

26831 Aliso Creek, Aliso Viejo

Supplemental Information

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Photographs



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Property Summary

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Address	26831 Aliso Creek, Aliso Viejo, CA
Price / Size	\$7,480,000 / 15,269 SF
Occupancy	100% NNN leases (BofA, Vitamin Shoppe, & three medical groups)
Actual Cap Rate	7.00%
Purchase Terms	All cash or cash to new loan (existing \pm \$2.2M note will be removed)
Year Built	2002
Parking	Parking in-common with Aliso Viejo Town Center
Number of Floors / Elevator	Two stories / one elevator
1st Floor Retail Zoning	7,451 SF 1st Floor (49% of bldg) zoned for retail
2nd Floor Medical Zoning	7,818 SF 2nd Floor (51% of bldg) zoned for medical office

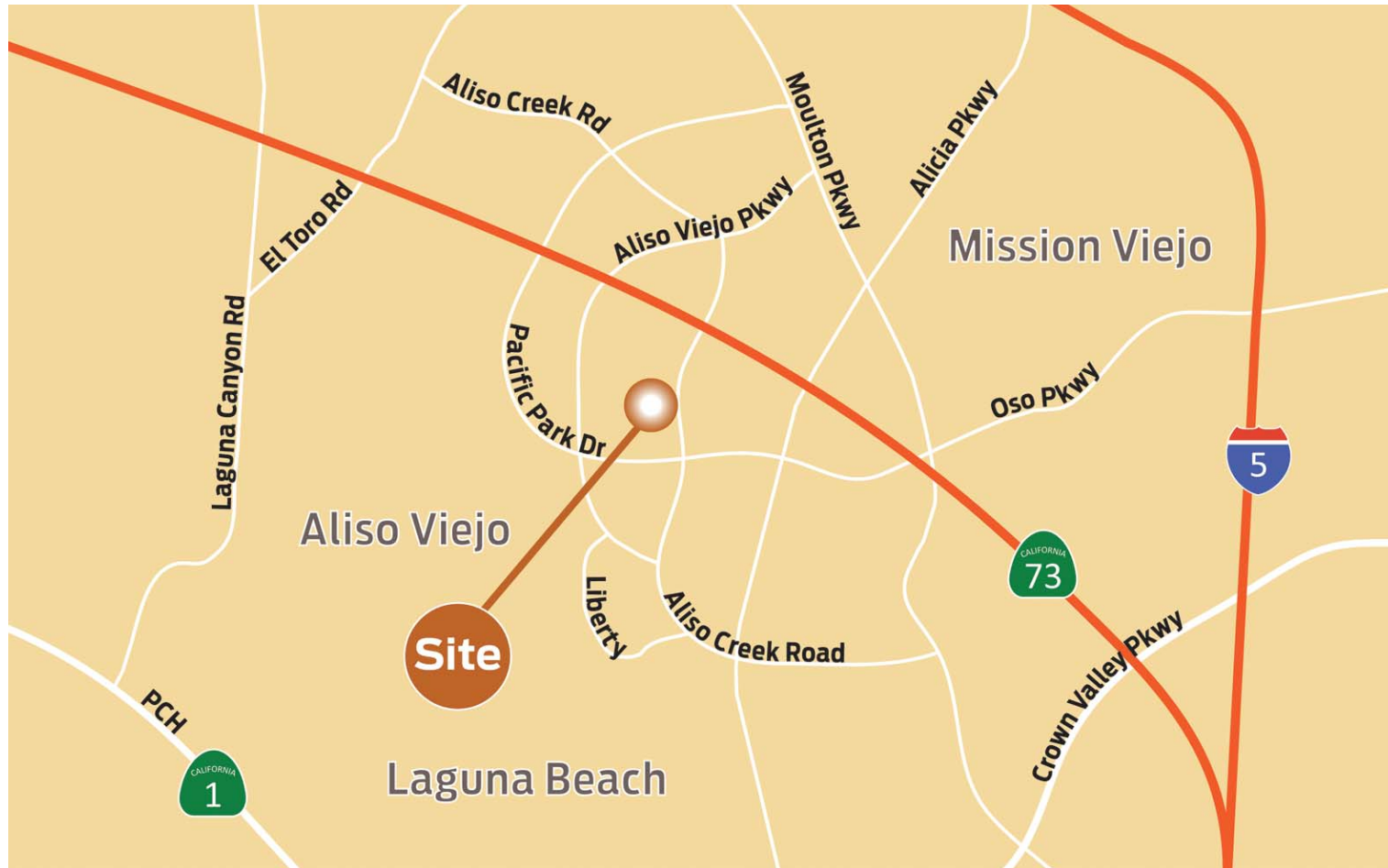
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Street Map

