

25241 Paseo de Alicia, Laguna Hills, CA
Supplemental Information

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Exterior Photographs



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Property Summary

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Address	25241 Paseo de Alicia, Laguna Hills, CA
Price	\$2,515,000 (\$139/SF)
Monthly Association Dues	\$745.21
Building Rentable Sq. Ft.	18,093 sq. ft.
Purchase Terms/ Financing	All Cash or Cash to New Loan
Year Built / Stories	Built 1979; Renovated 1991 / 2-story, no elevator
Parking Ratio	4 spaces per 1,000 SF
Occupancy	Building will be delivered 87% vacant. There is one 2,098 SF tenant in Suite 120, in-place through January 2013.
Building Condition	Due to recent replacement of multiple units, the average lifespan of the 13-package units is approximately 10 years.

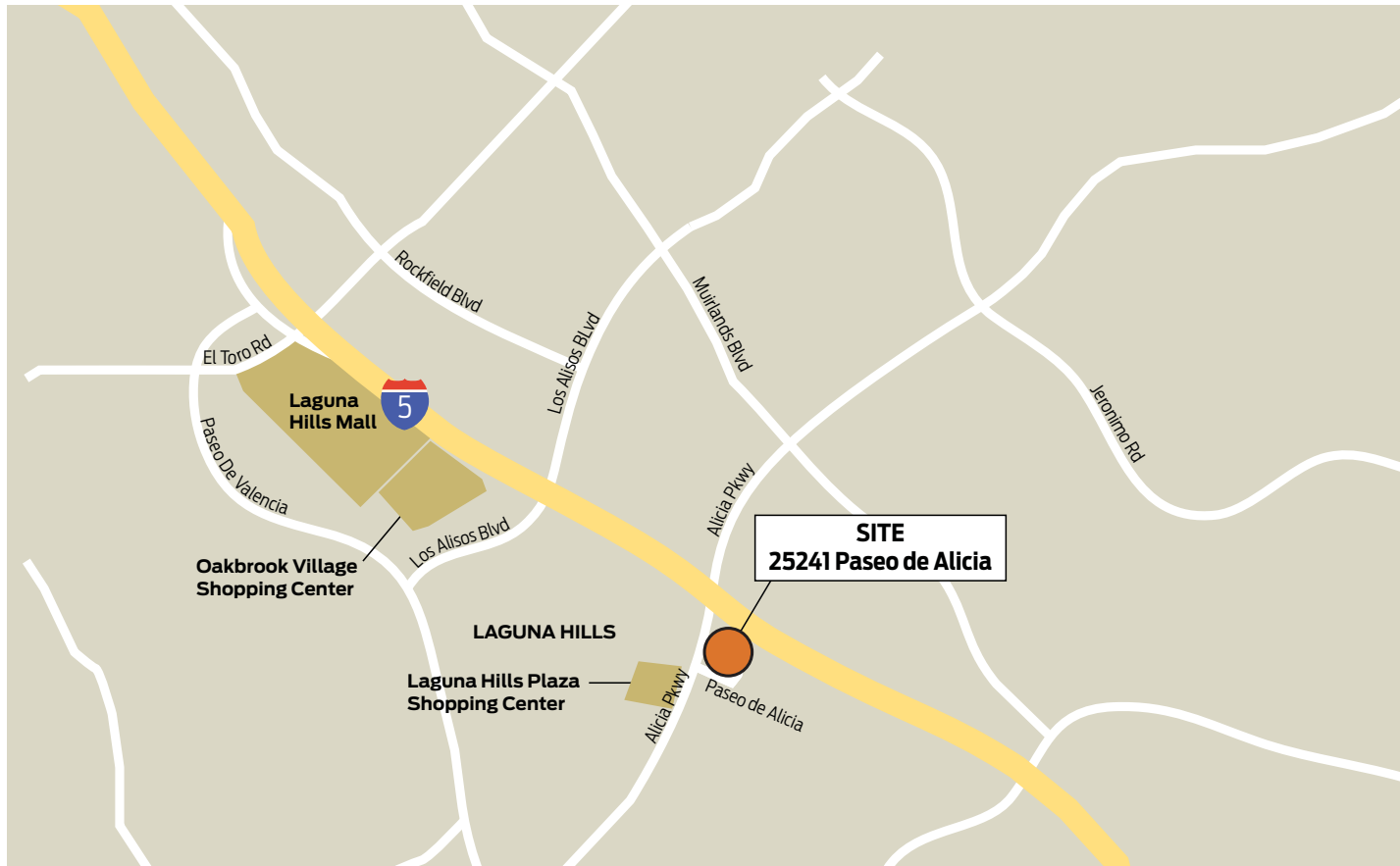
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Street Map

