

OFFERING MEMORANDUM

PLAZA

Costa Mesa

1815 NEWPORT BLVD
COSTA MESA, CA



CBRE

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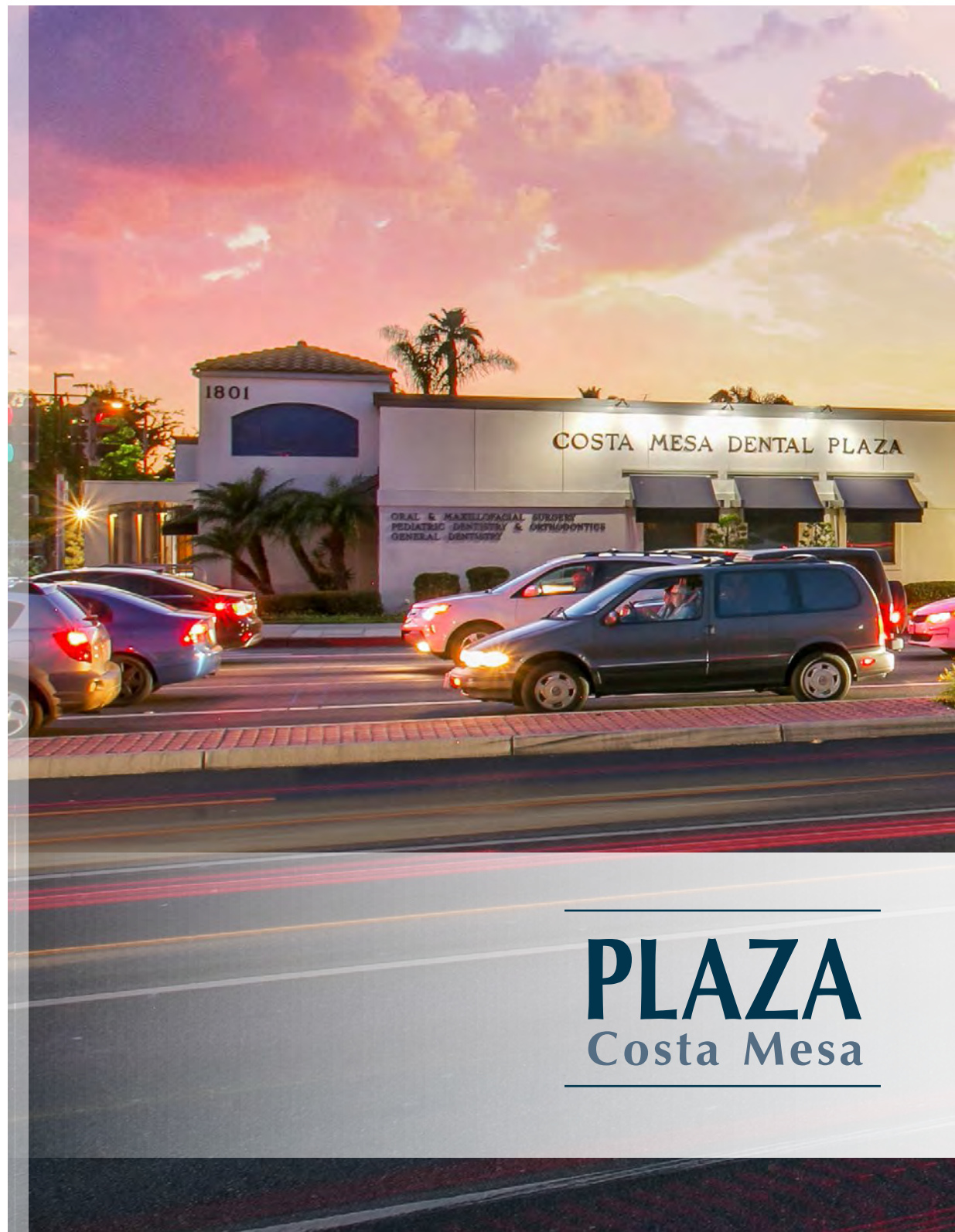
Sean Heitzler

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PLAZA
Costa Mesa



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ESTIMATED 2016 COSTA MESA DEMOGRAPHICS



POPULATION

1,370,646



MEDIAN AGE

35



AVG. HOUSING
VALUE

\$582,022



AVG. HOUSEHOLD
INCOME

\$93,009

*Source: CBRE Location Analytics & Mapping, 2016



NEWPORT BEACH PIER

PACIFIC OCEAN

LIDO ISLAND

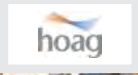


WESTSIDE GATEWAY
42 DETACHED LIVE/WORK UNITS
89 ATTACHED LIVE/WORK UNITS
46 RESIDENTIAL LOFT UNITS

SUPERIOR POINT
TAYLOR MORRISON

E. 17TH STREET (±27,370 CPD)

SUPERIOR AVENUE (±14,125 CPD)



ANAHUAC AVENUE

W. 18TH STREET (±13,850 CPD)

LIONS PARK

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COSTA MESA, CA



DOWNTOWN
AQUATIC CENTER

CASA BELLA
APARTMENTS

NEWPORT BOULEVARD (±102,900 CPD)

PARK AVENUE

HARBOR BLVD
(±18,300 CPD)



investment summary

OFFERING PRICE:	\$8,736,000
NOI (YEAR 1):	\$489,207
CAP RATE (YEAR 1):	5.60%
LEVERAGED CASH ON CASH (YEAR 1) ^[1] :	6.23%
NOI (YEAR 3):	\$512,453
CAP RATE (YEAR 3):	5.87%
LEVERAGED CASH ON CASH (YEAR 3) ^[1] :	6.98%
CURRENT OCCUPANCY:	100%
TOTAL BUILDING AREA:	±21,150 SF
TOTAL LAND AREA:	±77,841 SF (±1.78 Acres)
PARKING SPACES:	113 (5.3 spaces per 1,000 SF)
WEBSITE:	www.nrpwest.com/plazacostamesa

[1] Leveraged cash on cash returns above include principal reduction. See page 2 and 13 for additional details.

investment highlights

HIGH CREDIT AND INCOME STABILITY

- **High Credit Tenancy** - Plaza Costa Mesa totals **21,150 SF** of which approximately **(96%)** is leased to national credit tenants with established operating histories providing excellent income security at the property
 - » **Sola Salons** - Established in 2004 and now the leading operator of hair salons with over **350 locations throughout the United States**. Based in Dallas Texas, the business model incorporates hair stylists, nail techs, massage therapists and other like-minded professionals to operate in an independent manner where each tech leases their own stylist station from the owner.
 - » **Petco** - The leading provider of pet foods and supplies with **over 22,000 employees in 1,500 stores** throughout the United States. The company went private in 2000 and is now operating under CVC Capital Partners, a private equity firm invested in 50 companies worldwide and combined annual sales of approximately \$100B.