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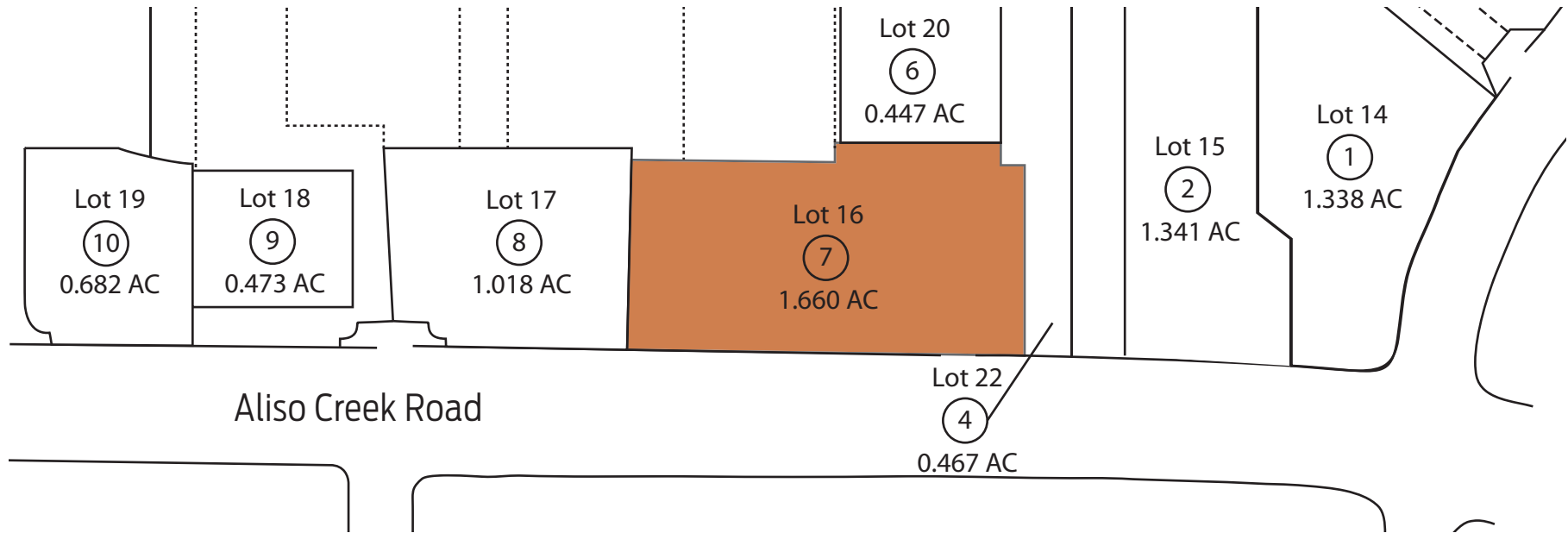
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Plat Map

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Building Re-Measure

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The Building was recently re-measured (this is future upside):

Suite Number	SF in Lease	SF in Re-Measure
Suite B (BofA)	3,603 SF	3,774 SF
Suite A (Vitamin Shoppe)	3,500 SF	3,677 SF
Suite 1 (Crossover Health)	4,371 SF	4,371 SF
Suite 3 (Dr. Gaff)	1,709 SF	1,701 SF
Suite C (Facial Aesthetics)	1,696 SF	1,747 SF
TOTAL:	14,879 SF	15,269 SF

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Return on Investment

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Square Feet 15,269 SF
Price \$7,480,000
2011 Cap Rate 7.00%