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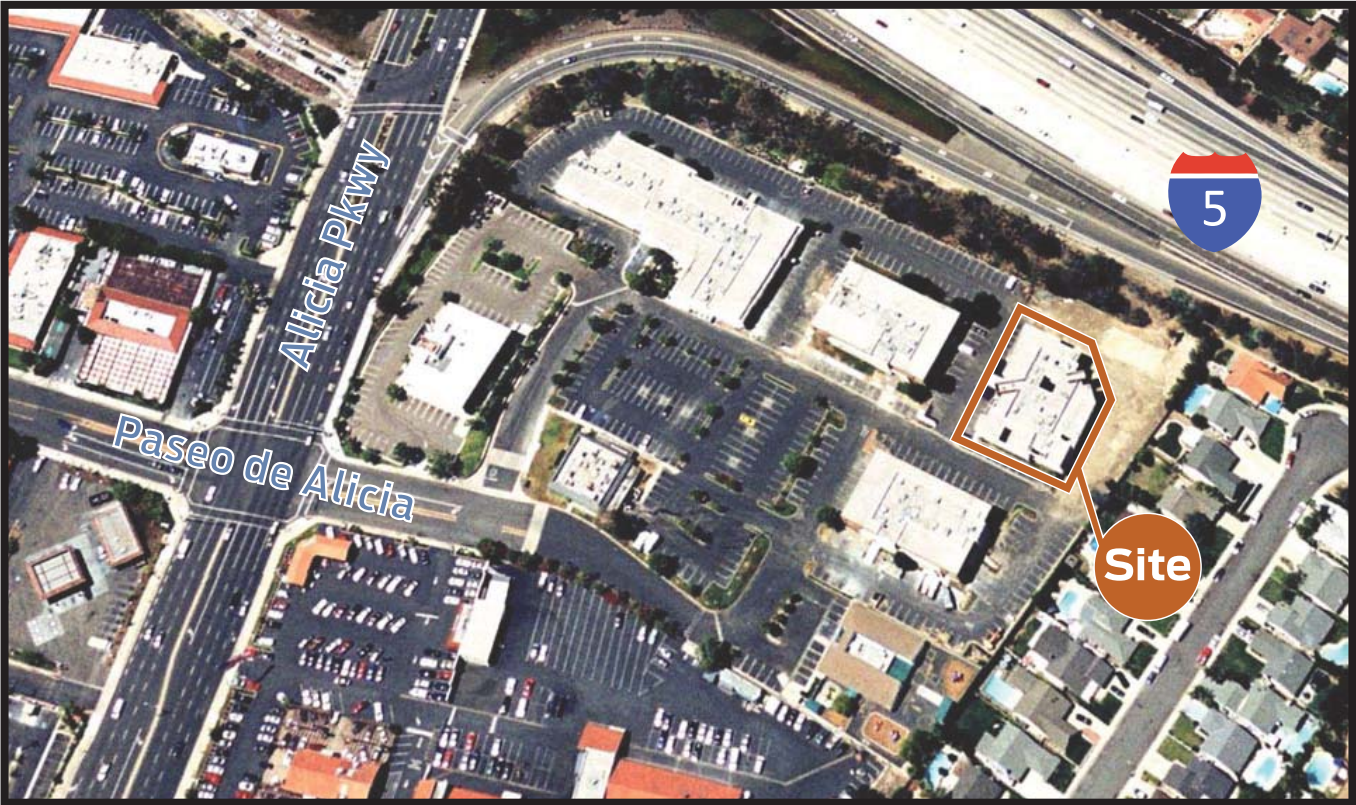


