

Owner Occupied Scenario

## **EXECUTIVE SUMMARY**

		PROPERTY DESCR	RIPTION			
Property Type		Office	Size of Improvements	76,680 SF		
Property Address	681 Foothill Blvd.	Currently Vacant as of 2/1/18	5,692 SF			
	Rancho	Cucamonga, CA	Current Occupancy as of 2/1/18	92.58%		
ACQUISITION AND RESIDUAL	SUMMARY	LEVERAGE SUMMARY				
				MARKET LOAN		
Purchase Price as of March 1, 2018	\$226 PSF	\$17,329,648	Initial Loan Funding (as of Mar-18)	\$8,664,824		
'Costs to Stabilize'			Loan-To-Total Investment/Value	49.51%		
Tenant Improvements		143,918	Loan-To-Price	50.00%		
Leasing Commissions	_	26,434	Funding Date	Mar-18		
Total Costs to Stabilize	<u>-</u>	\$170,352	Maturity Date	Feb-28		
Total Investment	\$228 PSF	<b>\$17,500,000</b> [3]	Loan Term	10.0 Years		
	-		Amortization Period	Interest Only		
			Initial Interest Only Period (If Any)	-		
			Interest Rate	4.50%		
			Origination Fee on Initial Loan Funding	1.00%		
			Exit Fee on Balance at Maturity	0.00%		
		100% @ Market	Loan Constant	4.50%		
	In Place	Pro-Forma	Debt Service Coverage Ratio (NOI)	2.77x		
Physical Occupancy	92.58%	100.00%	Debt Service Coverage Ratio (CF)	2.45x		
Capitalization Rate	6.17%	6.39%	In-Place Debt Yield	12.34%		
Cash Return	6.17%	6.39%	100% Market Pro-Forma Debt Yield	12.91%		
Leveraged Cash Return	7.77%	8.17%				
Net Residual Value as of February 29, 2028		\$18,785,000	Purchase Price as of March 1, 2018	\$17,329,648		
Net Residual Per Square Foot		\$245	Total Initial Loan Principal	(8,664,824)		
Residual Capitalization Rate		7.50%	Total Initial Loan Fees	86,648		
Residual Cost of Sale		3.00%	Initial Equity	\$8,751,472		
ALL CASH IRR		6.59%	LEVERAGED IRR	8.41%		
EQUITY REQUIRED		\$17,500,000	EQUITY REQUIRED	\$8,921,824		
PROFIT		\$11,900,435	PROFIT	\$7,914,616		
ALL CASH EQUITY MULTIPLE		1.68x	LEVERAGED EQUITY MULTIPLE	1.89x		

- [1] Leveraged analysis is based on financing that a particular investor may or may not be able to obtain.
- [2] All Capitalization Rates, Equity Multiples and Cash-on-Cash returns are based on Total Investment or initial equity including costs to stabilize. Internal rate of return and in-place returns are based on Purchase Price or initial equity.
- [3] Costs to stabilize assume and include tenant improvements and leasing commissions for the vacant and seller guarantee suites.

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the currentor future performance of the property. The value of this transaction to you depends on tax and other factors which should be evaluated by your tax, financial, and legal advisors. You and your advisors should conduct a careful, independent investigation of the property to determine to your satisfaction the suitability of the property for your needs. THIS IS AN OPINION OF VALUE OR COMPARATIVE MARKET ANALYSIS AND SHOULD NOT BE CONSIDERED AN APPRASAL. In making any decisions that rely upon this analysis, it should be noted that we have not followed the guidelines for development of an appraisal or analysis contained in the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.



