

OFFERING MEMORANDUM
SATELLITE HEALTHCARE MULTI-TENANT BUILDING
MEMPHIS, TENNESSEE
SIGNIFICANT VALUE ADD OPPORTUNITY - 69% OCCUPANCY



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Listed in association with Tennessee Broker: Commercial Advisors, LLC | TN License No. 290462

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Investment Offering & Highlights

The Offering

- A 14,087± square foot freestanding medical office building with 54 onsite parking spaces demised into three suites of 9,720± square feet (Suite 102 leased to **SATELLITE HEALTHCARE** until January 31, 2028), 2,560± square feet (Suite 103 - currently vacant) and 1,825± square feet (Suite 101 - currently vacant).
- **Price: \$3,800,000 - 6.24% Cap Rate (Current in Place Income) - 9.71% Cap Rate (Year 2 upon Stabilization)**

Satellite Healthcare Lease

- Satellite Healthcare corporate guaranty
- Long term net lease with annual rent increases
- Tenant reimburses all expenses, including management and capital expenditures (on an amortized basis with 8% interest)
- Lease renewal options at Fair Market Value (no less than previous year's rent) with 2% annual rent increases thereafter

Real Estate / Area Strengths

- Located on Poplar Avenue, a major high traffic thoroughfare with 63,000 cars per day, and adjacent to the upscale Chickasaw Gardens neighborhood
- Brand new state of the art construction completed in 2014
- The Memphis and Shelby County region supports numerous hospitals, including two of the largest private hospitals in the country
- Over 115,000 people within a 3 mile radius

Value Add Capability

- Significant return upside can be achieved with lease-up of the vacant suites
- Suite 101 is highly finished and “move-in ready;” Suite 103 is a “warm shell” that can be customized to accommodate various tenant improvement needs



Investment Overview

Location

2980 Poplar Avenue, Memphis, TN

Lot Size

Approximately 2.34 acres - 101,843± square feet

Improvements

Completed in 2014, a 14,087± square foot freestanding medical office building with ample onsite parking demised into three suites:

- Suite 102 - 9,702± square feet medical office leased to **Satellite Healthcare**
- Suite 101 - 1,825± square feet highly finished suite for medical office use - was Satellite Healthcare's regional office
- Suite 103 - 2,560± square feet unfinished "warm shell" suite with HVAC

Satellite Healthcare Lease

Suite 102 is leased to **SATELLITE HEALTHCARE CHICKASAW GARDENS, LLC (SHCG)** for 15 years from September 1, 2014 until August 31, 2029. The current annual rent of \$277,269 (as of 9/1/2017) increases by 3% annually until 2018 and 2% annually thereafter. The lease is net with tenant responsible for reimbursing taxes, insurance and maintenance of the exterior premises, including capital expenditures to roof and structure on an amortized basis along with 8% interest. Tenant is also responsible for reimbursement of the management expense. There are three five-year options to renew at 95% of Fair Market Value (FMV), but no less than the previous year's rent. Thereafter the rent increases by 2% annually until the next option period.

**Price: \$3,800,000 - 6.24% Cap Rate (Current in Place Income)
- 9.71% Cap Rate (Year 2 upon Stabilization)**

Net Income Analysis

For the Years	Year 1 9/17-8/18	Year 2* 9/18-8/19
POTENTIAL GROSS REVENUE		
Suite 102 (Satellite)	\$277,269	\$285,587
Suite 101 (Vacant)		\$34,675
Suite 103 (Vacant)		\$48,640
Total Base Rental Revenue	\$277,269	\$368,902
EXPENSE REIMBURSEMENT REVENUE		
CAM Recovery	\$11,019	\$19,540
Insurance Recovery	\$1,899	\$2,839
RE Tax Recovery	\$59,762	\$88,457
Mgmt Fee Recovery	\$9,687	\$17,400
Total Reimbursement Revenue	\$82,368	\$128,236
EFFECTIVE GROSS REVENUE	\$359,637	\$497,138
OPERATING EXPENSES		
CAM Expense	\$18,971	\$19,540
Insurance Expense	\$2,756	\$2,839
RE Tax Expense	\$86,723	\$88,457
Mgmt Fee Expense	\$14,058	\$17,400
Total Operating Expenses	\$122,508	\$128,236
NET OPERATING INCOME	\$237,129	\$368,902
RETURN	6.24%	9.71%