- **NNN + Admin Fees** – The majority of CAM expenses are passed through to the tenants, along with Administrative Fees, limiting any leakage on NOI
- **Strong NOI Growth** – Contractual rent increases and the re-letting of below-market rent suites should help grow the Net Operating Income nearly **\$123,000 (25%)** over the projected 10-year hold period

HIGH TRAFFIC GATEWAY LOCATION

- **Highly Visible Asset** – Exceptional visibility and accessibility with direct access from Newport Boulevard /SR-55 (**148,600** cars per day), providing convenient regional access for residents and surrounding communities as well as for visitors to Newport Beach and Costa Mesa
- **Excellent Frontage** – The property features over **300 feet** of linear street frontage along Newport Boulevard (**102,900** cars per day)
- **Retail Hub** – Situated within the core of this vibrant retail trade area immediately south of the hard corner of Newport and Harbor Boulevard, including neighboring tenants such as: **Grocery Outlet, CVS, 24 Hour Fitness, Road Runner Sports, Jamba Juice, Rubio's Coastal Grill, and Wells Fargo**, to name a few
- **Proximate to The Triangle** – The property benefits from its location next to The Triangle, a **204,523 SF** coastal dining, entertainment and lifestyle center in one of Orange County's most densely populated and desirable coastal markets

LOW MANAGEMENT HASSLE

- **Long Term Leases** – Longer-term leases virtually eliminate near-term leasing responsibility and associated capital costs
- **Stand Alone Asset** – While immediately adjacent to the Costa Mesa Courtyards, a complementary 171,000 SF neighborhood shopping center, Plaza Costa Mesa is not subject to its REA or CC&R agreements, further simplifying ownership and management
- **Coupon Clipper** – Three-tenant asset with NNN leases plus an administration fee, **perfect for passive and out of town investors**

STRONG REAL ESTATE FUNDAMENTALS

- **Below Market Lease Rates** – Essentially all of the project is leased at rates below current market rates. Property-wide, the current rates are **8%** below current market.
- **High Barriers to Entry** – Supply constrained, densely populated, infill trade area with limited sites available for future development, creating high barriers to entry and ensuring the center's long-term growth and success

PEERLESS COASTAL SOUTHERN CALIFORNIA DEMOGRAPHICS

- More than **36,600** people in a 1-mile radius with an Average Household Income exceeding **\$77,600**
- More than **160,100** people in a 3-mile radius with an Average Household Income exceeding **\$114,500**
- More than **325,800** people in a 5-mile radius with an Average Household Income exceeding **\$117,900**

COASTAL FLAGSHIP PROPERTY, IDEAL 1031 EXCHANGE REPLACEMENT

- **"100%" Location** – Situated near the convergence of three major arterials in the coastal enclave of Costa Mesa, nestled between Newport Beach and Huntington Beach
- **Pride of Ownership** – Generational opportunity to purchase a coastal retail property along one of the heaviest traveled arterials in Southern California
- **Assumable Financing** – Existing Life Insurance Company loan with an approximate balance of **\$4.1 million**, **4.90%** interest rate, **25** year amortization, and **2029** maturity creates a long-term hedge against interest rate exposure. Furthermore, to account for current yield on this debt, price is set accordingly and the cap rate yield is approximately 60 basis points greater than if this property was offered debt free.

area overview

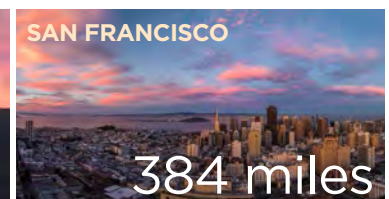
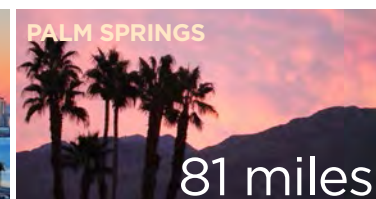
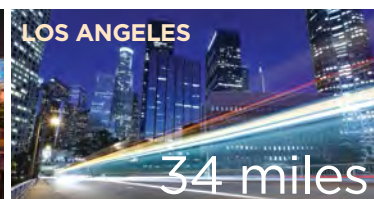
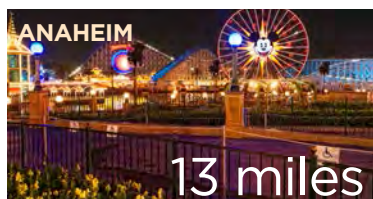
COSTA MESA, CA

Surrounded by a richness in culture, shopping and dining, proximity to the Pacific Ocean and perfect year-round climate, Costa Mesa is in an advantageous position to attract both domestic and international guests when traveling to Orange County.

- Costa Mesa is the capital of the action sports industry as the home of headquarters for companies such as Hurley International, Volcom, and RVCA.
- The city spans 16 square miles and has a population of over 115,000 residents with an average housing value of \$741,928.
- The city of Costa Mesa is located just one mile from the Pacific Coast in the heart of Orange County and is one of California's most eclectic and vibrant cities known as the "City of Arts".
- Costa Mesa's diverse dining scene has earned it the award from Rand/McNally and USA Today as being the best small town for restaurants west of the Mississippi River.
- Costa Mesa offers 28 parks, two municipal golf courses, 20 public schools and three libraries. Orange Coast College, Coastline Community College, Vanguard University, and Whittier Law School have their campuses in Costa Mesa and the Orange County Fair and Event Center is also within the city limits.
- 17th Street, the one-mile stretch of mostly retail shops, restaurants and bars, is being transformed into a hip boulevard. With one-of-a-kind boutique shops, indie restaurants that serve natural ingredient items on their menus, nightclubs and bars that bring in residents from the surrounding cities, such as Newport Heights and Balboa Peninsula.

For more information please view; www.costamesaca.gov, www.visitcalifornia.com/region/discover-orange-county and http://en.wikipedia.org/wiki/Costa_Mesa,_California

DISTANCE TO



Walk Score®

COMMUTE TO DOWNTOWN COSTA MESA



WALKING
2
MINUTES



BIKING
1
MINUTE



DRIVING
1
MINUTE



Zillow *estimated home value:
\$735,100
<https://www.zillow.com/costa-mesa-ca/home->

Costa Mesa home values have gone up 4.8% over the past year and Zillow predicts they will rise 0.9% within the next year.

