

3190 Airport Loop Drive, Costa Mesa, CA
Supplemental Information

STEVEN G. ECONOMOS, SIOR, CCIM

Director, Office Advisory

949.296.3607

Cell 949.466.4882

SEconomos@360CommercialRE.com

GEOFFREY S. DEWOLF, LEED AP

Associate Director, Office Advisory

949.296.3608

Cell 949.500.6654

GDeWolf@360CommercialRE.com

3190 Airport Loop Drive-K

Costa Mesa



Table of Contents

Page 2

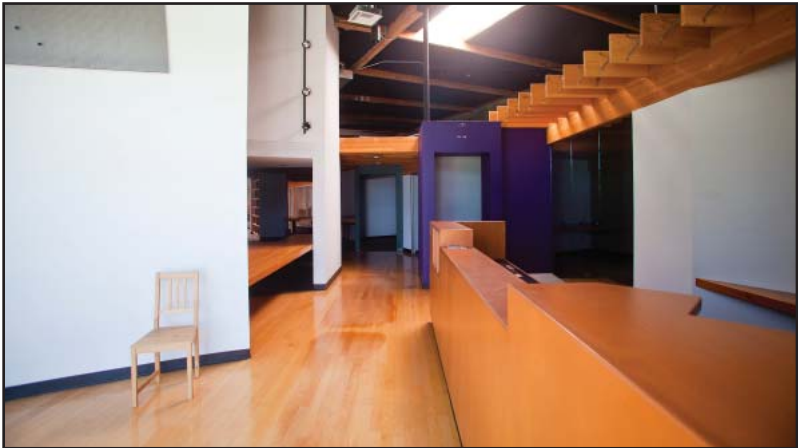
Exterior Photographs	Page 3
Property Summary	Page 4
Street Map	Page 5
Floor Plan	Page 6
Sale Comparables	Page 7
Benefits of Purchasing	Page 8
Purchase vs Lease Illustration	Page 9
Tax Benefits of Depreciation	Page 10
Wells Fargo Loan Illustration	Page 11

3190 Airport Loop Drive-K

Costa Mesa



Property Photographs



3190 Airport Loop Drive-K

Costa Mesa



Property Summary

Page 4

Address	3190 Airport Loop Drive-Bldg. K, Costa Mesa, CA
Price	\$1,432,000 (\pm \$179/SF)
Monthly Association Dues	\$832.35
Building Rentable Sq. Ft.	8,000 SF
Purchase Terms/ Financing	All cash or cash to new loan. This is a bank-owned offering and shall be sold in "as-is" condition
Year Built / Stories	1976
Stories	One

