

ALBERTSONS SHADOW ANCHORED SHOPPING CENTER NNN LEASED INVESTMENT OPPORTUNITY

74520 HWY 111, PALM DESERT, CA

NAI Capital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

74520 Hwy 111



BEST CITY NAIL



OFFERING MEMORANDUM

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INVESTMENT HIGHLIGHTS

Investment Summary

| | |
|-----------------|---|
| Purchase Price: | \$4,800,000 |
| Cap Rate: | 5.48% |
| NOI: | \$ 262,966 |
| GLA: | 7,739 SF |
| Land Area: | 15,681 SF (0.36 ACRES) |
| Occupancy: | 100% |
| Traffic Counts: | 36,500 VPD on Highway 111 : 8,744 VPD on Deep Canyon Dr. |
| Major Tenants: | Starbucks, Panda Express, Domino's Pizza, Togo's, Fan- tastic Sam's |



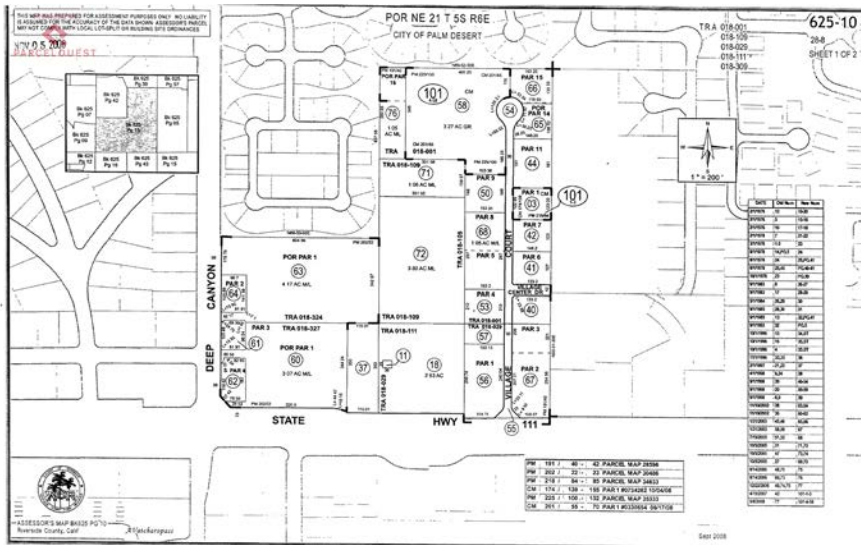
INVESTMENT INFORMATION

Investment Highlights

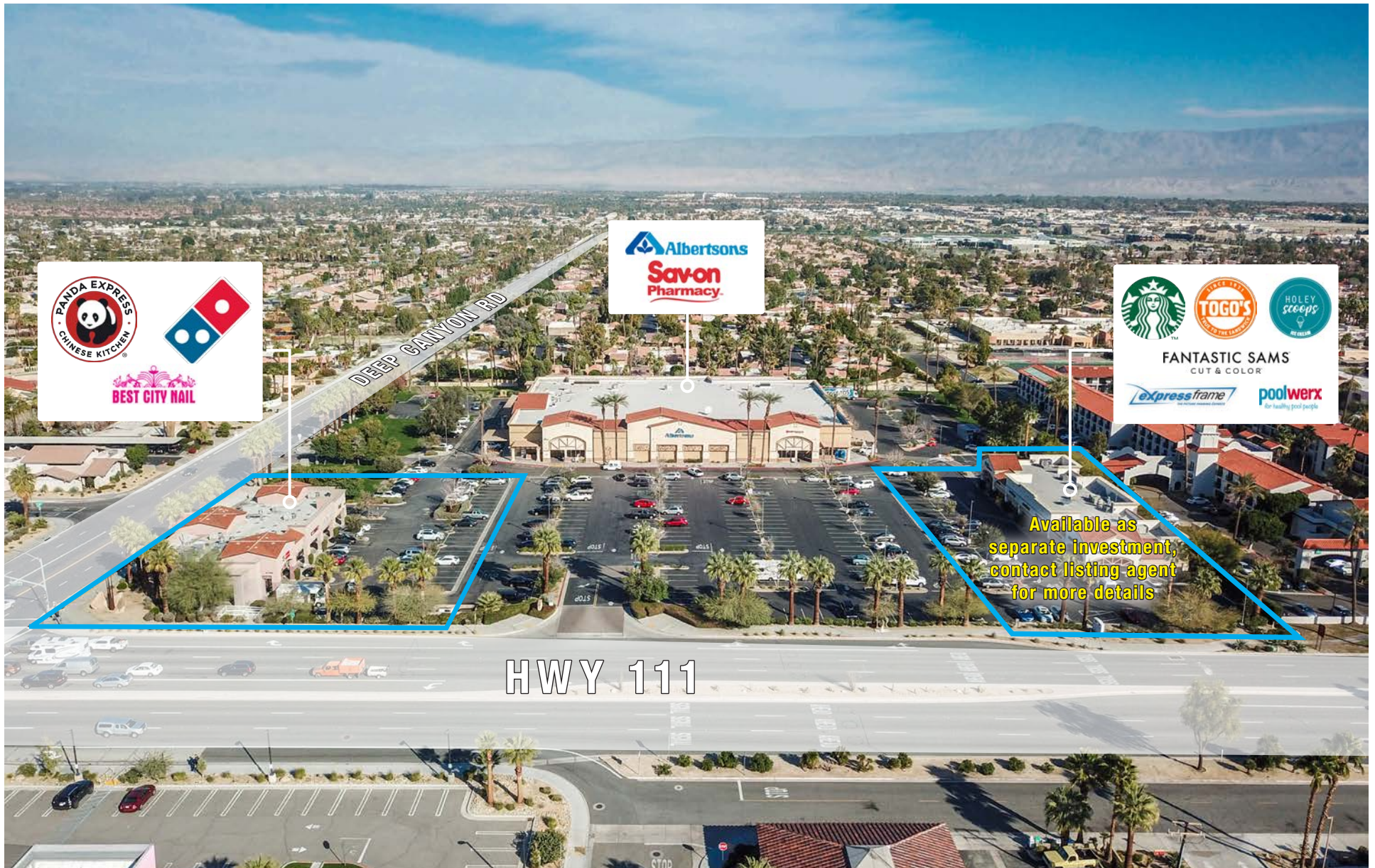
- Albertsons grocery shadow anchored neighborhood center
- Prime location intersection of Hwy 111 and Deep Canyon Road
- All NNN Leases 100% with expense reimbursement minimal owner management responsibilities
- National tenants; corporate guaranteed leases
- Built-in rent escalations