DEMOGRAPHICS

	COSTA MESA	ORANGE COUNTY
2016 ESTIMATED POPULATION	115,352	3,194,830
2021 PROJECTED POPULATION	120,431	3,357,216
2016 ESTIMATED AVERAGE AGE	37.15	38.41
2016 ESTIMATED HOUSEHOLDS	42,130	1,053,963
2021 PROJECTED HOUSEHOLDS	44,218	1,109,947
2016 AVERAGE HOUSEHOLD INCOME	\$92,302	\$700,080
2016 AVERAGE HOUSE VALUE	\$741,928	\$106,499
2016 HOUSING UNITS	44,328	1,111,695

*Source: CBRE Location Analytics & Mapping, 2016

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COSTA MESA, CA

WESTSIDE URBAN PLANS

MESA WEST BLUFFS URBAN PLAN
19TH WEST URBAN PLAN
MESA WEST RESIDENTIAL OWNERSHIP URBAN PLAN

PENINSULA/ ISLAND DEMOGRAPHICS

2016 AVERAGE HH INCOME
\$146,223

2016 AVERAGE HOUSE VALUE
\$1,251,321

UPPER EAST SIDE DEMOGRAPHICS

2016 AVERAGE HH INCOME
\$107,588

2016 AVERAGE HOUSE VALUE
\$954,740

DOVER SHORES DEMOGRAPHICS

2016 AVERAGE HH INCOME
\$179,679

2016 AVERAGE HOUSE VALUE
\$1,262,082

NEWPORT HEIGHTS DEMOGRAPHICS

2016 AVERAGE HH INCOME
\$109,743

2016 AVERAGE HOUSE VALUE
\$1,103,747

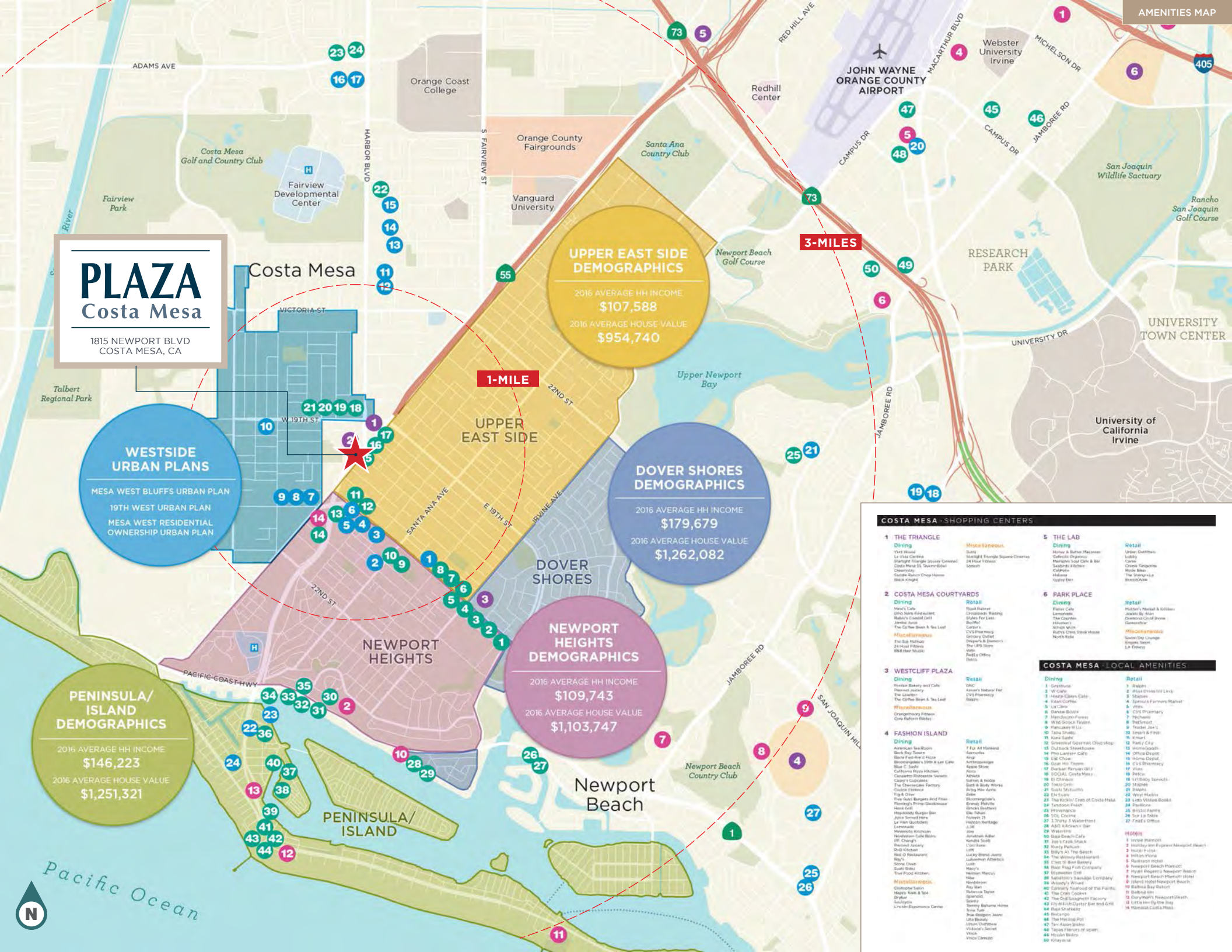


COSTA MESA - SHOPPING CENTERS

- | | | | | | |
|---|--|---|--|---|--|
| <p>1 THE TRIANGLE</p> <p>Dining
Yogi's Burgers
La Misa Cantina
L'Espresso
Costa Mesa 15 Tavern/Bar
Crown Liquors
Salsable Sushi Chop House
Black Knight</p> <p>Miscellaneous
Bark
Tropical Freeze Square Creations
24 Hour Fitness</p> | <p>2 COSTA MESA COURTYARDS</p> <p>Dining
New's Cafe
2010 Sushi Restaurant
Rubio's Cantina Grill
Amelia Ave
The Coffee Bean & Tea Leaf</p> <p>Miscellaneous
The Fish Market
24 Hour Fitness
BMW Motor</p> <p>Retail
Sud Baker
Crossroads Reading
Stiles For Less
Bicycle
The Coffee Bean & Tea Leaf
CVS Pharmacy
Gentry's Outfit
Duggan & Duggan
The UPS Store
Patt's Office Needs</p> | <p>3 WESTCLIFF PLAZA</p> <p>Dining
Foster Bakery and Cafe
Dinner Bakery
The Coffee Bean & Tea Leaf</p> <p>Miscellaneous
Crescentberry Fitness
One Station Barber</p> <p>Retail
SAC
Kaiser's Natural Hair
CVS Pharmacy
Razors</p> | <p>4 FASHION ISLAND</p> <p>Dining
American Seafood
Back Bay Seafood
Bake Factory of Pizza
Biography 1980 & L&L Cafe
Blue 21 Sports
California Pizza Kitchen
Commodore Restaurant Veneto
Cassio's Lobster
The Chocolate Factory
Custia French
T's & C's
The Subs Burgers and Deli
Sushi Palace (Sushi) Bar
New's Cafe
Hawaii's Best
John Senecal Hair
Joe's (Sushi) Bar
Lanterns
Mason's Korean
Nashville Cafe Bites
El Chango
Newest Bakery
Sushi Kitchi
Noj O Restaurant
Noj's
Stone Oven
Sushi Cafe
Tsuji Food Restaurant</p> <p>Miscellaneous
Culshaw Salon
Maple Hair & Spa
Drybar
L'Oréal-Experiences Center</p> | <p>5 THE LAB</p> <p>Dining
Muller & Barnes (Macaroni)
Café Supper
Muller's Local Cafe & Bar
Salsable Sushi
Molise
Lupini Bar</p> <p>Retail
Muller's Mercat & Italian
Jewels by Susan
DanceCo of Irvine
Gambler</p> <p>Miscellaneous
Muller's Own Old-World
Northgate
Sushi Day Lounge
Kanga Salon
L.A. Fitness</p> | <p>6 PARK PLACE</p> <p>Dining
Pineau Cafe
Landscape
The Courtes
Hollywood
Muller's Own Old-World
Northgate</p> <p>Retail
Muller's Mercat & Italian
Jewels by Susan
DanceCo of Irvine
Gambler</p> <p>Miscellaneous
Sushi Day Lounge
Kanga Salon
L.A. Fitness</p> |
|---|--|---|--|---|--|

COSTA MESA - LOCAL AMENITIES

- | | |
|---|---|
| <p>1 Greystone
2 W Cafe
3 Heavy Clutter Cafe
4 Kava Coffee
5 La Cava
6 Banana Bodega
7 Intentional Fitness
8 Wild Social Taproom
9 The Kitchen L.L.C.
10 Taba Salsita
11 Salsable
12 Salsable Gourmet ChopHouse
13 Outback Steakhouse
14 The Bakery Cafe
15 E&J Olive
