



555 East Hospitality Lane
San Bernardino, California

CBRE

CAPITAL MARKETS | NATIONAL RETAIL INVESTMENT GROUP

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CBRE





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investment summary

Offering Price	\$13,619,000
PSF	\$348
Cap Rate (Year 1)	5.80%
NOI (Year 1)	\$789,919
Occupancy	100%
Total Building Area	±39,123 SF
Total Land Area	±53,040 SF (±1.22 Acres)
Parking**	598 Spaces
Website	www.nrigwest.com/tclafitness

*While the owned parcel size is 1.22 acres (53,040 SF), the parcels of Tri-City Corporate Centre are subject to the Land Use Plan and Design Guidelines that divides the project site into seven Planning Areas also referred to as Super Blocks and Maintenance Associations. The subject site, 555 East Hospitality Lane, lies in Maintenance Association No. 6 comprised of APN's 281-371-76, 281-371-60 and 281-371-70 totaling 6.23 acres. More detail on the common area parcels is provided in the due diligence war room which can be accessed via www.nrigwest.com/tclafitness

**Association No. 6

investment highlights

LONG-TERM, NNN LEASED INVESTMENT WITH STABLE CASH FLOW AND INCOME GROWTH

- Outstanding opportunity to purchase a **brand new fifteen (15) year, corporate NNN leased LA Fitness**, arguably the premier health club chain in the US, founded in 1984 and currently with **615** clubs in operation
- Tenant has scheduled **ten percent (10%)** rental increases every five (5) years, enhancing future cash on cash returns and providing a hedge against inflation
- Upon completion of construction, the LA Fitness building will include excellent onsite amenities expected to retain high membership volumes
- Corporate NNN lease with LA Fitness limits landlord obligations, creating the perfect opportunity for passive out-of-town, or "coupon clipper" investors
- LA Fitness is commonly regarded as the strongest credit, category leading health club chain doing business in the western US
- Net Operating Income is projected to grow more than **\$166,000 (21%)** over the hold period, providing a strong hedge against inflation and improving cash on cash returns

investment highlights (continued)

ESTABLISHED RETAIL LOCATION

- LA Fitness is located in the heart of the vibrant Tri-City retail trade area and includes top performing **Costco, Sam's Club** and **Best Buy** locations, along with other notable tenants including **Aldi** (2016), **PetSmart, La Curacao, Home Depot, Staples, In-N-Out, Mimi's Café, Chuck E. Cheese's** and **Buffalo Wild Wings**, among others
- The property benefits from a strategic location with immediate access to the I-10 Freeway (San Bernardino) where more than **194,000** cars pass this area daily
- Located within walking distance from Marriott Residence Inn (**95 rooms**) and Marriott Fairfield Inn (**94 rooms**), providing excellent synergy and foot traffic during all parts of the day
- Situated within Tri-City Corporate Centre – the premier master-planned, mixed-use development in the Inland Empire consisting of office, retail and hospitality totaling over **1.69 million SF** and **153-acres**

LOW MANAGEMENT HASSLE, HIGH QUALITY ASSET

- LA Fitness is on a brand new long-term, **fifteen (15)** year NNN lease with three (3) five (5) year options to renew at **110%** of prior rent
- Newly (2015-2016) reconstructed improvements with no deferred maintenance and out-of-pocket expenses in the near term future
- Nationally, LA Fitness is known for having state of the art facilities, equipment and amenities, including indoor pool(s), basketball courts, squash ball courts, juice bar(s), locker facilities, group fitness classes and kids clubs (www.lafitness.com)
- High identity, high quality, brand new construction; **NO** deferred maintenance



TRI·CITY
CORPORATE CENTRE

San Bernardino ▲ CA



investment highlights (continued)

INFILL INLAND EMPIRE DEMOGRAPHICS

- The June 2014 economic study from *IHS Global Insight*, projects the Inland Empire to be one of **the fastest-growing metro areas** in the United States through 2020
- Strong daytime working population with over **156,200** employees within a 5-mile radius providing a core daily customer base for the property
- More than **6,200** people in a 1-mile radius, with an Average Household Income exceeding **\$57,900**
- More than **77,400** people in a 3-mile radius, with an Average Household Income exceeding **\$56,600**
- More than **237,300** people in a 5-mile radius, with an Average Household Income exceeding **\$50,000**

INLAND EMPIRE GROWTH

The Inland Empire is pulling ahead of the pack in terms of growth in home prices and new residential and non-residential construction. Rising employment affordability and low interest rates help to escalate activity in the local economy and continued growth is expected to increase through 2015.

- The Inland Empire regional economy has posted positive employment numbers with **47,300** jobs gained year over year through (June 2014 to June 2015) Riverside-San Bernardino-Ontario MSA*
- The Inland Empire house economy has also turned the corner; total closing for **1Q2015** were up **2.7%** from 4Q2014 with **5,968** homes closed and up **1.3%** over 2Q2014 (MetroStudy.com)
- Annual closings totaled **23,534** new homes, an increase in **3.4%** when compared to **22,746** new homes closed in the year 2013 (MetroStudy.com)

EXCELLENT 1031 EXCHANGE REPLACEMENT OPPORTUNITY

- Stable, single tenant, net-leased retail investment; "coupon-clipper"
- Low management NNN lease with improving future cash on cash returns
- Available for a quick close to accommodate 1031 Exchange timelines
- Offered **free and clear of existing debt**

TOTAL HOSPITALITY SPACE (1 MILE)
509,627 SF

TOTAL OFFICE SPACE (1 MILE)
3,417,578 SF

TOTAL RETAIL SPACE (1 MILE)
2,132,552 SF

TOTAL EMPLOYMENT (1 MILE)
17,812

COSTCO
Estimated \$209 million in annual sales (2012)

SAMS CLUB
Estimated \$78 million in annual sales (2012)

BEST BUY
Estimated \$50 million in annual sales (2012)

BAJA FRESH
\$315 million in annual sales
249 locations
\$1.08 million average sale per unit (2012)

