

OFFERING MEMORANDUM

4780-4782 Arizona Street • 16 Apartment Units • San Diego, CA



Investment Properties • Multifamily Group

Capital Markets

CBRE



EXCLUSIVE ADVISORS

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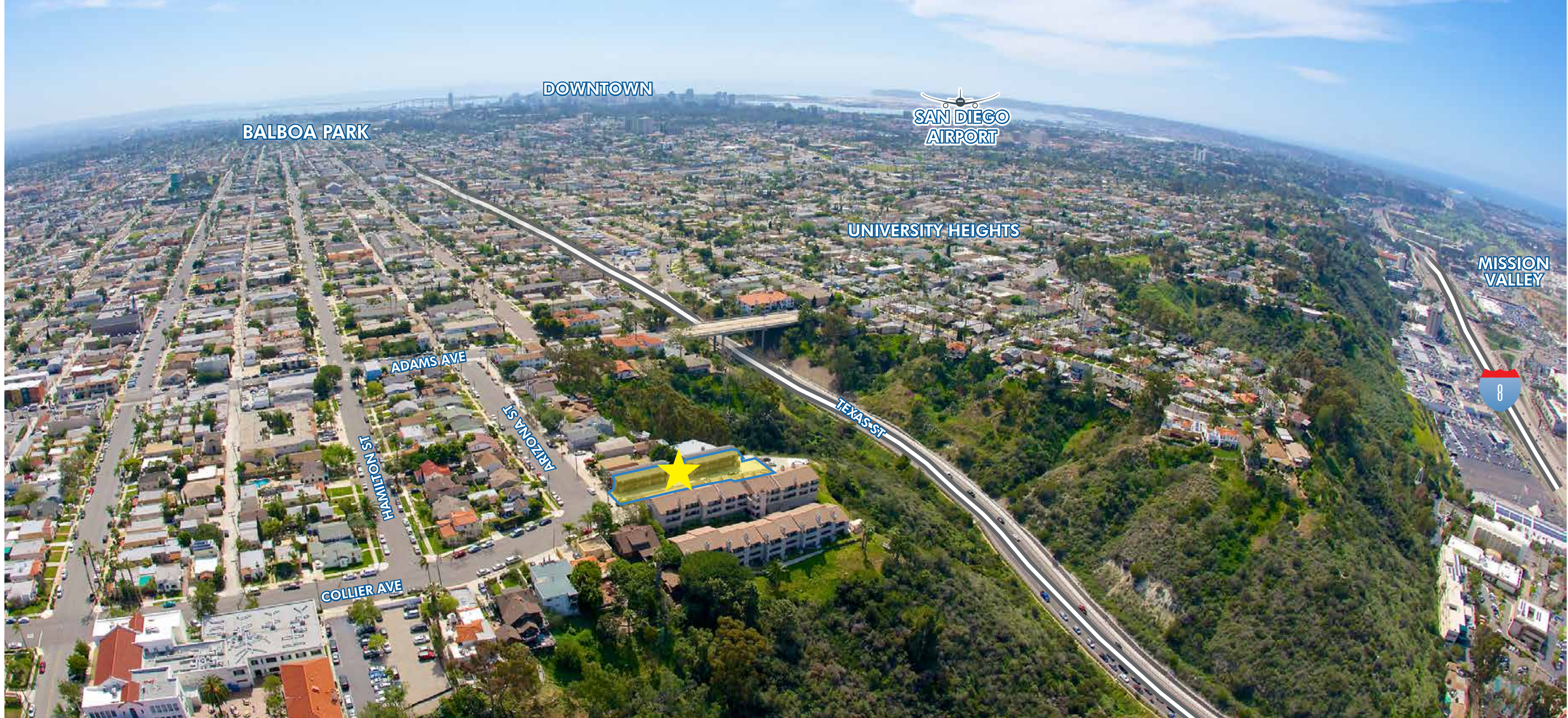
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BALBOA PARK

DOWNTOWN

SAN DIEGO
AIRPORT

UNIVERSITY HEIGHTS

MISSION
VALLEY

ADAMS AVE

HAWAIIAN ISLANDS

ARIZONA ST

COLLIER AVE

TEXAS ST

8

4780-4782 Arizona Street San Diego, CA 92116

CBRE is pleased to present this opportunity to acquire a 16-unit apartment complex located in the uptown community of North Park and just east of University Heights. The property was extensively remodeled with new plumbing and electrical, new dual pane windows, new security gate, renovated kitchens and bathrooms and new interior and exterior paint. The property represents a turnkey investment opportunity located in a desirable residential neighborhood with close proximity to abundant retail and neighborhood amenities. This offering is perfect for the long term investor seeking a pride of ownership asset with low maintenance and a strong cash flow.



INVESTMENT SUMMARY

OFFERING PRICE: \$2,480,000

UNITS: 16

TOTAL SQUARE FEET: 5,600

YEAR COMPLETED: 1985

PRICE PER UNIT: \$155,000

PRICE PER SQUARE FEET: \$443

MARKET CAP RATE: 4.75%

MARKET GRM: 12.0

BEAUTIFULLY RENOVATED

The property was extensively renovated by replacing the plumbing and electrical and installing new dual pane windows. Each unit has been totally remodeled with all new kitchen cabinets and granite counter tops, new appliances, all new flooring, new bathroom cabinets and fixtures, new lighting fixtures and pull-out kitchen faucets.

