

OFFERING MEMORANDUM



LA|FITNESS

2880 MICHELLE DRIVE :: IRVINE, CA



ACTUAL PROPERTY



## EXCLUSIVELY MARKETED BY

### NRP-WEST

#### JOHN READ

+1 949 725 8606  
Lic. 01359444  
john.read@cbre.com

#### KIRK BRUMMER

+1 949 725 8418  
Lic. 01218518  
kirk.brummer@cbre.com

#### SEAN HEITZLER

+1 949 725 8468  
Lic. 02025087  
sean.heizler@cbre.com

### DEBT & STRUCTURED FINANCE

#### SHAUN MOOTHART

+1 949 509 2111  
Lic. 01773201  
shaun.moothart@cbre.com

## CBRE

### CBRE-NEWPORT BEACH

3501 Jamboree Rd., Ste 100, Newport Beach, CA 92660  
F + 1 949 725 8545 | [www.cbre.com/nrpwest](http://www.cbre.com/nrpwest)  
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### NRP-WEST TEAM

#### PHILIP D. VOORHEES (Team Leader)

Preston Fetrow	John Read
Kirk Brummer	Jimmy Slusher
John Eddy	Catherine Zhong
Megan Wood	James Tyrrell
Sean Heitzler	Matt Burson
Eric Shain	Trent Steeves

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NEWPORT BEACH

PACIFIC OCEAN

CATALINA ISLAND

COSTA MESA

HUNTINGTON BEACH

IRVINE

CA 55 FREEWAY ( $\pm 299,000$  CPD)

TUSTIN LEGACY MASTER  
PLANNED DEVELOPMENT

TUSTIN METROLINK  
STATION

WALNUT AVENUE

MICHELLE DRIVE

TOLL ROAD 261 ( $\pm 83,000$  CPD)

JANBOREE ROAD ( $\pm 57,000$  CPD)

INTERSTATE 5 FREEWAY ( $\pm 305,000$  CPD)

THE DISTRICT AT TUSTIN LEGACY



VILLAGE AT TUSTIN LEGACY



THE MARKET PLACE

165 ACRE RETAIL CENTER OFFERING MORE THAN  
135 STORES AND RESTAURANTS

SOURCE: [HTTPS://WWW.SHOPTHEMARKETPLACE.COM](https://www.shopthemarketplace.com)

SUBWAY

enterprise

MIDAS

Jack in the box

jiffy lube

LA FITNESS



## INVESTMENT SUMMARY

OFFERING PRICE:	\$18,800,000
NOI (YEAR 1):	\$996,298
CAP RATE (YEAR 1):	5.30%
CURRENT OCCUPANCY:	100%
TOTAL BUILDING AREA:	±41,000 SF
TOTAL LAND AREA:	±188,755 SF (±4.33 Acres)
PARKING SPACES:	309 (7.53 spaces per 1,000 SF)
WEBSITE:	<a href="http://www.nrpwest.com/irvinelifitness">www.nrpwest.com/irvinelifitness</a>



## INVESTMENT HIGHLIGHTS

### TROPHY ORANGE COUNTY SINGLE TENANT NET LEASED (STNL) LA FITNESS – IRREPLACEABLE IRVINE LOCATION

- **Trophy STNL Investment** – Few STNL assets with a new **15-year lease, 15+ year operating history** and internet resistant tenancy come to market in Orange County, let alone in the **highly-coveted**, affluent master-planned city of Irvine, making this LA Fitness an extremely rare and compelling investment opportunity
- **National Credit Tenant** – **100%** leased to Fitness International, LLC, operator of **LA Fitness** and one of, if not the largest health club operators in the nation
  - » Established in 1984, the privately-owned and Irvine based LA Fitness is a leader in the fitness industry and one of most dominant health club chains in the US with more than **700 locations in 32 states**
- **Long-Term Lease, Significant Rental Increases** – LA Fitness recently committed to the location with a new **15-year lease extension**, extending the lease term to **October 2033** with rental increases scheduled at the lesser of CPI or **12.5%** every 5 years and **three, 5-year** options to renew
- **Historical Operating Success** – LA Fitness has been at this location **since 2003** and re-committed to the site by signing a 15-year lease extension with major improvement plans for the facility, proving the quality and success of this location
- **Facility Remodel** - LA Fitness has planned a complete “multi-million dollar” remodel and re-branding of this location as a “**Signature Club**”, further proving the “mission critical” nature of this facility within the chain