JUICE IT UP
\$25 million in annual sales
80 locations
+/- \$300,000 average sales per unit (2012)

subject property

OFFICE	
1	One Vanderbilt Way
2	Two Vanderbilt Way
3	Vanderbilt Plaza
4	Three Parkside
5	Two Parkside
6	One Parkside
7	Lakeside Tower
8	One Carnegie Plaza

OFFICE	
9	Two Carnegie Plaza
10	Three Carnegie Plaza
11	BNSF Railroad
12	Brier Corporate Center
13	Carnegie Business Center II
14	ITT Technical Institute
15	Carnegie Business Center I
16	North Court Plaza
17	North River Place

RETAIL	
1	TGI Fridays
2	Mimi's Café
3	La-Z-Boy
4	Supercuts/FiveGuys/Togos
5	LA Fitness (New Location)
6	Banner Mattress
7	PetSmart
8	Aldi + Shops

RETAIL	
9	Baja Fresh/Panda Express/Juice-It-Up
10	Outback Steakhouse
11	Buffalo Wild Wings
12	Office Depot
13	Home Depot
RETAIL SUPPORT	
1	Tri-City Professional Center
2	LA Fitness (To Be Vacant)



AREA OVERVIEW



city of san bernardino

San Bernardino is located in the heart of Southern California, nestled at the base of local mountain resorts and at the crossroads of the I-215 and I-10 Freeways. The city of San Bernardino is the most populous city in the county of the same name, San Bernardino County. The city's population exceeds 200,000 people, and since 2000 the city's population has grown approximately 30%. One of the major cities of the Inland Empire, San Bernardino is the 17th largest city in California and the 100th largest city in the United States based on population.

Government, retail and service industries dominate the economy of the city of San Bernardino. The city's strategic location, proximate to the Cajon and San Gorgonio passes and at the convergence of the I-10, I-215, and SR-210 freeways, positions San Bernardino as an intermodal logistics hub. The city hosts

the Burlington Northern and Santa Fe Railway's intermodal freight transport yard, the Yellow Freight Systems' cross-docking trucking center and Pacific Motor Trucking. Large warehouses for Kohl's, Mattel, Pep Boys and Stater Bros. Markets are proximate to San Bernardino International Airport (SBD).

Over the last few decades, the city's riverfront district along Hospitality Lane has drawn much of the regional economic development away from the historic downtown of the city so that the area now hosts a full complement of office buildings, big-box retailers, restaurants, and hotels situated around the Santa Ana River.



san bernardino city demographics

2015 Estimated Population
211,653

2020 Projected Population
216,043

2010 Census Population
209,197

Growth 2010-2015
1.17%

Growth 2015-2020
2.07%

2015 Estimated Average Age
33.01

2015 Estimated Households
59,445

2020 Projected Households
60,603

2010 Census Households
59,022

Growth 2010-2015
0.72%

Growth 2015-2020
1.95%



city of san bernardino (continued)

Conveniently located in the heart of San Bernardino County, close to major freeways and just 60 miles from Los Angeles International Airport (LAX), SBD is a vital contributor to the local region’s economic vitality, providing competitive rates for aviation companies and local businesses. With extensive stretches of runway and acres of prime land ready for development, SBD is an economic engine for the surrounding community.

The quality of life in San Bernardino blends old traditions with new concepts and community involvement. San Bernardino is the location of the nation’s original McDonald’s, the award-winning annual Route 66 Rendezvous® classic car event, the Area Youth Sports Alliance for regional, national and international tournament sports, Sturges Center Theater and Junior University for youth performing arts and the International Children’s Choir. The elevation is 1,049 feet above sea level, and San Bernardino is within a short driving distance to beaches, deserts, and mountain resorts.

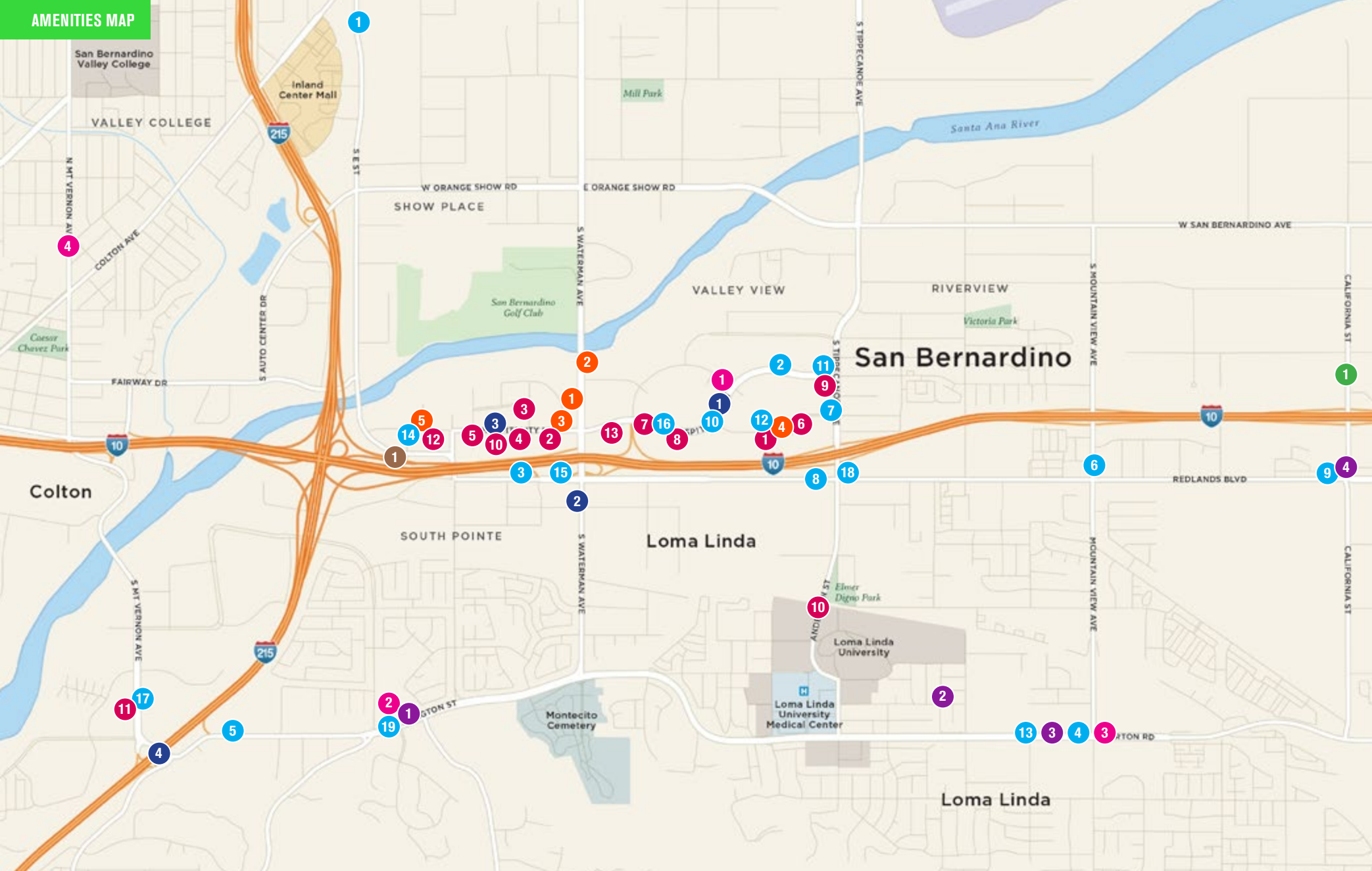
Source: http://en.wikipedia.org/wiki/San_Bernardino,_California

