

TWO OFFICE BUILDINGS FOR SALE

3146 & 3152

RED HILL AVENUE
costa mesa, california

**Buildings Can Be
Sold Separately
or Together**



PREMIER OFFICE BUILDINGS AVAILABLE

3146 Red Hill - 21,860 SF // 3152 Red Hill - 21,812 SF

Lee & Associates, Inc. - Irvine (the "Agent") has been engaged as the exclusive sales representative for the sale of 3146 & 3152 Red Hill Avenue, Costa Mesa, CA (the "Property") by 'Ownership' (the "Seller").

The Property is being offered for sale in an "as-is, where-is" condition, and the Seller and Agent make no representations or warranties as to the accuracy of the information contained in this Offering Memorandum. The enclosed materials include confidential information and are being furnished solely for the purpose of review by prospective purchasers ("Purchasers") of the interest described herein for which it shall be fully and solely responsible. Neither the enclosed materials, nor any information contained herein, are to be used for any other purpose, or made available to any other person without the express written consent of the Seller. Each recipient, as a prerequisite to receiving the enclosed information, should be registered with the Agent as a "Registered Potential Investor" or as a "Buyer's Agent" for an identified "Registered Potential Investor". The use of this Offering Memorandum, and the information provided herein, is subject to the terms, provisions and limitations of the Confidentiality Agreement furnished by the Agent prior to delivery of this Offering Memorandum.

The material contained herein is based on information and sources deemed to be reliable, but no representation or warranty, express or implied, is being made by the Agent or the Seller or any of their respective representatives, affiliates, officers, employees, shareholders, partners, and directors, as to its accuracy or completeness. Summaries contained herein of any legal or other documents are not intended to be comprehensive statements of the terms of such documents, but rather only outlines of some of the principal provisions contained therein. Neither the Seller nor the Agent shall have any liability whatsoever for any other written or oral communication or information transmitted, or made available, or any action taken, or decision made by the recipient with respect to the Property.

The Seller reserves the right, at its sole and absolute discretion, to withdraw the Property from the market for sale at any time and for any reason without notice, to reject any and all expressions of interest or offers regarding the Property, and/or to terminate discussions with any entity at any time, with or without notice. This Offering Memorandum is made subject to omissions, correction of errors, change of price or other terms, prior sale or withdrawal from the market without notice. The Agent is not authorized to make any representations or agreements on behalf of the Seller. The Seller shall have no legal commitment or obligation to any recipient reviewing the enclosed materials, performing additional investigation, and/or making an offer to purchase the Property unless and until a binding written agreement for the purchase of the Property has been fully executed, delivered, and approved by Seller and any conditions required under the contract for title to pass from the Seller to the buyer have been satisfied or waived.

By taking possession of and reviewing the information contained herein, the recipient agrees that (a) the enclosed materials and their contents will be held and treated in the strictest of confidence; and (b) the recipient shall not contact employees, contractors, sub-contractors or lien-holders of the Property directly or indirectly regarding any aspect of the enclosed materials or the Property without the prior written approval of the Seller or the Agent; and (c) no portion of the enclosed materials may be copied or otherwise reproduced without the prior written authorization of the Seller or the Agent or as otherwise provided in the Confidentiality Agreement executed and delivered by the recipient(s) to Agent.

The Seller will be responsible for any commission due to the Agent in connection with a sale of the Property. However, any broker engaged by Purchaser ("Buyer's Broker") shall seek its commission only from the Purchaser. Under no circumstances will the Agent or the Seller be liable for same and recipient will indemnify and hold the Agent and the Seller harmless from any claims by any brokers having dealt with recipient other than the Agent. Any Buyer's Broker must provide a registration signed by the recipient acknowledging said Buyer's Broker's authority to act on the recipient's behalf.

EXCLUSIVELY LISTED BY:

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3146 & 3152
RED HILL AVENUE
costa mesa, california

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offering overview

OFFERING SUMMARY

Lee & Associates is pleased to introduce for the first time in 32 years the opportunity to purchase the fee simple interest in 3146 and 3152 Red Hill Avenue in Costa Mesa. Consisting of two (2) two (2)-story office buildings approximately 21,860 SF and 21,812 SF respectively or combined for a total of 43,672 square feet. A user can have the opportunity to occupy up to 7,279 S F in 3146 Red Hill within the first year and up to 21,817 SF in 3152 Red Hill Avenue within the first year or 29,096 SF of the 43,672 SF of both buildings within the first year.*