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## **CASH FLOW PROJECTIONS**

Fiscal Year Ending - February 28		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Physical Occupancy		95.38%	98.14%	98.64%	99.23%	96.92%	95.30%	98.76%	94.50%	98.64%	97.21%	95.11%
Overall Economic Occupancy [1]		91.27%	93.31%	94.59%	94.36%	93.06%	90.07%	93.92%	89.24%	94.03%	93.27%	89.94%
Weighted Average Market Rent		\$2.05	\$2.16	\$2.26	\$2.33	\$2.40	\$2.47	\$2.55	\$2.62	\$2.70	\$2.78	\$2.87
Weighted Average in Place Rent [2]		\$1.98	\$2.09	\$2.17	\$2.23	\$2.40	\$2.25	\$2.44	\$2.41	\$2.70	\$2.67	\$2.65
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Total Operating Expenses PSF Per Year		\$10.04	\$10.39	\$10.69	\$11.00	\$11.23	\$11.47	\$11.92	\$12.08	\$12.58	\$12.87	\$12.85
r	[3]											
REVENUES	FY 2019 \$/SF/YR											
Scheduled Base Rent	\$/5F/TK											
Gross Potential Rent	\$24.70	\$1,894,002	\$1,958,235	\$2,015,546	\$2,076,080	\$2,138,112	\$2,196,774	\$2,272,217	\$2,351,643	\$2,428,778	\$2,504,353	\$2,577,352
Absorption & Turnover Vacancy	(1.01)	(77,615)	(36,135)	(27,911)	(16,161)	(67,569)	(111,470)	(28,557)	(130,208)	(38,362)	(71,106)	(129,271)
Base Rent Abatements	(0.98)	(74,933)	(39,049)	(13,688)	(19,217)	(48,633)	(108,618)	(25,843)	(122,955)	(24,467)	(44,857)	(129,082)
Total Scheduled Base Rent	22.71	1,741,454	1,883,051	1,973,947	2,040,702	2,021,910	1,976,686	2,217,817	2,098,480	2,365,949	2,388,390	2,318,999
Expense Reimbursements	0.47	36,307	56,468	74,865	86,594	96,337	95,585	107,869	88,250	84,815	91,197	80,076
Antenna Revenue	0.36	27,681	28,650	29,652	30,690	31,764	32,876	34,027	35,218	36,450	37,726	39,047
Free Rent Seller Guarantee	0.69	53,076	13,589	0	0	0	0	0	0	0	0	0
Seller Guarantee Downtime	0.10	7,977	0	0	0	0	0	0	0	0	0	0
TOTAL GROSS REVENUE	24.34	1,866,495	1,981,758	2,078,464	2,157,986	2,150,011	2,105,147	2,359,713	2,221,948	2,487,214	2,517,313	2,438,122
General Vacancy Loss	(0.22)	(17,187)	(59,827)	(72,267)	(87,203)	(37,758)	0	(90,857)	0	(87,917)	(58,315)	0
EFFECTIVE GROSS REVENUE	24.12	1,849,308	1,921,931	2,006,197	2,070,783	2,112,253	2,105,147	2,268,856	2,221,948	2,399,297	2,458,998	2,438,122
OPERATING EXPENSES												
Utilities	(2.71)	(207,785)	(217,314)	(224,429)	(231,921)	(235,858)	(240,769)	(252,773)	(254,307)	(267,991)	(273,839)	(278,806)
Janitorial	(1.16)	(89,242)	(93,959)	(97,149)	(100,532)	(101,677)	(103,385)	(109,449)	(108,985)	(116,007)	(118,128)	(119,660)
Repairs & Maintenance	(1.66)	(127,242)	(131,058)	(134,993)	(139,038)	(143,210)	(147,507)	(151,932)	(156,491)	(161,185)	(166,019)	(171,001)