Property Summary

| | |
|--------------------------|--|
| Property Address: | 74520 Hwy 111 Palm Desert, CA |
| Building Area: | 74520 Hwy 111: 7,739 |
| Land Area: | 74520 Hwy 111: 15,681 SF (0.36 ACRES) |
| APN Parcel #'s: | 625-100-037 |
| Year Built: | 2003 |
| Parking: | 492 |
| Parking Ratio: | 6:1000 |
| Zoning: | C1 |



PROPERTY INFORMATION



TENANT PROFILES



Panda Express

Panda Restaurant Group, the world leader in Asian dining experiences and parent company of Panda Inn, Panda Express and Hibachi-San, is dedicated to becoming a world leader in people development. Whether through sharing good food with guests or providing opportunities for professional and personal growth with associates, all are embraced in a genuine family environment that is uniquely Panda.

Website: pandaexpress.com

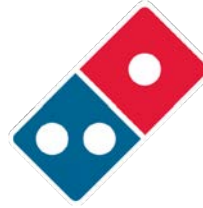
Ownership: Private

Revenue: \$3.1B

Locations: 1,900+

Employees: 30K+

Headquarters: Rosemead, CA



Domino's

Founded in 1960, Domino's is the recognized world leader in pizza delivery operating a network of company-owned and franchise-owned stores in the United States and international markets. Domino's is a company of exceptional people on a mission to be the best pizza delivery company in the world.

