



OFFERING MEMORANDUM

SSM Health Sleep Center Clinic

2844 Index Road, Fitchburg, WI



T5 Real Estate Solutions | Tim Carey

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Investment Summary

The Offering

SSM Health Sleep Center is a medical clinic located at 2844 Index Road, Fitchburg. The building is comprised of a single-story 10,639 square foot structure situated on a 74,843 square foot parcel. The building was constructed in 2005 as a build-to-suit for St. Mary's Hospital (aka SSM Health) adjacent to St. Mary's dialysis clinic (2840 Index Road), which was subsequently sold to Fresenius Dialysis Centers.

The building is leased to SSM Healthcare of Wisconsin, Inc. pursuant to a NNN lease expiring June 30, 2024. The current rent is \$20.12 psf and reduces to \$15.00 psf on 7/1/21, escalating 2% annual thereafter.

The opportunity provides a stable investment with historical long-term tenancy, 'essential' medical service, strong current yield and upside through annual rent escalations and building expansion capacity.

PRICE - \$1,925,000 CAP RATE - 8.3%



Investment Summary

Tenancy

- SSM Healthcare of Wisconsin, Inc. is the Wisconsin-based hospital and clinics division of St.Louis-based SSM Health, a non-profit health care system with 40,000 employees operating in Illinois, Missouri, Oklahoma, and Wisconsin. SSM operates 23 hospitals and almost 300 physician offices and clinics, 10 post-acute facilities, comprehensive home care and hospice services, a pharmacy benefit company, a health insurance company and an accountable care organization. In the Madison area, SSM Healthcare of Wisconsin, Inc. operates hospitals in Madison, Janesville and Baraboo, as well as the SSM Health Dean Medical Group, consisting of 60 clinics and 500 physicians serving more than 400,000 health plan members. For further information visit www.ssmhealth.com
- SSM recently executed a 3-year lease renewal, extending its lease thru June 30, 2024. This lease extension followed SSM issuing a letter of termination in June, 2020 amidst the COVID crisis. At the time, SSM was experiencing financial challenges due to government-imposed and self-directed shut down of medical facilities. Moreover, SSM had a vacant floor in their Park Street hospital building and decided to move the sleep center into the hospital in an attempt to reduce expenses. Following receipt of the termination letter, the existing landlord offered SSM a substantial rent reduction as an inducement to renew the lease, though the offer was rejected and SSM proceeded with plans of renovating the vacant hospital floor to accommodate the sleep center. However, after several months of planning and pricing the improvements, SSM concluded that it was prohibitively expensive to move the sleep center into the hospital, both in terms of upfront capital costs and on-going operating expenses. SSM approached the landlord in November, 2020 to request consideration of a 3-year lease extension, and the extension was executed in January, 2021.

Financial Overview

	YEAR END 2019	9 MONTHS 2020
TOTAL ASSETS	\$9,209,165,000	\$10,159,961,000
Net Equity	\$3,276,535,000	\$3,446,708,000
Total Revenue	\$7,934,554,000	\$6,015,877,000
Operating Income	\$150,178,000	\$53,841,000
Net Income	\$406,679,000	(\$3,049,000)
Licensed Beds	5,424	5,329
Acute Patient Days	844,217	581,720
Skilled Patient Days	260,823	191,833
Outpatient Surgeries	87,056	50,632
ER Visits	768,224	483,286
Occupancy Rate	65.4%	62.6%

*- Reflects SSM Health Care Corporation.

Financial information for its subsidiary, SSM Health Care of WI, Inc. not reported.



Property Overview

Overview

ADDRESS:

2844 Index Road, Fitchburg, WI

SITE SIZE:

74,843 square feet / 1.72 acres

BUILDING AGE:

Completed in 2005

BUILDING SIZE:

10,639 square feet, consisting of twelve sleep labs with private bathrooms, six exam rooms, seven private offices, and corresponding support space.