Landscaping	(0.56)	(43,164)	(44,459)	(45,792)	(47,166)	(48,581)	(50,039)	(51,540)	(53,086)	(54,679)	(56,319)	(58,008)
HVAC	(0.42)	(31,887)	(32,843)	(33,829)	(34,843)	(35,889)	(36,965)	(38,074)	(39,217)	(40,393)	(41,605)	(42,853)
Trash	(0.06)	(4,422)	(4,555)	(4,691)	(4,832)	(4,977)	(5,126)	(5,280)	(5,439)	(5,602)	(5,770)	(5,943)
Management Fee	(0.72) (0.15)	(55,479)	(57,658)	(60,186)	(62,123) (12,432)	(63,368) (12,804)	(63,154)	(68,066) (13,584)	(66,658)	(71,979) (14,412)	(73,770)	(73,144) (15,289)
Insurance Property Taxes	(2.59)	(11,377) (198,910)	(11,718) (202,790)	(12,069) (206,748)	(210,785)	(214,902)	(13,189) (219,102)	(223,386)	(13,992) (227,756)	(232,213)	(14,844) (236,759)	(220,986)
TOTAL OPERATING EXPENSES	(10.04)	(769,508)	(796,354)	(819,886)	(843,672)	(861,266)	(879,236)	(914,084)	(925,931)	(964,461)	(987,053)	(985,690)
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NET OPERATING INCOME	14.08	1,079,800	1,125,577	1,186,311	1,227,111	1,250,987	1,225,911	1,354,772	1,296,017	1,434,836	1,471,945	1,452,432
CAPITAL COSTS	(4.26)	(OC OFF)	(07.111)	(E7.40E)	(70,000)	(200.056)	(222.424)	(00.335)	(442 505)	(00.020)	(460.755)	(400 640)
Tenant Improvements Leasing Commissions	(1.26) (0.23)	(96,255) (17,540)	(97,111) (20,320)	(57,425) (13,482)	(72,060) (16,958)	(208,856) (66,751)	(322,131) (110,148)	(89,325) (21,022)	(413,595) (140,259)	(80,038) (22,495)	(163,755) (45,928)	(422,612) (148,508)
Capital Reserves	(0.23)	(17,540)	(11,906)	(12,263)	(12.631)	(13,010)	(13,401)	(13.803)	(14,217)	(14,643)	(15,083)	(146,506)
TOTAL CAPITAL COSTS	(1.63)	(125,355)	(129,337)	(83,170)	(101,649)	(288,617)	(445,680)	(124,150)	(568,071)	(117,176)	(224,766)	(586,655)
OPERATING CASH FLOW	\$12.45	\$954,445	\$996,240	\$1,103,141	\$1,125,462	\$962,370	\$780,231	\$1,230,622	\$727,946	\$1,317,660	\$1,247,179	\$865,777
ACQUISITION & RESIDUAL SALE	ψ12.43	<b>4334,443</b>	ψ330, <u>2</u> 40	ψ1,103,141	Ψ1,123,402	ψ30 <b>2</b> ,370	Ψ100,201	Ψ1,230,022	Ψ121,540	Ψ1,517,000	Ψ1,241,113	ψουσ, τ τ τ
Purchase Price	(\$17,329,648)	0	0	0	0	0	0	0	0	0	οГ	All Cash
Net Residual Value [4]	0	0	0	0	0	0	0	0	0	0	18,784,787	IRR
CASH FLOW BEFORE DEBT	(\$17,329,648)	\$954,445	\$996,240	\$1,103,141	\$1,125,462	\$962,370	\$780,231	\$1,230,622	\$727,946	\$1,317,660	\$20,031,966	6.59%
MARKET LOAN [5]	(, ,, ,, ,, ,, ,,	,	,,,,,,	. , ,	. , ., ., .	,,,,,,		• , , –	, ,	, , , , , , ,	, ,	
Loan Funding / Payoff	8,664,824	0	0	0	0	0	0	0	0	0	(8,664,824)	
Loan Fees	(86,648)	0	0	0	0	0	0	0	0	0	`	Leveraged
Loan rees												
Annual Debt Service	0	(389,917)	(389,917)	(389,917)	(389,917)	(389,917)	(389,917)	(389,917)	(389,917)	(389,917)	(389,917)	IRR