

# 250 | N. HARBOR BOULEVARD

Single Tenant Investment Opportunity  
Located in La Habra, CA



Confidential Offering Memorandum

Jones Lang LaSalle Americas, Inc. ("JLL"), real estate license #01223413



## Contact information

### INVESTMENT ADVISORS

#### Daniel Tyner

Director  
JLL Capital Markets  
+1 949 798 4125  
daniel.tyner@am.jll.com  
CA Lic # 01959818

#### Adam Friedlander

Vice President  
JLL Capital Markets  
+1 949 527 4978  
adam.friedlander@am.jll.com  
CA Lic # 01806555

### LEASING ADVISOR

#### Kien Tsoi

Vice President  
JLL Capital Markets  
+1 310 694 3191  
kien.tsoi@am.jll.com  
CA Lic # 01886131

### FOR UNDERWRITING

#### Conor Quinn

Analyst  
JLL Capital Markets  
+1 949 527 4993  
conor.quinn@am.jll.com  
CA Lic # 02073016



4000 MacArthur Boulevard, Suite 1050 | Newport Beach, CA 92660

[www.us.jll.com/capitalmarkets](http://www.us.jll.com/capitalmarkets)

Copyright © Jones Lang LaSalle IP, Inc. 2019

*This publication is the sole property of Jones Lang LaSalle and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Jones Lang LaSalle. The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them. Jones Lang LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication. Jones Lang LaSalle Americas, Inc., California license # 01223413. Jones Lang LaSalle Americas, Inc. License # 19262.*

*Any opinion or estimate of value of any asset in this presentation is based upon the high-level preliminary review by JLL. It is not the same as the opinion of value in an appraisal developed by a licensed appraiser under the Uniform Standards of Professional Appraisal Practice. JLL expressly disclaims any liability for any reliance on any opinion or estimate of value in this presentation by any party.*







## TABLE OF CONTENTS

- 04** Investment Summary
- 08** Tenant Overview
- 10** Area Overview
- 12** Market Overview
- 14** Financial Overview



# Investment Summary

## THE OFFERING

JLL is pleased to exclusively present an outstanding opportunity to purchase the fee simple interest in a recently leased 22,297 square-foot Harbor Freight. Harbor Freight Tools is a national retailer that specializes in the sale of high-quality tools and accessories at low price points. The Property is located in La Habra, CA along the highly trafficked Harbor Boulevard (36,500 VPD). Many national brand retailers, such as Starbucks, Taco Bell, Pizza Hut, KFC, Stater Brothers, and Rite Aid are in close proximity to this location.

The entity on the lease is Harbor Freight Tools USA, Inc. The tenant has executed a 15-year NNN lease through July 2032 with a 10% increase in year 11. Tenant also has four (4), five (5) year options with 10% increase every five years. This rare investment opportunity provides long term, passive cash flow with limited landlord responsibilities.

**\$7,650,000**  
PRICE

**4.88%**  
CAP RATE

### Property Summary

PROPERTY NAME	Harbor Freight Tools
LOCATION	250 N. Harbor Boulevard, La Habra CA, 90631
YEAR BUILT / RENOVATED	1964/2017
NET RENTABLE AREA	22,297 SF
SITE AREA	1.95 acres
VERIZON CELL TOWER	15-year Lease Rent - \$24,000 3% Annual Increases
PARCEL NUMBER	303-011-01
ZONING	SP-1 La Habra Blvd Specific Plan