EXPANSION CAPACITY:

Approximately 7,500 sq.ft

PARKING CAPACITY:

15 dedicated stalls and 89 shared stalls pursuant to a Joint Access and Parking Easement

STRUCTURE:

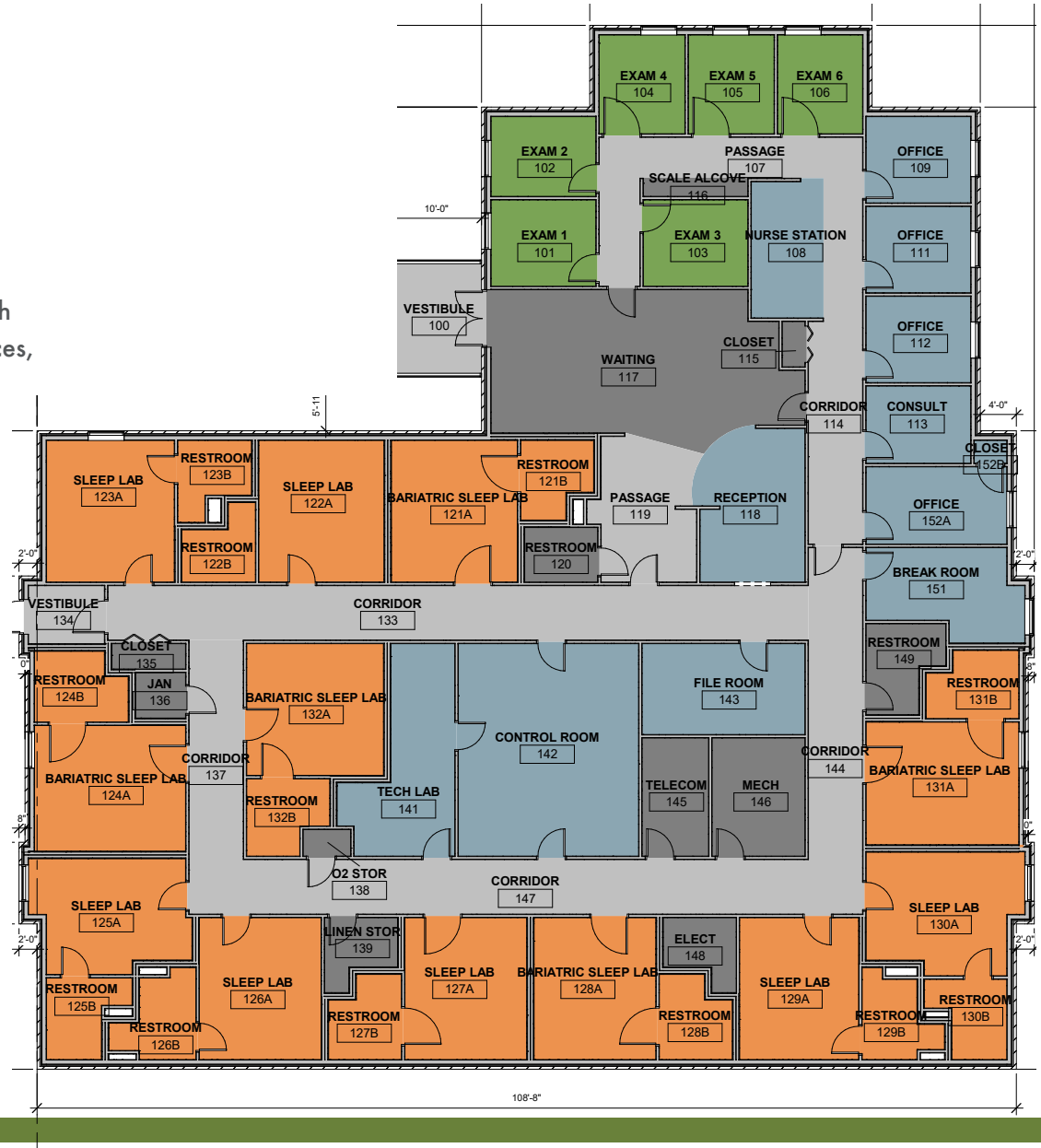
Wood frame with masonry & cement-board exterior

ROOF:

Pitched asphalt shingle

SPRINKLERED:

Yes - wet system



Lease Abstract

Tenant

SSM Health Care of Wisconsin, Inc., owning and operating
St. Mary's Hospital Medical Center

GENERAL INFORMATION:

Building: 2844 Index Road
Rentable Area: 10,639 RSF
% of Total Building: 100%
Lease Commencement: May 1, 2006
Lease Expiration: June 30, 2024
Expansion Options: No
Extension Options: Yes, one 5-year w/ 12 months notice.
Termination Option: No
Current Net Rental Rate: \$20.12



RENTABLE AREA:

10,639 rentable square feet

EXPIRATION DATE:

June 30, 2024

LEASE DATES:

December 5, 2005
Initial Lease Execution
August 11, 2006
1st Amendment
(Sub-lease to related entity)
October 1, 2014
2nd Amendment
(Lease Extension & Modification)
October 10, 2016
3rd Amendment
(Establish CSM and Allocation of Parking Lot Expenses)
June 2, 2020
Letter Agreement
(Lease Extension to 6/31/21)
January 20, 2021
4th Amendment
(Lease Extension to 6/31/24 and Rent Adjustment)

Lease Abstract

BASE RENT:

PERIOD	ANNUAL RENT	RENT PSF
5/1/15 - 4/30/16	\$184,624	\$17.35
5/1/16 - 4/30/17	\$190,162	\$17.87
5/1/17 - 4/30/18	\$195,867	\$18.41
5/1/18 - 4/30/19	\$201,743	\$18.96
5/1/19 - 4/30/20	\$207,796	\$19.53
5/1/20 - 6/30/21	\$214,029	\$20.12
7/1/21 - 6/30/22	\$159,585	\$15.00
7/1/22 - 6/30/23	\$162,777	\$15.30
7/1/23 - 6/30/24	\$166,032	\$15.61

TENANT'S PRO RATA SHARE:

- 100% of building
- 30.02% of parking lot/driveways

ADDITIONAL RENT:

Tenant is responsible and directly pays for all expenses relating to repairs and maintenance, both interior and exterior and ordinary and extraordinary, including all portions of the demised premises except for exterior walls, roof and other structural portions. Tenant is also responsible for all utilities, insurance and real estate taxes. If required by Landlord's lender, a real estate tax escrow is permitted. Note: In 2019, SSM paid \$117,000 toward its pro rata share of a complete parking lot replacement.



— Lease Abstract

LANDLORD RESPONSIBILITIES:

Landlord is responsible for the maintenance and repair of the exterior walls, roof and other structural members, except for maintenance and repairs necessitated by the Tenant's negligence.

ASSIGNMENT/SUBLETTING:

Landlord consent required, except in the event of an assignment to an affiliated entity under common control. Excess rent achieved thru an approved sub-lease shall be split 50/50.

SUBORDINATION:

The lease is subordinate to any present or future mortgage.

ESTOPPEL CERTIFICATE:

Required by tenant within 10 days request.

LANDLORD INSURANCE:

Fire and casualty coverage equal to replacement cost, and rent loss coverage for a period of 12 months. Cost of Landlord's insurance is reimbursed by Tenant.

TENANT INSURANCE:

General liability coverage of \$2 mm aggregate limit for bodily injury and \$1 mm related to property damage. Tenant insurance policies shall name Landlord and Landlord's mortgagee as additional insureds.

DAMAGE/DESTRUCTION:

In the event of damage or destruction of the Premises, Landlord shall endeavor to timely replace the damaged portions of the building, during which time Tenant's rent shall abate. If insurance proceeds are not available to replace the damage portions of the building and Landlord elects not to provide replacement funds, Tenant has right to terminate the Lease with 30 days notice.

RENEWAL OPTIONS:

One five-year renewal option remaining. Lease automatically renews unless Tenant provides notice to not renew one year in advance of the expiration date.

SECURITY DEPOSIT:

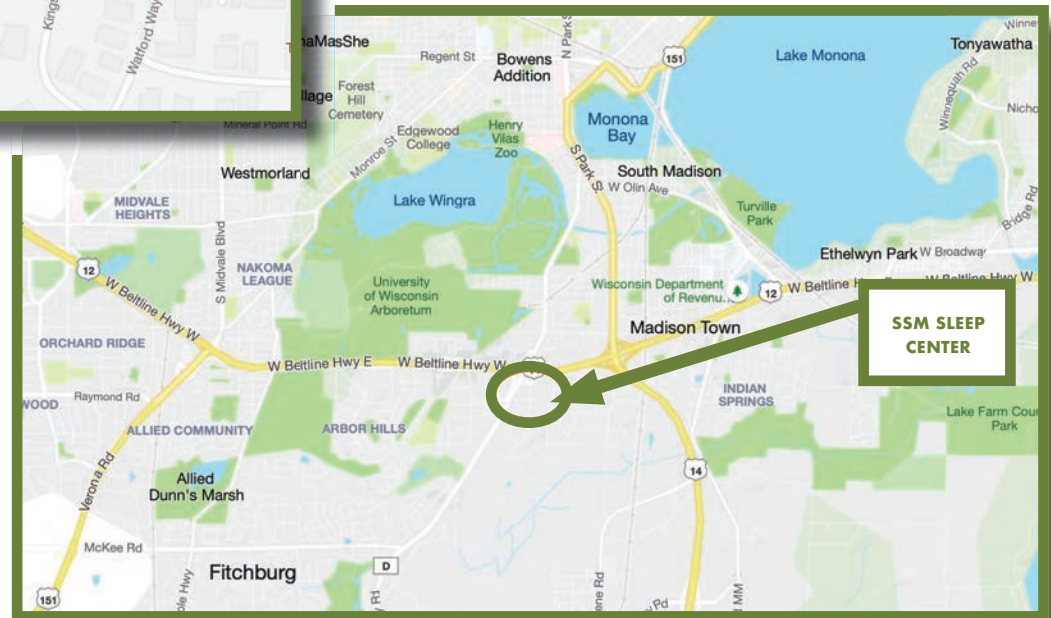
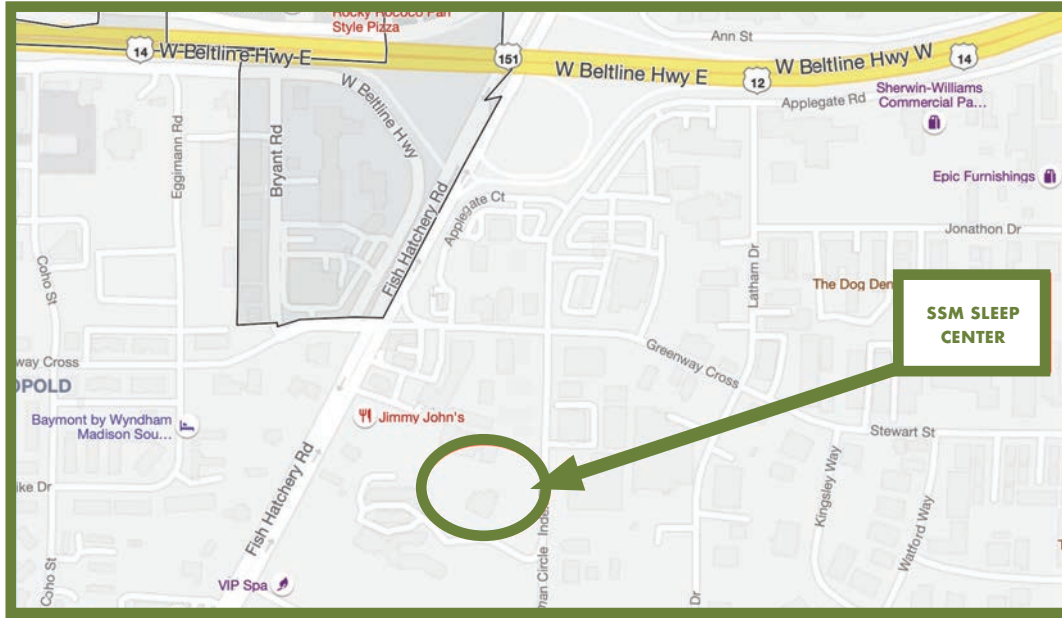
None

Financial Analysis

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>
RENTAL INCOME	\$159,585	\$162,777	\$166,032
Expenses	NNN	NNN	NNN
NET OPERATING INCOME	\$159,585	\$162,777	\$166,032
IMPLIED CAP RATE	8.29%	8.46%	8.63%
Capital Structure Attributes			
LOAN AMOUNT @ 80% LTV	\$1,540,000	\$1,500,759	\$1,460,123
CASH EQUITY	\$385,000	\$385,000	\$385,000
INTEREST RATE	3.5%	3.5%	3.5%
AMORTIZATION	25	24	23
ANNUAL PAYMENT	\$92,515	\$92,515	\$92,515
NET CASH FLOW	\$67,070	\$70,261	\$73,517
CASH ON CASH YIELD	17.4%	18.2%	19.1%