16 Great Wall Taproom
17 Duka's Panini (K&L)
18 OSCAR Costa Mesa
19 El Clamato
20 Salsable
21 Salsable
22 Ex Sushi
23 The Backyard Cafe of Costa Mesa
24 Tandoori Place
25 Providence
26 SLSi Cocina
27 T. Tasty's 2 Supermarket
28 ASD's Bakery's Bar
29 Maitland
30 Sage Donut/Cafe
31 Top's Talk Salads
32 Maddy's Bar/Bistro
33 Billy's At The Beach
34 The Anchor Restaurant
35 Fire 21 Soul Bar/Bistro
36 Sage Soap & Bath Company
37 Blumenthal Grill
38 Salsable's Salsable Company
39 Maitland
40 Avocado's Market
41 Canary's Food of the Palm
42 The Cafe Cookery
43 The Old San Diego Factory
44 21st & 4th Center Bar and Grill
45 Paga On a Run
46 The Hilltop PDI
47 Top-A-Roon Grill
48 Mustang
49 The Hilltop PDI
50 Top-A-Roon Grill
51 Top-A-Roon Grill
52 Top-A-Roon Grill
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60 Top-A-Roon Grill</p> | <p>1 Blahm
2 H&M Ovens 100 L&L
3 Skopon
4 Sprinkles Farmers Market
5 Wits
6 CVS Pharmacy
7 Huggins
8 BedSmart
9 Fresh One
10 Smith & Finnell
11 Fry's
12 Raily City
13 HomeDepot
14 Office Depot
15 Home Depot
16 CVS Pharmacy
17 Fry's
18 Bedco
19 L's Baby Services
20 Marlowe
21 West Marine
22 1st Winks Books
23 Bedco
24 Bedco
25 Bedco Family
26 Sur La Table
27 Bedco
28 Bedco
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area overview (continued)

TOP RETAIL ATTRACTIONS



SOUTH COAST PLAZA

The largest mall on the West Coast, South Coast Plaza's sales of over \$1.5 billion annually is the highest in the nation. Its 250 retailers represent the highest concentration of design fashion retail in the US with the second highest sales-volume in California at \$800 per square foot —second only to Westfield Valley Fair in San Jose-Santa Clara.



THE LAB

The LAB, found in 1993, is Orange County's renowned urban youth "anti-mall" serving the lifestyle demands of the trend setting shopper within a relaxed indoor-outdoor environment. The LAB is a 40,000 square foot retail, entertainment, and restaurant complex. The LAB is anchored by Urban Outfitters, The Little Penguin Shop, and Buffalo Exchange.



THE CAMP

The CAMP is a green gathering spot offering wellness and personal styling services, unique and purposeful shopping as well as healthy, local, and international dining. Locals come for the monthly "Last Tuesdays" Sobeca ARTwalk, film screenings, and special events. The CAMP is anchored by Umami Burger, Vitaly, Milk & Honey, and Native Foods.



SOCO COLLECTION

South Coast Collection is Orange County's ultimate design and culinary experience, with over 70 carefully curated restaurants, showrooms, and stores. SOCO features over 300,000 square feet of showrooms, restaurants, artisan food purveyors, boutiques, and creative studios. At SOCO, you can partake in design lectures and instruction and cooking demonstrations and classes.



METRO POINTE

Metro Pointe at South Coast combines traditional retail with a family-oriented entertainment center to create one of Costa Mesa's premier open-air shopping destination. Metro Pointe is a 386,000 square foot shopping center that opened in 1996.



THE TRIANGLE

The Triangle is a premier dining and entertainment destination in Costa Mesa. The Triangle offers visitors an assortment of exciting restaurants and entertainment options including a sushi restaurant, Mexican restaurant, nightclub, bowling alley, sports bar, cocktail lounge, and movie theatre. The Triangle is anchored by Yardhouse, Saddle Ranch Chop House, Triangle Cinema and 24 Hour Fitness.