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Aerial Photo Site Plan

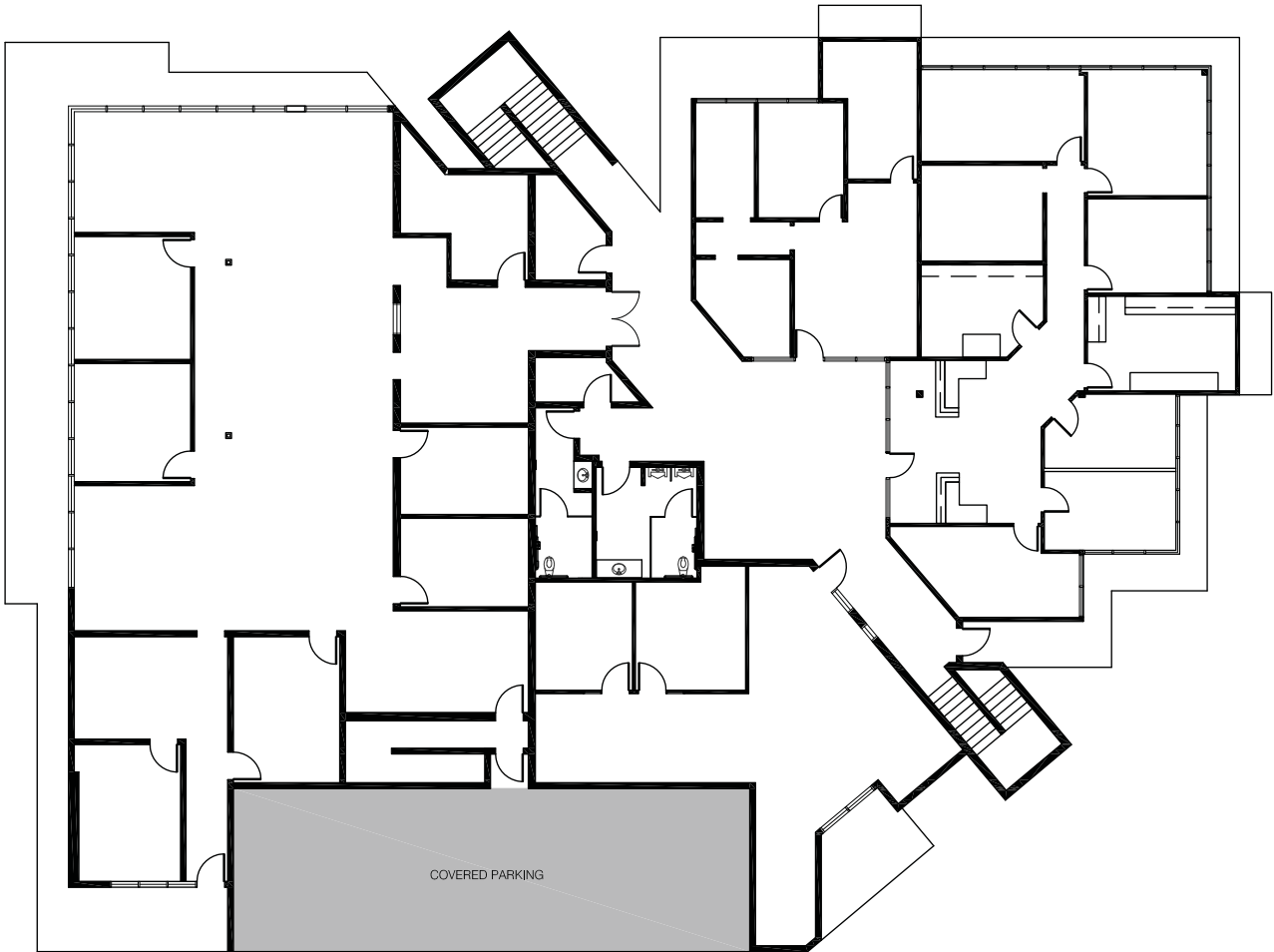


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First Floor Plan - Approximate