SAN BERNARDINO CITY TOP EMPLOYERS

Rank	Employer	# of Employees
1	Loma Linda University Children Hospital	6,000
2	BNSF Railway Company	4,000
3	San Manuel Indian Bingo/Casino	3,000
4	San Bernardino County Sheriff	2,600
5	California State-San Bernardino	2,100
6	Community Hospital-San Bernardino	2,100
7	San Bernardino County School Superintendent	2,000
8	Transportation Department	1,450
9	Metropolitan Auto Warehouse	1,000
10	Omnitrans	700

CBRE FastReport 2015

AMENITIES MAP



FAST FOOD

1. Arby's
2. California Pizza Kitchen
3. Carl's Jr
4. Cold Stone Creamery
5. Dairy Queen

FAST FOOD

6. Farmer Boys
7. In-N-Out Burger
8. KFC
9. Little Caesars Pizza
10. Panda Express
11. Panera Bread
12. Pick Up Stix

FAST FOOD

13. Quizno's
14. Subway
15. Taco Bell
16. Togo's
17. Wendy's
18. Wienerschnitzel
19. Wing Street

GOVERNMENT INSTITUTIONS

1. Superior Court of CA County

MUSEUM

1. SBCMA - Museum

RESTAURANTS

1. BJ's Restaurant
2. Black Angus
3. Claim Jumper
4. Coco's Bakery
5. El Torito Mexican Grill
6. Elephant Bar

RESTAURANTS

7. Olive Garden
8. Outback Steakhouse
9. Panera Bread
10. Red Lobster
11. Red Robin
12. Souplantation
13. TGI Friday's

GROCERS

1. Stater Bros
2. Fresh & Easy
3. Stater Bros
4. Food For Less

HOTELS

1. Days Inn
2. Quality inn
3. Hilton -
4. Fairfield Inn
5. Hampton Inn

PHARMACY

1. Walgreens
2. Rite Aid
3. Rite Aid
4. Rite Aid

HEALTH CLUBS

1. LA Fitness
2. 24 Hour Fitness
3. Curves
4. Curves



TOP TOURIST ATTRACTIONS IN THE CITY OF SAN BERNARDINO

- » SILVERWOOD LAKE
- » ROBERT AND FRANCES FULLERTON
MUSEUM OF ART
- » SAN MANUEL AMPHITHEATER
- » SHANDIN HILLS GOLF COURSE





Incorporated in 1853 and situated along the eastern edge of the Los Angeles metropolitan area, San Bernardino is made up of more than 20,100 square miles, which makes it the **largest county**, by land area, in the United States. Acting as the gateway between Southern California and the continental United States, San Bernardino enjoys the benefits of over two dozen interstates, highways and freeways traversing the county. This transportation infrastructure provides access west to Los Angeles, north to the national forests, mountains and ski areas of the Sierra Nevada, east to the desert resort of Palm Springs and south toward the fertile agricultural valleys.

The fast growing county of San Bernardino has a population of 2.1 million and with a projected 2019 population of nearly 2.2 million. The county's southwestern portions are the most urbanized and are considered to be part of the Inland Empire region of Southern California, a bi-county area with Riverside County.