17TH STREET SHOPS

Capturing the vibrant essence of West Newport Beach, 17th Street and Newport Boulevard, the 17th Street Shops are a diverse collection of businesses that collectively create the locals' choice of retail destination and dining in coastal Orange County. While taking a stroll down this pedestrian friendly "Main Street," one can find virtually every type of business and retail service needed at every street corner.



SOUTH COAST PLAZA VILLAGE

South Coast Plaza Village is a small one-story shopping center that has a completely different identity than South Coast Plaza. South Coast Plaza Village is completely outdoors, hosting just a few specialty stores and offices. Stores include Room and Board and Mitchell Gold+Bob Williams. The main draw of this center is its collection of fine dining restaurants, particularly the renowned Morton's Steakhouse.





area overview (continued)

ORANGE COUNTY

- Ranked in Forbes magazine's top 50 economically thriving metro areas, Orange County enjoys lower business costs, a highly qualified workforce, and one of the lowest unemployment rates in the country.
- Attraction and retention of the world's leading companies will remain high due to Orange County's 17 colleges and universities, one of the best educated work forces in the world, and an independent attitude.
- Orange County is roughly 1% of the U.S. Population, but it has 3% of Fortune 500 companies.
- Between February 2014 and February 2015, educational and health services added 8,800 jobs; leisure and hospitality grew by 7,300 jobs, and trade, transportation and utilities expanded by 4,300 jobs.
- More than 43 million tourists visit Orange County annually, spending approximately \$8.7 billion and supporting nearly 160,000 local tourism industry jobs.
- Orange County's 42 mile coastline offers all types of seafaring activities including world class boating, snorkeling, scuba diving, and fishing. There are many marina's lining the coast that offer boat cruises, fishing trips, whale watching and charter services.
- Orange County's top employer, Disneyland has a larger cumulative attendance than any other theme park in the world, with over 650 million guests since it opened. Annually the park hosts approximately 16.2 million guests, making it the third most visited park in the world.

For more information please visit: www.visitcalifornia.com/region/discover-orange-county and http://en.wikipedia.org/wiki/Orange_County,_California

ORANGE COUNTY TOP EMPLOYERS

RANK	EMPLOYER	# OF EMPLOYEES
1	WALT DISNEY PARKS & RESORTS	28,000
2	DISNEYLAND	26,001
3	UNIVERSITY OF CA-IRVINE	12,186
4	BROADCOM CORP	7,000
5	RAYTHEON CO	6,800
6	BOEING CO	6,000
7	HOAG HOSPITAL NEWPORT BEACH	4,001
8	ST JUDE MEDICAL CTR	3,500
9	VERIZON WIRELESS	3,500
10	EDWARDS LIFESCIENCES CORP	3,500

TOP RETAIL ATTRACTIONS

- South Coast Plaza** - The largest mall on the West Coast and a chic, luxury shopping experience
- Fashion Island** - An upscale, open-air lifestyle center in Newport Beach
- Bella Terra** - Outdoor mall in Huntington Beach with eclectic shops and restaurants
- The Triangle** - A shopping, dining and entertainment destination in Costa Mesa
- Irvine Spectrum** - A shopping, dining and entertainment destination in Irvine
- The Market Place** - Premier shopping mall in the dynamic city of Tustin
- The District at Tustin Legacy** - 1 million SF lifestyle center with movie theater



property overview

LOCATION

1815 Newport Boulevard
Costa Mesa, CA 92627

SITE

Plaza Costa Mesa is located at Newport Boulevard and 18th Street in the city of Costa Mesa, California.

LAND AREA

The project consists of 2 parcels (424-252-37, 424-252-35) totaling approximately ±1.78 acres or ±77,841 square feet of land area.

BUILDING AREA

Plaza Costa Mesa consists of 1 retail building totaling approximately ±21,150 SF of net rentable area.

FRONTAGE

The site benefits from street frontage of approximately ±225 linear feet along Newport Boulevard and ±255 linear feet along Park Avenue.

ACCESS

The property has immediate access to Newport Boulevard/55 Freeway via one point of access, an additional point of access along Park Avenue and one point of access from Costa Mesa Courtyards (adjacent 171,000 SF Shopping Center), providing Plaza Costa Mesa with a total of three (3) access points surrounding the property.

PARKING

Plaza Costa Mesa contains 113 parking stalls equating to 5.3 spaces per 1,000 SF parking ratio.

TRAFFIC COUNTS

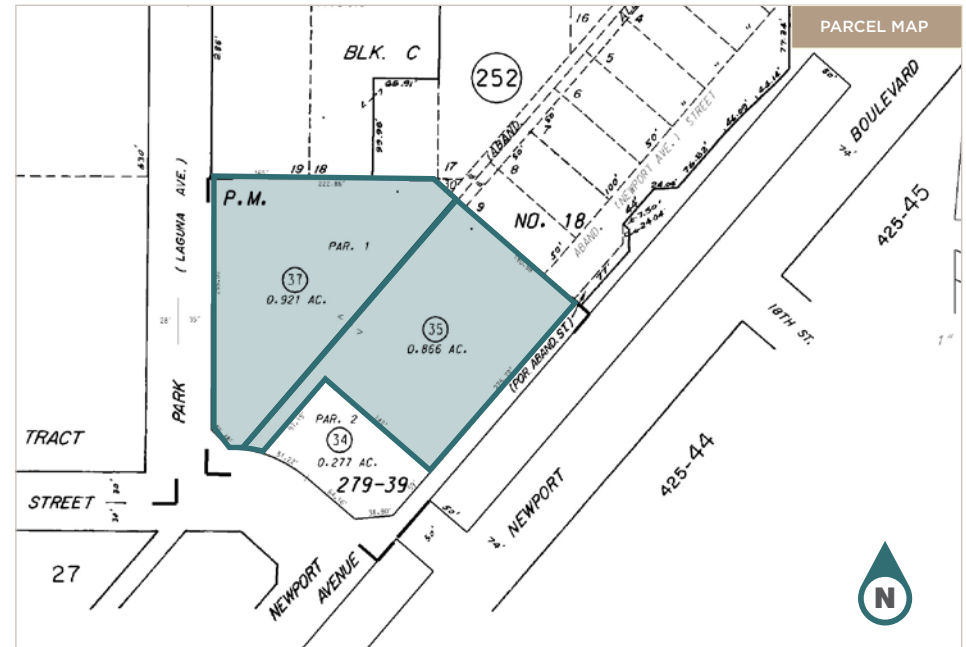
Newport Boulevard	±102,900
West 18th Street	±13,850
Harbor Boulevard	±18,300

BUILT

The property was built in 1997.