Website: dominos.com

Ownership: NYSE: DPZ

Revenue: \$3.5B

Market Capitalization: \$11.26B

S&P Rating: BBB+

Locations: 16K+

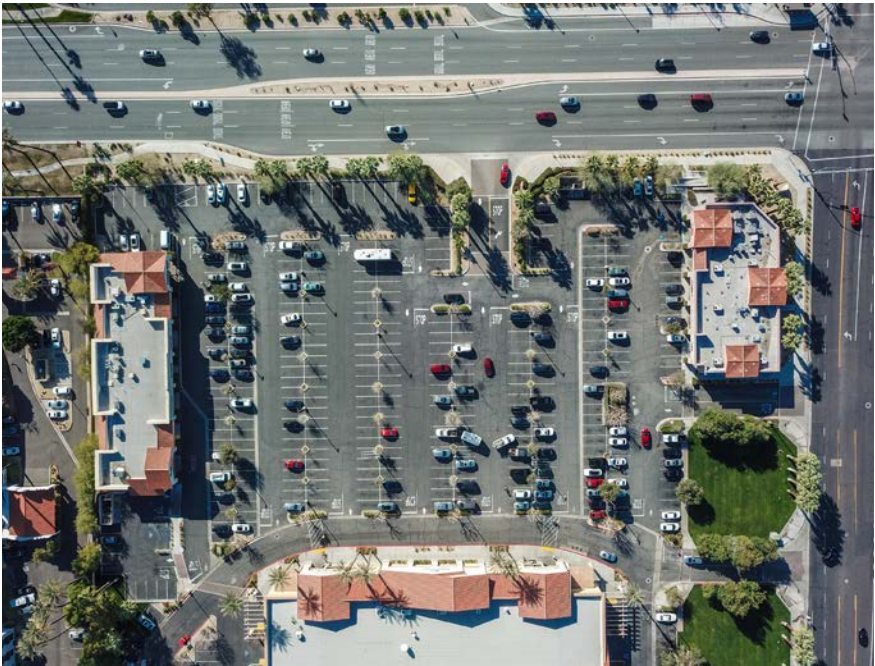
Employees: 400K+

Headquarters: Ann Arbor, MI

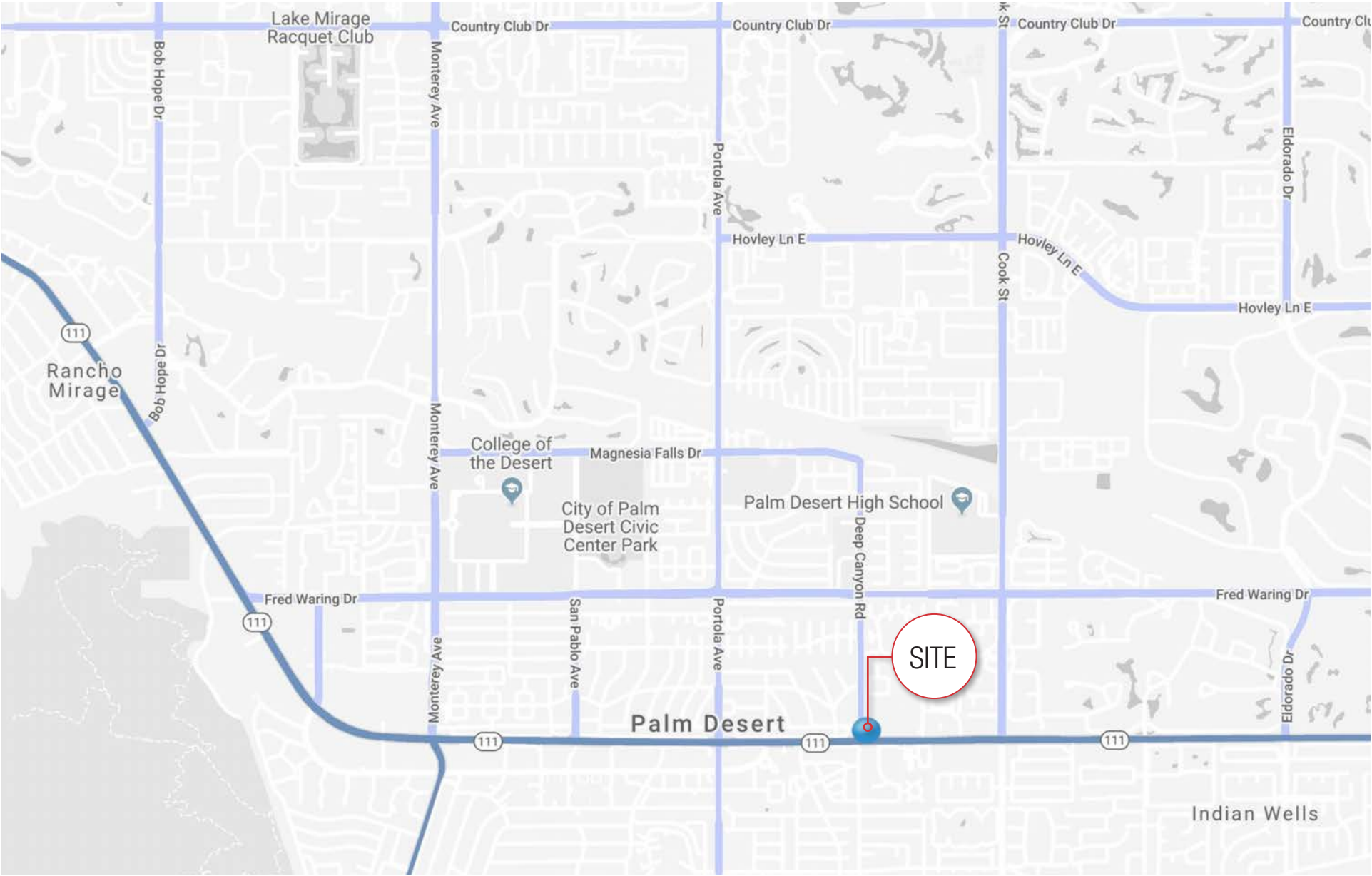
Local Tenants



PROPERTY PHOTOS



LOCATION MAP



AREA MAP



RENT ROLL



| | Tenant | SF | Lease Start | Lease End | Dec. 2019 Rent/SF | Dec. 2019 Rent/Mo | Rental Increases | Lease Type | Renewal Options |
|------------------------------|---------------------|--------------|-------------|------------------|----------------------|----------------------|---|------------|---|
| 74520 A | Panda Express #791 | 2,075 | 10/14/2002 | 12/31/2022 | \$2.90 | \$6,018 | 3% Annually (7/20) | NNN | "Two 5-Year: Opt 1 - \$6,972 Opt 2 - \$7,808" |
| 74520 B | Best City Nails III | 2,006 | 10/22/2002 | 12/31/2022 | \$3.34 | \$6,693 | "Annual CPI Increase (Min 3% / Max 6%) (10/20)" | NNN | None |
| 74520 C | Dominos Pizza | 1,652 | 10/14/2002 | 11/30/2022 | \$2.78 | \$4,597 | "Annual CPI Increase (Min 3% / Max 6%) (10/20)" | NNN | None |
| 74520 D | Vibrant Tanning | 2,006 | 5/24/2006 | 8/31/2022 | \$2.28 | \$4,569 | 2% Annually (9/20) | NNN | "Two 2-Year: Opt 1 - \$4,848.66 Opt 2 - \$5,044.55" |
| Total Square Footage: | | 7,739 | | | | \$21,877 | Total Monthly Rent | | |
| Total Available: | | 0 | 0% | Vacancy | | \$262,518 | Total Annual Rent | | |
| Total Occupied: | | 7,739 | 100% | Occupancy | | | | | |

FINANCIALS

| Annualized Operating Data | Dec. 2019 |
|---------------------------------|-------------------|
| Scheduled Gross Income (SGI) | \$262,518 |
| Expense Reimbursement | \$88,225 |
| Total Gross Collected | \$350,743 |
| Total Operating Expenses | (\$87,776) |
| Net Operating Income | \$262,966 |

| | |