* Assumes new lease of Suites 101 and 103 at \$19/SF/YR

Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
For the Years	9/17-8/18	9/18-8/19	9/19-8/20	9/20-8/21	9/21-8/22	9/22-8/23	9/23-8/24	9/24-8/25	9/25-8/26	9/26-8/27
POTENTIAL GROSS REVENUE										
Suite 102 (Satellite)	\$277,269	\$285,587	\$291,298	\$297,124	\$303,067	\$309,128	\$315,311	\$321,617	\$328,049	\$334,610
Suite 101 (Vacant)		\$34,675	\$35,715	\$36,787	\$37,890	\$39,027	\$40,198	\$41,404	\$42,646	\$43,925
Suite 103 (Vacant)		\$48,640	\$50,099	\$51,602	\$53,150	\$54,745	\$56,387	\$58,079	\$59,821	\$61,616
Total Base Rental Revenue	\$277,269	\$368,902	\$377,112	\$385,513	\$394,108	\$402,900	\$411,896	\$421,099	\$430,516	\$440,151
EXPENSE REIMBURSEMENT REVENUE										
CAM Recovery	\$11,019	\$19,540	\$20,126	\$20,730	\$21,352	\$21,992	\$22,652	\$23,332	\$24,032	\$24,753
Insurance Recovery	\$1,899	\$2,839	\$2,924	\$3,012	\$3,102	\$3,195	\$3,291	\$3,390	\$3,492	\$3,596
RE Tax Recovery	\$59,762	\$88,457	\$90,227	\$92,031	\$93,872	\$95,749	\$97,664	\$99,617	\$101,610	\$103,642
Mgmt Fee Recovery	\$9,687	\$17,400	\$17,922	\$18,460	\$19,013	\$19,584	\$20,171	\$20,777	\$21,400	\$22,042
Total Reimbursement Revenue	\$82,368	\$128,236	\$131,199	\$134,233	\$137,339	\$140,521	\$143,779	\$147,116	\$150,533	\$154,033
EFFECTIVE GROSS REVENUE	\$359,637	\$497,138	\$508,311	\$519,745	\$531,447	\$543,420	\$555,675	\$568,215	\$581,049	\$594,184
OPERATING EXPENSES										
CAM Expense	\$18,971	\$19,540	\$20,126	\$20,730	\$21,352	\$21,992	\$22,652	\$23,332	\$24,032	\$24,753
Insurance Expense	\$2,756	\$2,839	\$2,924	\$3,012	\$3,102	\$3,195	\$3,291	\$3,390	\$3,492	\$3,596
RE Tax Expense	\$86,723	\$88,457	\$90,226	\$92,031	\$93,872	\$95,749	\$97,664	\$99,617	\$101,610	\$103,642
Mgmt Fee Expense	\$14,058	\$17,400	\$17,922	\$18,460	\$19,013	\$19,584	\$20,171	\$20,777	\$21,400	\$22,042
Total Operating Expenses	\$122,508	\$128,236	\$131,199	\$134,232	\$137,339	\$140,521	\$143,779	\$147,115	\$150,533	\$154,033
NET OPERATING INCOME	\$237,129	\$368,902	\$377,113	\$385,513	\$394,108	\$402,900	\$411,896	\$421,100	\$430,516	\$440,151
RETURN	6.24%	9.71%	9.92%	10.15%	10.37%	10.60%	10.84%	11.08%	11.33%	11.58%

Investment Assumptions:

