is at fixed rates with an average weighted interest rate of 5.16%.
- Loan Activity – The aggregate borrowing capacity under REIT's line of credit was $60,000,000 as of June 30, 2015, there were no borrowings outstanding and $60,000,000 remained available under the line of credit.
- Cash on Hand – 43.2% cash to total assets ratio at June 30, 2015 ($728 million).

Metrics

- Distribution – The Company declared a daily distribution at a rate of 6.0% annualized based upon $10.00 purchase price, through September 30, 2015.
- Distribution Source – For the six months ended June 30, 2015, 100% of distributions were funded by proceeds from the offering.
- MFFO Payout Ratio – The payout ratio for the quarter ended June 30, 2015 was 343%, not unusual for the relatively new REIT.
- Fee Waivers and Deferrals – The Advisor waived Advisory Fees equal to the distributions payable from May 14, 2014 through June 5, 2014, with no other form of consideration or repayment.
- Interest Coverage Ratio – The Company's interest coverage ratio of 16.2x during the first six months of 2015 is high due to low debt utilization.
- Impairments – None.

Real Estate Portfolio

- Acquisitions - As of June 30, 2015, had completed 25 real estate acquisitions comprising 58 properties, or 60 buildings, and approximately 3,190,000 square feet of gross leasable area, or GLA, for an aggregate contract purchase price of $882,545,000.
- Dispositions – None.
- Occupancy – The weighted average occupancy as of June 30, 2015 was 95.5%, excluding RIDEA properties.
- Lease Expirations – 8.3 years, excluding RIDEA.
- Geographic Diversification – Based on leases in effect as of June 30, 2015, properties located in Texas and Pennsylvania accounted for 28.6% and 14.0%, respectively, of annualized base rent.

Cash Flow Analysis

- Operating Cash Flow – Negative $5.8 million due largely to net loss of $20.9 million for six months ended June 30, 2015.
- Net Cash Flow – Totaled $223.1 million for six months ended June 30, 2015 due to $975 million offering proceeds less $630 million in investing activities.
- Outlook –The REIT had a large cash balance to invest and had not utilized much leverage as of June 30, 2015. Look for up to $1 billion in healthcare-related acquisitions over the next year as it builds its portfolio and levers up.

Additional nontraded REITs currently managed by Griffin Capital

- Griffin Capital Essential Asset REIT (2009)
- Griffin Capital Essential Asset REIT II (2014)

Nontraded REITs managed by Griffin Capital that have completed full-cycle events:

- Griffin-American Healthcare REIT II, Inc. (2009) Merged with NorthStar Realty Finance Corp. December 3, 2014.