

The Offices at Douglas Park
3737 Worsham, Long Beach, CA
Supplemental Information

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3737 Worsham

Long Beach, CA



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Building Photographs



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Project Photographs



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Property Summary

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Address	3737 Worsham, Long Beach, CA
Price	\$6,902,777 (\pm \$179/SF)
Building Rentable Sq. Ft.	\pm 38,563SF
Purchase Terms/ Financing	All cash or cash to new loan
Year Built	2009
Condition	Building is in shell condition with HVAC in-place (but not distributed)
Stories	Two
Parking Ratio	3.8 spaces per 1,000 SF; a few reserved spots possible
Monthly Association Dues	TBD
Purchase vs. Lease Illustration	On page 10, the purchase vs. lease illustration includes an estimated \$50/SF in tenant improvements after break even (the return of the initial investment is just over 4 years).

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Location Map

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Aerial

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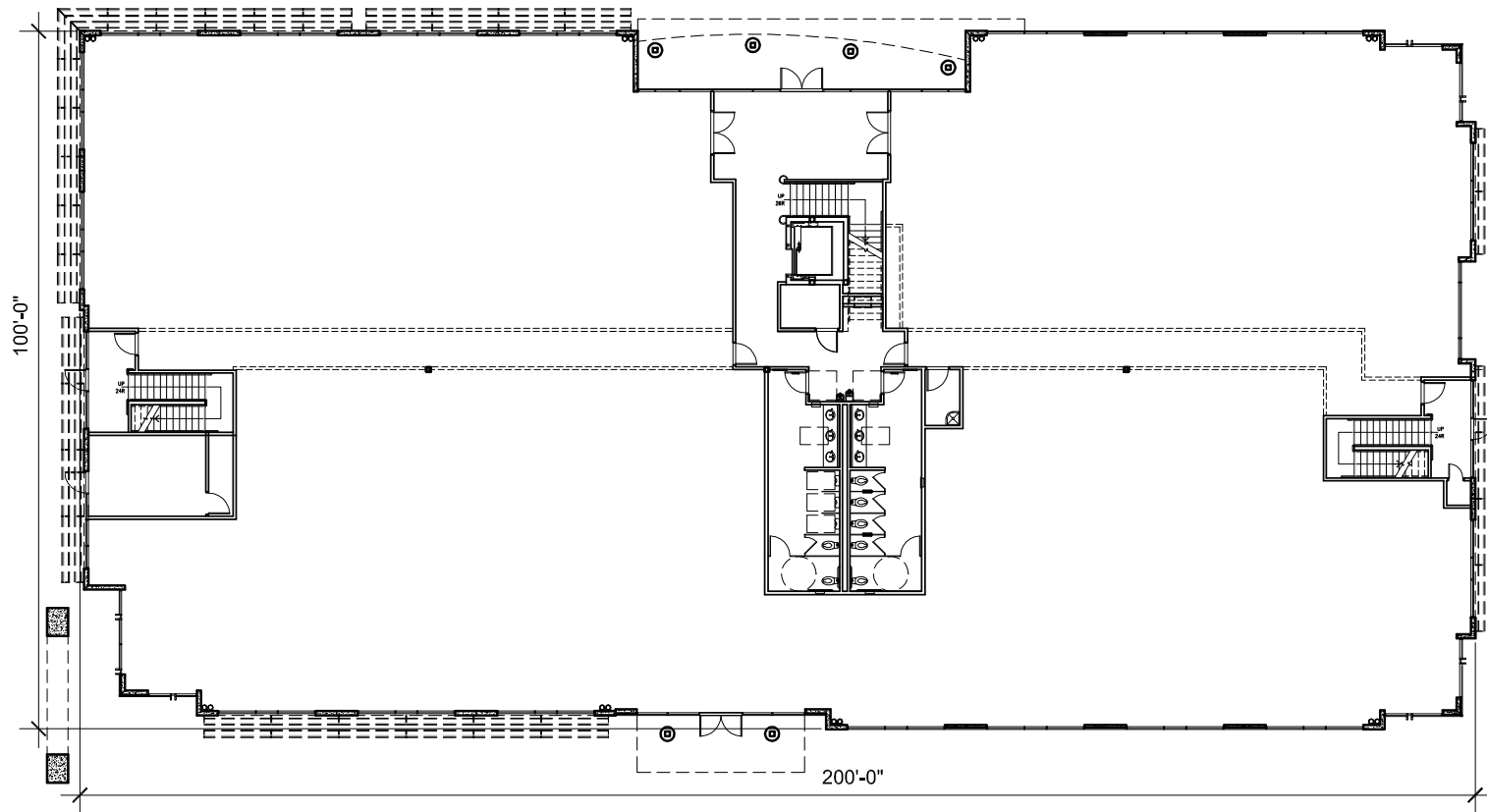