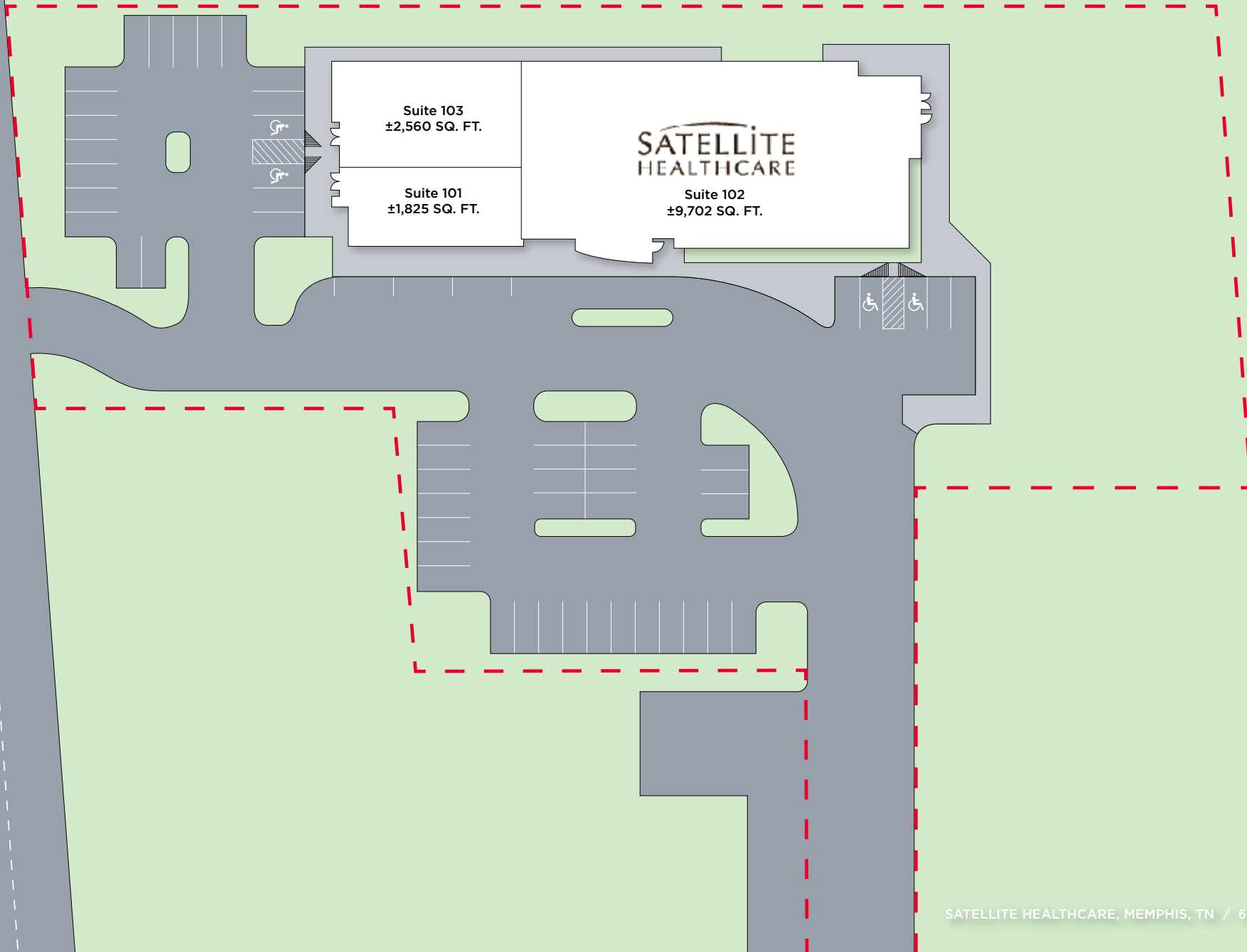
- (1) Assumes new 7 year NNN leases with 3% annual increases for Suites 101 and 103 starting in Year 2
- (2) Tenants for Suites 101 and 103 exercise lease renewals in Year 9
- (3) Growth/Inflation Rates:

General Inflation: 3.0%

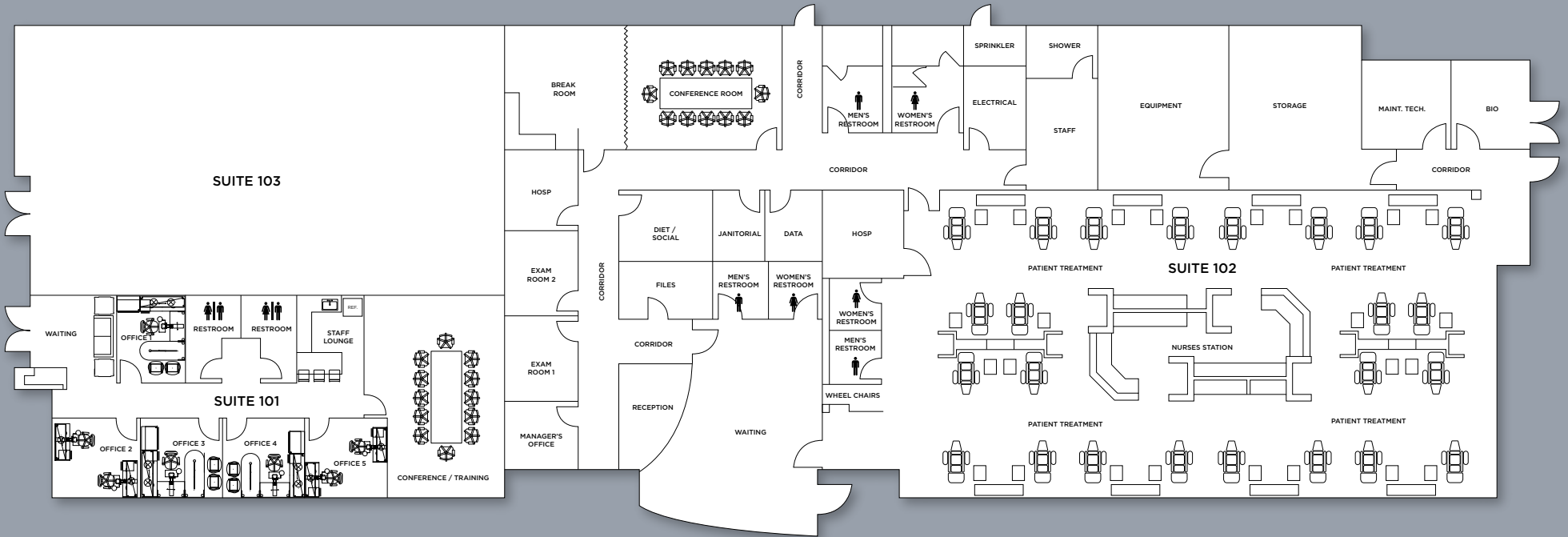
Real Estate Tax: 2.0%

Site Plan

TILLMAN STREET



Floor Plan



About the Tenant

SATELLITE HEALTHCARE, INC. has been among the nation's leading not-for-profit providers of kidney dialysis and related services since 1974. Through its affiliated services, Satellite WellBound, Satellite Dialysis, and Satellite Research, Satellite Healthcare provides unparalleled early patient wellness education, personalized clinical services, and a complete range of dialysis therapy choices. In addition, Satellite Healthcare has a well-recognized, enduring commitment to philanthropy and community service, from funding millions of dollars in research grants to sponsoring kidney programs nationwide. Satellite is committed to advancing the standard of chronic kidney disease care so patients can enjoy a better life. Satellite Healthcare has over 1,700 employees across 80 locations across the U.S.

Satellite is recognized nationally as a major force in improving standards of patient care as well as increasing each patient's quality of life.

The company's research focuses on care delivery and process improvement that lead to findings that can rapidly be adopted and implemented across the CKD community. Satellite research initiatives seek to:

- Increase the number of patients dialyzing using home therapies (HHD and PD).
- Greatly reduce home dialysis drop-out rates.
- Advance quality treatment with in the context of excellent patient experience.
- Collaborate with like-minded organizations to create a future network focused on identifying innovative and leading practices.