	SF	Rent PSF	Monthly	Annual	Expires
Bank of America	3,603	\$3.00	\$10,809	\$129,708	5/31/2012
Vitamin Shoppe	3,500	\$3.30	\$11,550	\$138,600	12/31/2017
Crossover Health (primary care)	4,371	\$2.50	\$10,928	\$131,130	12/31/2020
Dr. Larry Gaff (dentist)	1,709	\$3.29	\$5,626	\$67,512	10/31/2012
Facial Aesthetic Concepts (cosmetics)	1,696	\$2.80	\$4,742	\$56,904	12/31/2013
	14,879		\$43,655	\$523,854	
				NOI	

See the Wells Fargo quote on the last page of this supplemental document. If a buyer were to put down 40%, following is the return:

2011 Net Operating Income	\$523,854
Debt Service (see first options on Page 13)	(\$314,832)
2011 After Debt Service Cash Flow	\$209,022

For a down payment of \$2,992,000 (40%), this yields a 7.0% cash-on-cash return in year one.

Keep in mind also that approximately 20% of the mortgage payment goes to principal reduction. You aren't losing this value, so approximately \$63,000 is essentially converted from cash to savings (via note reduction). If you factor in this value, then the return is approximately \$272,000 in year one, which is approximately a 9.1% return.

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Retail Outlook

Unparalleled Exposure in Aliso Viejo within Aliso Viejo Town Center

26831 Aliso Creek Road enjoys outstanding street exposure on Aliso Creek Road, one of the major thoroughfares in Aliso Viejo. In addition to being near the coast, the subject property is within a half mile of the 73 Toll Road, and is not far from the 5 Freeway. It is also located within Aliso Viejo Town Center, which is one of the newest centers in Orange County with more than 25 restaurants, movie theaters, and extensive retail amenities.

Long-Term Retail Tenants

Bank of America and the Vitamin Shoppe both enjoy tremendous foot-traffic and have prominent street exposure. The tenants each signed 10-year leases with two 5-year options in 2002. In 2010, the Vitamin Shoppe exercised their first 5-year option early, so they extend through 2017.

As of 2009, per the FDIC records this Bank of America branch represents more than 50% of all deposits in the 92656 Aliso Viejo zip code per (www.fdic.gov), so the likelihood of them leaving is extremely low.

Offices and Deposits of all FDIC-Insured Institutions Deposit Market Share Report / Zip Code: 92656

Selected Market					June 30, 2009				
State:	County:	City:	Zip Code:						
ALL	ALL	ALL	92656	Outside of Market		Inside of Market			
Institution Name	CERT	State (Hqtrd)	Bank Class	State/Federal Charter	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
BANK OF AMERICA NA	3510	NC	N	Federal	6,172	817,827,405	1	161,916	50.22%
JPMORGAN CHASE BANK NA	628	OH	N	Federal	5,228	618,037,257	1	86,743	26.90%
CITIBANK NATIONAL ASSN	7213	NV	N	Federal	1,045	265,889,501	1	58,378	18.11%
U S BANK NATIONAL ASSN	6548	OH	N	Federal	2,901	151,887,217	1	15,368	4.77%
Number of Institutions in the Market: 4				TOTALS	15,346	1,853,641,380	4	322,405	100.00

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Medical Office Building Outlook

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Medical space is a rare commodity and demand is forecasted to increase in the coming years. The entire 2nd floor of 26831 Aliso Creek is zoned for medical use, which only recently was approved by the city. Not only is medical space far more valuable than traditional office space, but the subject property's medical space is inherently more valuable than space in most other medical buildings due to the street exposure and foot traffic.

CAUSES OF INCREASED MEDICAL DEMAND: PPACA & AGING DEMOGRAPHICS

Patient Protection and Affordable Care Act (PPACA). It is widely expected that the recently passed PPACA will lead to a boom in medical office space demand. Consider Massachusetts: After passing universal health coverage, millions of square feet of medical office space were needed to meet the growing demand for physician office visits by the newly insured.

Aging Demographics. The aging baby boomer generation is America's largest and wealthiest generation, and will significantly increase the amount spent on healthcare across the United States.

The U.S. first spent more than \$1 trillion on health care in 1995. By 2006, this expenditure increased to more than \$2 trillion. By 2017, national health expenditures are projected to reach \$4.2 trillion. The Agency for Healthcare Research and Quality notes the following:

- The elderly (age 65 and over) made up around 13 percent of the U.S. population in 2002, but they consumed 36 percent of total U.S. personal health care expenses.
- The average health care expense in 2002 was \$11,089 per year for elderly people, but only \$3,352 per year for working-age people (ages 19-64).

