

Yakima Family Medicine

504 N. 40th Ave, Yakima, WA



OFFERING MEMORANDUM



Keller Williams Sunset Corridor | Each Office Independently Owned and Operated

INVESTMENT SUMMARY

OFFERING PRICE IS

\$3,200,000



Presenting an exceptional investment opportunity in the heart of Yakima's coveted North 40th Avenue district, the Family Medicine of Yakima Building is a prestigious medical facility designed for success. Built in 1993, this impressive free-standing structure encompasses 12,083 square feet finished ground floor space, 2730 square feet of finished basement space, and 3,778 square feet of unfinished basement space. Showcasing an inviting frame with rock trim, instilling confidence and professionalism. Situated on a sprawling 1.31-acre commercially zoned lot, this property boasts 70 parking spaces, ensuring convenience for both clients and staff. 27 exam room, a private lab, 2 procedure rooms, 7 private offices, breakroom, conference room, gym and more. Building is fully sprinkled, has a metal roof and when designed area was reserved to add an elevator to access the basement if needed

A total of 18,591 sq. ft., all optimized for your specific requirements. Don't miss this opportunity to acquire a prime property in an ideal office location, just 40 blocks west of Yakima's central core area, making it a strategic choice for your real estate portfolio. Space is leased to MultiCare Hospital through 2025.



PROPERTY PHOTOS



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EXECUTIVE SUMMARY



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Acquisition Costs

Purchase Price, Points and Closing Costs	\$3,224,900
Investment - Cash	\$984,900
First Loan (Fixed)	\$2,240,000

Investment Information

Purchase Price	\$3,200,000
Price per SF	\$216.03

Financial Indicators

Cash-on-Cash Return Before Taxes	7.07%
Optimal Internal Rate of Return (yr 1)	27.54%
Debt Coverage Ratio	1.36
Capitalization Rate	8.25%
Gross Income / Square Feet	\$19.80
Gross Expenses / Square Feet	(\$0.99)
Operating Expense Ratio	5.26%

Income, Expenses & Cash Flow

Gross Scheduled Income	\$293,296
Total Vacancy and Credits	(\$14,665)
Operating Expenses	(\$14,665)
Net Operating Income	\$263,966
Debt Service	(\$194,290)
Cash Flow Before Taxes	\$69,676
After Tax Results	
Total Interest (Debt Service)	(\$161,319)
Depreciation and Amortization	(\$59,910)
Taxable Income (Loss)	\$42,737
Tax Savings (Costs)	(\$15,385)
Cash Flow After Taxes	\$54,290



ANNUAL PROPERTY OPERATING DATA



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Description Year Ending	Year 1 12/2024	Year 2 12/2025	Year 3 12/2026	Year 4 12/2027	Year 5 12/2028
Income					
Rental Income	\$293,296	\$298,588	\$298,588	\$298,588	\$298,588
Gross Scheduled Income	\$293,296	\$298,588	\$298,588	\$298,588	\$298,588
General Vacancy	(\$14,665)	(\$14,929)	(\$14,929)	(\$14,929)	(\$14,929)
Gross Operating Income	\$278,631	\$283,659	\$283,659	\$283,659	\$283,659
Expenses					
Unreimbursed Expenses					
Total Operating Expenses	(\$14,665)	(\$15,105)	(\$15,558)	(\$16,025)	(\$16,506)
Operating Expense Ratio	(\$14,665)	(\$15,105)	(\$15,558)	(\$16,025)	(\$16,506)
Net Operating Income	5.26%	5.33%	5.48%	5.65%	5.82%
	\$263,966	\$268,554	\$268,101	\$267,634	\$267,153



CASH FLOW ANALYSIS



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Before-Tax Cash Flow Year Ending	Year 1 12/2024	Year 2 12/2025	Year 3 12/2026	Year 4 12/2027	Year 5 12/2028
Before-Tax Cash Flow					
Gross Scheduled Income	\$293,296	\$298,588	\$298,588	\$298,588	\$298,588
General Vacancy	(\$14,665)	(\$14,929)	(\$14,929)	(\$14,929)	(\$14,929)
Total Operating Expenses	(\$14,665)	(\$15,105)	(\$15,558)	(\$16,025)	(\$16,506)
Net Operating Income	\$263,966	\$268,554	\$268,101	\$267,634	\$267,153
Loan Payment	(\$194,290)	(\$194,290)	(\$194,290)	(\$194,290)	(\$194,290)
Before-Tax Cash Flow	\$69,676	\$74,263	\$73,810	\$73,343	\$72,863
Cash-On-Cash Return	7.07%	7.54%	7.49%	7.45%	7.40%
Taxable Income					
Net Operating Income					
Depreciation	\$263,966	\$268,554	\$268,101	\$267,634	\$267,153
Amortization	(\$59,014)	(\$61,584)	(\$61,584)	(\$61,584)	(\$59,016)
Loan Interest	(\$896)	(\$896)	(\$896)	(\$896)	(\$896)
Taxable Income (Loss)	(\$161,319)	(\$158,847)	(\$156,190)	(\$153,334)	(\$150,264)
	\$42,737	\$47,227	\$49,430	\$51,819	\$56,977
After-Tax Cash Flow					
Before-Tax Cash Flow					
Income Taxes	\$69,676	\$74,263	\$73,810	\$73,343	\$72,863
After-Tax Cash Flow	(\$15,385)	(\$17,002)	(\$17,795)	(\$18,655)	(\$20,512)
Cash-On-Cash Return	\$54,290 5.51%	\$57,262 5.81%	\$56,015 5.69%	\$54,688 5.55%	\$52,351 5.32%



