



Subject Property

Offering Memorandum

Northside Hospital Surgery Center

Decatur, GA

 **Stan Johnson Co.**
THE NET LEASE AUTHORITY®

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The Offering

Stan Johnson Company is pleased to offer for sale to qualified investors the fee simple interest in a property leased to Northside Hospital, Inc. and Georgia Urology, located at 2685 Milscott Drive in Decatur, GA 30033. The property totals 13,373 square feet and is strategically located in a medical-heavy corridor, which is in very close proximity to the 628-bed DeKalb Medical Center. Decatur is an in-town, Atlanta suburb and is located just six miles from downtown Atlanta. In addition, it is also one of the most affluent suburbs within metro Atlanta.

Northside Hospital and Georgia Urology have occupied space in the Milscott Drive building since 2006 and recently both tenants renewed their leases for five years. Georgia Urology occupies 7,500 square feet (56% of the building) and the entire second floor of the building. Within their premises, they operate a state-of-the-art surgery center. Northside Hospital, Inc. occupies the balance of the building (5,873 square feet).

Both Northside Hospital and Georgia Urology have roughly four years remaining on their respective lease terms. In addition, both leases feature 2% and 3% annual escalations and both tenants have NNN reimbursement structures, thus hedging a new investor against an increase in operating expenses over the hold period.



Subject Property

Purchase Price: **\$3,960,745**

Cap Rate: **7.25%**

Investment Highlights

Established Tenants - Northside Hospital and Georgia Urology are two of the strongest healthcare tenants in the Southeast. Both tenants have occupied the building since 2006 and both have invested a substantial amount of capital into their respective suites.

Exceptional Credit - Northside Hospital, Inc. is one of the largest health systems in the Southeast and in fiscal year 2015 they produced close to \$2.6 billion in revenue. As well, Northside Hospital owns a percentage of Georgia Urology, the largest urology practice in Atlanta and the Southeast.

Rent Increases - The Northside Hospital lease features 2.00% annual escalations for the balance of their term. Georgia Urology has 3.00% annual escalations. These frequent bumps in the NOI will help provide a hedge against inflation risk and any market rate deterioration.

Booming Atlanta Metro Location - Atlanta was recently ranked #3 on the U.S. Census Bureau's 2016 list of "Largest Population Gaining Metro Areas." Decatur was listed as the best suburb in the state of Georgia to live in for 2016.

Strategic Location - The subject property is located along a medical corridor with a majority of the surrounding square footage leased to medical / healthcare tenants.

Passive Lease Structure - Tenants are responsible for reimbursing landlord for taxes, insurance, utilities and CAM. Thus, a new owner has very little managerial responsibilities.