HIP URBAN NEIGHBORHOOD

In recent years, the vibrant North Park San Diego community has become known for its exciting nightlife, shopping, dining, and exploding arts and music scene. Forbes’s Magazine named North Park #13 on the list of America’s Hippest Hipster Neighborhoods in 2012 and Men’s Journal named 30th street “The Nation’s Best Beer Boulevard” thanks to its prominent craft beer culture.

CANYON LOCATION

The property sits above the Texas Street Canyon and offers expansive views and ample breezes. Additionally, the property sits at the end of Arizona Street, offering residents a quiet residential neighborhood feel.

PROXIMITY TO EMPLOYMENT CENTERS

The subject has excellent proximity to major employment centers including downtown San Diego located 3 miles southwest and Mission Valley located 0.5 miles north.

CONVENIENT TRANSPORTATION AREA

4780 Arizona is located in close proximity to the 805, 8, and 163 Freeways. The property is also located 1 block from the mid-city regional bike corridor along Adams Ave, which offers a bicycle connection through the Mid-City region.



View from one unit

PROPERTY ADDRESS:	4780-4782 Arizona Street San Diego, CA 92116
APARTMENT HOMES	16
GROSS SQUARE FEET	5,600
YEAR BUILT	1985
PARCEL SIZE	0.24 acres (10,406 SF)
APN	438-240-11-00

BUILDING DESCRIPTION	
BUILDING CONFIGURATION	Two 2-story buildings. Single loaded with catwalks. The units are north-facing.
CONSTRUCTION	Stucco exterior. East building is slab on grade; west building has built-up foundation.
ROOF	Pitched composition shingle.
ACCESS	Pebble tech deck coating on the exterior walkways. Each building has one set of stairs with wood treads and iron stringers.
WINDOWS	Recently replaced dual pane sliding windows.
PARKING	13 assigned spaces. Ample parking on street. Three units are rented without parking.
LAUNDRY	Detached building with 2 washers and 2 dryers.

UNIT DETAILS	
FLOORING	Combination of rolled vinyl and carpet. Select units have bamboo flooring.
KITCHEN DESCRIPTION	Granite counter-tops, whirlpool white appliances (30' gas stove), alder hardwood shaker-style cabinets
WALLS	Custom dual tone paint.

MECHANICAL/ELECTRICAL	
HEATING:	Electric heat fan.
WATER HEATER:	One (1) gas fired 75-gallon boiler/70,000 btu in each building.
METERING:	Master metered for electricity, gas & water. All utilities are paid by the owner.
COOKING ENERGY:	Gas.

JURISDICTION OF TAXES	
JURISDICTION:	County of San Diego
MILLAGE RATE:	1.07901%
FIXED ASSESSMENTS:	\$62
TAX YEAR:	2014-2015



