



McFARLINGROUP
OPPORTUNISTIC SENIOR LIVING INVESTMENTS

2 CHABOT STREET • MEDICAL OFFICE OPPORTUNITY

CONTACT INFORMATION: Matt Johnson • 6370 LBJ Freeway, Suite 276, Dallas, TX • 469.619.5418 • mcfarlin-group.com

Opportunity Name	2 Chabot Street
Loan Amount (Existing)	\$3,976,849 ¹
Acquisition Price	\$575,000 (14% of Par)
Total Budget/Funding	\$4,896,000
Closed	Est. July 31, 2020
Seller	Morgan Stanley
Percentage Debt	0%
LP Return (Unlevered & Net) Est.	29.7% / 1.88x Cash Multiple
Sponsor	McFarlin Group
Sponsor Co-Investment	10% Pari-passu

¹ Includes accrued late fees and penalties as of May 1, 2020



INVESTMENT OVERVIEW

McFarlin Group, LLC (“MFG” or the “Sponsor”) is under contract to purchase a recently vacated Medical Office Building located at 2 Chabot St. Westbrook, ME (the “MOB Property”). On August 7, 2007, Morgan Stanley provided PRT, LLC (“Borrower”) with a \$5,140,000 secured first mortgage loan with a Personal Guaranty.

The Loan bore a fixed rate of interest at 6.25% with a 300-month amortization schedule. The Loan matured on August 8, 2017 and carries a current unpaid principal balance (“UPB”) of \$3,976,849 (\$135.63 PSF) as of May 2020. LNR Partners, LLC took over as the special servicer on April 11, 2017 because of debt service problems and an ensuing maturity default.

The Notice of Default (“NOD”) was sent to the Borrower on September 12, 2017 due to failure to pay the full balance at the maturity date on August 8, 2017. A pre-negotiation letter (“PNL Agreement”) was sent to the Borrower on April 11, 2017 to begin negotiating potential modifications to the Loan. The Loan is Nonperforming and is currently in maturity default. The current unpaid principal balance as of May 1, 2020 is approximately \$3,976,849 (\$135.63 PSF). The loan carries a personal guaranty.



MEDICAL OFFICE



29,322 SF



1996/2006



2.60 ACRES



VACANT



PORTLAND MARKET



ON-SITE SECURITY SYSTEM



120 SURFACE
PARKING SPACES





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PROJECT STRENGTHS

Medical Office Market Strong: The SW Cumberland County Medical Office Submarket has approximately 1.2 million square feet of product and a 3.0% vacancy rate. Through the first quarter of 2020, the submarket has a negative 3,000 square feet of net absorption. The asking rents in the submarket are approximately \$20.45, slightly higher than the overall Portland Market.

Location, Location, Location: The MOB Property is strategically located in one of the most populous counties in Maine. Cumberland County is the county with the highest Median Household Income (Total) in Portland-South Portland, Maine with a value of \$72,452 (14.7% higher than the national average). Convenient access to I95 and located nearby significant new development activity.

Low Basis: Acquisition price at 16% of Par offers wide margins of safety.

Quality Medical Office Market: Portland, Maine is an aging community and an attractive retirement destination with numerous medical facilities. There are several major hospitals and urgent care facilities within a 5 mile radius, including New England Rehabilitation Hospital of Portland, The Barbara Bush Children's Hospital, and Spring Harbor Hospital.

Versatile Use Options: The Collateral can be re-leased for medical office or repurposed to another commercial use provided the dense surrounding including a mix of residential, retail, hospitality, industrial and flex space.

BUSINESS PLAN

The Sponsor intends to acquire the loan from Morgan Stanley/LNR for 14% of par balance and immediately initiate foreclosure of the property as well as pursue a judgment against the Guarantor of the Loan. The Sponsor anticipates a 3-year hold period or may flip the asset to a new buyer.

In parallel to the foreclosure process, Sponsor will implement a new leasing strategy and plans to engage a local broker to aggressively market the space for lease. The MOB Property has not been marketed for lease since it was vacated.

MARKET & LOCATION

The MOB Property is strategically located 15 minutes outside of downtown Portland and surrounded by a strong mix of industrial, flex, retail, hospitality and residential. In addition, there are numerous medical facilities in close proximity, particularly to the Southeast as you head towards downtown Portland. In fact, Portland is an aging community and an attractive retirement destination. There are several major hospitals and urgent care facilities within a 5 mile radius, including New England Rehabilitation Hospital of Portland (2.7 miles), The Barbara Bush Children's Hospital (4.5 miles), and Spring Harbor Hospital (3.6 miles).

Portland, Maine is home to more than one-third of Maine's total population and is the most populous city in the state of Maine as well as the most populous metropolitan area in northern New England. Portland's economy mostly relies on tourism and the service sector, however the Marine industry plays an important role in the city's economy, with an active waterfront that supports fishing and commercial shipping. The port of Portland is the largest tonnage seaport in New England. With Portland's strong and ever evolving economy, they have a low unemployment rate of 3.1% versus the national US average of 4.4%.

Westbrook, Maine is included in the Portland-South Portland-Biddeford MSA (Maine MSA). The town is located about 6 miles West of Portland along Highway 258. Westbrook's population is made up of 18,154 people, and has had a population growth of 1.04%. Westbrook benefits from strong market fundamentals as shown by the median household income of \$51,062. Westbrook has an unemployment rate of 2.9%, while the US average is 3.7%. The future job growth over the next ten years is predicted to be 4.5% annually, which is higher than the US average of 0.5% annually. Westbrook's most common industries are healthcare and social assistance, retail trade, and finance/insurance. Within a 10-mile radius of Westbrook, there are 4 colleges/ and universities.

PROJECT BUDGET

Sources of Funds	Amount
Debt	\$0
Equity	\$1,363,729
Total Sources	\$1,363,729
Uses of Funds	
Loan Purchase Price	\$575,000
Repairs & Maintenance	\$250,000
Tenant Improvements	\$400,000
Closing & Foreclosure	86,250
Brokerage Fee (Third-party)	\$20,000
Other Soft Costs	\$32,479
Total Uses	\$1,363,729

PROFORMA ASSUMPTIONS

Hold Period	3 Years
Rent Growth	1.7%
Expense Growth	3.0%
Refinancing	No

SALE ASSUMPTIONS

Year	3 Years
Sales Cap Rate	8.25%
Sales Costs	3.0%
NOI	\$221,466
Project IRR	35.9%
Avg Cash on Cash Return Inc Sale	62.6%
Equity Multiple	2.10x
Total Profit	\$1,500,081

KEY DIFFERENTIATORS

- Limited buyers acquiring one-off distressed properties.
- Ability to quickly close (15 days or less) results in a more competitive cost basis (as compared to the competitive set) to create wider margins of safety.
- Cost basis of 14% of Par creates wide margins of safety for investors in terms of repositioning and resale.
- Underwritten market rent is well below the existing market.