ZONING

Per the city of Costa Mesa, the subject site is currently zoned as Commercial (3).







SANTA ANA

SOUTH COAST PLAZA

JOHN WAYNE INTERNATIONAL AIRPORT

IRVINE

INTERSTATE 405 FREEWAY (±426,014 CPD)

OC FAIR & EVENT CENTER

STATE ROUTE 73 (±205,034 CPD)

COSTA MESA GOLF COURSE

HARBOR BOULEVARD (±71,285 CPD)

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COSTA MESA FREEWAY (±148,563 CPD)

GROCERY OUTLET	BevMo!	CVS	24 FITNESS
ROADRUNNER	VANS	carter's	FedEx Office

petco
where the healthy pets go

sola
LIFE COACHES

24 FITNESS	Yard House	Cinemas	SH SHIBUI BANCHE
BLACK KNIGHT	Cream'stry	Red Bull	TVRN BOWL

DOWNTOWN AQUATIC CENTER

CASA BELLA APARTMENTS

LIONS PARK

W. 18TH STREET (±13,850 CPD)

PARK AVENUE

NEWPORT BOULEVARD (±102,900 CPD)

ROCHESTER STREET

ANAHEIM AVENUE

SUPERIOR AVENUE (±14,125 CPD)

E. 17TH STREET (±27,370 CPD)

O'Reilly AUTO PARTS

Walgreens

DEL TACO

Michaels Where Creativity Happens

PET SMART

TRADER JOE'S

Chevron

aaronbrothers ART & DESIGNING

Sit'n Sleep YOUR MATTRESS SUPERSTORE

Orto

CVS

STARBUCKS

VONS

PLAZA

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SITE PLAN



TENANT ROSTER

SUITE	TENANT	SF
1	PETCO	14,350
2	SOLA SALONS	6,000
3	ROLL'N SCOOPS	800
Total SF		21,150

COSTA MESA
DENTAL PLAZA

Sola
SALON STUDIOS

ROLL'N
SCOOPS

petco
where the healthy pets go

rubios
RESTAURANT

Jamba Juice

FedExOffice
Print & Ship Services

carter's

VANS





tenant profiles

WEBSITE	www.petco.com
OWNERSHIP	Private
REVENUE	\$3.2B (2014)
S&P RATING	B
LOCATIONS	1,500
EMPLOYEES	22,000
HEADQUARTERS	San Diego, CA

petco 
 where the **healthy** pets go

Petco is a leading speciality retailer of premium pet food, supplies and services. Petco's vision is to best promote, through its people, the highest level of well being for companion animals and to support the human bond.

Petco is owned by a joint venture of Private Equity, CVC Capital Partners (with \$52 billion of assets under management) and pension fund investment manager, CPP Investment Board (Canadian Pension Plan Investment Board with C\$298 billion in investment assets).



**NON-NATIONAL
TENANT**

- Roll'n Scoops

tenant profiles (continued)

WEBSITE	www.solasalonstudios.com
OWNERSHIP	Private
LOCATIONS	350
EMPLOYEES	8,000
HEADQUARTERS	Tampa, FL
FRANCHISEE	Bristol Louise, LLC



In 2004, Sola Salon Studios was established with the opening of their first location in Denver, CO. Now with more than 350 locations open nationwide, they offer salon professionals the freedom and benefits of salon ownership without the upfront costs and risks associated with opening a traditional salon. Their innovative salon model empowers hairdressers, estheticians, nail techs, massage therapists and other like-minded professionals to take control of their lives and their careers. Sola Salons provide beauty professionals with high-end, fully-equipped salon studios alongside the support and tools they need to launch their salon business in no time.

assumptions

GLOBAL			
Analysis Period			
Commencement Date		August 1, 2017	
End Date		July 31, 2027	
Term		10 Years	
Area Measures			
Building Square Feet (SF)		21,150 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 2018	-	3.00%
	CY 2019	-	3.00%
	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%
General Vacancy Loss 5.00% ^[1]			
Capital Reserves (CY 2017 Value) \$0.25 PSF ^[2]			

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

[1] General Vacancy Loss factor includes losses attributable to projected lease-up, rollover downtime, and fixturing downtime. The following tenants are excluded from this loss factor for current and option terms only: **Petco and Costa Mesa Dental Prop. (NAP)**.

AVAILABLE SPACE LEASING	
Occupancy and Absorption	
Projected Available at 8/1/17	0 SF
Currently Available as of 5/1/17	0 SF
Percentage Available at 5/1/17	0.00%
EXPENSES	
Operating Expense Source	2017 Budget ^[3]
Management Fee (% of EGR) 3.00%	
Real Estate Taxes Reassessed Yes ^[4]	
Millage Rate	1.050%
Special Assessments	\$4,914

ASSUMABLE/TRANSAMERICA LIFE INSURANCE CO.	
Initial/Original Loan Funding	\$4,500,000
Loan Funding (as of Aug-17)	\$4,149,364
Loan-To-Price	47.50%
Funding Date	Feb-14
Maturity Date	Dec-29
Amortization Period	25 Years
Interest Rate	4.90%
Origination Fee on Initial Loan Funding	1.00%

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

[3] Operating Expenses are based on the 2017 Budget, less any owner-specific and one-time expenses.

[4] Real Estate Taxes have been reassessed at the estimated purchase price based on a millage rate of 1.049560% plus special assessments of \$4,914.

SECOND GENERATION LEASING			
	Anchor	Shop	Restaurant
Retention Ratio	80%	75%	75%
Financial Terms			
2017 Monthly Market Rent	\$2.00 PSF	\$2.50 PSF	\$3.00 PSF
Rent Adjustment	10% Every 5 Yrs	10% Every 5 Yrs	3.00% Annually
Lease Term	10 Years	10 Years	5 Years
Expense Reimbursement Type	NNN+10% Ad	NNN+10% Ad	NNN
Tenanting Costs			
Rent Abatements ^[5]			
New	3 Month(s)	3 Month(s)	3 Month(s)
Renewal	0 Month(s)	0 Month(s)	0 Month(s)
Weighted Average	0.60 Month(s)	0.75 Month(s)	0.75 Month(s)
Tenant Improvements (\$/SF)			
New	\$30.00 PSF	\$25.00 PSF	\$20.00 PSF
Renewal	\$6.00 PSF	\$5.00 PSF	\$4.00 PSF
Weighted Average	\$10.80 PSF	\$10.00 PSF	\$8.00 PSF
Commissions ^[6]			
New	5.00%	6.00%	6.00%
Renewal	1.00%	1.20%	1.20%
Weighted Average	1.80%	2.40%	2.40%
Downtime			
New	9 Month(s)	9 Month(s)	9 Month(s)
Weighted Average	2 Month(s)	2 Month(s)	2 Month(s)


[5] Rent Abatement includes NNN charges as well as base rent.