Typical Bathroom



Typical Kitchen

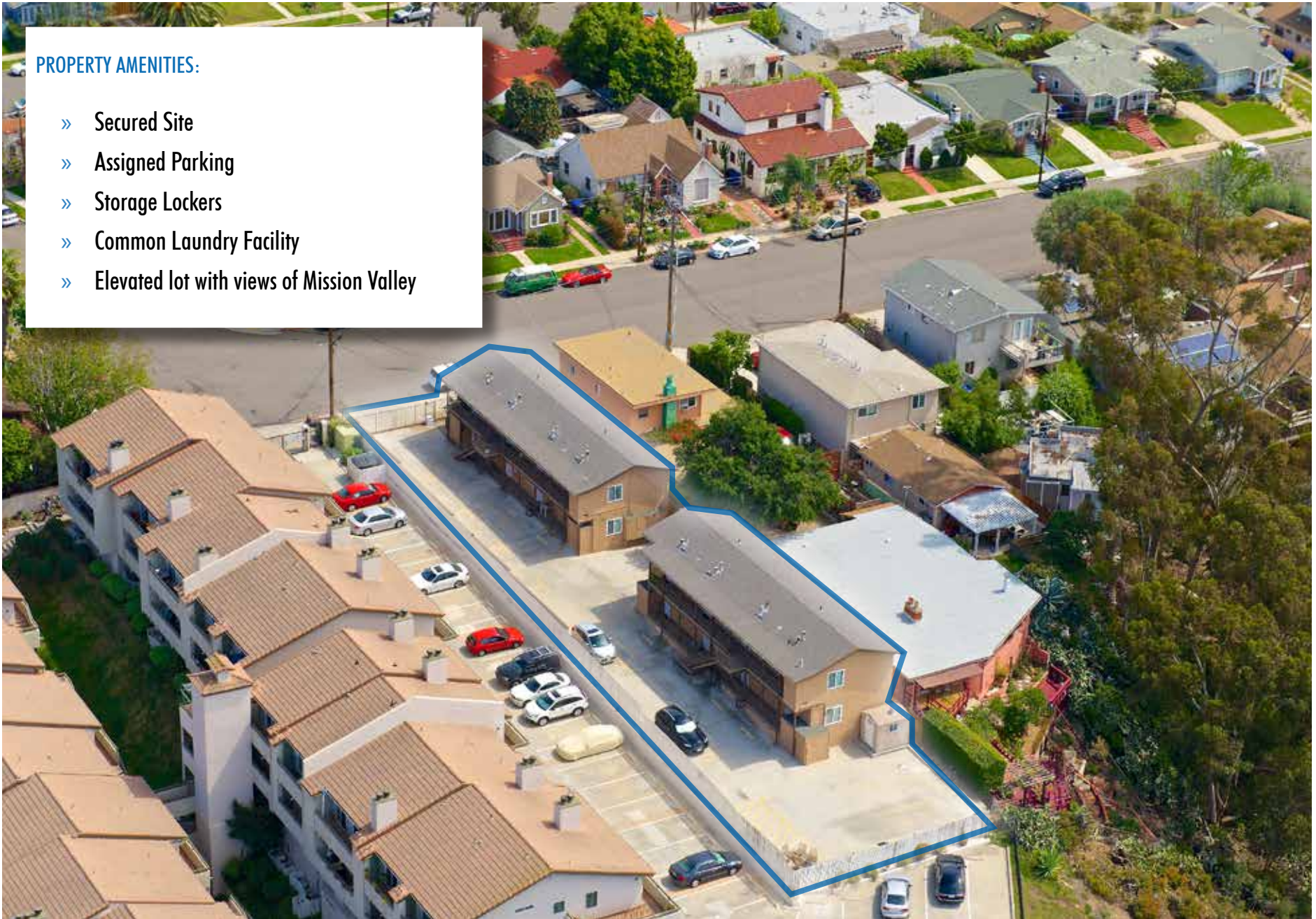


Approx 10'x9' Bed Area

Approx 10'x11' Living Room Area

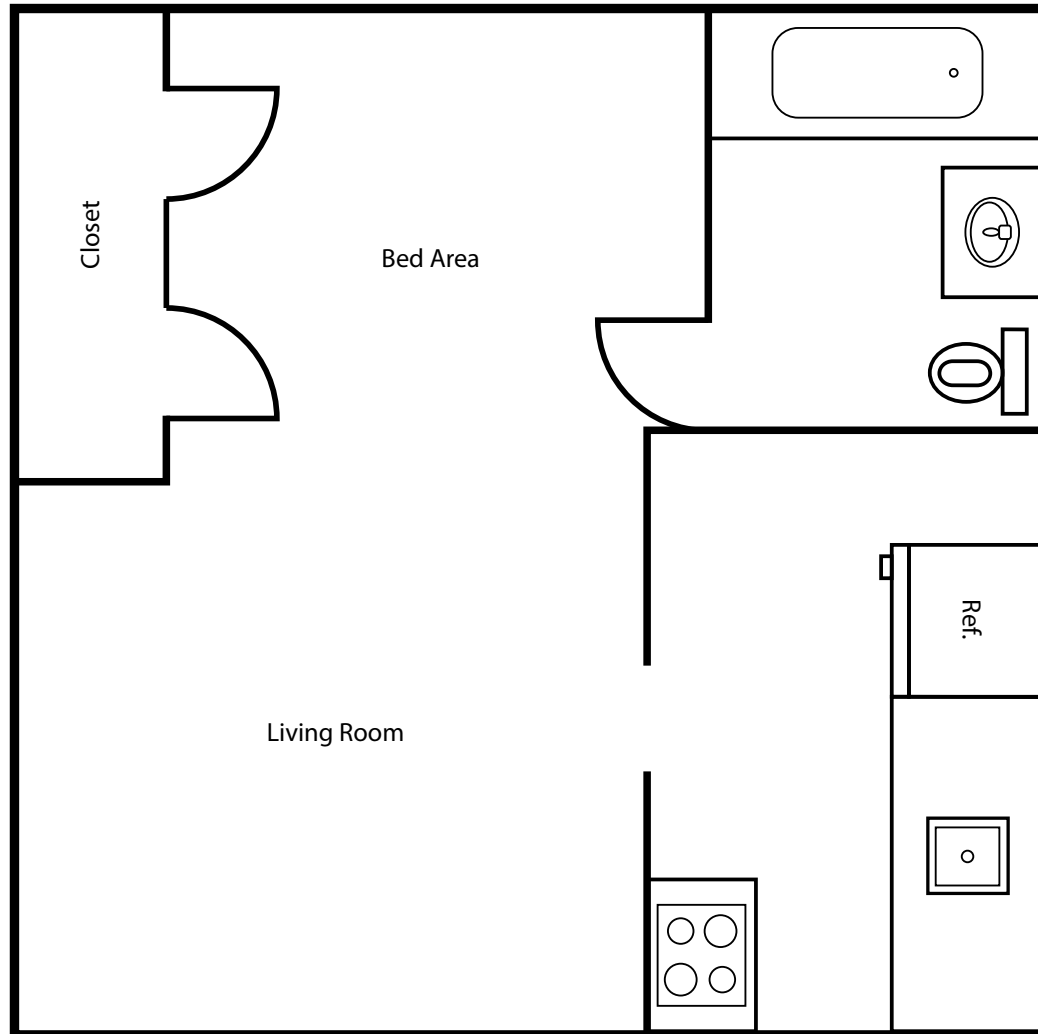
PROPERTY AMENITIES:

- » Secured Site
- » Assigned Parking
- » Storage Lockers
- » Common Laundry Facility
- » Elevated lot with views of Mission Valley



UNIT AMENITIES:

- » Granite Countertops
- » Remodeled Kitchens & Baths
- » Horizontal Blinds
- » Electric Heat Units
- » Additional Outside Storage
- » Canyon Views (select units)



MISSION
HILLS

MISSION
BEACH

MISSION
VALLEY



Price
\$2,480,000

Price Per Unit
\$155,000

Price Per SF
\$443

Down Payment
\$868,000

% Down Payment
35%

Scheduled Cap
4.08%






Scheduled GRM
13.1

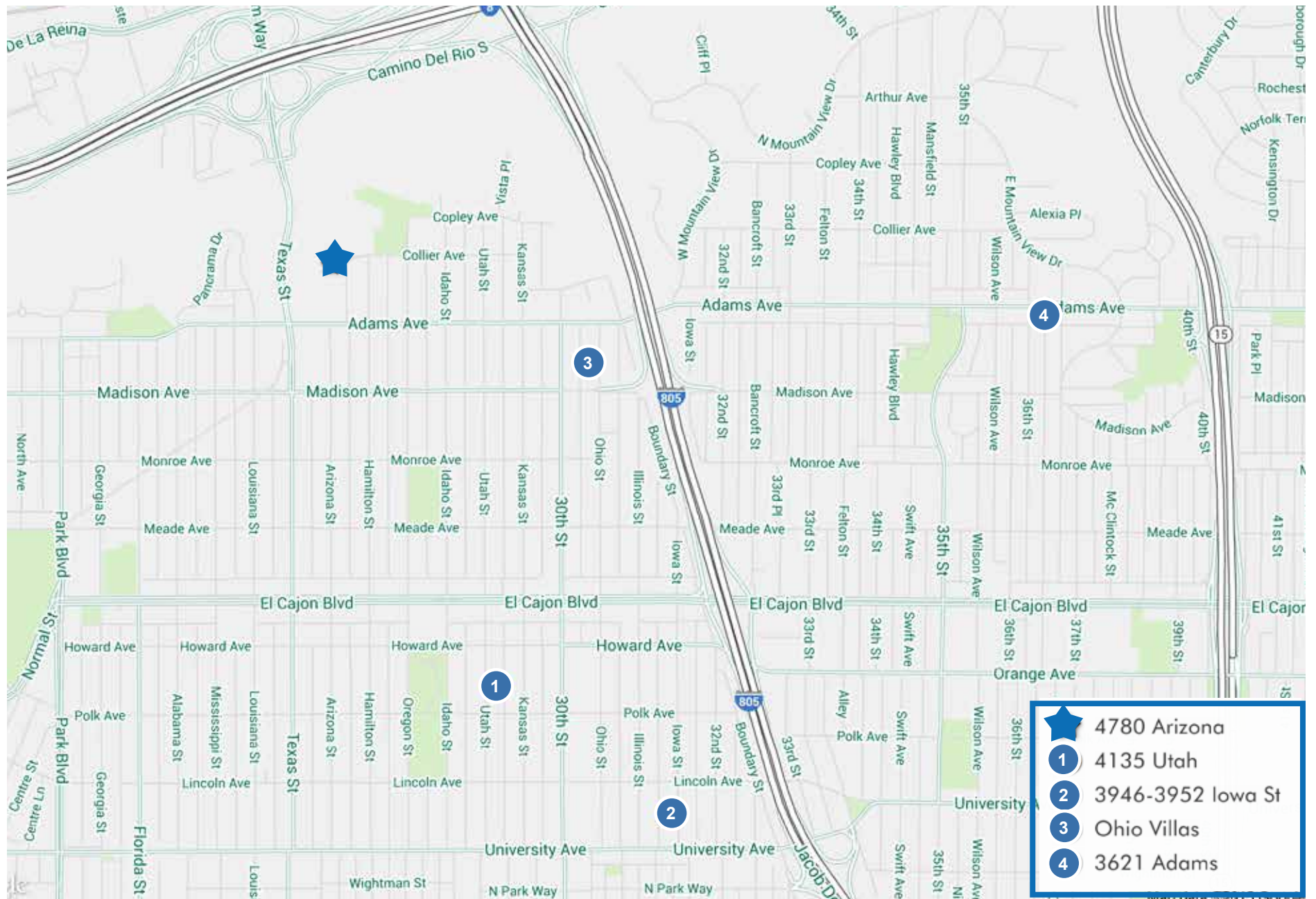
Market Cap
4.75%

Market GRM
12.0

INCOME SUMMARY										
# Units	Unit Type	Sq. Ft.	Total Sq.Ft.	\$ Rent	\$/Sq.Ft.	Total	Market	Total		
16	Jr. 1-Bedroom	350	5,600	\$987	\$2.82	\$15,785	\$1,075	\$17,200		
ANNUALIZED GROSS INCOME						\$189,420		\$206,400		
				<u>Proforma</u>						
Vacancy/Loss to Lease				3.00%		(\$5,683)		(\$6,192)		
Employee Rent Credit (Manager Unit)						(\$6,300)		(\$6,300)		
ADJUSTED GROSS INCOME						\$177,437		\$193,908		
Laundry						\$2,040		\$2,040		
Tenant Charges/Late Charges/Move Out Charges						\$325		\$325		
EFFECTIVE GROSS INCOME						\$179,802		\$196,273		
				<u>2013</u>	<u>2014</u>					
				\$172,056	\$178,378					
Less Estimated Expenses:				<u>2013</u>	<u>2014</u>	<u>Proforma</u>				
				\$/UNIT	\$/YEAR	\$/YEAR	\$/YEAR			
Property Taxes		1.17901%		\$1,827	\$29,239	\$29,239	\$29,239			
Fixed Assessment				\$4	\$62	\$62	\$62			
Insurance - Liability				\$224	\$3,580	\$4,393	\$4,393			
<u>Controllable Expenses</u>				\$0						
Administrative				\$113	\$1,801	\$880	\$1,000			
Payroll & Burden				\$364	\$5,826	\$7,838	\$7,500			
Utilities				\$1,169	\$18,698	\$16,596	\$16,596			
Repair & Maintenance				\$315	\$5,042	\$3,386	\$3,500			
Turnover Related				-\$1	-\$10	-\$609	\$2,000			
Contract Services				\$80	\$1,277	\$1,377	\$1,377			
Management Fee		4.50%		\$0	\$0	\$0	\$8,832			
Reserves				\$203	\$3,243	\$6,688	\$4,000			
TOTAL					\$68,759	\$69,850	\$78,499			
Exp. % of SGI:					36.3%	36.9%	38%			
								(\$78,499)		(\$78,499)
NET OPERATING INCOME						\$101,303		\$117,774		
Amortization Rate					30					
					3.50%					
Debt Service				\$1,612,000	@		\$86,863		\$86,863	
CASH FLOW						\$14,440		\$30,910		
Return on Down Payment							1.66%		3.56%	
DCR							1.17		1.36	