|-----------------------|--------------------|
| Purchase Price | \$4,800,000 |
| Current | 5.48% |

| PROPOSED FINANCING | |
|----------------------------------|--------------|
| Down Payment (35%) | \$1,440,000 |
| Loan Amount (65%) | \$3,360,000 |
| Interest Rate | 4.50% |
| Amortization | 30 Years |
| Debt Service | \$204,296 |
| Debt Coverage Ratio | 1.29 |
| Net Cash Flow After Debt Service | \$58,671 |
| Cash on Cash Return | 4.07% |
| Principal Reduction Year 1 | \$54,204 |
| Total Return | 7.84% |

| OPERATING EXPENSES | AMOUNT | \$/SF | |
|---------------------------------|-------------------|------------------|------------------------|
| Taxes (1.1%) | (\$52,800) | (\$6.82) | |
| Insurance | (\$6,155) | (\$0.80) | |
| CAM | (\$18,321) | (\$2.37) | |
| Management Fee | (\$10,500) | (\$1.36) | |
| Total Operating Expenses | (\$87,776) | (\$11.34) | Annually Per SF |
| | | (\$0.95) | Monthly Per SF |

Disclaimer: Buyer needs to do their own investigation and verify information. This is a High Level Analysis that should be individual review and investigated. This is a mere depiction of draft notes. NAI Capital, Inc and It's Agents make no warranties and/or promises as to the accuracy and/or interpretation of the data provided.

AREA OVERVIEW

Palm Desert, CA

Location Overview

The City of Palm Desert is centrally located within the Coachella Valley in southeastern Riverside County. This area is known as the cultural and retail center of Southern California’s desert communities. Palm Desert lies approximately 125 miles east of Los Angeles and 15 miles east of Palm Springs. Due to its central location, pleasant climate and desirable amenities, Palm Desert serves as a popular destination for permanent and seasonal residents alike as well as tourists.