MARKET OVERVIEW



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Washington Market Overview

Move outs have driven the vacancy rate higher for office/retail space in Yakima. The vacancy rate sits at 4.5%, compared to the five-year average of 2.1%. The market's 12-month trailing absorption sits at -240,000 SF, compared to a five-year average of -28,000 SF. Annual rent growth sits at 4.5%, compared to a five-year average of 6.1%. Within just the past few years, rent growth reached an all-time high of 8.3%. The average rent for office/retail space is \$8.00/SF. Supply pressure is essentially non-existent as there are no major projects currently under construction. Cumulative net deliveries over the past five years totaled 530,000 SF. Yakima sees fewer sales transactions for office/retail space properties than similar-sized metros across the country. In the past 12 months, 17 deals were recorded, totaling \$28.1 million. The average transaction price over that period was \$161/SF.



Yakima County Outlook

There is a generalization about the Yakima County job market that: "In good years we grow slower than Washington state, but in the bad years we do not lose jobs as rapidly as the state." A relatively long-term view of average nonfarm job growth rates from 2009 through 2021 generally supports this "rule." Following the 2007 to 2009 national recession, Washington's and Yakima County's job markets were hit hard. Washington's nonfarm job-loss rate in 2009 was -4.4 percent, while Yakima experienced a less severe -1.7 percent loss rate. In 2010, the loss rates were -0.9 percent statewide versus a more modest -0.4 percent in the county. Annually from 2010 to 2019, nonfarm job-growth rates in Yakima County were not as strong as those experienced statewide. During the COVID-19-related layoffs of 2020, the job-loss rate in Yakima County (-5.0 percent) was a bit less severe than the -5.4 percent loss rate across Washington. In calendar year 2021, the 2.5 percent average annual upturn in nonfarm employment in Yakima County exceeded the 2.3 percent average annual nonfarm job growth rate for Washington state. The main reason for this good news/bad news scenario in the local economy is likely that the agricultural industry (which provided 27.8 percent of total covered employment in 2020) exerts a moderating effect on Yakima County's labor market. Yakima County's nonfarm economy added 2,100 jobs in 2021, an average annual increase of 2.5 percent, as rehiring occurred following COVID-19-related layoffs during 2020. Year over year, total nonfarm employment contracted from April 2020 through March 2021 before expanding in the past 11 months (April 2021 through February 2022). Recently, nonfarm employment advanced by 5,200 jobs (up 6.4 percent) countywide, rising from 81,800 jobs in February 2021 to 87,000 in February 2022. (Please note that February 2022 CES estimates were the most current date available at report preparation time.) <https://esd.wa.gov/labormarketinfo/county-profiles/yakima>



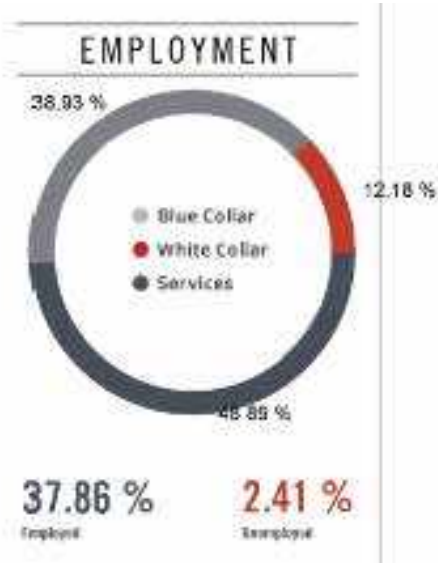
DEMOGRAPHICS



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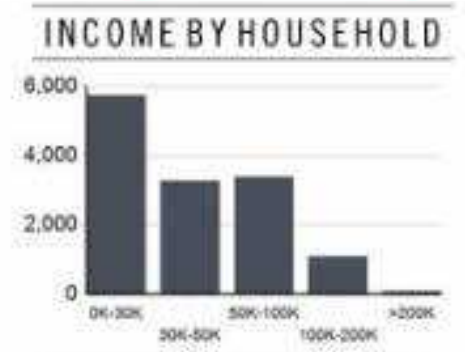


CITY, STATE
Yakima, WA
POPULATION
37,176
AVG. HH SIZE
2.95
MEDIAN HH INCOME
\$41,698



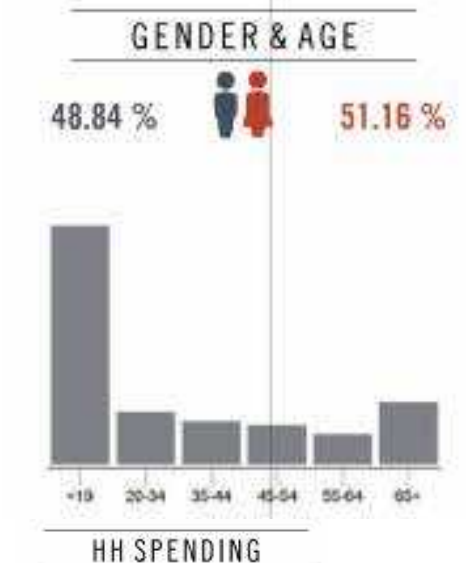
EDUCATION

High School Grad:	26.05 %
Some College:	21.80 %
Associates:	4.56 %
Bachelors:	12.74 %



RACE & ETHNICITY

White:	54.91 %
Asian:	0.21 %
Native American:	0.64 %
Pacific Islanders:	0.00 %
African-American:	0.38 %
Hispanic:	26.29 %
Two or More Races:	17.59 %





WASHINGTON RETAIL

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