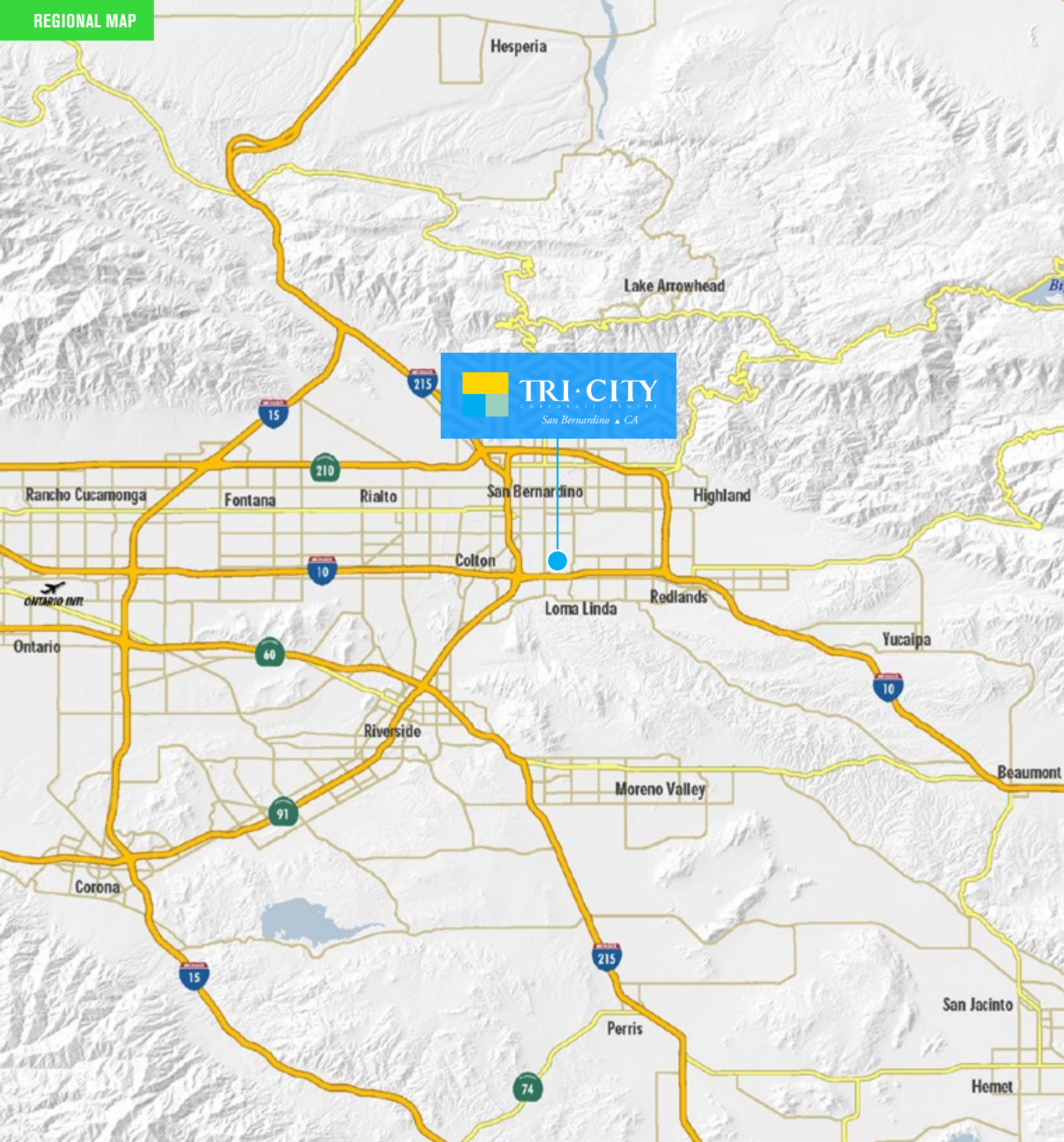
san bernardino county



SAN BERNARDINO COUNTY TOP EMPLOYERS

Rank	Employer	# of Employees
1	County of Riverside	18,291
2	Stater Bros. Markets	18,000
3	Arrowhead Regional Medical Center	18,000
4	County of San Bernardino	17,395
5	National Training Center, Fort Irwin	13,805
6	US Marine Corps Air	12,486
7	Abbott Vascular	12,000
8	March Air Reserve Base	8,750
9	San Bernardino City Unified School District	8,574
10	Ontario National Airport	7,510

Sources: https://en.wikipedia.org/wiki/San_Bernardino_County,_California



TRI-CITY
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San Bernardino • CA

san bernardino county demographics

2015 Estimated Population
2,106,909

2020 Projected Population
2,188,622

2010 Census Population
2,035,210

Growth 2010-2015
3.52%

Growth 2015-2020
3.88%

2015 Estimated Average Age
35.00

2015 Estimated Households
627,053

2020 Projected Households
649,627

2010 Census Households
611,618

Growth 2010-2015
2.52%

Growth 2015-2020
3.60%

san bernardino county (continued)

Like all of Southern California, the county of San Bernardino basks in nearly perpetual sunshine as witnessed by the many outdoor shopping centers, outdoor theaters and entertainment destinations. Visitors enjoy San Bernardino County for these popular “year-round” attractions:

- **Auto Club Speedway:** A two-mile track located in Fontana which hosts two major events annually: NASCAR and INDYCAR World Championships, which attracted nearly 90,000 each in 2012 and 2013. Auto Club Speedway has over 320 days of track activity each year including NASCAR and INDYCAR, as well as television and movie filming, photo shoots, new car testing and qualifying events.
- **Victoria Gardens:** A mixed-use, open-air retail center located off Interstate 15 and Foothill Blvd. Victoria Gardens is anchored by Macy’s and JCPenney and is home to major restaurants including California Pizza Kitchen, P.F. Chang’s China Bistro, The Cheesecake Factory and Yard House, among others. Also located at Victoria Gardens is California’s first Bass Pro Shops Outdoor World, which occupies more than 180,000 square feet.
- **Big Bear Mountain:** Located 100 miles northeast of Los Angeles, the town of Big Bear offers a variety of recreational activities including fishing, hiking, skiing, water sports and winter sports. Big Bear is home to Big Bear Lake, a seven-mile lake lined with a variety of hotels and cabins for rent and making it a popular summer destination. Bear Mountain occupies 748 acres in Big Bear and is a major ski destination with 12 chair lifts and an annual average snowfall of 100 inches.
- **Lake Arrowhead:** A popular year-round resort, featuring boating, fishing, swimming and watersports during the summer. From Lake Arrowhead Village, residents can take a cruise around the 2 1/2-mile long, one-mile-wide lake, taking in the history of the area and watching boats drift by. In the winter, the main attraction switches to Snow Valley, a ski resort with high-speed lifts and more than two dozen runs.
- **Joshua Tree National Monument:** A desert oasis in Southern California that is known for its popular hiking, bouldering and rock climbing. Joshua Tree is conveniently located within a three-hour drive to more than 18 million people.

TOP TOURIST ATTRACTIONS IN SAN BERNARDINO COUNTY

» THE MOJAVE NATIONAL PRESERVE

» AUTO CLUB SPEEDWAY

» CALICO GHOST TOWN

» JOSHUA TREE NATIONAL PARK

» LAKE ARROWHEAD LAKE

» GOLDSTONE DEEP SPACE
COMMUNICATIONS COMPLEX

» SNOW SUMMIT AND BEAR MOUNTAIN

» VICTORIA GARDENS



san bernardino county (continued)

A robust local economy has created a draw for businesses to the area. Traditionally based on agriculture (avocados, truck crops, and dates), the local economy still produces an abundance of citrus fruit in the nearby valleys. However, the aforementioned abundant and convenient transportation system, auto dealerships, industrial complexes and office parks attest that the lifestyle is quite urban and sophisticated.