PROPERTY SUMMARY

<i>Property Address</i>	3146 & 3152 Red Hill Avenue Costa Mesa, CA 92626
<i>APN</i>	427-291-02 & 427-291-11
<i>Land Size</i>	
3146 Red Hill	1.308 Acres
3152 Red Hill	1.299 Acres
3146 & 3152 Red Hill	2.607 Acres
<i>Parking</i>	178 Stalls
<i>Available Space to Occupy:*</i>	
3146 Red Hill	7,279 SF
3152 Red Hill	21,817 SF
3146 & 3152 Red Hill	29,096 SF

OFFERING SUMMARY

<i>Offering Price</i>	
3146 Red Hill	\$7,750,000
3152 Red Hill	\$7,750,000
3146 & 3152 Red Hill	\$15,500,000
<i>Undiscounted 10-Year Occupancy Cost</i>	
3146 Red Hill	\$0.61/SF, Per Month
3152 Red Hill	\$0.74/SF, Per Month
3146 & 3152 Red Hill	\$0.40/SF, Per Month

**Dependent on tenants exercising options.*



OFFERING HIGHLIGHTS

This is a generational opportunity to buy a small office building or complex in Costa Mesa. This opportunity offers a company prominent street exposure on Red Hill Avenue and the opportunity to grow into additional space as leases come available and to offset your occupancy cost with income from in-place or leased spaces.

The building offers timeless brick exteriors with ample surface parking and signage opportunities on Red Hill Avenue. The buildings have excellent freeway access and are located off the 55 Freeway and Baker Street, which has direct access to the 405, 73 and 5 Freeways. The buildings are within a mile of numerous restaurants and retail and within 1.6 miles of South Coast Plaza, the premier shopping destination in Southern California.