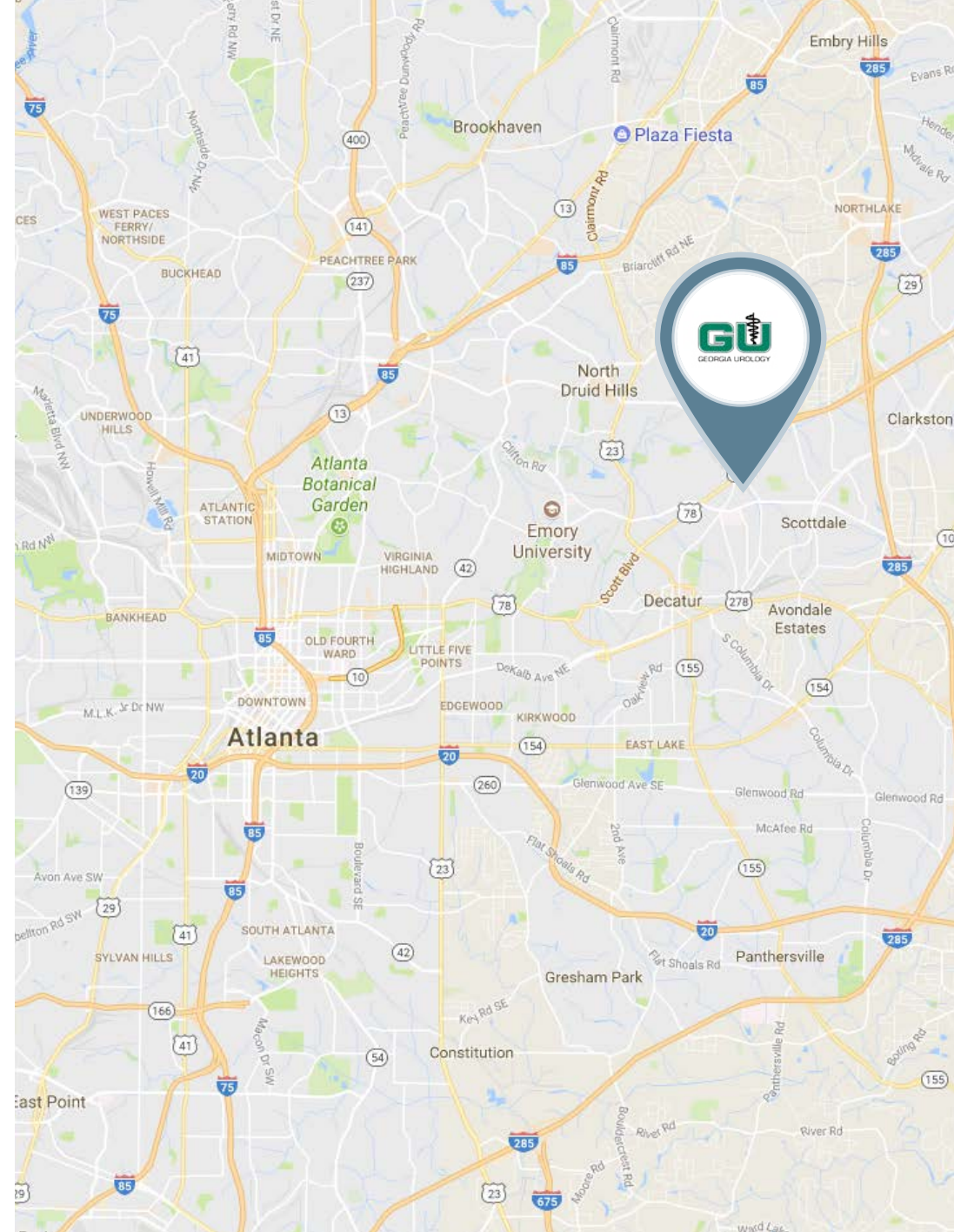
High Barrier to Entry - Due to the lack of medical office building supply, Decatur's vacancy rate for medical office buildings has never exceeded 5.00%.

Pricing

NOI:	\$287,167
Cap Rate:	7.25%
Purchase Price:	\$3,960,745

Property Overview

Property Address:	2685 Milscott Drive
City, State, Zip:	Decatur, GA
Market:	Atlanta
Submarket:	Decatur
County:	Dekalb
Property Type:	Medical
Property Use:	Medical Office - Surgery Center / Physician Offices
Building Size:	13,373 SF
Year Built:	1974
Parking:	58 parking spaces - 4.43 per thousand
Ownership Interest:	Fee Simple
Encumbrances:	N/A



Rent Roll

Tenant Name Type & Suite Number Lease Date & Term	Square Feet Building Share	Rent PSF, Annual, Monthly	Changes On	Changes To	CPI & Current Potters' Wage Misc.	Months To Abate	Pent To Abate	Description Of Operating Expense Reimbursements	Improvements Rate Amount	Commissions Rate Amount	Assumption About Subsequent Terms For This Tenant	Comments
Northside Hospital/ Georgia Urology Office, Suite: A Nov-2006 to Oct-2021 180 Months	5,873 43.92%	\$25.00 \$146,825 \$12,235	Oct-2016	\$25.00				Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market	None
			Oct-2017	\$25.75								
			Oct-2018	\$26.52	-	-						
			Oct-2019	\$27.32								
			Oct-2020	\$28.14								
			Oct-2021	\$28.98								
Georgia Urology Office, Suite: B Jan-2006 to Oct-2021 180 Months	7,500 56.08%	\$18.00 \$135,000 \$11,250	Oct-2016	\$18.00				Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market	None
			Oct-2017	\$18.36								
			Oct-2018	\$18.73	-	-						
			Oct-2019	\$19.10								
			Oct-2020	\$19.48								
			Oct-2021	\$19.87								
Total Occupied SqFt	13,373 SF											
Total Available SqFt	0.00%											