[6] Leasing Commissions are calculated by applying 100% of the rates shown above for lease years 1-5, and 50% of the above rates for lease years 6 and beyond.

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PLAZA
Costa Mesa

 **SOLA SALONS**

PETCO

1801 & 1815

COSTA MESA DENTAL PLAZA
GENERAL DENTISTRY, ORAL & MAXILLOFACIAL SURGERY
PEDIATRIC DENTISTRY & ORTHODONTICS

cash flow

Fiscal Year	8/17-7/18	8/18-7/19	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
Physical Occupancy	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.37%
Overall Economic Occupancy ^[1]	98.20%	98.22%	98.20%	98.18%	98.17%	98.17%	98.19%	98.17%	98.16%	98.14%	97.87%
Total Operating Expenses PSF Per Year	\$10.71	\$10.99	\$11.25	\$11.52	\$11.79	\$12.10	\$12.42	\$12.71	\$13.02	\$13.33	\$13.39

REVENUES	FY 2018 ^[2]											
	\$/SF/MO											
Scheduled Base Rent												
Gross Potential Rent	\$2.06	\$523,816	\$543,311	\$547,922	\$552,649	\$557,659	\$582,836	\$604,454	\$609,697	\$615,071	\$620,761	\$652,502
Absorption & Turnover Vacancy	0.00	0	0	0	0	0	0	0	0	0	0	(6,451)
Base Rent Abatements	0.00	0	0	0	0	0	0	0	0	0	0	(2,419)
Total Scheduled Base Rent	2.06	523,816	543,311	547,922	552,649	557,659	582,836	604,454	609,697	615,071	620,761	643,632
Expense Reimbursements	0.81	205,114	210,587	216,205	221,992	227,952	234,114	240,460	246,980	253,703	259,526	262,337
TOTAL GROSS REVENUE	2.87	728,930	753,898	764,127	774,641	785,611	816,950	844,914	856,677	868,774	880,287	905,969
General Vacancy Loss	(0.05)	(13,115)	(13,422)	(13,738)	(14,062)	(14,404)	(14,934)	(15,289)	(15,653)	(16,028)	(16,407)	(10,521)
EFFECTIVE GROSS REVENUE	2.82	715,815	740,476	750,389	760,579	771,207	802,016	829,625	841,024	852,746	863,880	895,448
OPERATING EXPENSES												
Sweeping & Cleaning	(0.04)	(9,768)	(10,061)	(10,363)	(10,674)	(10,994)	(11,324)	(11,664)	(12,013)	(12,374)	(12,745)	(13,127)
Landscaping	(0.02)	(5,698)	(5,869)	(6,045)	(6,226)	(6,413)	(6,606)	(6,804)	(7,008)	(7,218)	(7,435)	(7,658)
Lighting Maintenance	(0.02)	(4,070)	(4,192)	(4,318)	(4,447)	(4,581)	(4,718)	(4,860)	(5,006)	(5,156)	(5,310)	(5,470)
Graffiti Maintenance	(0.00)	(1,017)	(1,048)	(1,079)	(1,112)	(1,145)	(1,180)	(1,215)	(1,251)	(1,289)	(1,328)	(1,367)
Electricity	(0.02)	(6,003)	(6,183)	(6,369)	(6,560)	(6,757)	(6,959)	(7,168)	(7,383)	(7,605)	(7,833)	(8,068)
Water Irrigation	(0.01)	(1,374)	(1,415)	(1,457)	(1,501)	(1,546)	(1,592)	(1,640)	(1,689)	(1,740)	(1,792)	(1,846)
Trash Removal	(0.10)	(24,420)	(25,153)	(25,907)	(26,684)	(27,485)	(28,309)	(29,159)	(30,034)	(30,935)	(31,863)	(32,818)
Security	(0.11)	(28,962)	(29,831)	(30,726)	(31,648)	(32,597)	(33,575)	(34,582)	(35,620)	(36,688)	(37,789)	(38,923)
Water/Sewer-Bldg.	(0.01)	(1,832)	(1,886)	(1,943)	(2,001)	(2,061)	(2,123)	(2,187)	(2,253)	(2,320)	(2,390)	(2,461)
Fire Sprinkler Alarm	(0.01)	(2,951)	(3,039)	(3,130)	(3,224)	(3,321)	(3,421)	(3,523)	(3,629)	(3,738)	(3,850)	(3,966)
Repairs & Maintenance	(0.03)	(8,140)	(8,384)	(8,636)	(8,895)	(9,162)	(9,436)	(9,720)	(10,011)	(10,312)	(10,621)	(10,939)
Management Fee	(0.08)	(21,474)	(22,214)	(22,512)	(22,817)	(23,136)	(24,060)	(24,889)	(25,231)	(25,582)	(25,916)	(26,863)
Insurance	(0.05)	(13,227)	(13,623)	(14,032)	(14,453)	(14,886)	(15,333)	(15,793)	(16,267)	(16,755)	(17,257)	(17,775)
Real Estate Taxes	(0.38)	(97,672)	(99,527)	(101,419)	(103,349)	(105,318)	(107,326)	(109,375)	(111,464)	(113,595)	(115,768)	(111,999)
TOTAL OPERATING EXPENSES	(0.89)	(226,608)	(232,425)	(237,936)	(243,591)	(249,402)	(255,962)	(262,579)	(268,859)	(275,307)	(281,897)	(283,280)
NET OPERATING INCOME	1.93	489,207	508,051	512,453	516,988	521,805	546,054	567,046	572,165	577,439	581,983	612,168

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

[2] Based on 21,150 square feet.