The lower cost of real estate, labor and business in general has attracted many Los Angeles businesses to set up shop in San Bernardino. Manufacturing, light industry and high-tech computer software and hardware companies are all prominent in the city business scene.

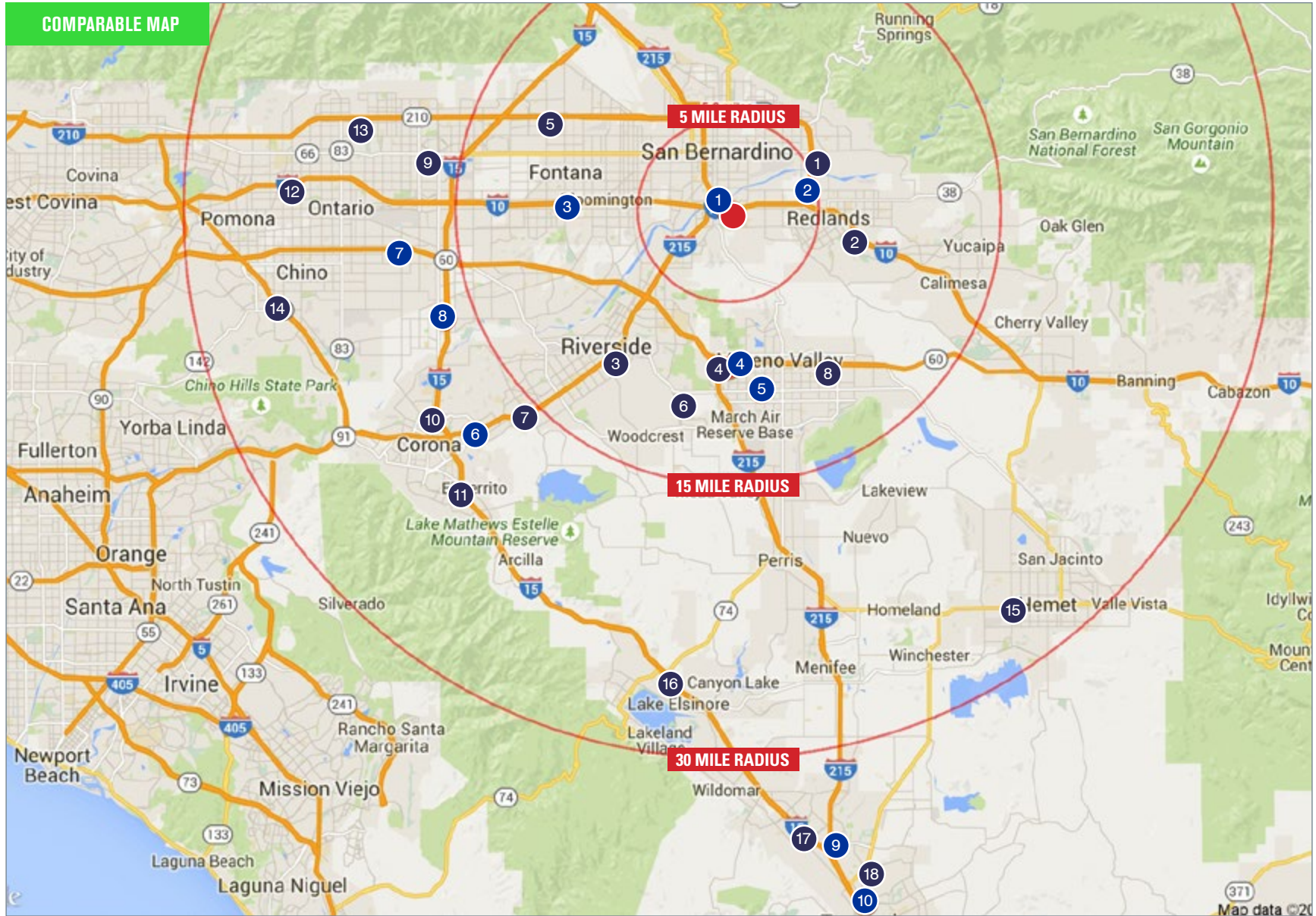
As a result of less expensive land in San Bernardino than in neighboring Los Angeles, housing is relatively more affordable and abundant. Residents pay an average of just \$231,000, which is remarkably low considering the higher prices in much of Southern California. Residents who want access to Los Angeles, Palm Springs or mountain resorts have found San Bernardino to be the ideal location where affordability meets convenience.

Sources: http://en.wikipedia.org/wiki/San_Bernardino_County,_California
<http://www.llu.edu/central/about.page>
<http://www.areavibes.com/san+bernardino-ca/cost-of-living/>

San Bernardino County is also home to 14 colleges and universities including California State University, San Bernardino, University of Redlands and the well-known health sciences institution, Loma Linda University. Loma Linda University has an annual enrollment of more than 4,600 students and 1,978 faculty members and is partnered with Loma Linda University Medical Center, which has more than 400 physicians and sees more than 33,000 inpatients and serves roughly half a million outpatients from around Southern California annually. Loma Linda University Medical Center is the only level one regional trauma center servicing Inyo, Mono, Riverside and San Bernardino counties.

