

12.2.2020

MIP INVESTMENT MEMO



Crossroads Professional Building

Waterford, CT

OVERVIEW:

Crossroads Professional Building is a 69,951 SF, three-story MOB located in Waterford, CT. The property is currently 100% occupied by seven tenants anchored by Hartford Healthcare (Moody's: A2) and Yale New Haven Hospital (Moody's: Aa3) who occupy 48% and 33% of the GLA, respectively.

Hartford Health ("HH") is in the process of building a nearby medical building and will be exercising their early termination option on ~23,000 SF (33% of GLA) in May of 2022. The early termination option is subject to a fee of ~\$400K. It is likely that HH will also concurrently vacate their remaining ~10,500 SF (15% of GLA), although lease does not have a termination option.

- MIP is in discussions with Yale New Haven Hospital ("Yale") to extend their existing space, ~28,000 SF (33%), at a reduced rate in exchange for 10-year lease executed at closing. Yale is agreeable to executing a LOI with MIP during DD to memorialize the business terms of this extension.
- Yale has indicated that they are also interested in expanding within the building and are beginning to work with their local hospital to plan for programs they want to put in the vacated HH space in 2022. However, Yale can't commit to any lease on the expansion space in the near term.
- As part of an LOI on the Yale's existing space, MIP would look to set up a methodology for how rent and TIs would be structured on any expansion space taken by Yale in the vacated HH suites. The program would likely consist of a tiered rent/TI structure which would provide an economical incentive to take more space in the near future.