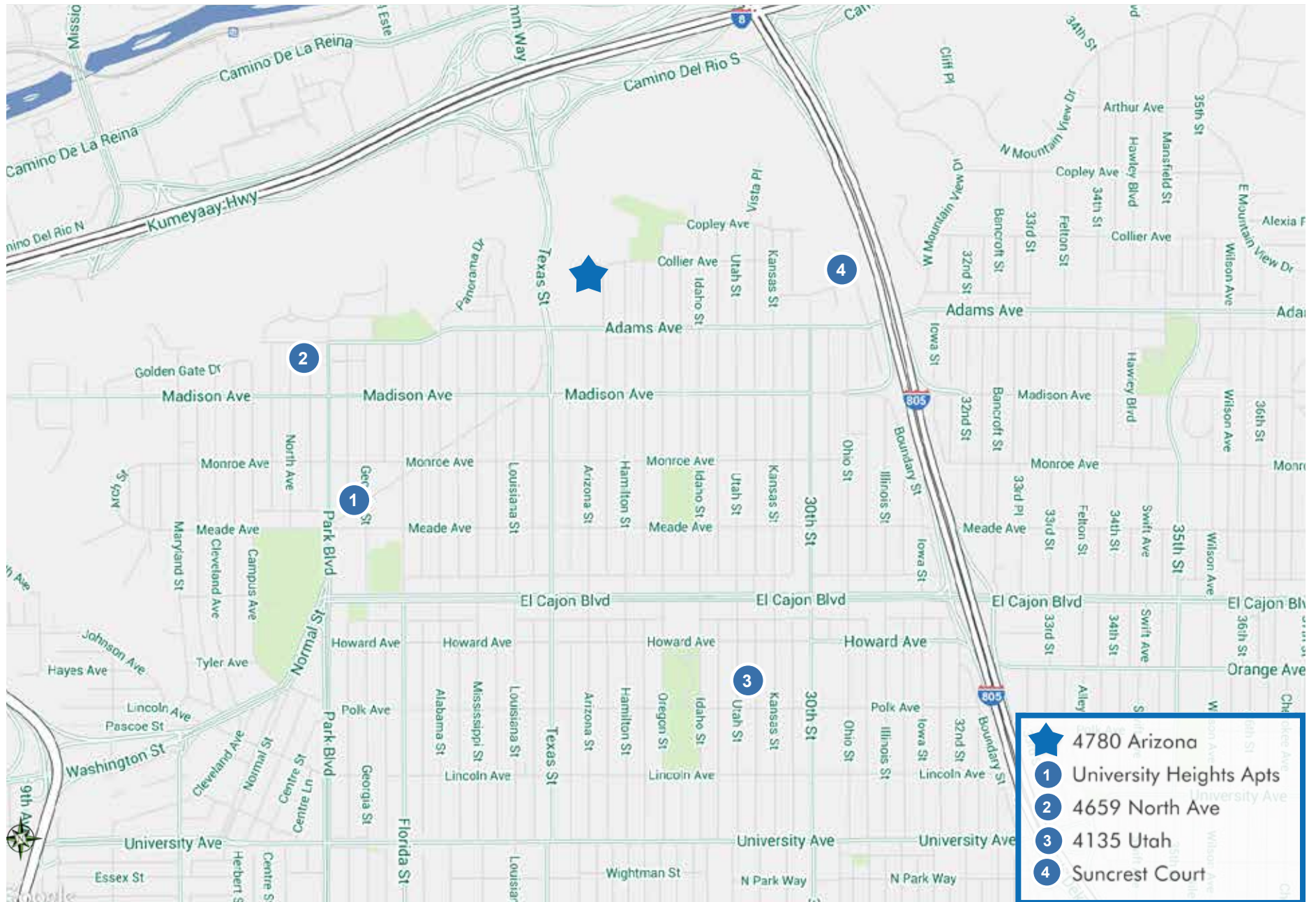
SALES COMPARABLES CHART

	SUBJECT	1	2	3	4
					
	4780-4782 ARIZONA	4135 UTAH	3946-3952 IOWA ST	OHIO VILLAS	3621 ADAMS
Property Address Neighborhood	4780-4782 Arizona Street North Park	4135 Utah Street North Park	3946-3952 Iowa St North Park	4638-4648 Ohio Street North Park	3621 Adams Ave Normal Heights
# of Units	16	8	22	16	11
Rentable SF	5,600	6,272	11,872	10,796	5,700
Year Built	1985	1962	1961	1982	1963
Date Sold	PROPOSED	10/24/2014	2/19/2015	12/5/2014	6/23/2014
Sales Price	\$2,480,000	\$2,000,000	\$4,979,994	\$3,600,000	\$1,855,000
Price/Unit	\$155,000	\$250,000	\$226,363	\$225,000	\$168,638
Price/SF	\$443	\$319	\$419	\$333	\$325
Cap Rate	4.75%	5.50%	Not known	Not known	5.02%
GRM	12.0	12.6	Not known	13.24	13.19
Unit Mix	16 - Jr. 1-bedroom	2 - 1br/1ba (\$1,350) 6 - 2br/1ba (\$1,745)	18 - 1br/1ba 4 - 2br/1ba	6 - 1br/1ba (\$1,200) 6 - 2br/1ba (\$1,500) 4 - 2br/2ba (\$1,595)	10 - 1br/1ba (\$1,000) 1 - 2br/1ba (\$1,395)
Amenities	Secured entry, views, outside storage, common laundry	Secured entry, courtyard BBQ and seating, bike rack, common laundry		Secured entry, units have washer/dryer hookups	Secured entry, common laundry
Parking	Surface parking	Surface parking	Combination surface and carports.	Single-car garages	Surface parking
Renovations	Granite counters, whirlpool white appliances, new cabinets, dual pane windows.	Renovated exterior and interior units. New counters, stainless appliance, white cabs, dual pane windows, new light fixtures.	Note: The sales price reflects an allocated price from a 3 property portfolio of 54 units located in North Park and Pacific Beach.	Property was constructed as condos. Exterior was completely rehabbed. One unit was upgraded to condo quality.	New windows, laminate wood flooring, granite, stainless appliances, new doors, crown molding, new gates/fencing, wall a/c units.



RENTAL COMPARABLES CHART

	SUBJECT	1	2	3	4
					
	4780-4782 ARIZONA	UNIVERSITY HEIGHTS APT	4659 NORTH	4135 UTAH	SUNCREST COURT