**AutoZone**

**HARBOR BLVD. (36,000 VPD)**

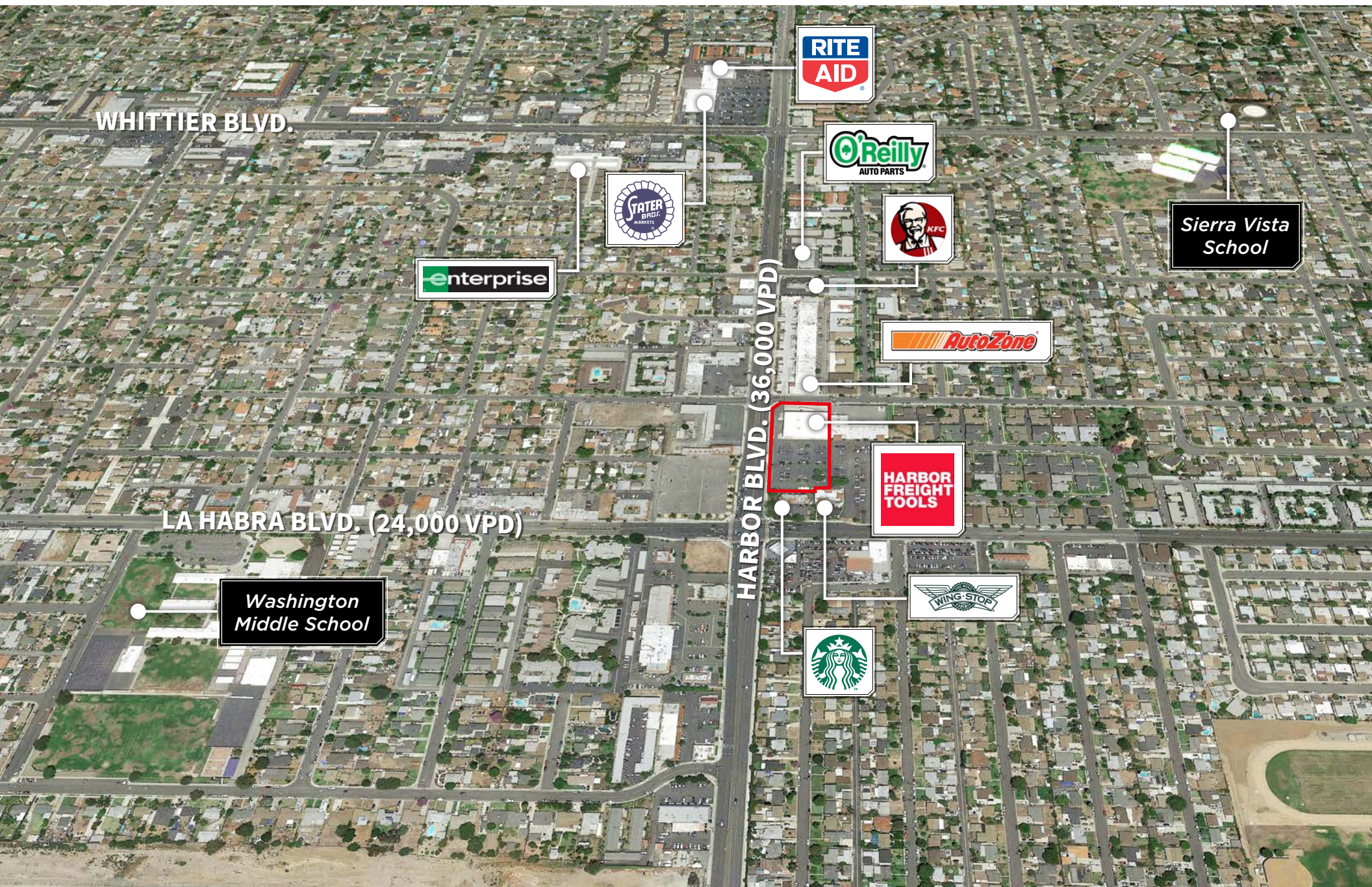
**HARBOR  
FREIGHT  
TOOLS**

**WING STOP**



**LA HABRA BLVD. (24,000 VPD)**









Harbor Freight Has 12+ Years remaining in their current Lease term.

## INVESTMENT HIGHLIGHTS

### New NNN Lease to a Leading Discount Tool and Equipment Retailer

Harbor Freight, a leading national tool and equipment retailer, was established in 1977 and now operates over 800 locations across 47 states. The privately held company achieved approximately \$3.82 billion in annual revenue in 2017.

### Attractive Long-Term Lease with An Expanding and Established Credit

Harbor Freight (S&P: BB-) signed a 15-year NNN lease with four 5-year options. The lease features attractive 10% rent escalations every five years starting in year 10. There are 12+ Years remaining in the current lease term.