FINANCIAL OVERVIEW & ACQUISITION ASSUMPTIONS



| Crossroads Professional Building - Waterford, CT | | | |
|--|----------------------------------|---|---------------------------------------|
| Yale Backfills 50% of Hartford Space | | | |
| Project Summary | | General Assumptions | |
| Property Name | Crossroads Professional Building | <u>Annual Growth</u> | |
| Address | 196 Waterford Parkway South | Market Inflation | 1.50% |
| City, State | Waterford, CT | Operating Expenses | 2.50% |
| Year Built | 2005 | <u>Vacancy Loss</u> | |
| Parking Stalls | 350 | General Vacancy Loss | 10.00% |
| Net Rentable Area | 69,915 | <u>Capital Expenditures</u> | |
| Current Occupancy | 100.0% | Annual Capital Reserve (PSF) | \$0.20 /SF |
| WALT | 4.5 Years | | |
| Ground Lease Remaining | N/A | | |
| Total Lot Size | 15.56 Acres | | |
| Anchor Tenant | | Market Leasing Assumptions | |
| Anchor Tenant | Yale-New Haven Hospital | <u>Market Leasing</u> | |
| Credit Rating | Aa3 (Moody's) | Renewal Probability (%) | 75.00% |
| Anchor WALT | 4.9 Years | Lease Term (yrs / mos) | 5/0 |
| % of Leased Area | 32.6% | Market Rent (\$ / SF) | \$21.32 |
| | | Recovery Type | Continue Prior |
| | | Rent Escalations | 2.00% |
| | | <u>Free Rent</u> | |
| | | New (Mos) | 0.0 |
| | | Renewal (Mos) | 0.0 |
| | | Weighted Average (Mos) | 0.0 |
| | | <u>Tenant Improvements</u> | |
| | | New | \$20.00 /SF |
| | | Renewal | \$10.00 /SF |
| | | Weighted Average | \$12.50 /SF |
| | | <u>Lease Commissions</u> | |
| | | New | 4.00% |
| | | Renewal | 2.00% |
| | | Weighted Average | 2.50% |
| | | <u>Turnover Vacancy</u> | |
| | | Downtime (Mos) | 9.00 mos |
| | | Weighted Average (Mos) | 2.25 mos |
| Hold Period | | Ground Lease | |
| Acquisition Date | Feb-21 | Remaining Term | N/A |
| Disposition Date | Aug-26 | Year 1 Ground Rent | - |
| Hold Period | 5.6 Years | Effective Annual Ground Rent Escalation | - |
| Purchase Price | | | |
| Purchase Price | 14,250,000 | | |
| Acquisition Costs | 547,500 | | |
| Total Purchase Price | 14,797,500 | | |
| Year 1 NOI (Modeled) | 1,701,576 | | |
| Going-In Cap Rate | 11.94% | | |
| Debt Terms | | | |
| Initial Loan Funding (LTV) | 65.0% | | |
| Future Loan Funding - Capital Improvements | 0.0% | | |
| Future Loan Funding - Leasing Costs | 65.0% | | |
| Fixed Interest Rate | 4.25% | | |
| Interest Only Period | 18 months | | |
| Amortization | 25 years | | |
| Loan Metrics | | | |
| Total LTC | 64.7% | | |
| Stabilized LTV | 37.3% | | |
| Year 1 Debt Yield | 17.42% | | |
| Year 1 DSCR | 4.10x | | |
| Sources & Uses | | | |
| <u>Sources</u> | <u>% of Total</u> | <u>Amount</u> | |
| Debt | 64.7% | 11,104,976 | |
| LP Equity (90% of total equity) | 27.1% | 4,661,213 | |
| GP Equity (10% of total equity) | 3.0% | 517,913 | |
| Co-GP Equity (0% of total equity) | 0.0% | 0 | |
| Tenant Equity | 0.0% | 0 | |
| Funding from Cash Flow | 5.2% | 892,871 | |
| Total Sources | 100% | 17,176,972 | |
| <u>Uses</u> | <u>% of Total</u> | <u>Amount</u> | |
| Acquisition Price | 83.0% | 14,250,000 | |
| Acquisition Closing Costs | 2.4% | 405,000 | |
| Acquisition Fee | 0.8% | 142,500 | |
| Other Costs at Closing | 0.0% | 0 | |
| Earn-Out | 0.0% | 0 | |
| CapEx | 0.0% | 0 | |
| Leasing Costs | 13.3% | 2,287,079 | |
| CapEx Reserve | 0.5% | 82,728 | |
| Carry Cost | 0.1% | 9,665 | |
| Total Uses | 100.0% | 17,176,972 | |
| Terminal Value | | | |
| Exit Month | | Month 67 | |
| Terminal NOI | | 1,546,695 | |
| Terminal Cap Rate | <u>\$ / SF</u> | 6.50% | |
| Terminal Value | \$340 | 23,795,308 | |
| Cost of Sale | | (475,906) | |
| Loan Repayment | | (9,917,711) | |
| Net Terminal Proceeds | \$192 | 13,401,691 | |
| Returns | | | |
| Stabilized ROC (Mo 1) | | 11.94% | |
| Avg. Cash-on-Cash | | 12.27% | |
| Unlevered IRR | | 15.28% | |
| IRR | | | |
| Project Level | 31.55% | EQM | Project Return (Net of Equity) |
| LP | 26.47% | 3.15x | \$12,073,739 |
| GP | 53.74% | 7.62x | \$8,358,275 |
| <u>Co-GP Returns</u> | | | \$3,715,465 |
| GP | - | - | - |
| Co-GP Returns | - | - | - |