Address	4780-4782 Arizona	1834 Mission Ave	4659 North Ave	4135 Utah	3060 Suncrest Drive
Neighborhood	North Park	University Heights	University Heights	North Park	North Park
# of Units	16	19	32	8	22
Built	1985	1960	1971	1962	1995 Renov. 2008
Jr. 1-Bd / Studio					
Rental Range	\$987	\$1,025	-	-	-
Avg. SF	350	500	-	-	-
Rent/SF	\$2.82	\$2.05	-	-	-
1 Bedroom					
Rental Range	-	-	\$1,595	\$1,350	\$1,140
Avg SF	-	-	600	595	506
Rent/SF	-	-	\$2.66	\$2.27	\$2.25
# of Buildings	2	2	1	1	2
Property Amenities	Secured entry, views, outside storage	Landscaped courtyard, outside storage	None	Secured entry, courtyard BBQ and seating, bike rack	Secured entry, community BBQ
Laundry	Common laundry	Common laundry	Common laundry	Common laundry	In-Unit Washer/Dryer
Parking	Surface parking	Surface parking	Surface parking	Surface parking	Surface parking
Renovations	Granite counters, whirlpool white appliances, new cabinets, dual pane windows.	None	Highly renovated (at unit turns) with stainless appliances, quartz counters, upgraded fixtures, designer backsplash.	Renovated exterior and interior units. New counters, stainless appliances, white cabs, dual pane windows, new light fixtures.	Renovated in 2008 replaced plumbing systems, roof, drywall, kitchen cabs/tops, plumbing fixtures, appliances (stainless), dual pane windows.



NORTH PARK

The culturally diverse community of North Park is best known for its unique craftsman architecture, variety of eateries, eclectic coffee shops, several microbreweries and much more. North Park is situated between the 163 freeway and 805 freeway. Surrounded by bustling neighborhoods of Hillcrest, University Heights and City Heights, North Park is in the heart of a pedestrian friendly area. With immediate access to Balboa Park, San Diego Zoo, Morley Fields, Florida Manor is located in one of the most up and coming areas of San Diego. The property is located just Northeast of Morely Fields and Balboa Park.