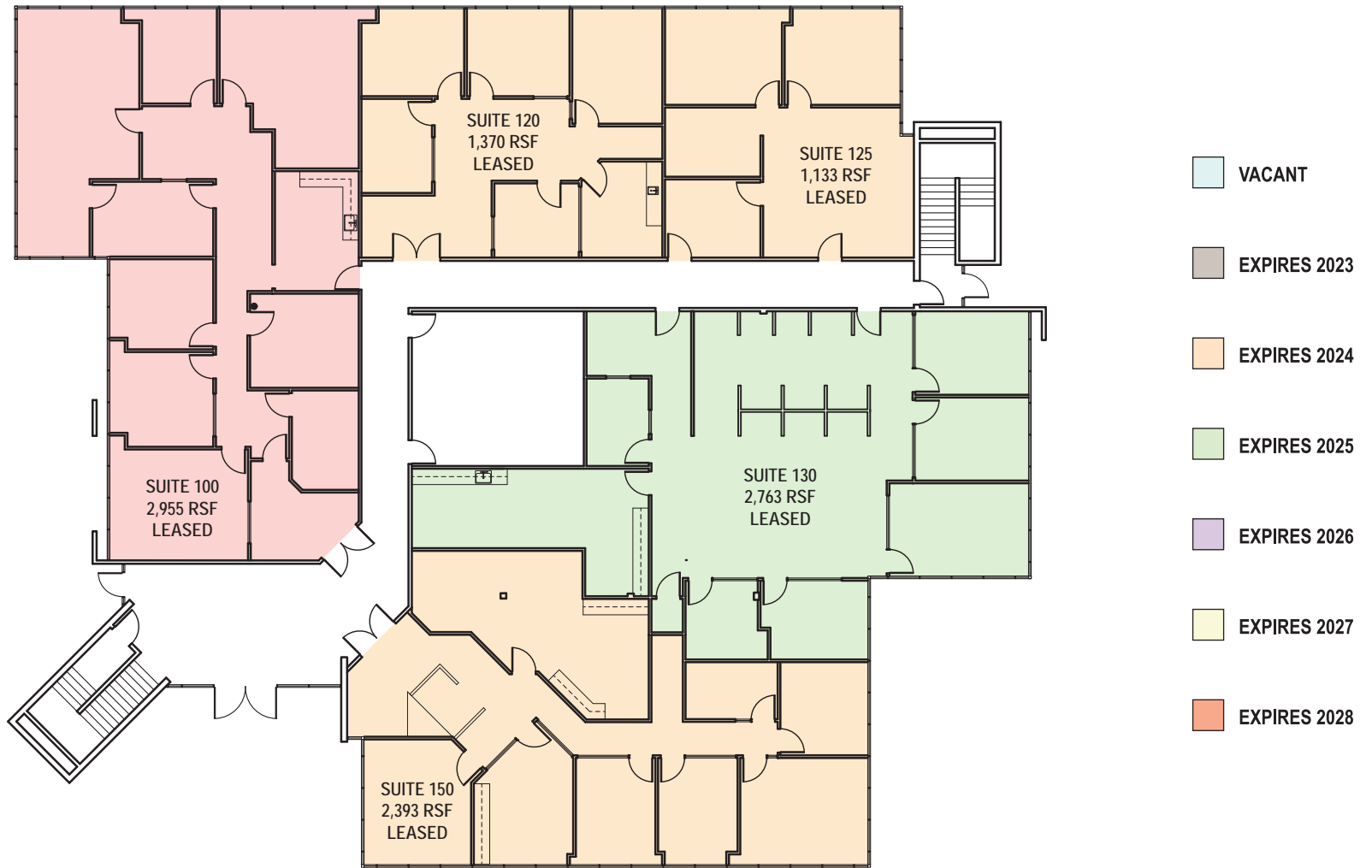
property description

<i>Property Address</i>	3146 & 3152 Red Hill Avenue Costa Mesa, CA 92626
<i>APN</i>	427-291-02 & 427-291-11
<i>Location</i>	Airport Area Orange County
<i>Land Size</i>	3146 - 1.308 Acres 3152 - 1.299 Acres
<i>Year Built</i>	1982
<i>Building Size</i>	3146 - 21,860 SF 3152 - 21,812 SF
<i>Parking</i>	Approximately 178 Stalls
<i>Flooring</i>	Carpet, Vinyl and Stone Tile
<i>Construction</i>	CTU
<i>Exterior Walls</i>	Concrete and Brick
<i>Roof Cover</i>	Rolled Asphalt Composite Over 6" Concrete
<i>Walls</i>	Gypsum Board
<i>Ceiling</i>	Suspended Ceiling and Wood
<i>Utilities</i>	Southern California Edison Spectrum
<i>Light Fixtures</i>	Parabolic and Prismatic Fixtures