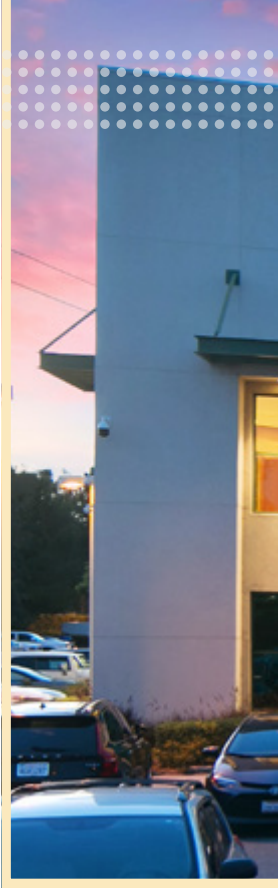
## INVESTMENT HIGHLIGHTS

### STABLE CASH FLOW, LOW MANAGEMENT NNN INVESTMENT

- **STNL “Coupon Clipper” Asset** – Single-tenant, long-term NNN leased asset provides **for nearly zero landlord obligations** or oversight
- **Embedded Rent Increases** - LA Fitness features rental increases **every 5 years** during the current term and future options at the lesser of CPI or **12.5%** above the previous rental income, providing significant rental increases for the next 30 years
- **Strong NOI Growth** – Due to scheduled rental increases every 5 years, the rent is projected to increase more than **\$277,711 (27%)** over a 10-year hold period, providing more growth and an inflation hedge compared to many “flat” STNL investments
- **NNN Expenses** – Property expenses including common area expenses, repairs, maintenance, insurance and nearly all property taxes reside with the tenant, not the landlord, making LA Fitness an excellent investment for out-of-town or passive investors
- **Purpose-Built Construction** – High-quality, purpose-built property developed to LA Fitness specifications in **2003** with significant renovations planned by the tenant, increasing its commitment to the location

### STRONG REAL ESTATE FUNDAMENTALS

- **Versatile Master Planned Building** – High-quality free-standing **41,000 SF** building on an approximate **4.3-acre** corner parcel with abundant parking at an approximate **7.53 per 1,000 SF** parking ratio – this location and configuration appeals to a variety of uses, improving the long-term viability of this property
- **Irreplaceable Irvine Real Estate** – With significant portions of Irvine owned and controlled by the **Irvine Company**, there are limited sites available for future development or redevelopment, creating **extremely high barriers to entry** – this LA Fitness property is nearly impossible to duplicate given its location within the master-planned Irvine Ranch as well as its configuration







## INVESTMENT HIGHLIGHTS

- **Signalized, Hard Corner Location** – Situated at the signalized intersection of **Jamboree Road** and **Michelle Drive** immediately off the **I-5 Freeway**, this is an extremely high-exposure location with **over 57,000 CPD** on Jamboree Road – one of the primary thoroughfares in the trade area connecting Irvine, Newport Beach and Tustin
- **Interior and Exterior Renovations** – LA Fitness has planned an extensive renovation for this building with interior improvements and exterior upgrades including paint, signage, and landscaping, further enhancing the high-image nature of this property
- **Day Time Population** - Within 1 mile of LA Fitness, the immediate area includes **2.4 million SF** of office space, **2.5 million SF** of retail space and **2.6 million SF** of industrial space, providing enormous traffic during all day parts and immediate access to a dense customer base for LA Fitness

## INVESTMENT HIGHLIGHTS

### IRREPLACEABLE ORANGE COUNTY LOCATION

- **High Visibility Location** – The property is situated at the convergence of two of Orange County's primary thoroughfares, **Jamboree Road** (over **57,000 CPD**) and **Interstate 5** (over **305,000 CPD**)
- **The Marketplace Adjacent** - Located less than **1/2 mile** from The Marketplace, featuring **120+** retailers, restaurants and shopping destinations generating regional traffic to the immediate area
- **Proven Regional Location** – Neighboring tenants include **Whole Foods, Target, Costco, Lowe's, Home Depot, REI, AMC Theatres (14), DICK's Sporting Goods, Edwards Theatres (10), Ross Dress for Less, In-N-Out Burger** and **Chick-fil-A** among many others
- **Infill, Densifying Location**- This location is immediately adjacent to the retired Tustin Marine Corps Air Station which continues to be redeveloped with thousands of residential units and commercial projects including **The District at Tustin Legacy** and **The Village at Tustin Legacy** – Furthermore, Jamboree Road is lined with numerous high-density residential developments

### DENSE, HIGHLY AFFLUENT ORANGE COUNTY DEMOGRAPHICS

- More than **18,000** people in a 1-mile radius with an Average Household Income exceeding **\$132,000**
- More than **208,000** people in a 3-mile radius with an Average Household Income exceeding **\$131,000**
- More than **507,000** people in a 5-mile radius with an Average Household Income exceeding **\$121,000**

### IDEAL 1031 EXCHANGE REPLACEMENT OR PORTFOLIO ADDITION

- **National Credit NNN Lease** – Passive “coupon clipper” single-tenant investment with national credit tenant, Fitness International, LLC
- **Long-Term Tenancy** – Occupying the property since 2003, LA Fitness is on a new 15-year lease term through 2033 with 15 years of options beyond the current term
- **Limited Management Responsibilities** – Long-term, single-tenant NNN lease limiting any landlord oversight or responsibilities
- **No Existing Financing** – LA Fitness is delivered free and clear of existing debt, allowing an investor to pay cash or obtain financing at historically low rates