### Infill, High-Traffic Location

Strategically located on Harbor Blvd with traffic counts exceeding 36,500 cars per day and over 128,000 residents living within a three-mile radius of the Property.



# Tenant Overview

## TENANT OVERVIEW

Harbor Freight Tools is a national retailer that specializes in the sale of high-quality tools and accessories at the lowest price points. The company was founded in 1977 and continues to be family-owned today. They offer the same high-quality products to customers at a significant discount to national brands by manufacturing all their tools and accessories in the same factories as the national brands and then selling them directly to consumers in their large-format, warehouse-style retail stores.

Harbor Freight serves a vast consumer base that includes mechanics and contractors as well as homeowners and hobbyists. Their main product offerings include tools and equipment for automotive, welding, material handling, carpentry as well as lawn and garden work. They have invested significant capital in equipment quality testing to ensure their products are of top quality. As a result, Harbor Freight can offer a lifetime warranty on all their sales and has led to the development of an extremely loyal customer base.

The company currently operates 916 retail stores nationally with two distribution facilities in Dillon, SC and Moreno Valley, CA (opened 2011). Their headquarters is in Calabasas, CA. All Harbor Freight retail locations are company-owned, no franchises.

### Sales

REVENUE	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
ANNUAL	\$2.73B	\$3.12B	\$3.52B	\$3.82B	\$4.3B

### Store Growth

**500 to 916**

EXPANSION OF STORES  
BETWEEN 2013-2018  
(12.9% CAGR)

**92 STORES**

OPENED IN 2018 (11.2%),  
WITH PLANS TO  
CONTINUE EXPANDING





**\$650M**

**EBITDA**

**4X**

**LT DEBT TO EBITDA**

**12.0 CAGR**

**YOY SALES  
GROWTH OVER  
THE LAST 5 YEARS**

**15.0%**

**EBITDA MARGIN**



# Area Overview







**3.2M**

**POPULATION**

**6th**

**LARGEST COUNTY  
IN THE U.S.**

**3.3%**

**UNEMPLOYMENT  
RATE**

## ORANGE COUNTY

Known for its high quality of life with its convergence of beautiful beaches, a high quality executive housing stock, thriving economy, and direct access to major transportation networks, Orange County proves to be an ideal location for commercial properties due to the perpetual demand for this region and its world-class amenities. In addition, as California has become the world's fifth largest economy, Orange County has developed into an economic powerhouse of its own.

With a total population of 3.2 million people, Orange County is the sixth largest county in the nation and has experienced a population growth rate in 2017 that is more than double the California average of 0.8%. From June 2017 to June 2018, Orange County added 17,000 jobs and lowered its unemployment rate from 3.7% to 3.3%. In fact, Orange County boasts the lowest unemployment rate in all of Southern California.





# Market Overview

61,789

POPULATION

21,000

HOUSEHOLDS

3,000

BUSINESSES  
LOCATED IN  
LA HABRA

## LA HABRA, CALIFORNIA

Located at Orange County's northernmost corner, La Habra is 7.3 square miles with a population of 61,789 and approximately 21,000 households. A quiet residential community, it is conveniently located within an hour's drive of many beaches, mountains, and desert recreation areas. La Habra is bordered by La Habra Heights to the north, Brea to the east and Fullerton to the south and southeast. The City of La Habra was founded in 1925 and operates as a General Law city with a Council-Manager form of government. The city actively promotes a friendly business environment and as a result, over 3,000 businesses are located within the city of La Habra. The City seeks to work hand-in-hand with businesses to solve problems and improve the overall quality of life in the community to ensure future success.





# MARKET HIGHLIGHTS

Harbor Freight is located in the City of La Habra along North Harbor Boulevard, one of the major North/South thoroughfares within the submarket (36,500 VPD). There has been limited retail development in the Subject's submarket in the past 3 years with only 34,117 SF of total new product being delivered in that time period. This represents 0.37% of total supply within the submarket. As a result of the limited deliveries, the current vacancy rate stands at 3.0%.