Financial Overview

Global	
Analysis Period	
Commencement Date	July 1, 2017
End Date	June 30, 2028
Term	10 Years
Area Measures	
Building Square Footage (RSF)	13,373 SF
Consumer Price Index (CPI)	3.00%
Vacancy Loss⁽¹⁾	5.00%
Revenue Assumptions	
Market Rent Growth	
2018 - 3.00%	2023 - 3.00%
2019 - 3.00%	2024 - 3.00%
2020 - 3.00%	2025 - 3.00%
2021 - 3.00%	2026 - 3.00%
2022 - 3.00%	2027 - 3.00%
Global	
Growth Rates	
Operating Expenses	3.00%
Capital Reserves	3.00%
Property Taxes	3.00%
Property Taxes Reassessed	No
Management Fee (% of EGR)	3.00%
Operating Expense Source	2016 P&L
2017 Capital Reserves	\$0.10 PSF

Market Leasing - 2nd Generation	
Retention Ratio	80%
Lease Term	10 Years
2017 Annual Market Rent	
Medical Suites - Georgia Urology	\$18.00 PSF
Medical Suites - Northside Hospital	\$25.00 PSF
Rent Adjustment	2.50% Annually
Expense Recovery Type	NNN
2017 Tenant Improvements	
New	\$20.00 PSF
Renewal	\$10.00 PSF
Weighted Average	\$12.00 PSF
Commissions	
New	6.00%
Renewal	3.00%
Downtime	
New	6 Months
Weighted Average ⁽²⁾	1 Month

General Property Notes

(1) A vacancy loss of 5.00% has been assumed for this analysis. Northside Hospital and Georgia Urology has been excluded from the vacancy loss.

(2) The weighted average downtime has been rounded to the nearest whole month.

Financial Overview

Cash Flow Projections (beginning 7/1/2017)

Fiscal Year Ending - June 30		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	FY 2018											
Potential Gross Revenue	\$/SF/YR											
Base Rental Revenue	\$21.47	\$287,154	\$294,398	\$301,832	\$309,462	\$315,915	\$321,784	\$329,765	\$337,953	\$346,353	\$354,969	\$363,808
Absorption & Turnover Vacancy	0.00	\$0	\$0	\$0	\$0	(\$26,433)	\$0	\$0	\$0	\$0	\$0	\$0
Scheduled Base Rental Revenue	21.47	287,154	294,398	301,832	309,462	289,482	321,784	329,765	337,953	346,353	354,969	363,808
Expense Recoveries	5.06	67,715	69,704	71,752	73,351	69,309	78,157	80,449	82,811	85,240	87,743	90,318
Total Potential Gross Revenue	26.54	354,869	364,102	373,584	382,813	358,791	399,941	410,214	420,764	431,593	442,712	454,126
Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
Effective Gross Revenue	26.54	354,869	364,102	373,584	382,813	358,791	399,941	410,214	420,764	431,593	442,712	454,126
Operating Expenses												
Maintenance	(1.63)	(21,756)	(22,409)	(23,081)	(23,773)	(24,487)	(25,221)	(25,978)	(26,757)	(27,560)	(28,387)	(29,238)
Insurance	(0.21)	(2,826)	(2,911)	(2,998)	(3,088)	(3,181)	(3,276)	(3,374)	(3,476)	(3,580)	(3,687)	(3,798)
Real Estate Tax	(2.43)	(32,474)	(33,448)	(34,452)	(35,485)	(36,550)	(37,646)	(38,776)	(39,939)	(41,137)	(42,371)	(43,642)
MGMT	(0.80)	(10,646)	(10,923)	(11,208)	(11,484)	(10,764)	(11,998)	(12,306)	(12,623)	(12,948)	(13,281)	(13,624)
Total Operating Expenses	(5.06)	(67,702)	(69,691)	(71,739)	(73,830)	(74,982)	(78,141)	(80,434)	(82,795)	(85,225)	(87,726)	(90,302)
Net Operating Income	21.47	287,167	294,411	301,845	308,983	283,809	321,800	329,780	337,969	346,368	354,986	363,824
Leasing And Capital Costs												
Tenant Improvements	0.00	0	0	0	0	(255,874)	0	0	0	0	0	0
Leasing Commissions	0.00	0	0	0	0	(163,872)	0	0	0	0	0	0
Capital Reserves	(0.10)	(1,337)	(1,377)	(1,419)	(1,461)	(1,505)	(1,550)	(1,597)	(1,645)	(1,694)	(1,745)	(1,797)
Total Leasing And Capital Costs	(0.10)	(1,337)	(1,377)	(1,419)	(1,461)	(421,251)	(1,550)	(1,597)	(1,645)	(1,694)	(1,745)	(1,797)
Operating Cash Flow	21.37	285,830	293,034	300,426	307,522	(137,442)	320,250	328,183	336,324	344,674	353,241	362,027

Tenant Overview

Georgia Urology

A subsidiary of Northside Hospital, Georgia Urology is the anchor tenant at 2685 Milscott Drive. Georgia Urology is not only the largest urology practice in metro Atlanta, with 28 metro area office locations in addition to 6 ambulatory surgery centers, but also the largest in the Southeast. In fact, in the metro Atlanta area alone, Georgia Urology has 43 of the top Board-Certified physicians whose specialties cover oncology, laparoscopy, infertility, incontinence, and pediatrics.