## WEATHER

DAYS OF SUN

281

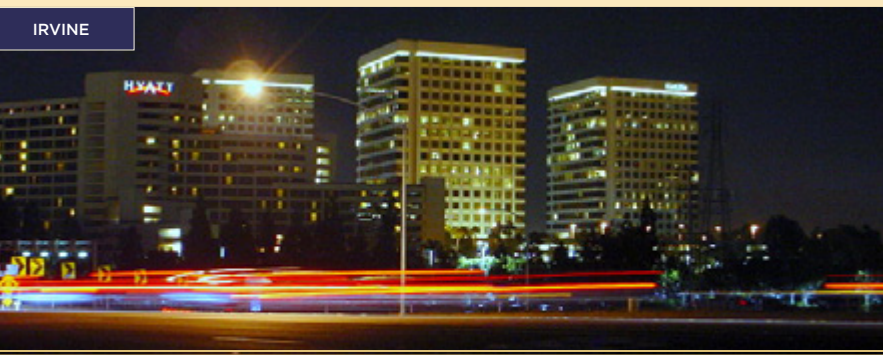
AVERAGE HIGH

73

AVERAGE LOW

54

## IRVINE



## AREA OVERVIEW

## IRVINE, CA

Located in Orange County, Irvine is a master planned city near the coast of Southern California which holds rank as one of the fastest growing cities in both California and the United States. Over the recent years, Irvine has been adding more housing, businesses, and recreational developments within its borders. With its continued growth, Irvine has needed to accommodate its new residents with homes. One community of note is the Irvine Ranch. This development is one of the bestselling master-planned communities in the United States, selling an approximate 1,100 homes in 2018. People move to Irvine due to its central location in Orange County and easy access to major California Freeways like the 5 and 405 which are two of the major arterials connecting Northern and Southern California as well as connecting Orange County to Los Angeles. Irvine also attracts residents and visitors alike due to its own amenities like the massive Orange County Great Park, a 688-acre sports and recreation mecca that will feature public ice facilities, amphitheater, 40-acre nature area, children's museum, and much more. Businesses are finding homes in Irvine as well. With over 27 million SF of office space, major companies such as Google, Blizzard, and CoreLogic all host major offices in the city. Irvine is one Orange County's most popular cities and still continues to grow!

## DEMOGRAPHICS

IRVINE, CA    ORANGE COUNTY

2018 POPULATION	270,731	3,253,957
2018 WORKFORCE	146,604	1,694,132
2018 DAYTIME POPULATION	394,746	3,338,994
2018 HOUSEHOLDS	102,779	1,060,963
2018 AVG HH INCOME	\$135,788	\$119,319
HOME VALUES (ZILLOW)	\$866,300	\$719,500

\*Source: CBRE Fast Report



## AREA OVERVIEW (CONTINUED)

### IRVINE IN THE NEWS



#2 Best Place to Raise a Family in the United States 2018  
#10 Fastest Growing City in the United States 2018

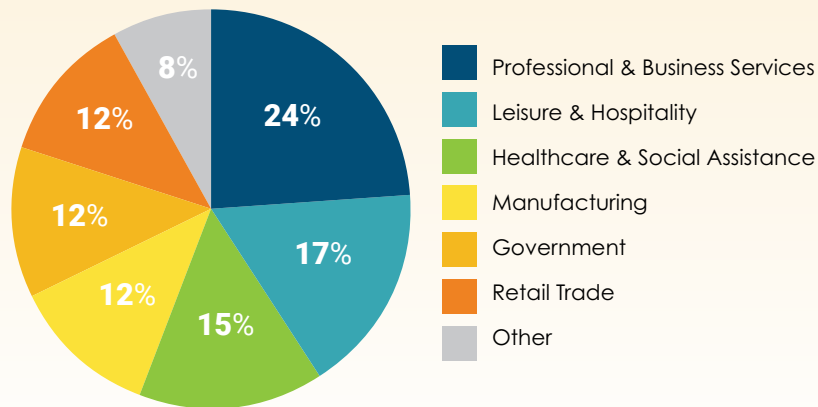


#2 Safest City in the United States 2018

### ORANGE COUNTY FACT FILE

- 991,112 passengers @ John Wayne Airport
- 26.2 Average commute time
- 37 Median Age
- 2.6% Unemployment Rate
- #79 highest Median Household Income in United States
- Population accounts for 1% of U.S. Population but has 3% of Fortune 500 companies