## Deliveries

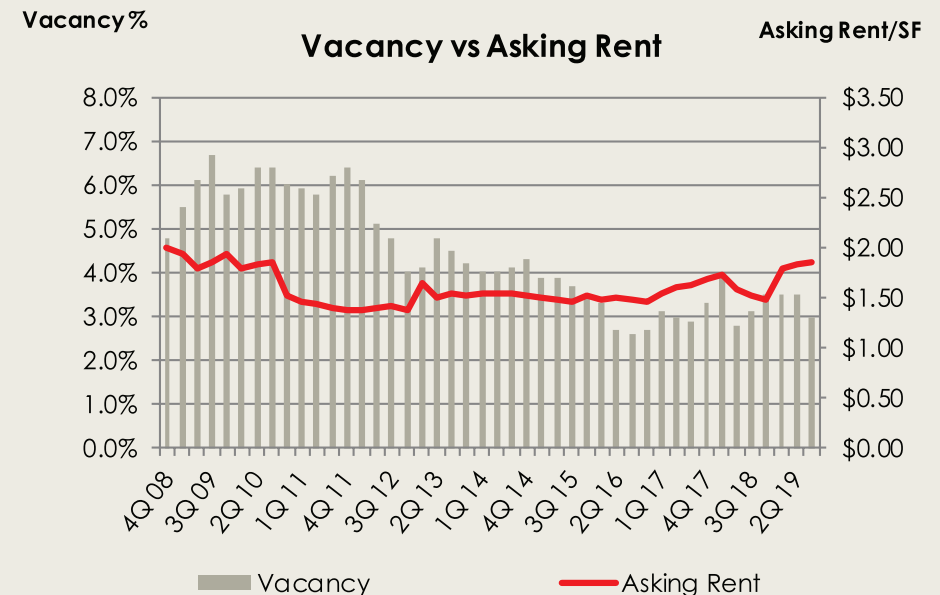
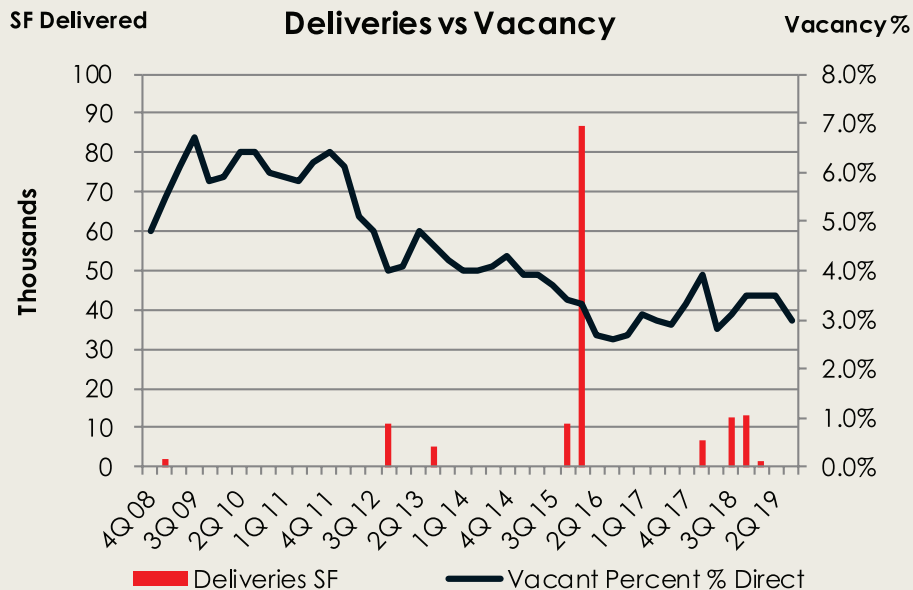
New retail supply has been extremely limited in the Brea/La Habra submarket in the last ten years. Since 2010, there has been only 148,529 SF of new product hitting the submarket which represents 1.62% of current supply. In addition, there is currently no retail product under construction in the submarket.

