

Net Lease Capital Advisors

AN INVESTMENT BANKING APPROACH TO REAL ESTATE TRANSACTIONS

Ten Tara Boulevard, Suite 130
Nashua, NH 03062
Tel (603) 546-2566
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VA Outpatient Clinic, Decatur, GA

250 N. Arcadia Avenue
Decatur, GA 30030

Purchase Price: \$63,231,723

Total Debt: \$54,695,441

Equity Required: \$8,536,283 (13.5%)

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Property

The subject is a recently renovated/finish-to-suit 103,038 RSF, two-story, LEED Silver, Class A medical office clinic built for The Department of Veterans Affairs. Formerly a DeVry University building, the property was completely gutted and rebuilt with new materials and systems throughout. The building is situated on a 13.5-acre site, containing the medical office building. The property is 100% leased for 20 years with no termination options to the General Services Administration on behalf of the U.S. Government for the Veterans Administration as an outpatient clinic. This lease is unique in the fact that it includes base rent increases occurring every five years.

Property Description and Use

The Property is a multi-story concrete, steel and glass, LEED Certified Silver building totaling 103,038 RSF. The site is located at 250 N. Arcadia Avenue in Decatur, GA, just 7 miles from downtown Atlanta. The property has immediate access to Highway 278 and the Avondale Station on the MARTA (Metro Atlanta Rapid Transit Authority) rail system and is also in close proximity to Interstate 285.

Georgia has a high veteran population of over 773,000, with 216,000 in the Atlanta area. The project was necessary due to excessive wait times for veterans in the surrounding region. The VA has invested heavily in this facility, with over \$8 million of Tenant Improvements paid for by the tenant at the beginning of the lease term.

The VA has established a shuttle service between the Atlanta VA Medical Center and the new Decatur Clinic. This facility allows patients to receive all outpatient care at one centralized location and has effectively taken on all outpatient responsibilities for the Dental Clinic, Sleep Medicine, Mental Health Bravo Team, and Women's Wellness from the Atlanta VA Medical Center. Once completely operational, the clinic expects to serve over 37,000 patients annually. The new clinic will enable patients to receive care in a timely manner and reduce transit time and distance to a care facility.

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Tenant

The United States 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.

Long-term Credit Rated Tenancy with Firm Term Lease: The Property is 100% leased to the U. S. General Services Administration (AAA/Aaa/AA+; Fitch/Moodys/S&P) on behalf of the Department of Veterans Affairs on a 20-year firm term basis.

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. The lease term commenced on February 1, 2015. 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 has been established by the Owner/Landlord for the operations, maintenance and capital replacement reserves of the building and its systems. Owner/Landlord has entered 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 will enter 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 and manage the ongoing relationship with the VA.

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Location

Decatur, GA is located in the Atlanta Metro area, which has a population of 5,490,000, making it the ninth largest metro in the United States. Decatur itself is just east of Atlanta and is more of a residential, suburban environment compared to the urban metropolis to its west.



Recently, the city of Decatur has regained economic vigor, partially thanks to several long-term downtown development plans that have come to fruition, making the city a trendy small mixed-use district with easy transit to downtown Atlanta. Over the past twenty years, Decatur has gained a local and national reputation as a progressive city with a high level of citizen involvement that retains a small town feel despite its proximity to Atlanta. This VA property is located 7 miles from downtown Atlanta.

Livability, the company that releases an annual list of America's 100 best small towns, has placed Decatur in 38th place on their 2015 list. Going further, Decatur was ranked as one of the 2015 Safest Places in Georgia by a valuation company known as Value Penguin. The city came in 32nd overall on this list and 9th when compared only to midsized cities.

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 the tenant will renew.

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Financial Overview

Lease Commencement:	March 1, 2015
Lease Expiration:	February 28, 2035
Year Renovated:	2014-2015
Financing:	Zero cash flow with debt in place that must be assumed

1st Mortgage Loan		B Note	
Blended Rate:	4.68%	Rate:	7.09%
Balance:	\$48,041,359	Balance:	\$6,654,081
Term:	20 Years	Term:	20 Years
Balloon Payment:	\$18,000,000	Balloon Payment:	\$15,000,000