### TOP EMPLOYMENT



### TALENT SPEC

*Percentage of persons with bachelor's degree or higher*

- 68% Irvine
- 40% Orange County
- 32% US

### IRVINE HOUSING MARKET

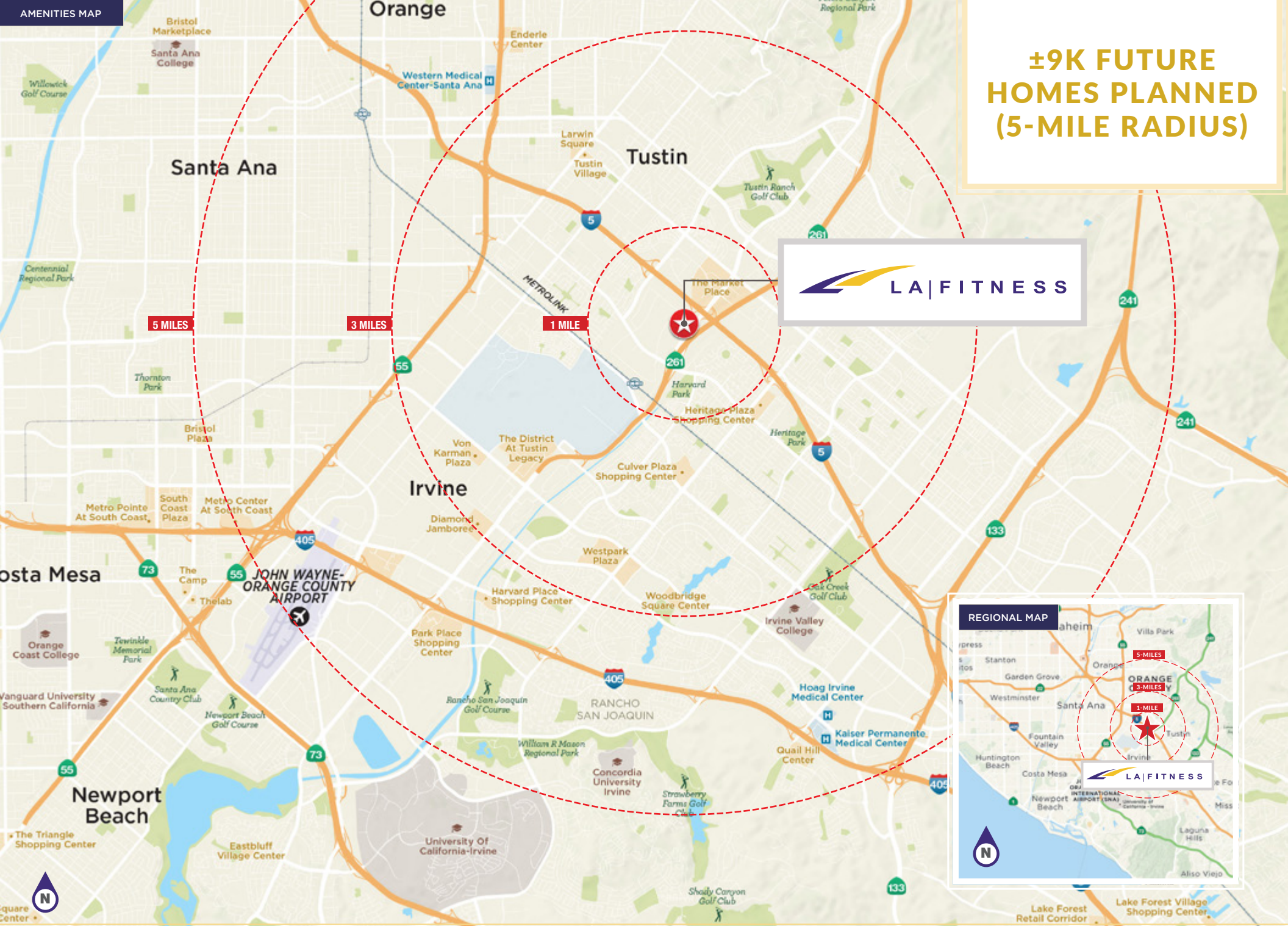
- Median Home Value: \$866,300
- 3.0% increase in home value over the last year
- Median List Price: \$999,000
- Median Sale Price: \$798,100
- Median Rent: \$3,450

### IRVINE CORPORATE HEADQUARTERS





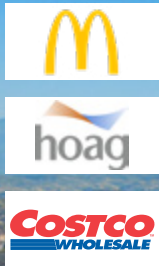
**±9K FUTURE  
HOMES PLANNED  
(5-MILE RADIUS)**











TUSTIN RANCH  
ELEMENTARY SCHOOL

TUSTIN SPORTS  
PARK

HICKS CANYON  
ELEMENTARY  
SCHOOL

INTERSTATE 5 FREEWAY (≈305,000 CPD)

JANBOREE ROAD (≈57,000 CPD)

TOLL ROAD 261 (≈83,000 CPD)

KIA DEALERSHIP





## PROPERTY DESCRIPTION

### LOCATION

2880 Michelle Drive  
Irvine, CA 92606

### SITE PLAN

LA Fitness is located at the SW corner of Michelle Drive and Jamboree Road in the city of Irvine, California.

### LAND AREA

The offering consists of 1 parcel (APN 432-391-55) totaling approximately  $\pm 4.33$  acres or  $\pm 188,755$  SF of land area.

### BUILDING AREA

The subject consists of 1 building totaling approximately  $\pm 41,000$  SF of net rentable area.

### FRONTAGE & ACCESS

The site benefits from approximately  $\pm 335$  linear feet of frontage along Michelle Drive and  $\pm 291$  linear feet of frontage along Jamboree Road.

Access points into the center include 1 entrance off Michelle Drive.

### PARKING

LA Fitness provides  $\pm 309$  parking stalls, which equates to  $\pm 7.53$  spaces per 1,000 SF parking ratio.

### TRAFFIC COUNTS

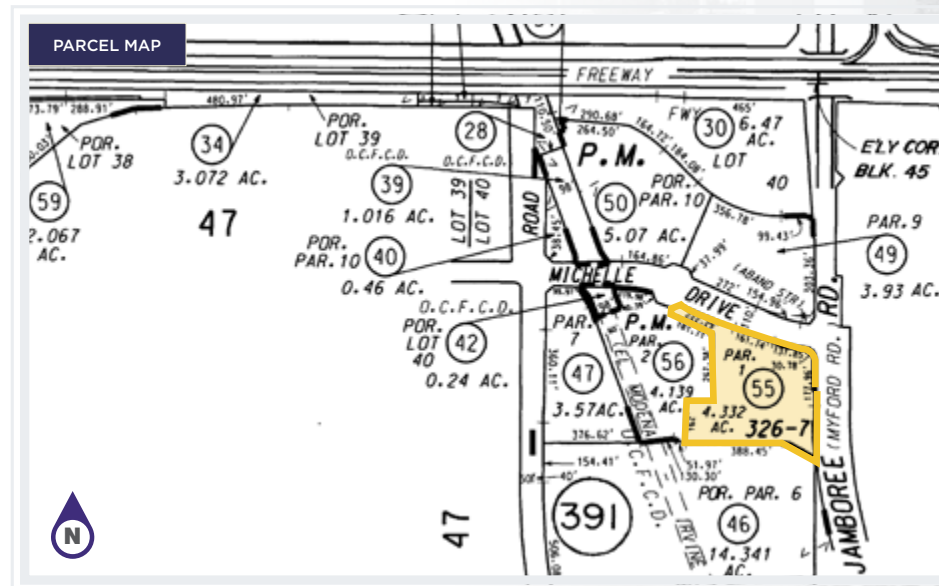
Jamboree Road	$\pm 57,800$ CPD
Interstate 5	$\pm 305,000$ CPD

### BUILT

LA Fitness was built in 2003.