3190 Airport Loop Drive-K

Costa Mesa



Street Map

Page 5

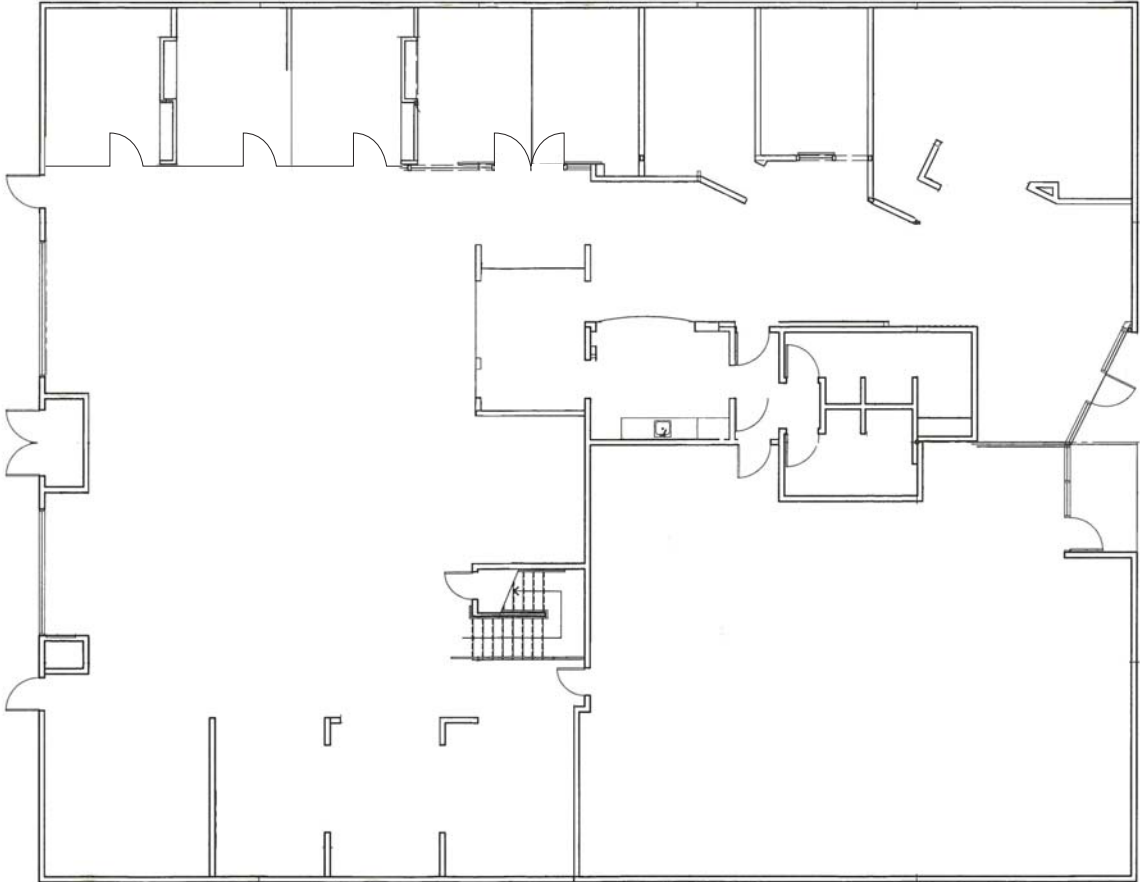


3190 Airport Loop Drive-K

Costa Mesa



Floor Plan




3190 Airport Loop Drive-K

Costa Mesa



Sales Comparables

Page 7

Property	Address	Sale Date	Size	Price PSF	360 Market/Deal Insight
	Airway Commerce Center 3184 Airway Ave, Bldg A Costa Mesa	6/2010	6,000 sf	<u>\$1,164,000</u> \$194	User purchased this property with the intention of demolishing the interior and building new improvements.
	Airway Commerce Center 3184 Airway Ave, Bldg L Costa Mesa	4/2010	4,800 sf	<u>\$1,344,000</u> \$280	User transaction.
	Airway Commerce Center 3189 Airway Ave, Bldg B Costa Mesa	2/2010	4,800 sf	<u>\$1,100,000</u> \$229	User transaction.

3190 Airport Loop Drive-K

Costa Mesa



Benefits of Purchasing

Page 8

Led by Steven G. Economos, the 360 Commercial Partners Office Advisory team is Orange County's #1 seller of office buildings. As such, they are the foremost experts in OC's office sector and are widely sought after by buyers, sellers, investors and the media for advice on a range of topics relating to the purchase, sale and leasing of office space and buildings in the region. Below is their recent analysis of the current OC office market and recommendations regarding the frequently posed question of whether the time is right to lease or purchase office space.

- Recommendation:** For stable businesses with strong balance sheets, the time is right to purchase office space.
- Value Pricing:** **Current office sale pricing is at levels last seen in the early 2000's.** This reflects a move to realistic, fundamentally sound pricing, effectively erasing the inflated sales prices of 2005-2008.
- Favorable Financing:** Historically low interest rates and government-sponsored SBA programs allow the purchase of a building for only 10% down.
- Inflation Protection:** Purchasing an office enables you to protect your business from potential runaway lease markets in the future.
- Portfolio Enhancement:** Add a building to your retirement nest egg. If your business is stable and needs office space, the rent from your business pays off the mortgage. Additional benefits include real estate appreciation and the tax advantages of depreciation.

3190 Airport Loop Drive-K

Costa Mesa



Purchase vs Lease Illustration

Situation: Business owner purchases and occupies 3190 Airport Loop Drive for \$179/SF, with an initial investment of \$19/SF (10% down + est. closing costs).