[3] Net Residual Value is calculated by dividing Year 11 NOI by the Residual Cap Rate of 6.00% and applying a 4.00% Cost of Sale.

cash flow (continued)

Fiscal Year		8/17-7/18	8/18-7/19	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
CAPITAL COSTS												
Tenant Improvements	0.00	0	0	0	0	0	0	0	0	0	0	(8,601)
Leasing Commissions	0.00	0	0	0	0	0	0	0	0	0	0	(4,874)
Capital Reserves	(0.02)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)
TOTAL CAPITAL COSTS	(0.02)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(5,288)	(18,763)
OPERATING CASH FLOW	\$1.91	\$483,919	\$502,763	\$507,165	\$511,700	\$516,517	\$540,766	\$561,758	\$566,877	\$572,151	\$576,695	\$593,405
ACQUISITION & RESIDUAL SALE												
Purchase Price	(\$8,736,000)	0	0	0	0	0	0	0	0	0	0	
Tenant Improvements	0	0	0	0	0	0	0	0	0	0	0	
Leasing Commissions	0	0	0	0	0	0	0	0	0	0	0	
Net Residual Value ^[3]	0	0	0	0	0	0	0	0	0	0	9,794,688	
CASH FLOW BEFORE DEBT	(\$8,736,000)	\$483,919	\$502,763	\$507,165	\$511,700	\$516,517	\$540,766	\$561,758	\$566,877	\$572,151	\$10,371,383	6.92%
TOTAL FINANCING OBLIGATION ^[4]												
Loan Funding / Payoff	4,149,364	0	0	0	0	0	0	0	0	0	(2,743,552)	
Loan Fees	(41,494)	0	0	0	0	0	0	0	0	0	0	
Annual Debt Service	0	(312,540)	(312,540)	(312,540)	(312,540)	(312,540)	(312,540)	(312,540)	(312,540)	(312,540)	(312,540)	
CASH FLOW AFTER DEBT	(\$4,628,130)	\$171,379	\$190,223	\$194,625	\$199,160	\$203,977	\$228,226	\$249,218	\$254,337	\$259,611	\$7,315,291	8.21%
NOI Return		5.60%	5.82%	5.87%	5.92%	5.97%	6.25%	6.49%	6.55%	6.61%	6.66%	
UNLEVERAGED Cash Return		5.54%	5.76%	5.81%	5.86%	5.91%	6.19%	6.43%	6.49%	6.55%	6.60%	
LEVERAGED Cash Return ^[5]		3.82%	4.22%	4.32%	4.42%	4.52%	5.05%	5.50%	5.61%	5.72%	5.82%	
Rolling - All Cash IRR		N/M	2.61%	3.99%	4.70%	5.77%	6.37%	6.46%	6.52%	6.56%	6.92%	
Rolling - Leveraged IRR		N/M	0.14%	2.93%	4.34%	6.32%	7.39%	7.53%	7.62%	7.66%	8.21%	

[4] See schedule titled 'Detailed Leverage Summary' for further detail.

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

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		
1	Petco	14,350	67.85%	Jan-1998	Jan-2028	Current	\$25,005	\$1.74	\$300,059	\$20.91	NNN(No Mgmt)+10% Ad (Petco)	Option \$2.00 NNN (Anchor)
						Feb-2018	\$27,504	\$1.92	\$330,050	\$23.00		
						Feb-2023	\$30,255	\$2.11	\$363,055	\$25.30		

Notes: Tenant has two (2) - five (5) year options at 110% of prior rent (modeled below). Tenant has the ongoing right to "Go Dark" with written notice. Landlord has the right to terminate after "Go Dark" notice with 60 days written notice.

				Feb-2028	Jan-2038	FUTURE	\$33,280	\$2.32	\$399,361	\$27.83	NNN(No Mgmt)+10% Ad (Petco)	Market \$2.00 NNN (Anchor)
				OPTION		Feb-2033	\$36,604	\$2.55	\$439,254	\$30.61		

Notes: Assumes tenant exercises two (2) - five (5) year options with no leasing costs.

2	Sola Salons	6,000	28.37%	Jun-2012	May-2022	Current	\$14,935	\$2.49	\$179,215	\$29.87	NNN(No Mgmt)+10% Ad (Sola) CAP	Option \$2.50 NNN (Shop)
						Jun-2018	\$15,310	\$2.55	\$183,720	\$30.62		
						Jun-2019	\$15,690	\$2.62	\$188,280	\$31.38		
						Jun-2020	\$16,085	\$2.68	\$193,020	\$32.17		
						Jun-2021	\$16,485	\$2.75	\$197,820	\$32.97		

Notes: Tenant has three (3) - five (5) year options at 103% increase over prior rent with 2.5% annual increases thereafter, no less than prior rent (modeled below). Tenant has a 5% Cap on operating expenses, excluding insurance and taxes (hitting, modeled).

				Jun-2022	May-2032	FUTURE	\$16,980	\$2.83	\$203,754	\$33.96	NNN(No Mgmt)+10% Ad (Sola) CAP	Market \$2.50 NNN (Shop)
				OPTION		Jun-2023	\$17,405	\$2.90	\$208,860	\$34.81		
						Jun-2024	\$17,840	\$2.97	\$214,080	\$35.68		
						Jun-2025	\$18,285	\$3.05	\$219,420	\$36.57		
						Jun-2026	\$18,740	\$3.12	\$224,880	\$37.48		
						Jun-2027	\$19,300	\$3.22	\$231,600	\$38.60		
						Jun-2028	\$19,785	\$3.30	\$237,420	\$39.57		
						Jun-2029	\$20,280	\$3.38	\$243,360	\$40.56		
						Jun-2030	\$20,785	\$3.46	\$249,420	\$41.57		
						Jun-2031	\$21,305	\$3.55	\$255,660	\$42.61		

Notes:

Notes: Analysis assumes tenant exercises two (2) - five (5) year options at 103% over prior rent with 2.5% annual increases each option period.

3	Roll'n Scoops	800	3.78%	Aug-2017	Jul-2022	Current	\$2,400	\$3.00	\$28,800	\$36.00	NNN	Option \$3.00 NNN Restaurant
				PENDING								

Notes:

Notes: Modeled per LOI dated 5/3/17. Assumes tenant is in-place as of analysis start with seller to credit any outstanding leasing costs, including free rent. Tenant has one (1) - five (5) year option at \$2,640 /mo (modeled).

				Aug-2022	Jul-2027	FUTURE	\$2,640	\$3.30	\$31,680	\$39.60	NNN	Market \$3.00 NNN Restaurant
				OPTION								

Notes: Assumes tenant exercises one (1) - five (5) year option with no leasing costs.

4	Costa Mesa Dental Prop.			Aug-2017	Jul-2042	Current	\$0	\$0.00	\$0	\$0.00	Dentist (CAM Only)	Market NAP (CAM Only)
	(NAP)			NAP								

Notes: Tenant is not included in the sale; however, tenant does reimburse Common Area Expenses.

TOTALS / AVERAGES	21,150						\$42,339	\$2.00	\$508,074	\$24.02		
OCCUPIED SF	21,150	100.0%										
AVAILABLE SF	0	0.0%										
TOTAL SF	21,150	100.0%										

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