2011 marks the first year in which the first part of the baby boom generation becomes eligible for Medicare. Over a two decade span beginning in 2009, this 65+ age bracket is forecasted to increase by nearly 75%. This driving force will double, and perhaps triple, the U.S. Health Care spending in two decades, and consequently will cause demand and value increases for medical office buildings.

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Tenant Notes

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Suite 26831-B

Bank of America has the most domestic bank branches in the United States. The lease provides for two 5-year options to extend. The first option is fixed at \$3.25/sq.ft. per month, the second at \$3.50/sq.ft. per month. Each option is flat for 5 years. Note that CAM expenses are capped at a 7% annual cumulative increase amount (e.g. in the fifth Lease Year the CAMS paid by tenant cannot be more than what the tenant paid in the first year, increased by 28%). Tenant pays its pro-rata share of capital expenditures which are labor saving devices, or reduce CAM charges.

Suite 26831-A

Vitamin Shoppe has one remaining 5-year option to extend in 2017. The option is fixed at \$3.99/sq.ft. per month and is flat for 5 years. Note that CAM expenses are capped at a 6% annual cumulative increase amount (e.g. in the fourth Lease Year the CAMS paid by tenant cannot be more than what the tenant paid in the first year, increased by 18%). Landlord is responsible for major capital expenditures.

Suite 26831-C

Facial Aesthetic Concept is a medical tenant who recently renewed for five years.

Suite 26831-200

Crossover Health – New tenant just signed a 10-year, 3-month lease. Construction is forecasted to be complete by early Q4-2010.

Suite 26831-3

Dr. Gaff DDS is a dentist who recently executed an assignment to take over this lease from another dentist. The lease is through 10/31/2012, and the tenant has one 5-year, fair market value option.




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Sale Comps

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Property	Address	Sale Date	Size	Price PSF	360 Market/Deal Insight
	Aliso Viejo Town Center 26601-26841 Aliso Creek Rd. Aliso Viejo	2006	57,200 sf	<u>\$39,000,000</u> \$682	5-building portfolio retail sale within the Aliso Viejo Town Center (same center as the subject property). This sale occurred in a better market, however it has inferior street exposure and is much bigger than the 15,269 sf subject property. This sale reportedly sold for a 5.0% cap rate.
	600 Brea Mall Brea	May 2010	10,000 sf	<u>\$5,000,000</u> \$500	This sale was very similar in that the building is on an outparcel within the Brea Mall. It sold reportedly for a 6.48% cap rate, showcasing the value of the subject property (asking price represents a 7.0% cap). Also, this building is much older as it was constructed in 1983.
	14001 Newport Ave Tustin	June 2010	7,324 sf	<u>\$4,050,000</u> \$553	This building was built in 2006 and has a mix of retail and medical tenants. It reportedly sold for a 6.31% cap rate with a seller guarantee in-place for one of the suites. The price per square foot is higher and cap rate significantly lower than that of the subject property (\$490/sf and 7.00% cap).

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Wells Fargo Financing Illustration



Loan Officer: Dave Friedman / Adam Grismer / Valerie Ioriatti
 Phone: 949-756-3565 / 949-756-3570 / 949-756-7706
 Note: Rates are subject to change daily
 Note: Pricing assumes business banking relationship is transferred to WFB
 Date: 8/2/2010
 Prepared For: Geoffrey S. DeWolf, LEED AP Associate Director, Office Advisory
 Contact: 949.296.3608

Conventional Financing
 26831 Aliso Creek Road, Aliso Viejo

Purchase Price	\$7,480,000
	FIXED
Down Payment	\$2,992,000
LTV %	60% %
Loan Amount	\$4,488,000
Rate (%)	5.000 %
Amortization	25
Term (Years)	5
Monthly Payment	\$26,236

Estimated Closing Costs

<u>Loan Fee %</u>	0.250 %
<u>Loan Fee</u>	\$11,220
<u>Appraisal</u>	\$4,500
<u>Environmental</u>	\$2,500