## Vacancy

The Brea/La Habra submarket is regarded as a dense infill area where majority of deliveries are the result of tear down and rebuild or complete renovation. With increased tenant demand in the area, this has continued to put downward pressure on vacancy rates while boosting asking rents to their highest level since 2009.

## Absorption

Absorption has more than doubled the net absorption in the submarket since 2010 which strongly showcases the tenant demand for the area. Additionally, with a submarket that is 97.0% occupied, the amount of absorption is significantly constrained. With strong tenant demand in the area, occupancy rates are poised for continued growth.





# Financial Overview

## FINANCIAL SUMMARY

The following cash flow analysis is based upon contractual terms of the in-place leases, current market rents, anticipated rental growth, projected fiscal year of operating expenses grown at 3%, and forecasts for inflation and other variables. Following the expiration of the leases currently in effect, the annual projected market rent is applied to the rentable area of each space along with allowances for downtime, vacancy, and leasing costs. Landlord contributions to tenant improvements, leasing commissions, and capital improvements are based on current Property and market conditions and trended for future increases.

Within the analysis package are detailed assumptions about general market factors affecting the Property. These various assumptions have been incorporated into the analysis that was constructed in an Argus application.

### Summarized are the financial results for 250 N. Harbor Boulevard

TOTAL RENTABLE SQUARE FEET (RSF):	22,297 SF
PERCENTAGE LEASED	100.0%
YEAR 1 PROJECTED NOI:	\$374,000

The following information is provided in the Financial Overview to assist investors in their underwriting:

- Lease Abstract
- Projected Cash Flow Statement



# LEASE ABSTRACT

<b>Tenant:</b>	Harbor Freight Tools USA, INC.		
<b>Rentable Square Ft:</b>	22,297 SF		
<b>Address:</b>	250 N. Harbor Boulevard, La Habra CA, 90631		
<b>Rent Commence-ment:</b>	July 21, 2017		
<b>Lease Expiration:</b>	July 31, 2032		
<b>Lease Term:</b>	15 Years		
<b>Renewal Options:</b>	Four (4) Extensions of Five (5) Years		
<b>Rent Schedule:</b>	Years 1-10 Annual Rent: \$350,000.00 Years 11-15 Annual Rent: \$385,000.00 Option Periods: Years 11-15 (60 Months) Annual Rent: \$423,500 .00 Years 16-20 (60 Months) Annual Rent: \$465,850.00 Years 21-25 (60 Months) Annual Rent: \$512,435.00 Years 26-30 (59 Months) Annual Rent: \$563,678.50	<b>Building Maintenance and Repairs:</b>	Tenant shall be responsible, at its sole expense, for routine non-structural repairs and maintained of the interior of the building and for the maintenance, repair, and replacement of all improvements (structural or non-structural) installed by the Tenant. Tenant is responsible for all repairs and maintenance of HVAC systems serving the premise. Tenant is responsible for all tenant improvements and does not require Landlord consent for non-structural alterations.
<b>Estoppel:</b>	Each party shall at any time request written notice from the other party within less than 15 days a statement in writing certifying that this lease in unmodified, is in full force and effect, and no uncured defaults of the part of the requesting party.	<b>Landlord Responsibility:</b>	Landlord shall be responsible for repairs, maintenance, and replacement of building structural elements such as the roof, walls, concrete slab, foundation, and unexposed electrical/plumbing, and pylon sign (however tenant reimburse landlord one-third (1/3) of the cost to repair and maintain pylon sign).
<b>Additional Rent:</b>	Tenants agrees to pay Landlord's reimbursable expenses along with a management fee the greater of \$150.00 or 10% of the total costs incurred by the Manager. Tenant shall not be responsible for any costs characterized as a capital expenditure or capital improvement.	<b>Utilities and Trash Removal:</b>	Tenant shall pay all charges for sewer, water, gas, electricity, and other utilities furnished to the premise.
<b>Parking:</b>	Tenant has non-exclusive right to use all of the parking areas designated for parking in the common areas with no additional rent charged to the Tenant for the use of the parking area or spaces. Tenant is responsible for all repairs, maintenance, upkeep of the parking area. Landlord is responsible for all capital expenditure or capital improvements to the parking area.	<b>Insurance (Tenant):</b>	Tenant shall obtain and keep a commercial general liability policy of bodily injury and property damage insurance insuring landlord and tenant against any liability that arising out of the use, occupancy, or maintenance of the premise. Policy should be no less than one million dollars (\$1,000,000) per occurrence and tow million dollars (\$2,000,000) in aggregate. In addition, tenant shall obtain an umbrella or excess liability coverage for no less than five million dollars (\$5,000,000).
		<b>Continuous Operating Requirement:</b>	Tenant shall have no obligation to continuously operate at the premises. Tenant does not have an early termination provision.
		<b>Assignment and Subletting:</b>	Tenant shall have right to assign tenant's interest in the lease without Landlord consent but must provide written notice. Original Tenant is to remain responsible for the lease.