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1st Floor Plan



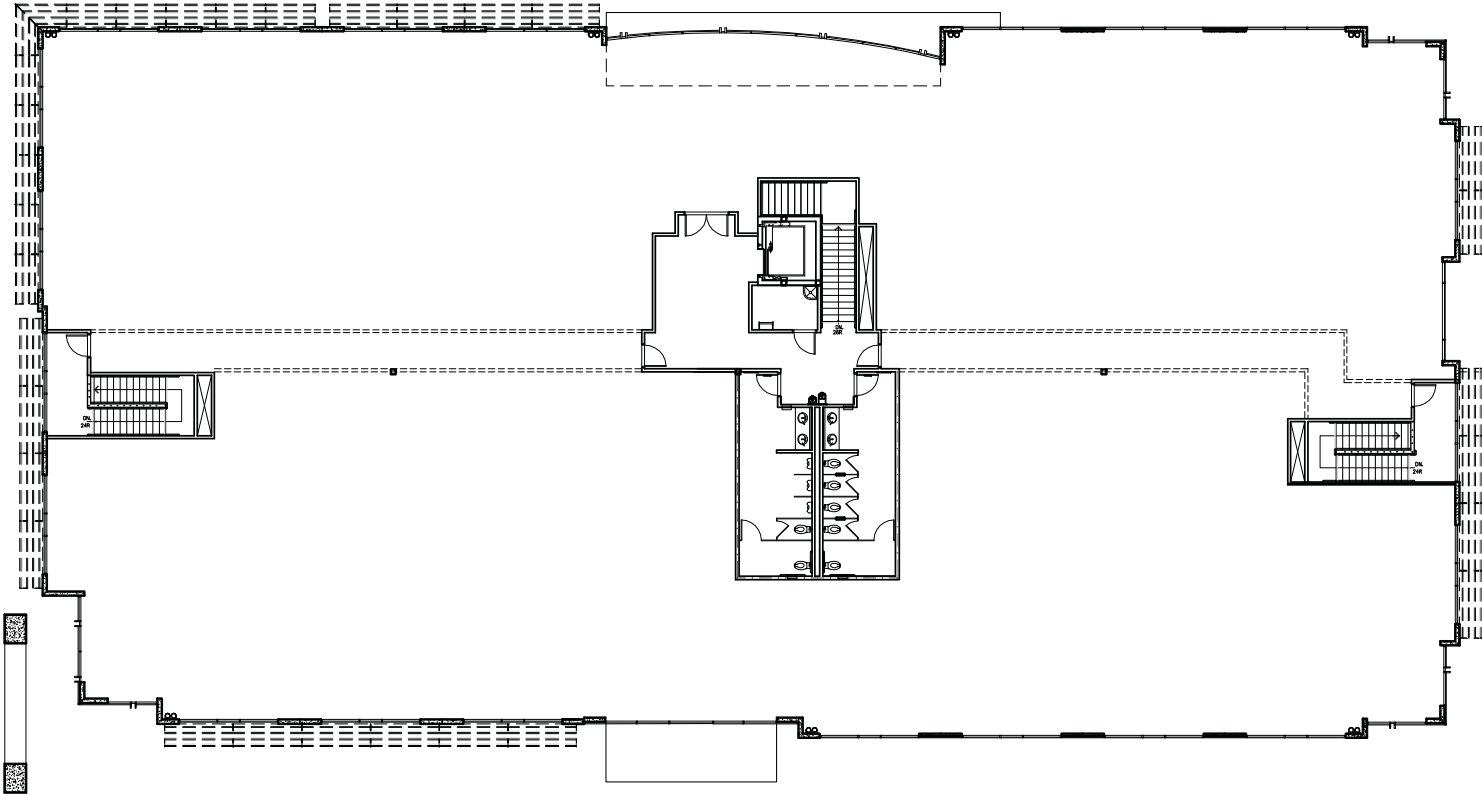
FIRST FLOOR PLAN

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2nd Floor Plan



SECOND FLOOR PLAN

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Sale Comparables

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Property	Address	Sale Date	Size	Price PSF	360 Market/Deal Insight
	The Offices at Douglas Park 4000 Cover Street Long Beach	8/2009	8,875 sf	<u>\$2,529,375</u> \$285	Douglas Park building sold in shell condition. Note this sold after the severe decline in commercial real estate market that began in the last half of 2008.
	The Offices at Douglas Park 3787 Worsham Avenue Long Beach	8/2009	7,623 sf	<u>\$2,087,055</u> \$274	Douglas Park building sold in shell condition. Note this sold after the severe decline in commercial real estate market that began in the last half of 2008.