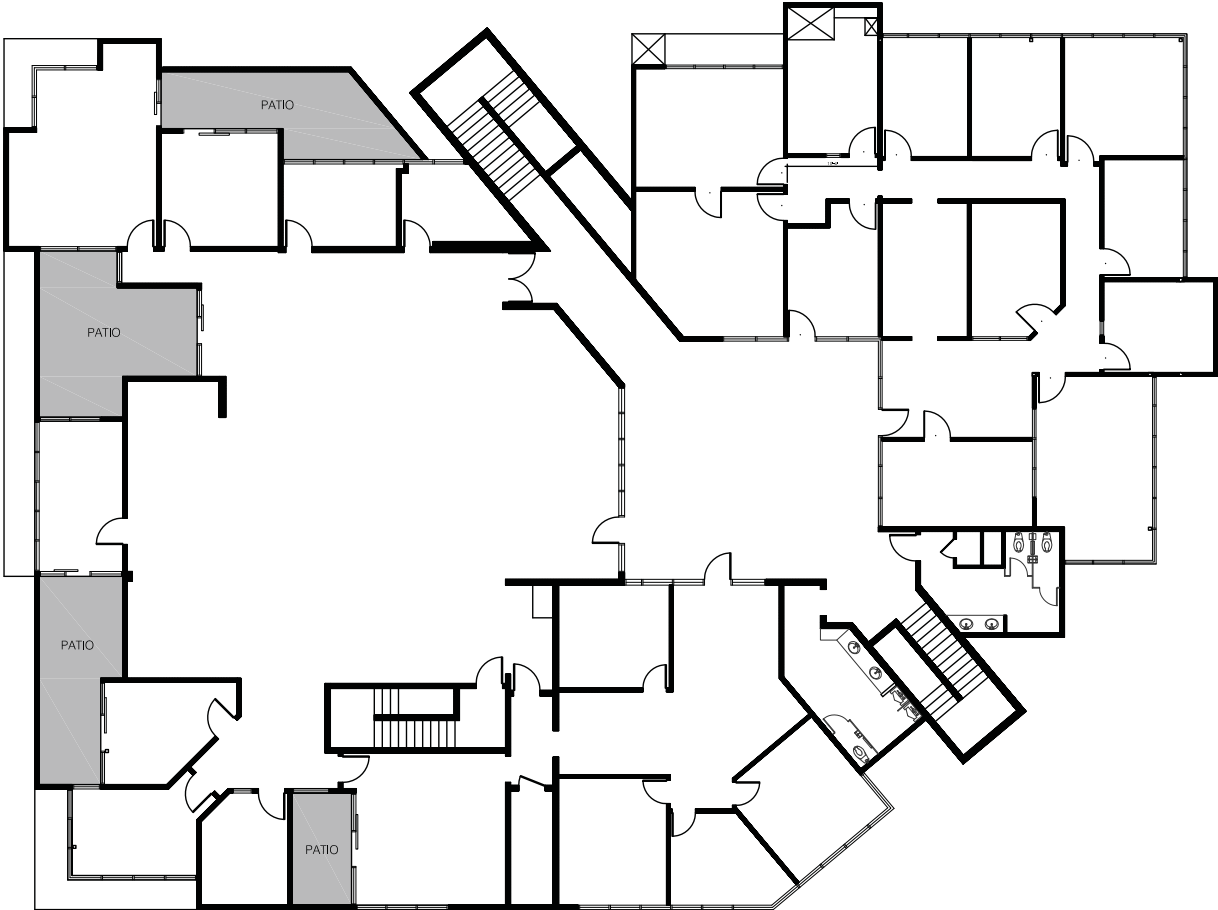


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Second Floor Plan - Approximate



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Sales Comparables

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The following two key sale comps are older user sales in the immediate area, before the rapid pricing spike seen in the 2005 to 2008 period.

Property	Address	Sale Date	Size	Price PSF	360 Market/Deal Insight
	23113 Plaza Pointe Drive Laguna Hills	2004	10,619 sf	<u>\$1,925,000</u> \$181	User purchased two contiguous 1980-built office buildings, and occupied over 80% of the office space.
	15751 Rockfield Laguna Hills	2003	13,142 sf	<u>\$2,445,000</u> \$186	User purchased this 1983-built office building reportedly in "as-is" condition at the time of sale (so likely had some capital expenditure expectations).