CURRENT RENT ROLL

| TENANT | SUITE | SF | LEASE START | LEASE EXPIRATION | RENT PSF | MONTHLY RENT | ANNUAL RENT | ESCALATIONS | RECOVERY |
|-----------------------------|---------|---------------|-------------|------------------|----------------|------------------|--------------------|-------------|----------|
| Thomas Sena, MD | 101 | 1,703 | 11/1/15 | 10/31/25 | \$24.84 | \$3,525 | \$42,303 | 2.00% | Net |
| L&M (Yale) | 102 | 9,634 | 11/1/15 | 10/31/25 | \$24.84 | \$19,942 | \$239,309 | 2.00% | Net |
| L&M (Yale) | 103 | 13,162 | 11/1/15 | 10/31/25 | \$34.84 | \$38,214 | \$458,564 | 2.00% | Net |
| Hartford Healthcare | 201 | 23,252 | 6/1/19 | 5/31/24 | \$24.85 | \$48,151 | \$577,812 | 2.00% | Net |
| Flack Eye Center | 301 | 1,906 | 11/1/15 | 10/31/25 | \$24.84 | \$3,945 | \$47,345 | 2.00% | Net |
| Kierstein & DiFrancesca | 302 | 1,953 | 11/1/15 | 10/31/25 | \$24.84 | \$4,043 | \$48,513 | 2.00% | Net |
| HHC Billing & Oncology | 303/304 | 10,518 | 11/1/15 | 10/31/25 | \$24.84 | \$21,772 | \$261,267 | 2.00% | Net |
| Ortho Associates | 305A | 3,888 | 11/1/15 | 10/31/25 | \$24.84 | \$8,048 | \$96,578 | 2.00% | Net |
| Shoreline Allergy & Asthma | 305B | 3,935 | 1/1/21 | 12/31/25 | \$23.67 | \$7,762 | \$93,141 | 2.00% | Net |
| Total / Wtd. Average | | 69,951 | - | - | \$26.66 | \$155,403 | \$1,864,831 | - | - |

| | |
|-------------------|-----------|
| OCCUPIED SF | 69,951 |
| VACANT SF | 0 |
| OCCUPANCY | 100% |
| WALT | 4.5 years |
| HH Adjusted WALT* | 3.8 years |

PROPOSED RENT ROLL- Yale Extension at Closing

| TENANT | SUITE | SF | LEASE START | LEASE EXPIRATION | RENT PSF | MONTHLY RENT | ANNUAL RENT | ESCALATIONS | RECOVERY |
|-----------------------------|---------|---------------|-------------|------------------|----------------|------------------|--------------------|-------------|----------|
| Thomas Sena, MD | 101 | 1,703 | 11/1/15 | 10/31/25 | \$24.84 | \$3,525 | \$42,303 | 2.00% | Net |
| L&M (Yale) | 102 | 9,634 | 2/1/21 | 1/31/31 | \$23.00 | \$18,465 | \$221,582 | 2.00% | Net |
| L&M (Yale) | 103 | 13,162 | 2/1/21 | 1/31/31 | \$23.00 | \$25,227 | \$302,726 | 2.00% | Net |
| Hartford Healthcare | 201 | 23,252 | 6/1/19 | 5/31/24 | \$24.85 | \$48,151 | \$577,812 | 2.00% | Net |
| Flack Eye Center | 301 | 1,906 | 11/1/15 | 10/31/25 | \$24.84 | \$3,945 | \$47,345 | 2.00% | Net |
| Kierstein & DiFrancesca | 302 | 1,953 | 11/1/15 | 10/31/25 | \$24.84 | \$4,043 | \$48,513 | 2.00% | Net |
| HHC Billing & Oncology | 303/304 | 10,518 | 11/1/15 | 10/31/25 | \$24.84 | \$21,772 | \$261,267 | 2.00% | Net |
| Ortho Associates | 305A | 3,888 | 11/1/15 | 10/31/25 | \$24.84 | \$8,048 | \$96,578 | 2.00% | Net |
| Shoreline Allergy & Asthma | 305B | 3,935 | 1/1/21 | 12/31/25 | \$23.67 | \$7,762 | \$93,141 | 2.00% | Net |
| Total / Wtd. Average | | 69,951 | - | - | \$24.18 | \$140,939 | \$1,691,267 | - | - |

| | |
|-------------------|-----------|
| OCCUPIED SF | 69,951 |
| VACANT SF | 0 |
| OCCUPANCY | 100% |
| WALT | 6.2 years |
| HH Adjusted WALT* | 5.5 years |

* Accounts for HH vacating suite 201 in May 2022