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Benefits of Purchasing

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Led by Steven G. Economos, the 360 Commercial Partners Office Advisory team is the foremost expert in office sectors 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 buildings in the region. Below is their recent analysis of the current 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 building 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 3737 Worsham for \$229/SF, with an initial investment of \$25/SF (10% down + est. closing costs).

Estimated Monthly Costs

Typical Operating Expenses:	\$0.70/SF	
Mortgage Payment:	\$1.34/SF	
Amount of Principal in Mortgage Payment*:	(\$0.27/SF)	*Note: This money is simply cash being converted to savings

Estimated Monthly Cost to Own Year 1: \$1.77/SF vs **Estimated Starting Lease Rate + expenses: \$2.15/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 2	\$2.21	\$1.76	\$5.40	\$9.91
Year 3	\$2.28	\$1.76	\$6.30	\$16.21
Year 4	\$2.35	\$1.75	\$7.23	\$23.44
Year 5	\$2.42	\$1.74	\$8.17	\$31.61
Year 6	\$2.49	\$1.73	\$9.13	\$40.73
Year 7	\$2.57	\$1.72	\$10.11	\$50.84
Year 8	\$2.64	\$1.72	\$11.11	\$61.96
Year 9	\$2.72	\$1.71	\$12.14	\$74.10
Year 10	\$2.81	\$1.71	\$13.18	\$87.28

Break Even

10 Year Own vs. Lease Savings: \$87.28

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Tax Benefits of Depreciation

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Assume a business owner or trust personally purchases 3737 Worsham 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:	\$8,832,777
Building Size:	38,563 Square Feet (\$229/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 \$8,832,777, or \$3,974,750. Spread over the IRS' mandated 39 years, the deduction per year is approximately \$102,000. **At a tax rate of 33%, the tax savings due to depreciation is \$34,000 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 \$0.07/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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Union Bank Loan Illustration



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SBA 504 Loan Estimator (for discussion only)

Prepared for: 3737 Worsham, Long Beach, CA

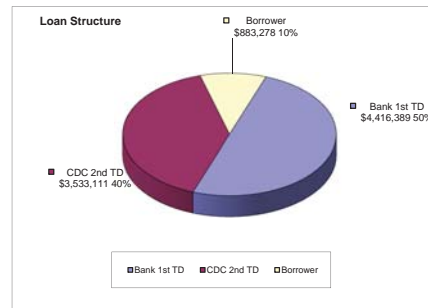
Purchase Price	\$6,902,777
Improvements	\$1,930,000
Total Project Cost	\$8,832,777
Downpayment	10%
Bank	50%
CDC	40%
Bank 1st TD	\$4,416,389
CDC 2nd TD	\$3,533,111
Borrower	\$883,278
Loan Amount	\$7,949,499
Annual Interest Rate	5.42%
Loan Period in Years	25
Estimated Start Date of Loan	09/11/2011

Bank 1st TD* - 10/25	
Rate	5.42%
Years	25
Monthly Pay - Bank 1st TD	\$ 26,910
Balloon Payment due at end of 10 years	\$ 3,310,584

SBA 2nd TD* - 20/20	
Rate	5.51%
Years	20
Monthly Pay - SBA 2nd TD	\$ 24,860
Total Monthly Pay	\$ 51,770
Blended Rate for both Loans	5.46%

1st TD Monthly Payment	\$ 26,910
Scheduled Number of Payments	300
Annual Debt Service	\$ 621,239
Bank Fee on 1st TD	\$ 22,082
2nd TD Loan	\$ 3,533,111
CDC Processing Fee (1.5%)	\$ 52,997
Funding Fee (0.25%)	\$ 8,833
Legal Closing Fees	\$ 1,200
Underwriting Fee (0.40%)	\$ 14,232
Subtotal	\$ 3,610,372
Balance to Borrower	\$ 628
Gross Debenture	\$ 3,611,000
<small>(rounded up to nearest \$1000)</small>	

Total Monthly Payment \$ 51,770



Note Rate
* The Bank and SBA 504 Note Rate does not represent borrower's actual interest rate, but is merely an example based on current interest rates, which are subject to change. The information contained herein is for discussion purposes only and is not binding.

This is not a commitment to lend. Financing is subject to credit and any applicable collateral approval of both Union Bank and the SBA. Other restrictions may apply. Financing available to businesses located in California, Oregon and Washington. A good faith deposit is required upon approval.