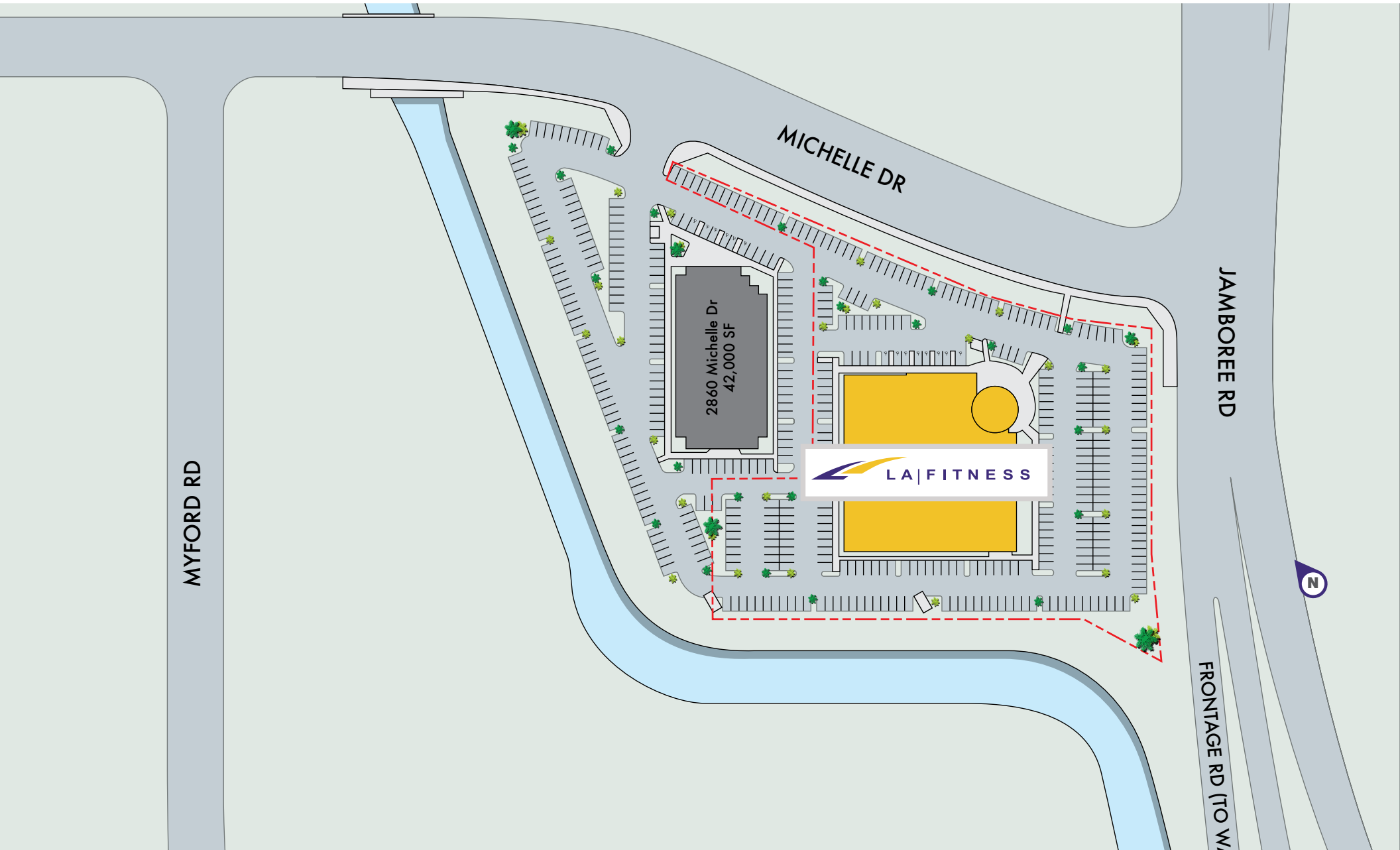
### ZONING

Per the City of Irvine, the subject site is currently zoned as 4.2E Community Commercial (Jamboree Business Center).





## SITE PLAN





## TENANT PROFILE



### LA FITNESS

LA Fitness is one of the fastest growing health club chains in the U.S. and presently has more than 700 locations across the United States and Canada. Its mission is to help as many people as possible achieve the benefits of a healthy lifestyle by creating a nationwide network of health clubs, offering its members the widest range of amenities and the friendliest service at an affordable price.