Population & Income

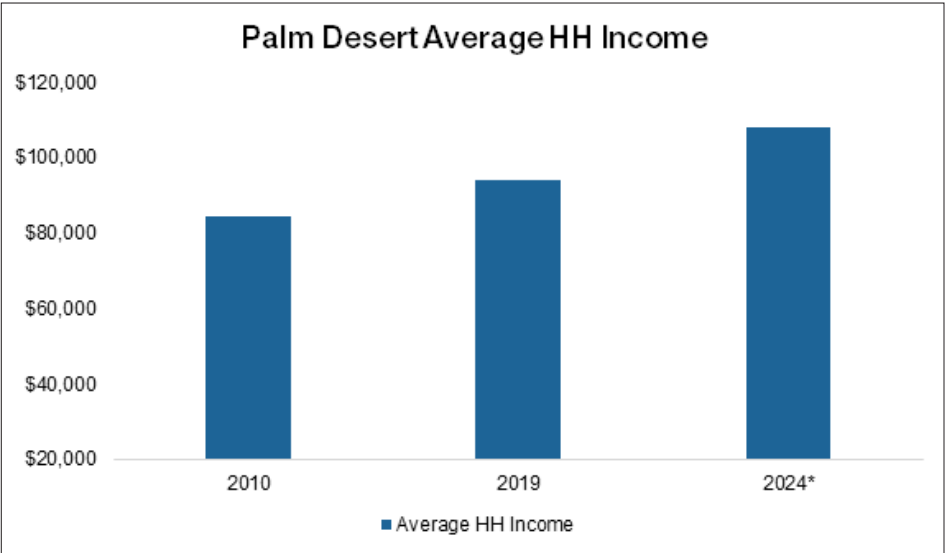
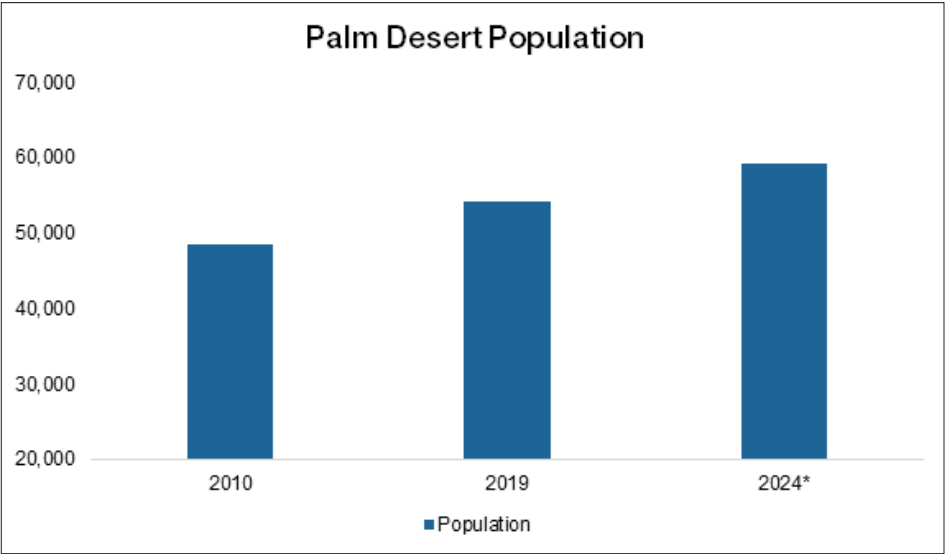
Fast Facts:

- Estimated Population: 54,112
- Estimated Households: 26,244
- Estimated Average Household Income: \$93,957
- Estimated Median Home Value: \$378,411
- Estimated Median Age: 53

Source: Applied Geographic Solutions

Palm Desert is the third-largest city in the Coachella Valley with just over 54K residents and 26K households. The City expects to grow 1.2%, adding 1,601 households by 2024. Overall, residents are highly educated as 72% of adults attended some college and 38% earned a bachelor’s degree or higher.

Area households enjoy a median income of \$65,697 annually, which is forecast to increase 3.2% to \$76,182 per year by 2024.



Source: NAI Capital Research, Applied Geographic Solutions
*Projections

AREA OVERVIEW

Transportation & Access

Highways and Roads

- Interstate 10
- SR 111
- SR 74
- Country Club Dr.
- Frank Sinatra Dr.
- Bob Hope Dr.
- Monterey Ave.
- Portola Ave.
- Cook St.

Public Transit

- Sunline Transit Agency
- Riverside County TRIP
- Palm Springs Amtrak Station - 20 miles

Airports

- Palm Springs International Airport – 13 miles
- Ontario International Airport – 84 miles
- John Wayne Airport – 112 miles
- LAX – 137 miles
- Port of Long Beach – 133 miles
- Port of Los Angeles – 139 miles

Economy & Employment

Fast Facts:

- Total Businesses: 4,326
- Total Employees: 35,915
- Company Headquarter Businesses: 7
- Annual HH Retail Expenditures: \$830M

Palm Desert offers a business-friendly environment with a strong tourism industry to support its retail sector. In fact, the city's key industries are hospitality/tourism, service support and retail trade. As of 2017, the City generated \$1.6B in taxable sales from its 13 hotels, 20 major shopping centers and plazas and boutique stores.

Palm Desert's labor pool consists of about 63% white collar workers and 37% blue collar. This breaks down to 26% in sales and office positions, 22.7% service jobs and 21.6% professional and related sectors.

| Top Employers | Employees | % of Workforce |
|--|-----------|----------------|
| JW Marriot-Desert Springs Resort & DS Villas | 2,304 | 9.76% |
| Universal Protection Services | 1,500 | 6.36% |
| Securitas-Security Service USA | 700 | 2.97% |
| Organization of Legal Pro's | 501 | 2.12% |
| Sunshine Landscape | 500 | 2.12% |
| Marriott Shadow Ridge | 300 | 1.27% |
| Desert Arc | 250 | 1.06% |
| Costco Wholesale | 250 | 1.06% |
| Bighorn Golf Club | 250 | 1.06% |
| Spectrum | 236 | 1.00% |

Source: City of Palm Desert CAFR, 2018



AREA OVERVIEW

Inland Empire Overview

Location Overview

The Inland Empire lies within the northeastern portion of Southern California. Riverside and San Bernardino Counties combined represent the Inland Empire. This region borders Arizona and Nevada to the east, Inyo County to the north, Los Angeles, Kern and Orange Counties to the west, and San Diego and Imperial Counties to the south. The Inland Empire encompasses over 27,000 square miles with approximately 4,761,380 residents, making it larger than 10 U.S. states in terms of size and 26 states in terms of population. This growing region offers a high concentration of industrial and warehousing facilities coupled with a strong economy as well as affordable housing.