Situated by the canyons, North Park overlooks Mission Valley, Switzer Canyon and the South Park Neighborhood. The uptown community contains some of the oldest neighborhoods in San Diego exhibiting a variety of historic architectural types and heavily traveled pedestrian-oriented mixed-use retail commercial area. The area also features a wide range of residential opportunities and a diverse mixture of people within a distinctly urban setting. In addition, North Park has schools and shopping.



Ray at night – The very popular Ray at Night Art Walk occurs every second Saturday of each month, Downtown North Park. This art walk is considered as the longest art walk in the history of San Diego. Hundreds of artists get together to showcase their work. Besides art, guests also enjoy great live street performances, food trucks with delectable foods, eclectic boutiques and much more.



North Park Farmers Market - Considered one of top 40 farmers market's in the US, the North Park Farmers Market currently consists of 35 vendors offering a wide variety of locally grown in-season fruit, produce, gifts, arts and crafts, and flowers. The market is open every Thursday from 3 PM to 2 sunset in parking lot of El Cajon Blvd and 32nd Street.

Taste of North Park - An annual event that has received rave reviews from both tasters and participating businesses alike. More than 30 restaurants, microbreweries, local galleries and boutiques open their doors with sample cuisine.

North Park Music Thing - The San Diego Music Foundation hosts an annual musical festival in the Fall on El Cajon Boulevard called North Park Music Thing. This large festival adds to the art culture of North Park. Hundreds of San Diegans come from all over to attend this grand event. Over 150 local, regional and national bands perform.

Bankers Hill - Bankers Hill is literally up the hill from downtown San Diego. It was an early upscale neighborhood of the growing city and many Victorian mansions remain in the area. Some are still residences and some are now offices for dentists, lawyers and small companies. Many have been restored to their original glory. Condominiums and charming older courtyard apartments share the neighborhood with commercial development. Residents are young professionals, empty nesters and those who enjoy the pedestrian lifestyle of an urban environment. The area currently has numerous popular and upscale restaurants that cater not only to locals but attract city-wide customers.

Downtown - After three decades of redevelopment, downtown San Diego is nationally recognized as a successful example of urban renewal. The combination of natural beauty and great weather combined with exciting nightlife, growing business opportunities and comfortable neighborhoods, have made downtown a vibrant place to live, work, shop and play.

Waterfront - The newly constructed Waterfront Park is the most significant waterfront open space in downtown San Diego and fulfills a vision decades in the making slating as a quintessential destination for residents and visitors. The 12-acres of parkland is located the County Administration Center and offers an opportunity

to beat the heat with a 830-foot-long fountain with 31 jets that shoot water 14 feet into the air falling in a shallow splash area. The Waterfront Park's diverse spaces entertain public and private events of various sizes, festivals, farmer's markets and active and passive family recreation.

Little Italy - Little Italy has achieved the greatness that was planned for many years, including a fully evolved residential community of modern new developments and a mature business district filled with fine restaurants and boutiques.

Balboa Park - The nation's largest urban cultural park. The Park has an ever-changing calendar of exhibitions at its seventeen museums; plays, musicals, and concerts in its nine theaters and performing art spaces; as well as numerous other attractions including the Spanish Village Arts Center, the Photographic Arts Building, the Park Carousel and Miniature Railroad - all in the beautiful and timeless setting of that includes nineteen individual gardens.

San Diego Zoo - The world famous 100-acre Zoo is home to over 4,000 rare and endangered animals representing more than 800 species and subspecies, and a prominent botanical collection with more than 700,000 exotic plants.



Mission Valley

Office Space (SF):	6,483,181
Retail Space (SF):	1,483,858
Average Rent:	\$1,613
Rent Per SF:	\$1.79
Total Number of Units:	16,648
Vacancy Rate:	4.90%

Top Employers

SD Community College	4,000
Eplica Inc	3,300
Elite Show Services Inc	3,123
The Mobile Solution Corp	2,800
Tegp Inc	1,500

Downtown

Office Space (SF):	11,554,642 SF
Retail Space (SF):	620,417 SF
Average Rent:	\$1,997
Rent Per SF:	\$2.48
Total Number of Units:	16,425
Vacancy Rate:	5.10%

Top Employers

County of San Diego	15,000
Pacific Enterprises	7,067
Sempra Energy	5,300
Enova Corporation	5,067
Solar Tribunes	3,800
Zoological Society of San Diego	2,300



The average price of a single family home in Central San Diego was \$821,518 in 2014, with attached homes averaging \$407,387. The need for higher down payments, as well as more stringent underwriting and credit criteria, keeps home ownership out of reach for many renters.