<b>WEBSITE</b>	www.lafitness.com
<b>OWNERSHIP</b>	Private
<b>HEADQUARTERS</b>	Irvine, CA
<b># OF EMPLOYEES</b>	10,000
<b># OF LOCATIONS</b>	700+





## LEASE ABSTRACT

<b>TENANT:</b>	Fitness International, LLC, d.b.a. L.A. Fitness Sports Clubs
<b>DATE OF LEASE:</b>	June 20, 2002
<b>LEASE EXPIRATION:</b>	October 31, 2033
<b>RENEWAL OPTIONS:</b>	Three (3) five (5) year Options
<b>RENT/YR:</b>	Present – 10/31/2023: \$1,045,500.00 Beginning 11/1/2023 and every 5 years thereafter, including options, rent shall be increased by the lesser of the percentage increase in the Index of the preceding five year period, or 12.50% of the Minimum Rent in effect immediately prior to the applicable adjustment date.
<b>PERMITTED USE:</b>	Building shall be for the operation of a health club and fitness facility, which may include weight and aerobic training, racquetball basketball, swimming pool, sauna and whirlpool facilities. Tenant may use portions of the Premises for uses ancillary to a health club and fitness facility, including a pro shop, physical therapy center, sports school, sports medicine, weight loss advising and related programs.
<b>INSURANCE:</b>	<p>Tenant, at its sole cost and expense, shall obtain and maintain in effect insurance policies providing for the following coverage:</p> <p>Standard “all risk” property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage, earthquake and such additional perils as now are or hereafter may be included in a standard extended coverage endorsement from time to time in general use in the State insuring the Building and all other improvements to be constructed upon the premises. The amount of such insurance will be set forth in an “agreed value endorsement” to the policy of such insurance not less than 100% of the full replacement value thereof without deduction for depreciation and with a deductible amount of not more than \$25,000 for the “all risk” property insurance and 5% of improvement value for earthquake insurance.</p> <p>Commercial general liability in the minimum amount \$1,000,000 per occurrence and with an aggregate limit of at least \$3,000,000, of which \$2,000,000 may be so-called “umbrella” or “excess liability” coverage.</p> <p>Products liability insurance for merchandise offered for sale or lease from the Premises of not less than \$1,000,000 primary coverage and at least an additional \$1,000,000 umbrella coverage per occurrence for physical injury and death and property damage.</p> <p>Worker’s compensation as required by law.</p> <p>Tenant will reimburse Landlord should they elect to obtain Business Interruption Insurance.</p>





## LEASE ABSTRACT (CONTINUED)

<b>REAL ESTATE TAXES:</b>	<p>Tenant shall pay to the appropriate taxing authority, on or before the due date, all real estate and other ad valorem taxes and other assessments, impositions, excises and other governmental or quasi-governmental charges of every kind and nature with respect to the Premises and all improvements thereon or any part thereof.</p> <p>Taxes exclude any increase resulting from a change in ownership of the Premises during the first three Lease Years that results in an increase in the assessed value of the Premises, and any increase resulting from a second change in ownership of the Premises which occurs at any time during the Term after the first day of the fourth Lease Year.</p> <p>* Tenant is currently paying a reduced tax amount based on prior sale(s), and CBRE has underwritten accordingly.</p>
<b>UTILITIES:</b>	<p>Tenant shall pay applicable use charges for all such utilities serving the Premises during the Term directly to the applicable utility provider.</p> <p>Tenant shall be solely responsible for trash and garbage removal from the Premises.</p>
<b>REPAIRS AND MAINTENANCE:</b>	<p>Tenant will at its sole expense maintain the Premises, including all improvements, landscaping and parking areas located thereon and in the area covered by the OREA, in first class condition pursuant to prevailing industry standards and make all needed repairs and replacements thereto to so maintain same, including maintenance repairs and replacements. All replacements shall be of a quality equal to or exceeding that of the original. Tenant will perform all necessary repairs, alterations and improvements to cause the Premises to comply with all Applicable Laws.</p> <p>Landlord shall have no obligation whatsoever to maintain, repair, replace or incur any cost whatsoever in connection with the upkeep of the Premises.</p>
<b>TENANT ASSIGNMENT AND SUBLETTING:</b>	<p>Tenant shall not assign Tenant's interest in this Lease or sublet any portion of the Premises without obtaining prior written consent of the Landlord, which shall not be unreasonably withheld.</p>



# ASSUMPTIONS

GLOBAL		
Analysis Period		
Commencement Date	August 1, 2019	
End Date	July 31, 2029	
Term	10 Years	
Area Measures		
Building Square Feet (SF)	41,000 SF	
Growth Rates		
Consumer Price Index (CPI)	3.00%	
Other Income Growth Rate	3.00%	
Operating Expenses	3.00%	
Real Estate Taxes	2.00%	
Market Rent Growth		
	CY 2020	3.00%
	CY 2021	3.00%
	CY 2022	3.00%
	CY 2023	3.00%
	CY 2024	3.00%
	CY 2025	3.00%
	CY 2026	3.00%
	CY 2027	3.00%
	CY 2028	3.00%
	CY 2029+	3.00%
General Vacancy Loss		
		0.00%
Capital Reserves (CY 2017 Value)		
		\$0.25 PSF <sup>[1]</sup>

Notes: All market rent rates are stated on calendar-year basis.

[1] Capital Reserves do not inflate during the term of the analysis.

[2] Real Estate Taxes have been reassessed at the estimated purchase price based on a millage rate of 1.086900% plus special assessments of \$918.

AVAILABLE SPACE LEASING		
Occupancy and Absorption		
Projected Available at 8/1/19	0 SF	
Currently Available as of 4/1/19	0 SF	
Percentage Available at 4/1/19	0.00%	
EXPENSES		
Operating Expense Source	Tenant Pays Direct	
Management Fee (% of EGR)		
	None	
Real Estate Taxes Reassessed		
	Yes <sup>[2]</sup>	
Millage Rate	1.086900%	
Special Assessments	\$918	

FINANCING	
For customized Debt Quotations, please contact:	
<b>SHAUN MOOTHART</b>	
+1 949 509 2111	
Lic. 01773201	
shaun.moothart@cbre.com	

CBRE Debt & Equity Finance (DEF) is a division of CBRE Inc. In the US, DEF represents approximately 300 lenders including banks, life insurance companies, pension funds, CMBS lenders and a variety of other lending sources. DEF also acts as a correspondent for over 200 life insurance companies. The Quote above is an approximation of available terms.