Georgia Urology is also the Southeast's leader in both vasectomies and vasectomy reversal procedures. Their state of the art diagnostic equipment coupled with advanced treatment techniques and robot assisted technology solidifies Georgia Urology as the Southeast's industry leader in the field of urology and urology related fields. They recently renewed their 7,500 sf suite for an additional five years.

The Georgia Urology Decatur location is a key location for the overall practice as it helps to infiltrate a market once mostly dominated by Emory and Dekalb Medical Center. Not only is this specific location key due to its strategic location, but it also includes a surgery center. The surgery center helps to represent Georgia Urology's commitment to the market and location more specifically.



28
Metro Area Office Locations

6
Ambulatory Surgery Centers

43
Top Board Certified Physicians



Tenant Overview

Northside Hospital

Northside has become a household trusted name in the Georgia hospital industry since opening its doors in 1970. Over the last 47 years, the not-for-profit Northside Hospital has opened 2 other full service hospitals in Canton, GA and Cumming, GA with a brand new “innovative, high tech” facility/campus opening in Cherokee County by Third Quarter 2017. In addition, Northside has announced the purchase of Gwinnett Medical Center’s Lawrenceville and Duluth Campuses. Northside also helps solidify its Georgia footprint with more than 120 outpatient facilities across the state.

In 2016, Northside Hospital-Atlanta ranked #4 on the U.S. News’ list of Best Hospitals in Georgia and is the only Georgia hospital on Forbes’ list of America’s Best Employers. Also, Northside Hospital-Atlanta was the Most Preferred Hospital for Overall Healthcare Services voted by consumers according to National Research Corporation’s Healthcare Market Guide. The Northside Hospital System is also the #1 ranked employer for the state of Georgia.

This particular Northside location serves as a surgery center. The surgery center works in conjunction with Northside’s subsidiary company and neighboring tenant, Georgia Urology.



120

Outpatient
Facilities

#4

Best Hospitals In
Georgia
-U.S. News

#1

Employer For The
State of Georgia
-Forbes 2016



Subject Property Photos



Location Overview

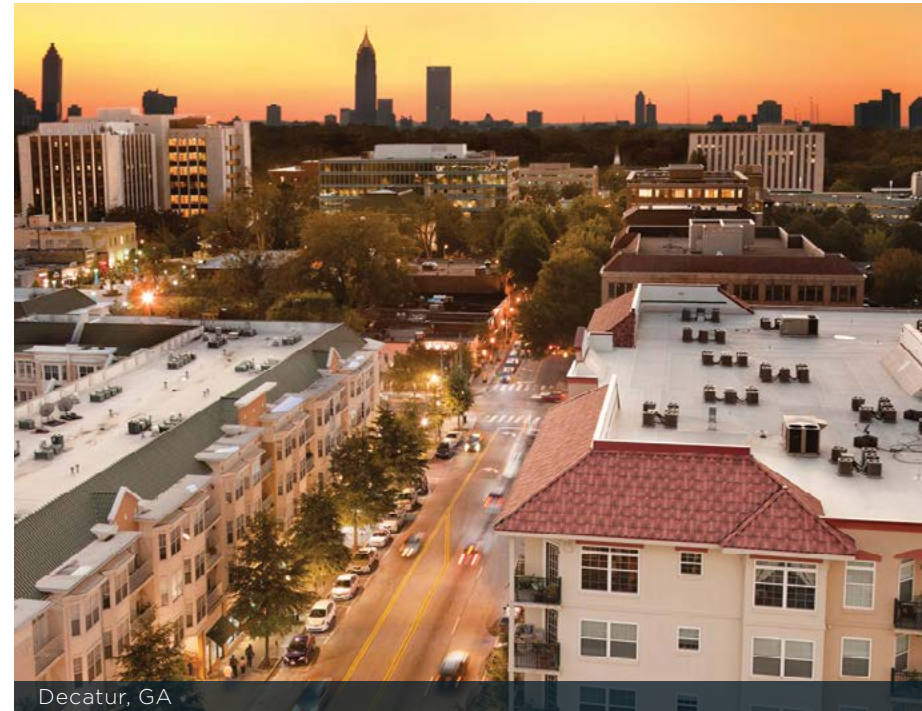
Decatur is a city in, and county seat of, DeKalb County, Georgia. It is an in-town, suburb of Atlanta and part of the Atlanta Metropolitan Area, and its public transportation is served by three MARTA rail stations. The city's economic development goals include encouraging a healthy mix of commercial, retail, restaurant and residential uses within its commercial districts. The commercial districts in Decatur are developed to encourage more pedestrian activity and less dependency on automobiles.