# CASH FLOW

FOR THE YEARS ENDING	YEAR 1 DEC-2020	YEAR 2 DEC-2021	YEAR 3 DEC-2022	YEAR 4 DEC-2023	YEAR 5 DEC-2024	YEAR 6 DEC-2025	YEAR 7 DEC-2026	YEAR 8 DEC-2027	YEAR 9 DEC-2028	YEAR 10 DEC-2029	YEAR 11 DEC-2030	YEAR 12 DEC-2031	TOTAL
<b>RENTAL REVENUE</b>													
Potential Base Rent	350,000	350,000	350,000	350,000	350,000	350,000	350,000	364,583	385,000	385,000	385,000	385,000	4,354,583
Scheduled Base Rent	350,000	350,000	350,000	350,000	350,000	350,000	350,000	364,583	385,000	385,000	385,000	385,000	4,354,583
<b>Total Tenant Revenue</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>364,583</b>	<b>385,000</b>	<b>385,000</b>	<b>385,000</b>	<b>385,000</b>	<b>4,354,583</b>
<b>OTHER REVENUE</b>													
Cell Tower	24,000	24,720	25,462	26,225	27,012	27,823	28,657	29,517	30,402	31,315	32,254	33,222	340,609
Total Other Revenue	24,000	24,720	25,462	26,225	27,012	27,823	28,657	29,517	30,402	31,315	32,254	33,222	340,609
Potential Gross Revenue	374,000	374,720	375,462	376,225	377,012	377,823	378,657	394,100	415,402	416,315	417,254	418,222	4,695,192
Effective Gross Revenue	374,000	374,720	375,462	376,225	377,012	377,823	378,657	394,100	415,402	416,315	417,254	418,222	4,695,192
<b>Net Operating Income</b>	<b>374,000</b>	<b>374,720</b>	<b>375,462</b>	<b>376,225</b>	<b>377,012</b>	<b>377,823</b>	<b>378,657</b>	<b>394,100</b>	<b>415,402</b>	<b>416,315</b>	<b>417,254</b>	<b>418,222</b>	<b>4,695,192</b>
<b>CAPITAL EXPENDITURES</b>													
Capital Reserves	4,459	4,593	4,731	4,873	5,019	5,170	5,325	5,484	5,649	5,819	5,993	6,173	63,288
Total Capital Expenditures	4,459	4,593	4,731	4,873	5,019	5,170	5,325	5,484	5,649	5,819	5,993	6,173	63,288
<b>Total Leasing &amp; Capital Costs</b>	<b>4,459</b>	<b>4,593</b>	<b>4,731</b>	<b>4,873</b>	<b>5,019</b>	<b>5,170</b>	<b>5,325</b>	<b>5,484</b>	<b>5,649</b>	<b>5,819</b>	<b>5,993</b>	<b>6,173</b>	<b>63,288</b>
Cash Flow Before Debt Service	369,541	370,127	370,731	371,353	371,993	372,653	373,332	388,616	409,753	410,496	411,261	412,049	4,631,904
Cash Flow Available for Distribution	369,541	370,127	370,731	371,353	371,993	372,653	373,332	388,616	409,753	410,496	411,261	412,049	4,631,904