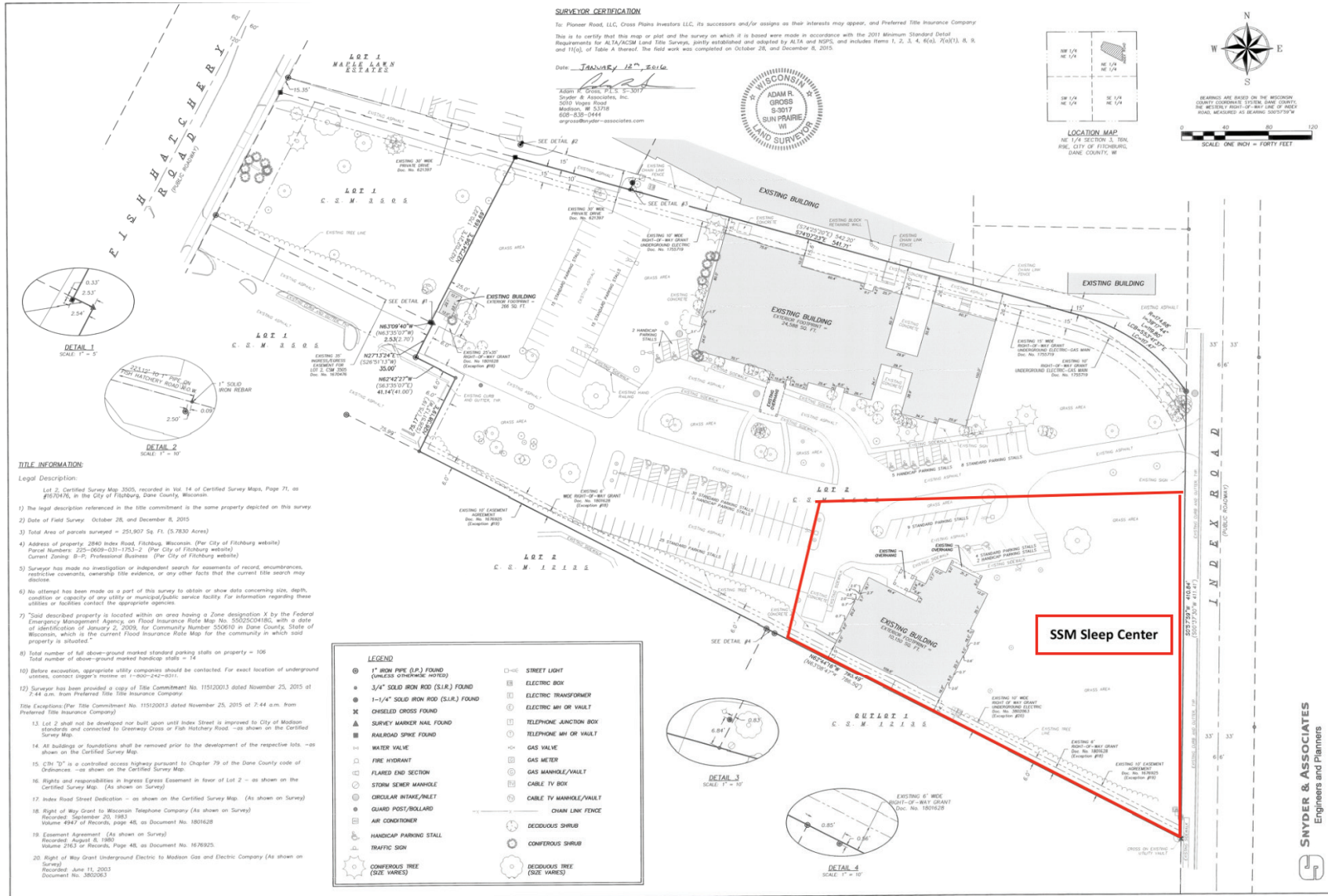
Maps



Aerials



Survey



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