For more information visit www.satellitehealth.com.



Site Location (cont)

The subject property is located on the north side of Poplar Avenue (Hwy 72), approximately 5 miles east of downtown Memphis.

Neighboring tenants include Pier 1 Imports, Family Dollar, McDonald's, Jiffy Lube and Extra Space Storage.



Site Location (cont)

The subject property is located in Midtown Memphis adjacent to the upscale neighborhood of Chickasaw Gardens.

The surrounding area also includes various other prominent and historic neighborhoods.



Area Map

ARKANSAS

MEMPHIS

SATELLITE
HEALTHCARE

MEMPHIS
INTERNATIONAL
AIRPORT



Memphis, Tennessee

Memphis, located in the southwestern corner of Tennessee, is the county seat of Shelby County. With a population of 653,450, the city is the largest city in Tennessee and on the Mississippi River and the third largest city in the Southeastern U.S.



Memphis, Tennessee (cont)

ECONOMY

The city's central geographic location has been strategic to its business development. Located on the Mississippi River and intersected by five major freight railroads and two Interstate Highways, I-40 and I-55, Memphis is ideally located for commerce in the transportation and shipping industry. Its access by water was key to its initial development, with steamboats plying the Mississippi river. Railroad construction strengthened its connection to other markets to the east and west.

Memphis is the home of three Fortune 500 companies: FedEx, International Paper and AutoZone.

Bayer AG's Consumer Health Division has a R&D and distribution facility in Memphis. Established as an independent business group in 1994, Consumer Health is part of Bayer and one of the top consumer health companies in the world. The company operates in more than 100 countries and maintains several manufacturing and research-and-development (R&D) sites. In 1989 Consumer Health introduced Bayer's flagship global consumer brand, Bayer Aspirin™ and today brings consumers some of the world's best-known and most trusted over-the-counter (OTC) medications and dietary supplements.

Other major corporations based in Memphis include Allenberg Cotton, Baker, Donelson, Bearman, Caldwell & Berkowitz; Cargill Cotton, City Gear, First Horizon National Corporation, Fred's, GTx, Lenny's Sub Shop, Mid-America Apartments, Perkins Restaurant and Bakery, ServiceMaster, True Temper Sports, Varsity Brands, and Verso Paper. Corporations with major operations based in Memphis include Gibson guitars, and Smith & Nephew.

HEALTHCARE

The Memphis and Shelby County region supports numerous hospitals, including the Methodist and Baptist Memorial health systems, two of the largest private hospitals in the country.

The **Memphis VA Medical Center (VAMC Memphis)** is located in downtown Memphis. VAMC Memphis provides services to over 196,000 veterans living in a 53-county area of western Tennessee, northern Mississippi, and northwest Arkansas.

Methodist Le Bonheur Healthcare, the largest healthcare provider in the Mid-South, operates seven hospitals and several rural clinics. Modern Healthcare magazine ranked Methodist Healthcare in the top 100 integrated healthcare networks in the United States. Methodist Healthcare operates, among others, the Le Bonheur Children's Hospital, which offers primary level 1 pediatric trauma care, as well as a nationally recognized pediatric brain tumor program.

Baptist Memorial Healthcare operates fifteen hospitals (three in Memphis), including Baptist Memorial Hospital. According to Health Care Market Guide's annual studies, Mid-Southerners have named Baptist Memorial their "preferred hospital choice for quality".

The **St. Jude Children's Research Hospital**, leading pediatric treatment and research facility focused on children's catastrophic diseases, resides in Memphis. The institution was conceived and built by the late entertainer Danny Thomas in 1962 as a tribute to St. Jude Thaddeus, patron saint of impossible, hopeless, and difficult causes.

Memphis, Tennessee (cont)

EDUCATION

Memphis is home to the University of Memphis and the Embry-Riddle Aeronautical University.