Once a major agricultural center, the Inland Empire is now one of Southern California's main commercial hubs. The US Bureau of Economic Analysis (BEA) ranks the Riverside-San Bernardino-Ontario MSA as the 25th largest economy in the United States. Inexpensive land prices, relative to Southern California, alongside a comprehensive transportation network, and an ample supply of vacant land, have contributed to the Inland Empire's rise as a major economic region. Additionally, the Labor Department identified this region as among the nation's top metro areas for annual average job increases in 2017. Several leading manufacturers have key distribution facilities in the Inland Empire, especially in Riverside County. Whirlpool Corporation runs a 1.7 million SF distribution center in Perris, a city in Riverside County. Walmart, Quicksilver, Lowe's, and Ralph's Grocery Co. also utilize distribution centers in Riverside County. Toyota Motor Corporation operates its North American Parts and Logistics Distribution center in Ontario (San Bernardino County). Other prominent companies with distribution centers in San Bernardino County include Amazon, Nordstrom, Kohl's, and Target.

Riverside County Principal Employers:

| Top Employers | Employees | % of Workforce |
|--|-----------|----------------|
| County of Riverside | 22,038 | 2.15% |
| March Air Reserve Base | 9,000 | 0.88% |
| University of California, Riverside | 8,829 | 0.86% |
| Kaiser Permanente Riverside Medical Center | 5,500 | 0.54% |
| Corona-Norco Unified School District | 5,478 | 0.53% |
| Pechanga Resort & Casino | 4,750 | 0.46% |
| Riverside Unified School District | 4,200 | 0.41% |
| Hemet Unified School District | 4,058 | 0.40% |
| Riverside University Health Systems – Medical Center | 3,965 | 0.39% |
| Morongo Casino Rest & Spa | 3,800 | 0.37% |

Source: San Bernardino County CAFR (2017-2018)

San Bernardino County Principal Employers:

| Top Employers | Employees | % of Workforce |
|---|---------------|----------------|
| County of San Bernardino | >10,000 | 1.10% |
| Loma Linda University | >10,000 | 1.10% |
| Amazon | >10,000 | 1.10% |
| State of California | >10,000 | 1.10% |
| Kaiser Permanente | 5,000 - 9,999 | 0.55% - 1.10% |
| Wal-Mart | 5,000 - 9,999 | 0.55% - 1.10% |
| San Bernardino City Unified School District | 5,000 - 9,999 | 0.55% - 1.10% |
| Stater Brothers | 5,000 - 9,999 | 0.55% - 1.10% |
| U.S. Government | 5,000 - 9,999 | 0.55% - 1.10% |
| UPS | 5,000 - 9,999 | 0.55% - 1.10% |

Source: San Bernardino County CAFR (2017-2018)

AREA OVERVIEW

Inland Empire Overview

Employment

The Inland Empire's employment boom is expected to continue for the foreseeable future. California's Employment Development Department projects total nonfarm employment to add 233,000 new jobs by 2024. Predictions show total employment will reach 1,636,600 by 2024, an 18.1% boost over the 10-year projection period. Virtually every industry in the region anticipates growth over the next decade. Education along with health and social assistance sectors will see the most gains with 48,600 new jobs forecasted, followed by leisure & hospitality and construction.

Higher Education

Numerous institutions of higher learning augment the Inland Empire's economy and labor market. These establishments provide an exceptionally educated talent pool for local employers. University of California, Riverside is the Inland Empire's educational crown jewel. UC Riverside serves as a public research facility with well-regarded graduate programs in engineering and education.

UC Riverside makes a significant impact on the county's economy. The university's annual budget sits at \$806 million and it ranks as the county's third largest employer, contributing over \$1 billion to the region. Research expenditures concentrate on agricultural and ecology studies, which benefits the Inland Empire's agrarian industries. UC Riverside launched its School of Medicine in 2013 in partnership with the David Geffen School of Medicine at UCLA, making it the first new medical school in California in nearly forty years. Medical students may receive no cost tuition by committing to work locally for five years in pediatrics, family medicine, internal medicine, OB-GYN, general surgery, or psychiatry.



The Inland Empire is also home to many other prominent universities. Loma Linda University, a private, Seventh-Day Adventist health sciences university, is in San Bernardino County. The school manages a teaching hospital equipped with a Level I Trauma Center that admits over 30,000 patients annually. California State University, San Bernardino features the Jack H. Brown College of Business and Public Administration. This program ranks as one of the top business schools in the world according to CEO magazine. Other noteworthy private universities in the region include the University of La Verne, the University of Redlands, and Brandman University. These universities offer both on-campus and online degree and credential programs aimed at full-time and part-time students as well as working adults. Lastly, there are nine community colleges in the Inland Empire with technical and associates degree programs that range from nursing to business, liberal arts, and various certifications.