DISTANCE TO COLLEGES AND UNIVERSITIES

Campus	Distance
ITT Technical Institute	0.21 miles
The Art Institute of California, Inland Empire	0.34 miles
National University, San Bernardino	0.39 miles
UEI College	0.62 miles
Everest College	0.75 miles
San Bernardino Valley College	2.65 miles
American Sports University	2.91 miles
Inland Empire Job Corps Center	6.98 miles
California State University, San Bernardino	8.40 miles



comparables



● **555 E. HOSPITALITY LANE (PROPERTY)**

① 28015 GREENSPOT ROAD

② 1035 PARKFORD DRIVE

③ 3437 ARLINGTON AVENUE

④ 2600 CANYON SPRINGS PARKWAY

⑤ 16289 SIERRA LAKES PARKWAY

⑥ 19531 MISSION VILLAGE DRIVE

⑦ 10988 MAGNOLIA AVENUE

⑧ 27610 EUCALYPTUS AVENUE

⑨ 10848 FOOTHILL BOULEVARD

⑩ 1377 HAMNER AVENUE

⑪ 2355 COMPTON AVENUE

⑫ 9385 MONTE VISTA

⑬ 1351 E. 19TH STREET

⑭ 14485 PIPELINE AVENUE

⑮ 220 NORTH SANDERSON AVENUE

⑯ 18550 DEXTER AVENUE

⑰ 40985 CALIFORNIA OAKS ROAD

⑱ 39716 WINCHESTER ROAD



① 295 E CAROLINE STREET

② 27621 SAN BERNARDINO AVENUE

③ 17204 SLOVER AVENUE

④ 12660 DAY STREET

⑤ 23750 ALESSANDRO BOULEVARD

⑥ 275 TELLER STREET SUITE 100

⑦ 2580 S. ARCHIBALD AVENUE

⑧ 12354 LIMONITE AVENUE

⑨ 40396 MURRIETA HOT SPRINGS ROAD

⑩ 27520 YNEZ ROAD

PROPERTY OVERVIEW



TRI-CITY
CORPORATE
CENTRE

PALM
COURT
WEST

site plan

subject property



association no. 6

property description

LOCATION

555 East Hospitality Lane
San Bernardino, CA 92408

SITE

The property is located in the Tri-City Corporate Centre, at the SWC corner of South Carnegie Drive and East Hospitality Lane.

LAND AREA

The property site consists of $\pm 53,040$ SF or ± 1.22 acres of land area.

BUILDING AREA

The property site consists of an estimated $\pm 39,123$ SF of building area.

FRONTAGE & ACCESS

Access points into the center include three (3) entrances off East Hospitality Lane.

TRAFFIC COUNTS

South Carnegie Drive ... $\pm 6,081$ cars per day
Hospitality Lane $\pm 22,786$ cars per day
Interstate 10 $\pm 201,000$ cars per day

BUILT

The subject property was built in 1997.

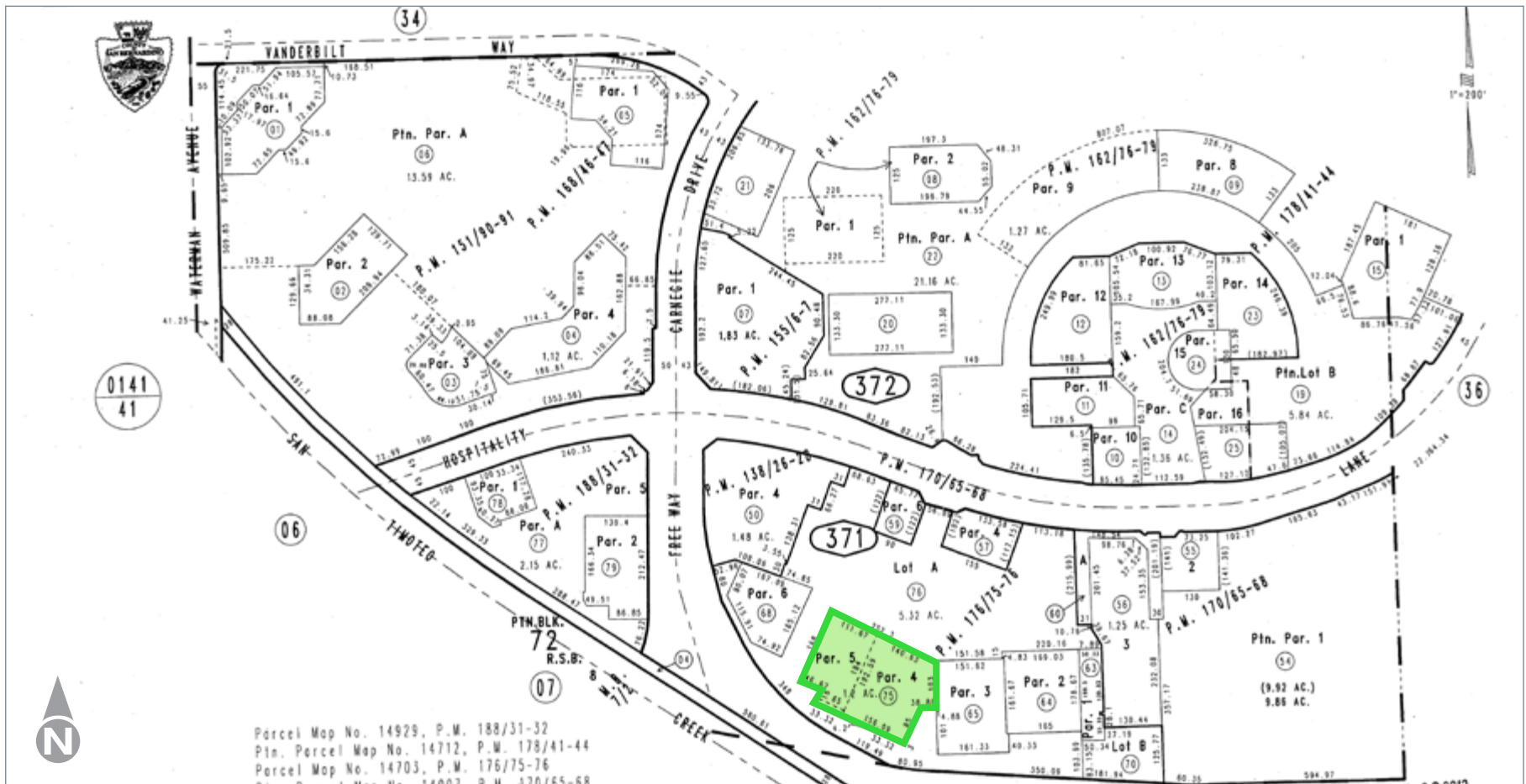
PARCEL

The assessor parcel number is 0281-371-75-0000.