SECOND GENERATION LEASING	
Retention Ratio	
	80%
Financial Terms	
2019 Monthly Market Rent	\$2.25 PSF
Rent Adjustment	12.5% Every 5 Years
Lease Term	10 Years
Expense Reimbursement Type	NNN
Tenancing Costs	
Rent Abatements	
New	3 Month(s)
Renewal	0 Month(s)
Weighted Average	0.60 Month(s)
Tenant Improvements (\$/SF)	
New	\$40.00 PSF
Renewal	\$8.00 PSF
Weighted Average	\$14.40 PSF
Commissions	
New	6.00%
Renewal	1.20%
Weighted Average	2.16%
Downtime	
New	12 Month(s)
Weighted Average	2 Month(s)

You are solely responsible for independently verifying the information in this Memorandum. **ANY RELIANCE ON IT IS SOLELY AT YOUR OWN RISK.**







## CASH FLOW

Fiscal Year	8/19-7/20	8/20-7/21	8/21-7/22	8/22-7/23	8/23-7/24	8/24-7/25	8/25-7/26	8/26-7/27	8/27-7/28	8/28-7/29	8/29-7/30
Physical Occupancy	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Overall Economic Occupancy <sup>[1]</sup>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Operating Expenses PSF Per Year	\$5.06	\$5.17	\$5.27	\$5.37	\$5.48	\$5.59	\$5.70	\$5.81	\$5.93	\$6.05	\$5.69

REVENUES	FY 2020 <sup>[2]</sup>											
	\$/SF/MO											
Scheduled Base Rent												
Gross Potential Rent	\$2.13	\$1,045,500	\$1,045,500	\$1,045,500	\$1,045,500	\$1,143,516	\$1,176,188	\$1,176,188	\$1,176,188	\$1,176,188	\$1,286,455	\$1,323,211
Absorption & Turnover Vacancy	0.00	0	0	0	0	0	0	0	0	0	0	0
Base Rent Abatements	0.00	0	0	0	0	0	0	0	0	0	0	0
Total Scheduled Base Rent	2.13	1,045,500	1,045,500	1,045,500	1,045,500	1,143,516	1,176,188	1,176,188	1,176,188	1,176,188	1,286,455	1,323,211
Expense Reimbursements	0.32	158,437	161,606	164,838	168,135	171,497	174,927	178,426	181,994	185,634	189,347	193,134
<b>TOTAL GROSS REVENUE</b>	<b>2.45</b>	<b>1,203,937</b>	<b>1,207,106</b>	<b>1,210,338</b>	<b>1,213,635</b>	<b>1,315,013</b>	<b>1,351,115</b>	<b>1,354,614</b>	<b>1,358,182</b>	<b>1,361,822</b>	<b>1,475,802</b>	<b>1,516,345</b>
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS REVENUE</b>	<b>2.45</b>	<b>1,203,937</b>	<b>1,207,106</b>	<b>1,210,338</b>	<b>1,213,635</b>	<b>1,315,013</b>	<b>1,351,115</b>	<b>1,354,614</b>	<b>1,358,182</b>	<b>1,361,822</b>	<b>1,475,802</b>	<b>1,516,345</b>
<b>OPERATING EXPENSES</b>												
Real Estate Taxes	(0.42)	(207,639)	(211,774)	(215,991)	(220,292)	(224,680)	(229,155)	(233,720)	(238,376)	(243,125)	(247,969)	(233,356)
<b>TOTAL OPERATING EXPENSES</b>	<b>(0.42)</b>	<b>(207,639)</b>	<b>(211,774)</b>	<b>(215,991)</b>	<b>(220,292)</b>	<b>(224,680)</b>	<b>(229,155)</b>	<b>(233,720)</b>	<b>(238,376)</b>	<b>(243,125)</b>	<b>(247,969)</b>	<b>(233,356)</b>
<b>NET OPERATING INCOME</b>	<b>2.02</b>	<b>996,298</b>	<b>995,332</b>	<b>994,347</b>	<b>993,343</b>	<b>1,090,333</b>	<b>1,121,960</b>	<b>1,120,894</b>	<b>1,119,806</b>	<b>1,118,697</b>	<b>1,227,833</b>	<b>1,282,989</b>
<b>CAPITAL COSTS</b>												
Tenant Improvements	0.00	0	0	0	0	0	0	0	0	0	0	0
Leasing Commissions	0.00	0	0	0	0	0	0	0	0	0	0	0
Capital Reserves	(0.02)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)	(10,250)
<b>TOTAL CAPITAL COSTS</b>	<b>(0.02)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(10,250)</b>
<b>OPERATING CASH FLOW</b>	<b>\$2.00</b>	<b>\$986,048</b>	<b>\$985,082</b>	<b>\$984,097</b>	<b>\$983,093</b>	<b>\$1,080,083</b>	<b>\$1,111,710</b>	<b>\$1,110,644</b>	<b>\$1,109,556</b>	<b>\$1,108,447</b>	<b>\$1,217,583</b>	<b>\$1,272,739</b>

Note: Analysis assumes LA Fitness's rental increases are 12.5% at the time of each 5-year rental increase.