AREA OVERVIEW

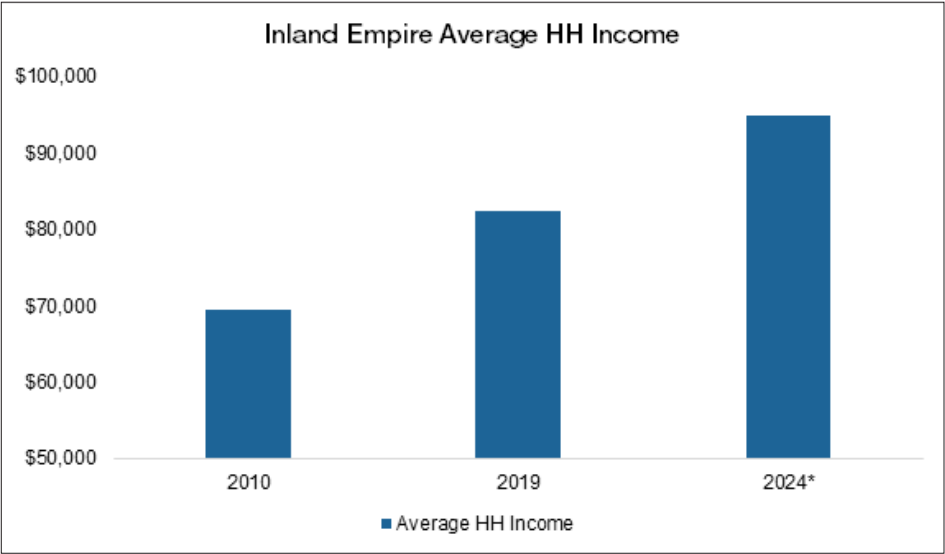
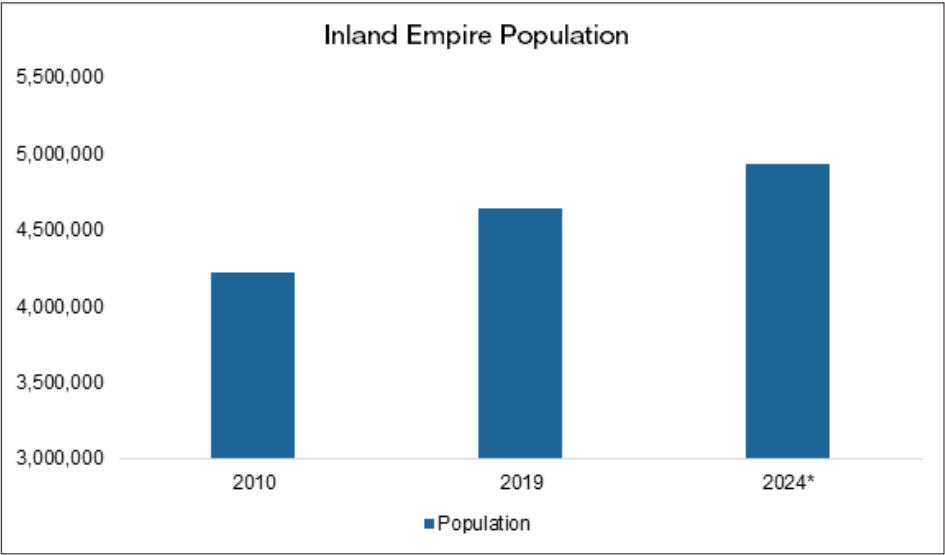
Inland Empire Overview

Transportation

The Inland Empire enjoys proximity to many transportation arteries that link the region to other notable economic centers across the American Southwest. Interstates 10 and 210 connect the Inland Empire to Los Angeles County along with the Ports of San Pedro and Long Beach. Interstate 10 runs through the Coachella Valley in the east to neighboring Arizona. Interstates 15 and 215 provide access to San Diego County while Interstate 15 continues north through the High Desert to Las Vegas, Nevada. Finally, commuters travel on State Routes 91 and 71 to Orange County and Los Angeles.

Public transportation systems and agencies give Inland Empire residents car-free options. Amtrak operates the Inland Empire-Orange County and Riverside lines, which connect Riverside to Orange County and Los Angeles, respectively. Metrolink manages the San Bernardino Line, an easy way to get from San Bernardino to Downtown Los Angeles through the San Gabriel Valley. Amtrak’s Sunset Limited line services five states from Los Angeles, California to New Orleans, Louisiana with stops in Riverside, Palm Springs, and Yuma.