DEMOGRAPHIC TRENDS

FROM 4780 ARIZONA ST	1-MILE RADIUS	3-MILE RADIUS
POPULATION		
2015 Estimated	33,998	239,944
2020 Projected	35,376	249,223
2015-2020 Growth	4.05%	3.87%
HOUSEHOLDS		
2015 Estimated	18,202	107,073
2020 Projected	18,991	111,926
2015-2020 Growth	4.33%	4.53%
HOUSEHOLD INCOME		
2015 Estimated Average	\$58,842	\$49,766
ESTIMATED HOUSING UNITS		
	19,408	114,229
Owner Occupied	21%	30%
Renter Occupied	73%	64%

Source: Fast Report & MLS



CENTRAL SAN DIEGO RENTAL TRENDS

AVERAGE MARKET RENT	Central San Diego
Studio	\$1,283
1 Bedroom	\$1,503
2 Bedroom	\$1,791
3 Bedroom	\$2,175
Average Occupancy	95.18%
Number of Units	32,773

Source: MarketPointe September 2014

SAN DIEGO COUNTY DEMOGRAPHIC TRENDS

POPULATION	
2014 Estimated	3,250,417
2019 Projected	3,409,092
2014-2019 Growth	4.88%
HOUSEHOLDS	
2014 Estimated	1,141,245
2019 Projected	1,198,324
2014-2019 Growth	5.00%
HOUSEHOLD INCOME	
2014 Estimated Average	\$83,044
ESTIMATED HOUSING UNITS	
Owner Occupied	51%
Renter Occupied	43%
2014 Average Single Family Home Price	\$507,806
2014 YTD Average Attached Home Price	\$401,958

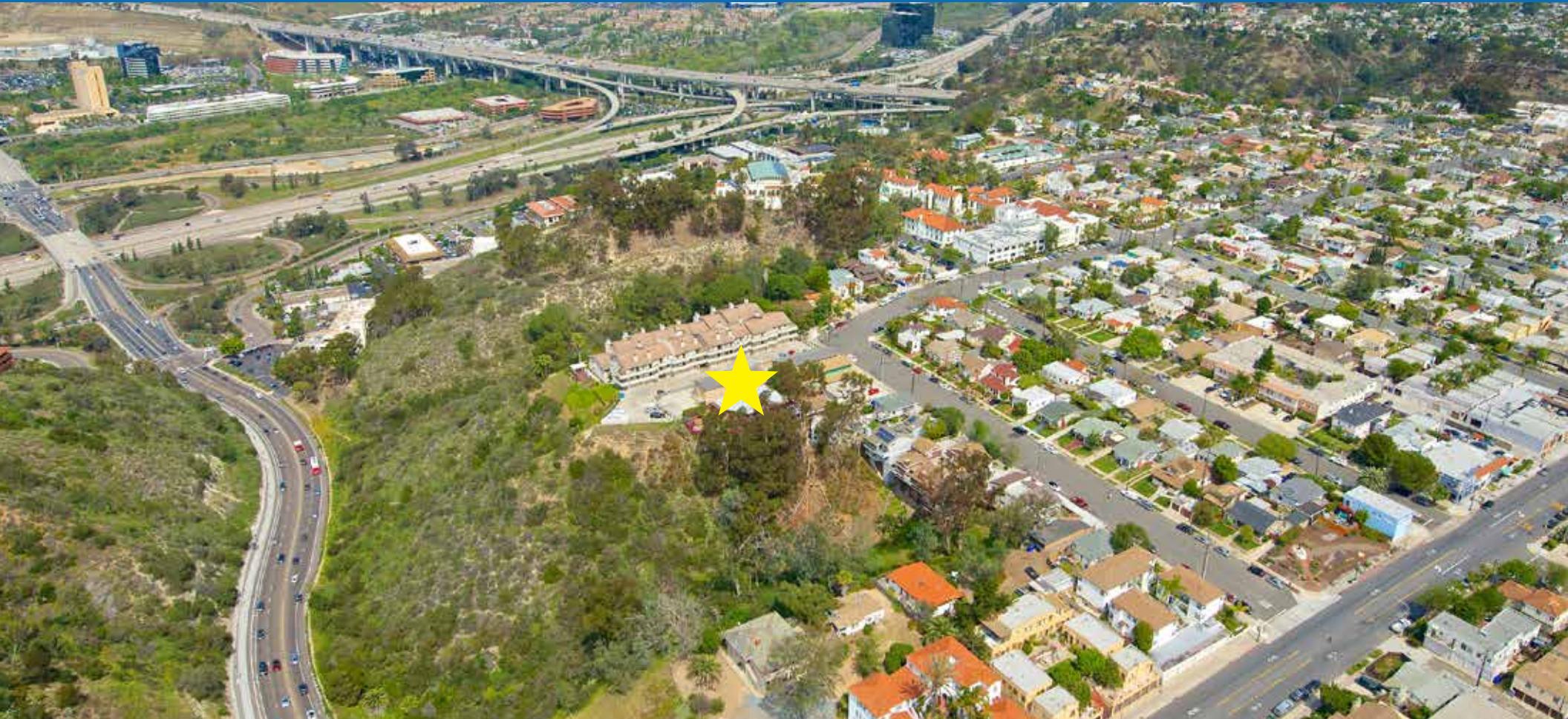
Source: Fast Report & MLS

SAN DIEGO COUNTY RENTAL TRENDS

AVERAGE MARKET RENT	San Diego County
Studio	\$1,245
1 Bedroom	\$1,354
2 Bedroom	\$1,642
3 Bedroom	\$2,200
Average Occupancy	97.49%
Number of Units	128,265

Source: MarketPointe March 2015





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