Estimated Monthly Costs

Typical Operating Expenses:	\$0.67/SF	
Mortgage Payment:	\$1.00/SF	
Amount of Principal in Mortgage Payment*:	(\$0.20/SF)	*Note: This money is simply cash being converted to savings

Estimated Monthly Cost to Own Year 1: \$1.47/SF vs **Estimated Starting Lease Rate + expenses: \$1.65/SF**

The advantage to owning increases each year. Assuming lease rates increase by 3% annually, operating expenses increase by 2.5% annually, and mortgage payments remain fixed, below is a 10-year comparative analysis of purchasing versus leasing (with all figures per square foot):

	Lease Rate	Ownership Cost	Annual Savings	Cumulative	
Year 1	\$1.65	\$1.47	\$2.17	\$2.17	
Year 2	\$1.70	\$1.47	\$2.80	\$4.97	
Year 3	\$1.75	\$1.46	\$3.45	\$8.43	
Year 4	\$1.80	\$1.46	\$4.11	\$12.54	
Year 5	\$1.86	\$1.46	\$4.79	\$17.33	
Year 6	\$1.91	\$1.46	\$5.48	\$22.80	Break Even
Year 7	\$1.97	\$1.46	\$6.18	\$28.98	
Year 8	\$2.03	\$1.45	\$6.90	\$35.88	
Year 9	\$2.09	\$1.45	\$7.63	\$43.51	
Year 10	\$2.15	\$1.45	\$8.38	\$51.89	10 Year Own vs. Lease Savings:

3190 Airport Loop Drive-K

Costa Mesa



Tax Benefits of Depreciation

Page 10

Assume a business owner or trust personally purchases 3190 Airport Loop Drive and leases it to his/her business at a market rate (this is allowable under the SBA program). Cash flow and taxable income of the business are not affected. However, this owner's personal financial situation would benefit from depreciation of the building. In terms of this scenario, depreciation is the spreading of cost over the useful life of an asset. The Internal Revenue Service allows for a tax deduction of commercial property improvements depreciation based on a 39-year life. Simply stated, a portion of the cost of the building (excluding land) reduces taxable income, and thus tax liability, for a period of up to 39 years.

In this scenario, let us assume the following facts:

Purchase Price:	\$1,432,000
Building Size:	8,000 Square Feet (\$179/SF)
Percentage of Building to Land:	45% / 55%
Owner's personal income tax bracket:	33%

The amount subject to depreciation, in this example, is 45% of \$1,432,000, or \$644,400. Spread over the IRS' mandated 39 years, the deduction per year is approximately \$17,000. **At a tax rate of 33%, the tax savings due to depreciation is \$5,000 per year of ownership.**

If you are considering this on a monthly per-square-foot basis consistent with the example on the previous page, this tax savings equates to an additional ownership benefit of \$0.05/sf per month.

As time progresses, the cost basis of the building is being reduced by depreciation accumulated since purchase. Should the owner decide to sell, the depreciation is recaptured and taxed, but it is at a standard 25% as opposed to the 33% ordinary income rate used when the deduction was realized. This yields an overall tax benefit during the building ownership period, especially if the building is kept and passed down to future generations.

It is important to note that this example may differ from your situation. Please consult with your tax advisor.

3190 Airport Loop Drive-K

Costa Mesa



Wells Fargo Loan Illustration

Preferred Lender:



DAVE FRIEDMAN
949-756-3565
ADAM GRISMER
949-756-3570
VALERIE IORIATTI
949-756-7706

Note: Rates are subject to change daily

Note:

Date: 8/4/2010

Prepared For: 3190 Airport Loop Drive

SBA 504 Programs

	5 Year Reset		Fixed	
	Wells Fargo	SBA	Wells Fargo	SBA
	Purchase Price	\$1,432,000		
Down Payment	\$143,200		\$143,200	
Combined LTV%		90%		90%
Loan Amount	\$716,000	\$572,800	\$716,000	\$572,800
Financed Fee		\$3,723		\$3,723
Rate (%)	5.00%	4.77%	6.00%	4.77%
Amortization	30	20	30	20
Term (Years)	10	20	10	20
1st & 2nd TD Payments	\$3,844	\$3,732	\$4,293	\$3,732
Total Monthly Payments		\$7,576		\$8,025

Estimated Closing Costs

	SBA 504	
Loan Fee % *	0.500%	0.650%
Loan Fee	\$3,580	\$3,723
Appraisal	\$3,500	fee combined
Environmental Report	\$2,500	fee combined

*Illustrated loan fees assume Congress renews expired Stimulus Act fee reductions/waivers