The community benefits from a host of municipal, regional, and international airports that greatly contribute to its economy. The largest establishment, Ontario International Airport, is the third busiest international facility in Southern California with 4,217,366 passengers and 88,074 flights every year. Ontario International Airport serves as a hub of several major cargo airlines, namely Amazon Prime Air, FedEx Express, and UPS Airlines. These companies help make Ontario International one of the leading cargo airports in the country. Victorville’s Southern California Logistics Airport, the San Bernardino International Airport, and the Palm Springs International Airport complete the Inland Empire’s air travel offerings.



Source: NAI Capital Research, Applied Geographic Solutions
*Projections

MARKET OUTLOOK

1Q 2019 Inland Empire Retail

Market Overview

The Inland Empire's retail market tightened up at the beginning of 2019. Vacancy dipped 20 basis points from the prior quarter and 50 bps below 1Q 2018 to 6.9%. The average asking rent increased 11.4% from the previous year to \$1.56/SF, still 15.4% less than the pre-recession peak of \$1.80/SF in 2007. Approximately 74k SF of new inventory at Central Plaza Shopping Center in Elsinore Central Marketplace arrived on the market pre-leased. The 51,588 SF space occupied by Marshalls was the largest completion this quarter. Pre-leasing activity in these developments helped maintain a low vacancy rate while contributing to the rise in rental rates.

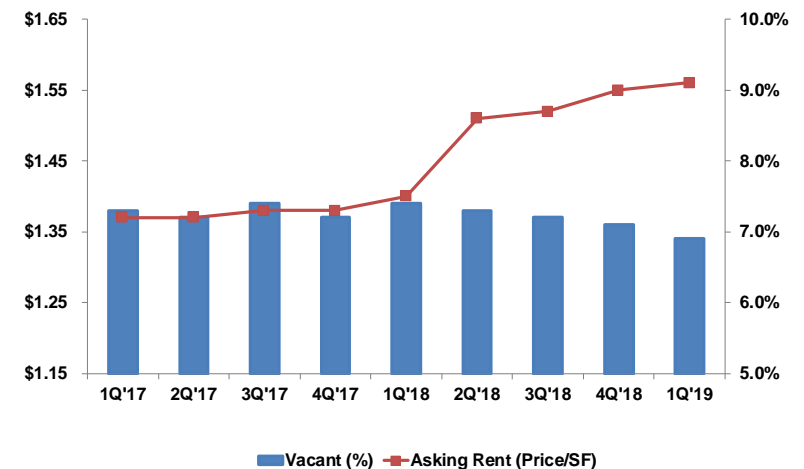
More than 575k SF of retail space remained under construction at the end of the first quarter. Montclair Place AMC, a 110,690 SF addition to the existing super regional mall was the largest project in the pipeline when the quarter closed. The building features a 12-screen dine-in theatre, concert venue and restaurants such as The Cheesecake Factory. This building is part of the Montclair Place redevelopment and is scheduled to be completed 1Q 2020.

Trends to Watch

The outlook for Inland Empire's retail market appears positive after a strong first quarter. The region's unemployment rate remained low at 4.3% in February 2019, down 30 bps from January 2019 and 20 bps over this time last year. The unemployment rate in the Inland Empire is also 10 bps below California's average for the same period. Total non-farm employment added 18,300 jobs over the prior year with educational and health services making the most gains followed by trade, transportation & utilities, government, and professional and business services. These sectors tend to offer relatively high wages, which will augment household income growth and support retail sales.

Area retailers will benefit from multifamily construction with over 5k units currently in the pipeline. Proposed projects will add another 6k units primarily in Riverside County. These anticipated housing expansions will likely spur demand for retail space, leading to healthy leasing activity in 2019.

Average Asking Rent and Vacancy Trends



Source: NAI Capital Research, Applied Geographic Solutions
*Projections

Market Outlook

Asking
Rental Rates

Sale
Prices

Availability/
Vacancy Rates

Landlord
Concessions

Sales/Leasing
Volume

New
Construction

DEMOGRAPHICS

Population

| | 1 Mile | 3 miles | 5 Miles |
|---------------------|--------|---------|---------|
| Total Population | 9,882 | 45,527 | 97,490 |
| Median Age | 45.6 | 51.5 | 49.1 |
| Median Age (Male) | 43.4 | 49.9 | 47.5 |
| Median Age (Female) | 47.8 | 53 | 50.6 |

Households

| | 1 Mile | 3 miles | 5 Miles |
|------------------|--------|---------|---------|
| Total Households | 4,346 | 22,107 | 45,180 |
| Average HH Size | 2.3 | 2 | 2.1 |

Income

| | 1 Mile | 3 miles | 5 Miles |
|-------------------|-----------|-----------|-----------|
| Average HH Income | \$103,483 | \$100,437 | \$102,641 |
| Median Home Value | \$417,136 | \$417,480 | \$412,052 |

Source: NAI Capital Research, CoStar



ALBERTSONS SHADOW ANCHORED SHOPPING CENTER NNN LEASED INVESTMENT OPPORTUNITY

74520 HWY 111, PALM DESERT, CA



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Pablo Rodriguez

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