[1] This figure takes into account vacancy/credit loss, absorption vacancy, turnover vacancy, and base rent abatements.

[2] Based on 41,000 square feet.

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## CASH FLOW (CONTINUED)

Fiscal Year		8/19-7/20	8/20-7/21	8/21-7/22	8/22-7/23	8/23-7/24	8/24-7/25	8/25-7/26	8/26-7/27	8/27-7/28	8/28-7/29	8/29-7/30
ACQUISITION & RESIDUAL SALE												
Purchase Price	(\$18,800,000)	0	0	0	0	0	0	0	0	0	0	All Cash IRR
Net Residual Value <sup>[3]</sup>	0	0	0	0	0	0	0	0	0	0	21,008,945	
CASH FLOW BEFORE DEBT	(\$18,800,000)	\$986,048	\$985,082	\$984,097	\$983,093	\$1,080,083	\$1,111,710	\$1,110,644	\$1,109,556	\$1,108,447	\$22,226,528	6.48%
MARKET LOAN <sup>[4]</sup>												
Loan Funding / Payoff	10,340,000	0	0	0	0	0	0	0	0	0	(9,425,729)	Leveraged IRR
Loan Fees	(103,400)	0	0	0	0	0	0	0	0	0	0	
Annual Debt Service	0	(465,300)	(465,300)	(465,300)	(465,300)	(465,300)	(628,695)	(628,695)	(628,695)	(628,695)	(628,695)	8.47%
CASH FLOW AFTER DEBT	(\$8,563,400)	\$520,748	\$519,782	\$518,797	\$517,793	\$614,783	\$483,015	\$481,949	\$480,861	\$479,752	\$12,172,104	
NOI Return		5.30%	5.29%	5.29%	5.28%	5.80%	5.97%	5.96%	5.96%	5.95%	6.53%	
UNLEVERAGED Cash Return		5.24%	5.24%	5.23%	5.23%	5.75%	5.91%	5.91%	5.90%	5.90%	6.48%	
LEVERAGED Cash Return <sup>[5]</sup>		6.20%	6.19%	6.18%	6.17%	7.30%	5.76%	5.75%	5.73%	5.72%	7.00%	
Rolling - All Cash IRR		N/M	N/M	0.78%	4.05%	4.92%	5.07%	5.17%	5.25%	6.15%	6.48%	
Rolling - Leveraged IRR		N/M	N/M	N/M	3.14%	5.15%	5.53%	5.79%	5.99%	7.83%	8.47%	

[3] Net Residual Value is calculated by dividing Year 11 NOI by the Residual Cap Rate of 6.00% and applying a 1.75% Cost of Sale.

[4] Market Debt based on 55% Loan-to-Value, 4.50% Interest Rate, 30-Year Amortization, 60 Months Interest Only and 1.00% Loan Fee.

[5] Leveraged Cash Return is based on NOI less debt service divided by equity including costs to stabilize.

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# RENT ROLL

Suite	Tenant Name	Square Feet	% of Property	Lease Term		Rental Rates					Recovery Type	Market Assumption / Market Rent		
				Begin	End	Begin	Monthly	PSF	Annually	PSF				
100	LA Fitness	41,000	100.00%	Jun-2002	Oct-2033	Current	\$87,125	\$2.13	\$1,045,500	\$25.50	NNN (Prop 13)	Option		
						Nov-2023	\$98,024	\$2.39	\$1,176,290	\$28.69		\$2.25 NNN		
						Nov-2028	\$110,256	\$2.69	\$1,323,070	\$32.27				
Notes:														
Rent adjusts every 5 years and through options at the lesser of CPI or 12.5% (modeled 12.5%). Tenant has 3-5 year options (modeled below). Tenant has Prop 13 protection. Tenant reimburses taxes based on a tax basis of \$14,258,370 multiplied by a millage rate of 1.09837%. Tax basis is based on the '05 sale of \$11,022,184 grown at 2% annually.														
						Nov-2033	Oct-2048	FUTURE	\$124,051	\$3.03	\$1,488,612	\$36.31	NNN (Prop 13)	Market
						OPTION		Nov-2038	\$139,571	\$3.40	\$1,674,850	\$40.85		\$2.25 NNN
								Nov-2043	\$156,996	\$3.83	\$1,883,950	\$45.95		
Notes:														
Assumes tenant exercises three (3) - five (5) year options at 12.50% increases.														
TOTALS / AVERAGES				41,000				\$87,125	\$2.13	\$1,045,500	\$25.50			
OCCUPIED SF				41,000	100.0%									
AVAILABLE SF				0	0.0%									
TOTAL SF				41,000	100.0%									

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## EXCLUSIVELY MARKETED BY

### NRP-WEST

#### JOHN READ

+1 949 725 8606  
Lic. 01359444  
john.read@cbre.com

#### KIRK BRUMMER

+1 949 725 8418  
Lic. 01218518  
kirk.brummer@cbre.com

#### SEAN HEITZLER

+1 949 725 8468  
Lic. 02025087  
sean.heizler@cbre.com

### DEBT & STRUCTURED FINANCE

#### SHAUN MOOTHART

+1 949 509 2111  
Lic. 01773201  
shaun.moothart@cbre.com

## CBRE

### CBRE-NEWPORT BEACH

3501 Jamboree Rd., Ste 100, Newport Beach, CA 92660  
F + 1 949 725 8545 | [www.cbre.com/nrpwest](http://www.cbre.com/nrpwest)  
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