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Benefits of Purchasing

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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.

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Purchase vs Lease Illustration

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Situation: Business owner purchases and occupies 25241 Paseo De Alicia for \$139/SF, with an initial investment of \$16/SF (10% down + est. closing costs).

Estimated Monthly Costs

Typical Operating Expenses:	\$0.64/SF
Mortgage Payment:	\$0.80/SF
Amount of Principal in Mortgage Payment*:	(\$0.16/SF)

*Note: This money is simply cash being converted to savings

Estimated Monthly Cost to Own Year 1: \$1.28/SF vs **Estimated Starting Lease Rate: \$1.55/SF Full Service Gross**

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):

	<u>Lease Rate</u>	<u>Ownership Cost</u>	<u>Annual Savings</u>	<u>Cumulative</u>	
Year 1	\$1.55	\$1.28	\$3.27	\$3.27	
Year 2	\$1.60	\$1.28	\$3.83	\$7.10	
Year 3	\$1.64	\$1.28	\$4.40	\$11.50	
Year 4	\$1.69	\$1.28	\$4.99	\$16.49	Break Even
Year 5	\$1.74	\$1.28	\$5.58	\$22.07	
Year 6	\$1.80	\$1.28	\$6.19	\$28.26	
Year 7	\$1.85	\$1.28	\$6.82	\$35.08	
Year 8	\$1.91	\$1.28	\$7.46	\$42.54	
Year 9	\$1.96	\$1.29	\$8.11	\$50.65	
Year 10	\$2.02	\$1.29	\$8.78	\$59.42	10 Year Own vs. Lease Savings:

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Tax Benefits of Depreciation

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Assume a business owner or trust personally purchases 25241 Paseo De Alicia 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:	\$2,514,927
Building Size:	18,093 Square Feet (\$139/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 \$2,514,927, or \$1,131,717. Spread over the IRS' mandated 39 years, the deduction per year is approximately \$29,000. [At a tax rate of 33%, the tax savings due to depreciation is \\$10,000 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.

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Wells Fargo Loan Quote

Preferred Lender:



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

Note:
Note: Rates are subject to change daily
Date: 6/10/2011

Prepared For: **Geoff DeWolf & Blair Socci w/ 360 Commercial Partners**

Contact: 949-296-3608 | 949-296-3621

SBA Financing Options for 25241 Paseo de Alicia, Laguna Hills, Ca.

Purchase Price	SBA 504 LOAN PROGRAM						SBA 7(a) LOAN PROGRAM	
	5 Year Reset		Fixed		Fixed		Fixed	Fixed
	Wells Fargo	SBA	Wells Fargo	SBA	Wells Fargo	SBA		
Down Payment	\$251,500		\$251,500		\$251,500		\$251,500	\$503,000
Combined LTV%		90%		90%		90%	90%	80%
Loan Amount	\$1,257,500	\$1,006,000	\$1,257,500	\$1,006,000	\$1,257,500	\$1,006,000	\$2,263,500	\$2,012,000
Financed Fee		\$21,629		\$21,629		\$21,629	\$61,161	\$54,088
Rate (%)	5.00%	5.51%	5.90%	5.51%	6.25%	5.51%	6.45%	6.45%
Amortization	30	20	30	20	20	20	25	25
Term (Years)	10	20	10	20	20	20	25	25
1st & 2nd TD Payments	\$6,751	\$7,075	\$7,459	\$7,075	\$9,191	\$7,075		
Total Monthly Payments		\$13,825		\$14,533		\$16,266	\$15,624	\$13,886

Estimated Closing Costs

	SBA 504		SBA 7a	SBA 7a
	Wells Fargo	SBA		
Loan Fee % *	1.000%	2.150%		
Loan Fee	\$12,575	\$21,629	\$61,161	\$54,088
Closing Costs	N/A	\$1,600		
Appraisal	\$3,500	fee combined	\$3,500	\$3,500
Environmental Report	\$2,500	fee combined	\$1,000	\$1,000
			\$2,500	\$2,500