The **University of Memphis (UofM)** is a public research university located in the Normal Station neighborhood of Memphis. The university maintains The Center for Earthquake Research and Information (CERI), The Cecil C. Humphreys School of Law, The Loewenberg College of Nursing, The School of Public Health, The College of Communication and Fine Arts, The FedEx Institute of Technology, The Advanced Distributed Learning Workforce Co-Lab, and The Institute of Egyptian Art and Archaeology.

UofM has approximately 20,585 students (16,639 undergraduate and 3,615 graduate) and approximately 2,500 employees including 930 full-time faculty.

Embry-Riddle Aeronautical University (Embry-Riddle) has a campus in Memphis near the Pan AM International Flight Academy in the Cedar Lake neighborhood.

Embry-Riddle is a non-profit independent institution offering associate, bachelor, master's, and PhD degree programs in Arts & Sciences, Aviation, Business, Engineering, and Security & Intelligence.

Known as "the Harvard of the sky," Embry-Riddle is the world's largest, fully accredited university specializing in aviation and aerospace, and has campuses in Daytona Beach, Florida and Prescott, Arizona, and through the Worldwide Campus with more than 125 locations in the United States, Europe, Asia, and the Middle East. The university is a major research center in partnership with the aerospace industry, other universities and government agencies.

The Memphis location offers associate, bachelor's, and master's degrees, as well as undergraduate certifications.



Memphis, Tennessee (cont)

TRANSPORTATION

Airport

Memphis International Airport (MEM), located seven miles southeast of downtown Memphis, provides service to the greater Memphis area. MEM is the global “SuperHub” of FedEx Express, and has the second largest cargo operations by volume of any airport worldwide. Nonstop FedEx destinations from Memphis include cities across the continental United States, Europe, Middle East, Asia and South America.

Memphis International serves an average of 140,000 passengers every month and provides daily nonstop flights to over 30 North American destinations via Air Canada Express, Allegiant Air, American Airlines, American Eagle, Delta Air Lines, Southwest Airlines, United Airlines, United Express, and Vacation Express.

Highway

The Memphis area is served by several major highways, including five Interstate expressways (I-40, 55, 22, 240 and 269).

I-40 is a coast-to-coast freeway that connects Memphis to Nashville and on to North Carolina to the east, and Little Rock, AR, Oklahoma City, OK, and the Greater Los Angeles Area to the west. I-55 provides access to Saint Louis, Missouri and Chicago to the north, and Jackson, MS and New Orleans, LA to the south.

I-22 connects the Memphis area with Birmingham, AL via northern Mississippi (including Tupelo) and northwestern Alabama. While technically not entering the city of Memphis proper, I-22 continues into Memphis as U.S. Highway 78.

I-240 is the inner beltway which serves areas including Downtown, Midtown, South Memphis, Memphis International Airport, East Memphis, and North Memphis.

I-269 is the nearly completed, larger, outer interstate loop immediately serving the suburbs of Millington, Eads, Arlington, Collierville, and Hernando, MS. The remainder of Mississippi’s portion is under construction and expected to open in 2018.

DEMOGRAPHICS

2016 Summary	3 miles	5 miles	7 miles
Population	115,074	249,704	414,289
Households	48,555	101,266	162,125
Families	24,620	54,230	92,163
Average Household Size	2.27	2.37	2.46
Owner Occupied Housing Units	22,374	45,470	73,341
Renter Occupied Housing Units	26,182	55,796	88,784
Median Age	35.9	35.6	34.4
Median Household Income	\$35,809	\$32,754	\$34,741
Average Household Income	\$60,789	\$54,265	\$55,843
Projected 2021 Summary	3 miles	5 miles	7 miles
Population	117,433	254,385	422,395
Households	49,571	103,077	165,265
Families	24,854	54,670	93,006
Average Household Size	2.27	2.38	2.46
Owner Occupied Housing Units	22,831	46,258	74,571
Renter Occupied Housing Units	26,739	56,819	90,695
Median Age	36.9	36.6	35.3
Median Household Income	\$37,166	\$33,573	\$35,983
Average Household Income	\$65,818	\$58,594	\$60,489

Confidentiality and Disclaimer

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