ZONING

According to the city of San Bernardino the subject site is currently zoned as CR-3 Commercial Regional - Tri-City/Club.

parcel map



TENANT OVERVIEW



tenant summary



Founded in Southern California in 1984, LA Fitness is a privately owned chain of health clubs in the United States and Canada. LA Fitness currently is based in Irvine, California and over its history has acquired many other fitness clubs including Pure Fitness Arizona, Bally Total Fitness and Lifestyle Fitness expanding to over 615 clubs. LA Fitness offers state-of-the-art health clubs with highly trained staff that specialize in providing effective workout options for all

members. LA Fitness remains a privately owned company, with major ownership interests held by private equity firms Seidler Equity Partners, CIVC Partners, and Madison Dearborn Partners.

Website	www.lafitness.com
Ownership	Privately Owned
# of Employees	18,000
# of Locations	615





lease abstract

Tenant:	Fitness International, LLC dba LA Fitness
Address:	555 E. Hospitality Lane, San Bernardino, CA 92408
Date Of Lease:	April 17, 2015
Rent Commencement:	TBD
Lease Expiration:	Fifteen (15) years
Renewal Options:	Three (3) – five (5) year options
Rent/Yr:	Years 1-5: \$798,109.20 Years 6-10: \$877,920.12 Option 1: \$965,712.13 Option 2: \$1,062,283.35 Option 3: \$1,168,511.68
Permitted Use:	Operation of a health club and fitness facility.
Insurance:	Tenant shall carry the following forms of insurance during the term: All Risk Insurance not less than one hundred (100%) of the full replacement value; Commercial General Liability Insurance of \$1,000,000 per occurrence, with an aggregate limit of at least \$5,000,000; Products Liability Insurance for merchandise offered for sale on the Premises of not less than \$1,000,000; Workers Compensation Insurance as required by state law; Contingent Liability and Builder's Risk Insurance, with respect to any alterations or improvements, in amounts satisfactory to Landlord, and; Business Interruption Insurance for a period of not less than twelve (12) months
Real Estate Taxes:	Tenant shall pay to Landlord Tenant's share of Taxes during each calendar year of the term. Tenant shall not be responsible for any increase in taxes due to a change in ownership of the center occurring more than once every 5 years.
Utilities:	Tenant shall pay applicable use charges for all such utilities serving the Premises during the Term directly to the applicable utility provider.
Common Area Costs:	Tenant shall pay its pro rata share of common area costs. First year cap of Common Area costs and Property Taxes shall not exceed \$4.60/sf/yr. Beginning with the second lease year, controllable operating expenses shall not exceed 105% of prior year's expenses, on a non-cumulative basis.
Repairs and Maintenance:	Landlord is responsible for foundation, floor slab, footings, structural roof, roof membrane, exterior walls and other structural portions of the Building (excluding front doors, windows and plate glass), utility lines, meters, pipes, conduits, sprinkler systems, roof gutters, downspouts and roof drainage system.
Tenant Assignment and Subletting:	Tenant shall not assign Tenant's interest in this Lease or sublet any portion of the Premises without obtaining in each instance the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

FINANCIALS



assumptions

GLOBAL

ANALYSIS PERIOD

Commencement Date	December 1, 2015
End Date	November 30, 2025
Term	10 Years

AREA MEASURES

Building Square Feet (SF)	39,123 SF
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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		[1]
	CY 2016 -	6.00%
	CY 2017 -	6.60%
	CY 2018 -	6.10%
	CY 2019 -	5.20%
	CY 2020 -	4.00%
	CY 2021 -	3.00%
	CY 2022 -	3.00%
	CY 2023 -	3.00%
	CY 2024 -	3.00%
	CY 2025+ -	3.00%

GENERAL VACANCY LOSS	0.00%	[2]
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CAPITAL RESERVES (CY 2015 VALUE)	\$0.20 PSF	[3]
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Notes: All market rent rates are stated on calendar-year basis.

[1] Market rent growth is based on the CBRE Econometric Advisors Retail Outlook for the East San Bernardino Submarket in Riverside, CA as of Q1 2015.

[2] General Vacancy Loss factor includes losses attributable to projected lease-up, rollover downtime, and fixturing downtime.

[3] Capital Reserves do not inflate during the analysis.

AVAILABLE SPACE LEASING

OCCUPANCY AND ABSORPTION

Projected Available at 12/1/15	0 SF
Currently Available as of 8/1/15	0 SF
Percentage Available at 8/1/15	0.00%

EXPENSES

OPERATING EXPENSE SOURCE	2015 Budget	[4]
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MANAGEMENT FEE (% OF EGR)	None
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REAL ESTATE TAXES REASSESSED	Yes	[5]
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Millage Rate	1.299100%
Special Assessments	\$10

FINANCING

For customized Debt Quotations, please contact:

Bruce Francis
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[4] Operating Expenses are based on the 2015 Budget, less any owner-specific expenses.

[5] Real Estate Taxes have been reassessed at the estimated purchase price based on a millage rate of 1.299100% plus special assessments of \$10. Parcels not associated with any buildings, but strictly common areas and parking, are assumed to be transferred to a new ownership without any increase in assessed value.

assumptions (continued)

SECOND GENERATION LEASING

RETENTION RATIO	80%
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Financial Terms

2015 Monthly Market Rent	\$1.75 PSF
Rent Adjustment	10% Every 5 Years
Lease Term	10 Years
Expense Reimbursement Type	NNN

TENANTING COSTS

Rent Abatements	^[6]
New	3 Month(s)
Renewal	0 Month(s)
Weighted Average	0.60 Month(s)

Tenant Improvements (\$/SF)

New	\$25.00 PSF
Renewal	\$5.00 PSF
Weighted Average	\$9.00 PSF

Commissions

New	6.00%
Renewal	1.20%
Weighted Average	2.16%

Downtime

New	9 Month(s)
Weighted Average	2 Month(s)

