

Net Lease Capital Advisors

AN INVESTMENT BANKING APPROACH TO REAL ESTATE TRANSACTIONS

Ten Tara Boulevard, Suite 130
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VA Outpatient Clinic and Garage, Birmingham, AL

**2401 7th Avenue South
Birmingham, AL 35233**

Purchase Price: \$73,971,343

Total Debt: \$63,985,211

Equity Required: \$9,986,131 (13.5%)

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Property

The subject is a newly constructed/build-to-suit 63,649 rentable-square foot, 3-story, Class A medical office clinic, built for The Department of Veterans Affairs. Adjacent to it will be a newly constructed 8-story 2,313 space parking deck located between 7th and 8th Avenue South and 24th and 25th Street South in Birmingham, Jefferson County, Alabama. The building is situated on a 3.67-acre site, which contains both the medical office building and parking deck. The property is 100% leased for 20 years to the General Services Administration on behalf of the U.S. Government for the Veterans Administration as an outpatient clinic. The lease contains no termination options.

Property Description and Use

The Property is a multi-story concrete, steel and glass, LEED Certified Silver building totaling 63,649 RSF. The site is comprised of a city block and includes an eight-story steel and concrete structured parking garage containing a total of 2,313 parking spaces. The VA has stated a need for this project based upon the lack of parking surrounding the VA Medical Center. Since 1994, The VA Medical Center and Children's Hospital have shared a parking deck for their operations. In 2012, Children's Hospital expanded their operations and required the additional parking that was previously leased to the VA. The VA Medical Center located at 700 19th Street South currently leases parking spaces from five different parking lots/garages in the surrounding area and shuttles patients as far as 12 blocks from these locations. The long shuttle lines and lengthy transit times have caused patients to miss appointments.

The new VA clinic and parking garage will enable patients to park at one centralized location and be shuttled a quarter of the existing distance to the VA Medical Center. The new facility offers a full range of services from outpatient procedures, women's health, mental health and a number of lab and technical functions. The relocation of those operations from the existing VA Medical Center in Birmingham are expected to allow for an expansion of the emergency room, a new dialysis center and other improvements elsewhere in the existing VA Medical Center.

In the unlikely event the VA were to vacate the premises at the end of their lease term, one of the many surrounding medical office users would likely expand into the building. In addition, a multilevel parking deck would be highly

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desirable, due to the lack of existing or purposed parking facilities for the University of Alabama's main campus and surrounding medical facilities. The University of Alabama at Birmingham is located less than a mile from the subject property and according to UAB student publications, students say parking is the number one complaint about the campus.

Tenant

The Property is 100% leased to the U. S. General Services Administration (Fitch: AAA, Moodys: Aaa, S&P: AA+) on behalf of the Department of Veterans Affairs on a 20-year firm term basis.

The U.S. Department of Veterans Affairs (VA) is a government run military veteran benefit system with Cabinet-level status. It is responsible for administering programs of veterans' benefits for veterans, their families, and survivors. The benefits provided include disability compensation, pension, education, home loans, life insurance, vocational rehabilitation, survivors' benefits, medical benefits and burial benefits. It is administered by the United States Secretary of Veterans Affairs.

Lease

The property is subject to a 20-year lease with the United States of America acting by and through the Department of Veterans Affairs. Rent is paid in arrears on the first day of each month. Tenant is responsible for any increases in real estate taxes and insurance based on a fixed base amount and operating expenses are subject to adjustment based on CPI over a fixed base amount established after the first year of the lease. A funded maintenance account will be established by the Owner/Landlord for the operations, maintenance and capital replacement reserves of the building and its systems. Owner/Landlord will enter into a property management agreement and the property manager will be responsible for all aspects of the day to day management of the property. Owner/Landlord has entered into an asset management arrangement with an affiliate. In return for the cash flow from the property, the asset manager will pay any operating expense deficits during the term of the lease.

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Location

2401 7th Ave South Birmingham, Alabama is surrounded by existing medical facilities which include: UAB Hospital, Birmingham Children's Hospital, St. Vincent's Hospital and the existing Birmingham VA Medical Center. The VA facility and parking garage will serve approximately 62,000 patients from



various cities and counties in Alabama, which makes this location a mission critical site. Birmingham is the largest city in the state with a population currently estimated at 242,820, and a metro population of 1,079,089.

Nestled at the foothills of the Appalachian Mountains at the cross-section of two major railroads, the city was once the primary industrial center of the southern United States. At the height of the nation's manufacturing age, the city grew so fast in population, it was called the "Magic City." Today, Birmingham has transformed itself into a medical research, banking and service-based economy, making it one of the nation's most livable cities with a vibrant downtown, a growing loft community, a world-class culinary scene and more green space per capita than any other city in the nation.

Birmingham also boasts 99 historic neighborhoods and is often referred to as the cradle of the American Civil Rights Movement.

Investment Highlights

- The subject is 100% leased to the federal government for a firm term of 20 years.
- Given the high historic renewal rate of the government (91% over the last ten years on all lease expirations) combined with the mission critical nature of the facility, there is a very high likelihood that the tenant will renew.
- The 8-story parking garage will add considerable value to any future users, due to the lack of existing or proposed parking facilities in the area.

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Financial Overview

Lease commencement:	September 21, 2015
Lease expiration:	September 30, 2035
Year built:	2015
Financing:	Zero cash flow with debt in place that must be assumed.

1st Mortgage Loan:		1st Mezzanine Loan		2nd Mezzanine Loan	
Blended Rate:	4.99%	Rate:	8.00%	Rate:	8.00%
Balance:	\$57,485,211	Balance:	\$3,500,000	Balance:	\$3,000,000
Term:	20 Years	Term:	20 Years	Term:	20 Years
Balloon Payment:	\$12,000,000	Balloon Payment:	\$8,483,567	Balloon Payment:	\$14,403,062