Atlanta is the capital and most populous city in Georgia with an estimated 2014 population of 456,002. It is the cultural and economic center of the Atlanta metropolitan area, home to 5,614,323 people and the ninth largest metro area in the country. The city ranks third in the number of Fortune 500 companies headquartered within city boundaries. Atlanta is considered an "alpha" or "world city," and with a gross domestic product of \$270 billion, Atlanta's economy ranks 36th among world cities and eighth in the nation. Although Atlanta's economy is considered diverse, dominant sectors include logistics, professional and business services, media operations, and information technology. Topographically, Atlanta is marked by rolling hills and dense tree coverage. Revitalization of Atlanta's neighborhoods, initially spurred by the 1996 Olympics, has intensified in the 21st century, altering the city's demographics, politics, and culture.

As of 2010, Atlanta is the seventh-most visited city in the U.S., with over 35 million visitors per year. Atlanta was also the 12th most popular destination for overseas visitors: 712,000 in total. Atlanta is the primary transportation hub of the Southeastern U.S. via highway, railroad, and air, with Hartsfield-Jackson Atlanta International Airport being the world's busiest airport since 1998. The city is the global headquarters of corporations such as The Coca-Cola Company, The Home Depot, Delta Air Lines, AT&T Mobility, UPS and Newell-Rubbermaid. Over 75 percent of Fortune 1000 companies conduct business operations in the Atlanta metropolitan area, and the region hosts offices of about 1,250 multinational corporations.



Atlanta, GA



Decatur, GA

TUXWORTH SPRING
CONDOMINIUMS

FAMILY PRACTICE OF
ATLANTA MEDICAL
GROUP



PAGES PARK APARTMENTS

SCOTT BLVD (37,200 VPD)



MEDICAL
ACUPUNCTURE
& NUTRITION



N DECATUR RD (18,300 VPD)

ALLIED ANKLE
& FOOT CARE
CENTER

MANORCARE
REHAB CENTER
- DECATUR

GOLDEN LIVING
CENTER

NOVA CARE



DEKALB MEDICAL AT
NORTH DECATUR

SELECT
PHYSICAL
THERAPY

ATLANTA
PODIATRY
GROUP,
DECATUR

CAPSTONE
MEDICAL
GROUP

JACKSON
SQUARE
APARTMENTS

JO-ANN
fabric and craft stores

WINN WAY
INTERNAL
MEDICINE

FRESENIUS
KIDNEY CARE
DECATUR

PATHOLOGY
LAB OF
GEORGIA

DEKALB COUNTY
MENTAL HEALTH

PHYSICIANS'
CARE CLINIC

GENOA, A QOL
HEALTHCARE
COMPANY

DEKALB INDUSTRIAL WAY (20,260 VPD)



YOUR DEKALB
FARMERS MARKET



Demographics

2685 Milscott Dr Decatur, GA 30033	0 - 1 mi.	0 - 3 mi.	0 - 5 mi.
Population			
2017 Population	10,867	109,944	310,990
2022 Population	11,287	115,365	325,559
2010-2017 Annual Rate	0.79%	0.92%	0.90%
2017-2022 Annual Rate	0.76%	0.97%	0.92%
Households			
2017 Total Households	5,322	45,366	129,525
2022 Total Households	5,514	47,756	135,990
2010-2017 Annual Rate	0.61%	1.10%	0.99%
2017-2022 Annual Rate	0.71%	1.03%	0.98%
Income			
2017 Average Household Income	\$76,200	\$87,127	\$86,995
2017 Median Household Income	\$53,605	\$54,262	\$55,701



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going beyond

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