# RENT ROLL

TENANT	SF	% OF GLA	LEASE TERMS		BASE RENT			RENT ESCALATIONS			RECOVERY TYPE	MLA TYPE	MARKET RENT	IN-PLACE % OF MARKET	UPON EXP.	OPTION TERMS
			START	EXP.	PSF	ANNUAL	MONTHLY	DATE	PSF	ANNUAL						
HARBOR FREIGHT	22,297	100.0%	Jul-17	Jul-32	\$15.70	\$350,000	\$29,167	Aug-27	\$17.27	\$385,000	NNN	\$20.00 Harbor Freight	\$20.00	78.5%	Option	Four (4), Five (5) Year Options: 1st at \$18.99 PSF 2nd at \$20.89 PSF 3rd at \$22.98 PSF 4th at \$25.28 PSF
VERIZON - CELL TOWER	N/A	N/A	Jan-20	Dec-34	N/A	\$24,000	\$2,000	3% Annual Increases			N/A	N/A	N/A	N/A	Option	Three (3), Five (5) Year Options: 3% Annual Increases
Total Leased	22,297	100.0%				\$15.70	374,000	\$31,167								
Total Vacant	0	0.0%														
Total GLA	22,297	100.0%														

## LEGAL DISCLAIMER

### ABOUT JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. Our vision is to reimagine the world of real estate, creating rewarding opportunities and amazing spaces where people can achieve their ambitions. In doing so, we will build a better tomorrow for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of \$16.3 billion, operations in over 80 countries and a global workforce of over 91,000 as of March 31, 2019. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit [jll.com](http://jll.com).

Jones Lang LaSalle Americas, Inc. or its state-licensed affiliate ("JLL") has been engaged by the owner of the property [properties] to market it [them] for sale. Information concerning the property [properties] described herein has been obtained from sources other than JLL, and neither Owner nor JLL, nor their respective equity holders, officers, directors, employees and agents makes any representations or warranties, express or implied, as to the accuracy or completeness of such information. Any and all reference to age, square footage, income, expenses and any other property specific information are approximate. Any opinions, assumptions, or estimates contained herein are projections only and used for illustrative purposes and may be based on assumptions or due diligence criteria different from that used by a purchaser, and JLL, its officers, directors, employees and agents disclaim any liability that may be based upon or related to the information contained herein. Prospective purchasers should conduct their own independent investigation and rely on those results. The information contained herein is subject to change.





## Contact information

### INVESTMENT ADVISORS

#### Daniel Tyner

Director  
JLL Capital Markets  
+1 949 798 4125  
daniel.tyner@am.jll.com  
CA Lic # 01959818

#### Adam Friedlander

Vice President  
JLL Capital Markets  
+1 949 527 4978  
adam.friedlander@am.jll.com  
CA Lic # 01806555

### LEASING ADVISOR

#### Kien Tsoi

Vice President  
JLL Capital Markets  
+1 310 694 3191  
kien.tsoi@am.jll.com  
CA Lic # 01886131

### FOR UNDERWRITING

#### Conor Quinn

Analyst  
JLL Capital Markets  
+1 949 527 4993  
conor.quinn@am.jll.com  
CA Lic # 02073016



4000 MacArthur Boulevard, Suite 1050 | Newport Beach, CA 92660

[www.us.jll.com/capitalmarkets](http://www.us.jll.com/capitalmarkets)

Copyright © Jones Lang LaSalle IP, Inc. 2019

This publication is the sole property of Jones Lang LaSalle and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Jones Lang LaSalle. The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them. Jones Lang LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication. Jones Lang LaSalle Americas, Inc., California license # 01223413. Jones Lang LaSalle Americas, Inc. License # 19262.

Any opinion or estimate of value of any asset in this presentation is based upon the high-level preliminary review by JLL. It is not the same as the opinion of value in an appraisal developed by a licensed appraiser under the Uniform Standards of Professional Appraisal Practice. JLL expressly disclaims any liability for any reliance on any opinion or estimate of value in this presentation by any party.