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

[7] 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.



cash flow

Fiscal Year Ending - November 30	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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 ⁽¹⁾	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	\$6.85	\$7.01	\$7.17	\$7.33	\$7.50	\$7.67	\$7.85	\$8.03	\$8.21	\$8.40	\$7.87

REVENUES	CY 2016 ⁽²⁾											
	\$/SF/MO											
Scheduled Base Rent												
Gross Potential Rent	\$1.70	\$798,109	\$798,109	\$798,109	\$798,109	\$798,109	\$877,920	\$877,920	\$877,920	\$877,920	\$877,920	\$965,712
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	1.70	798,109	798,109	798,109	798,109	798,109	877,920	877,920	877,920	877,920	877,920	965,712
Expense Reimbursements	0.55	259,897	265,779	271,798	277,961	284,267	290,723	297,331	304,095	311,018	316,240	299,132
TOTAL GROSS REVENUE	2.25	1,058,006	1,063,888	1,069,907	1,076,070	1,082,376	1,168,643	1,175,251	1,182,015	1,188,938	1,194,160	1,264,844
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS REVENUE	2.25	1,058,006	1,063,888	1,069,907	1,076,070	1,082,376	1,168,643	1,175,251	1,182,015	1,188,938	1,194,160	1,264,844
OPERATING EXPENSES												
Janitorial	(0.00)	(1,023)	(1,054)	(1,086)	(1,118)	(1,152)	(1,186)	(1,222)	(1,259)	(1,296)	(1,335)	(1,375)
R&M General	(0.01)	(5,652)	(5,822)	(5,997)	(6,176)	(6,362)	(6,553)	(6,749)	(6,952)	(7,160)	(7,375)	(7,596)
Maintenance Association	(0.08)	(35,541)	(36,607)	(37,706)	(38,837)	(40,002)	(41,202)	(42,438)	(43,711)	(45,023)	(46,373)	(47,764)
Other Expenses	(0.00)	(920)	(947)	(975)	(1,005)	(1,036)	(1,066)	(1,098)	(1,132)	(1,165)	(1,200)	(1,236)
Insurance	(0.05)	(21,545)	(22,191)	(22,857)	(23,542)	(24,249)	(24,976)	(25,725)	(26,497)	(27,292)	(28,111)	(28,954)
Real Estate Taxes	(0.41)	(191,438)	(195,266)	(199,171)	(203,155)	(207,217)	(211,361)	(215,589)	(219,900)	(224,298)	(228,784)	(204,971)
R&M (NR)	(0.01)	(3,922)	(4,040)	(4,161)	(4,285)	(4,414)	(4,546)	(4,684)	(4,823)	(4,968)	(5,117)	(5,271)
Administrative (NR)	(0.02)	(8,046)	(8,288)	(8,536)	(8,792)	(9,056)	(9,328)	(9,608)	(9,896)	(10,193)	(10,499)	(10,814)
TOTAL OPERATING EXPENSES	(0.57)	(268,087)	(274,215)	(280,489)	(286,910)	(293,488)	(300,218)	(307,113)	(314,170)	(321,395)	(328,794)	(307,981)
NET OPERATING INCOME	1.68	789,919	789,673	789,418	789,160	788,888	868,425	868,138	867,845	867,543	865,366	956,863

cash flow (continued)

Fiscal Year Ending - November 30		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CAPITAL COSTS												
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)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)
TOTAL CAPITAL COSTS	(0.02)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)	(7,825)
OPERATING CASH FLOW	\$1.67	\$782,094	\$781,848	\$781,593	\$781,335	\$781,063	\$860,600	\$860,313	\$860,020	\$859,718	\$857,541	\$949,038
ACQUISITION & RESIDUAL SALE												
Purchase Price	(\$13,619,293)	0	0	0	0	0	0	0	0	0	0	All Cash IRR
Net Residual Value ^[3]	0	0	0	0	0	0	0	0	0	0	14,205,735	
CASH FLOW BEFORE DEBT	(\$13,619,293)	\$782,094	\$781,848	\$781,593	\$781,335	\$781,063	\$860,600	\$860,313	\$860,020	\$859,718	\$15,063,276	6.30%
NOI Return		5.80%	5.80%	5.80%	5.79%	5.79%	6.38%	6.37%	6.37%	6.37%	6.35%	
UNLEVERAGED Cash Return		5.74%	5.74%	5.74%	5.74%	5.73%	6.32%	6.32%	6.31%	6.31%	6.30%	
Rolling - All Cash IRR		N/M	N/M	1.13%	2.36%	4.77%	5.04%	5.23%	5.37%	5.46%	6.30%	

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

[2] Based on 39,123 square feet.

[3] Net Residual Value is calculated by dividing Year 11 NOI by the Residual Cap Rate of 6.50% and applying a 3.50% Cost of Sale.

rent roll

Suite	Tenant Name	Square Feet	% of Property	Lease Term		Rental Rates				Recovery Type	Assumption / Market Rent	
				Begin	End	Begin	Monthly	PSF	Annually			PSF
555	LA Fitness	39,123	100.00%	Dec-2015	Nov-2030	Current	\$66,509	\$1.70	\$798,109	\$20.40	NNN + 10%	Market
				ASSUMED		Dec-2020	\$73,160	\$1.87	\$877,920	\$22.44	Admin	\$1.75 NNN
						Dec-2025	\$80,463	\$2.06	\$965,556	\$24.68		
Assumes in-place at analysis start. Seller to credit any downtime or leasing costs. LL to upgrade common area, ADA. Plan to open Q3 2015 or sooner. OpEx during 1st LY not to exceed \$4.60 PSF (seller credit) w/ 5% non-cum Cap on Cont OpEx thereafter (not modeled). Prop 13 Prot if > 1 triggering event every 5 Yrs. 3 - 5 Yr Opts at 10% of prior rent.												
TOTALS / AVERAGES		39,123					\$66,509	\$1.70	\$798,109	\$20.40		
OCCUPIED SF		39,123	100.0%									
AVAILABLE SF		0	0.0%									
TOTAL SF		39,123	100.0%									



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