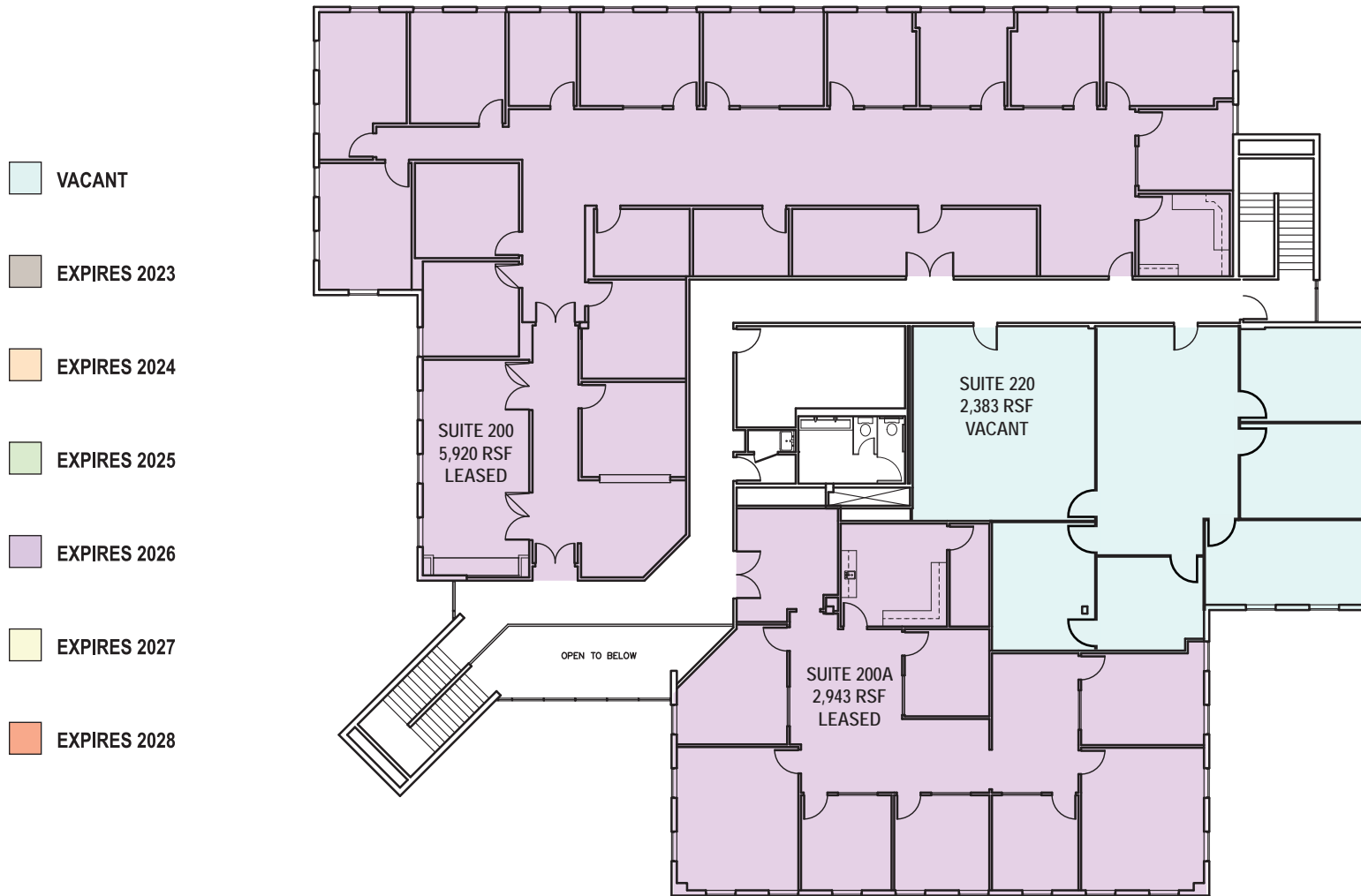




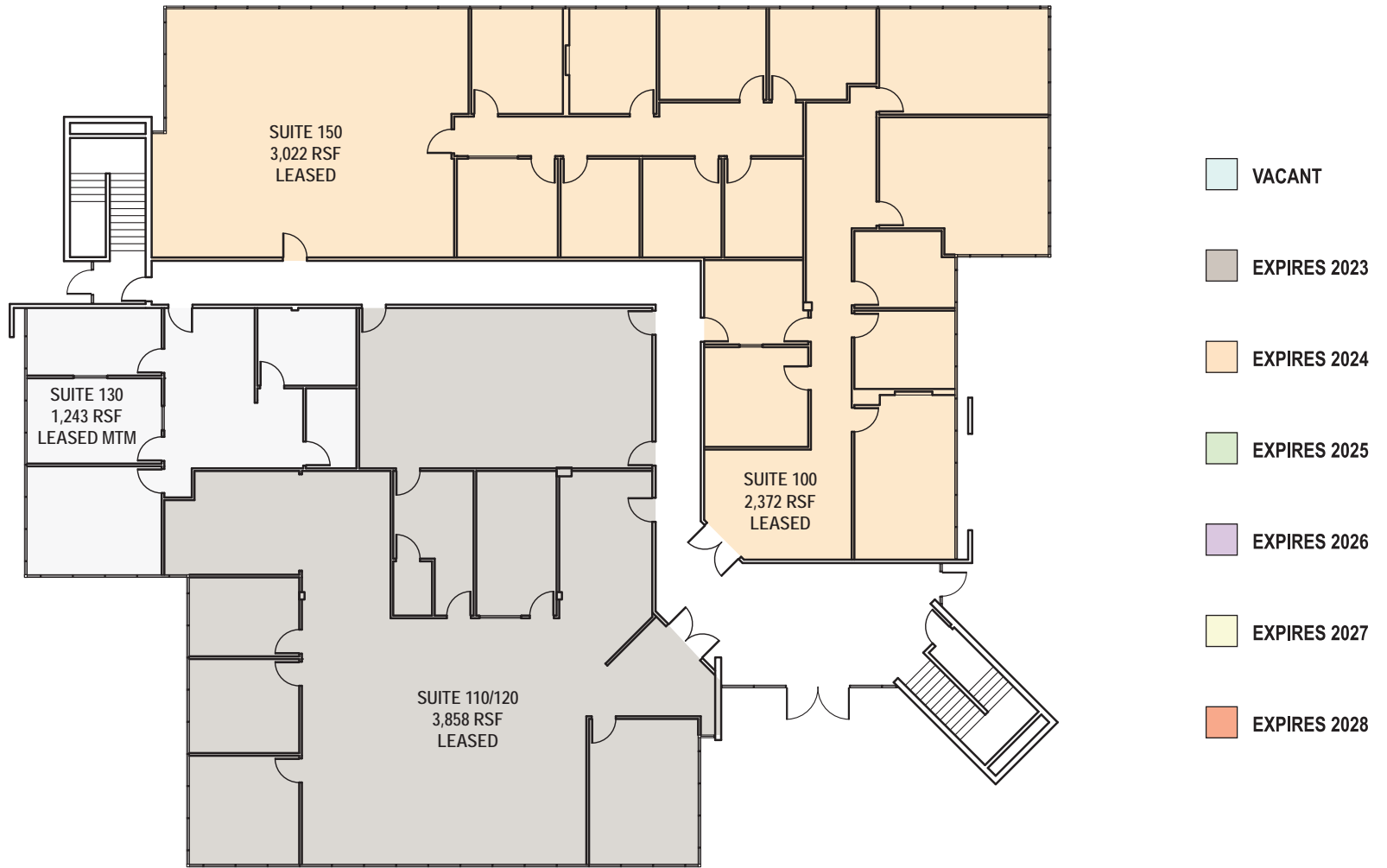
3146 RED HILL | FIRST FLOOR - ±10,620 SF



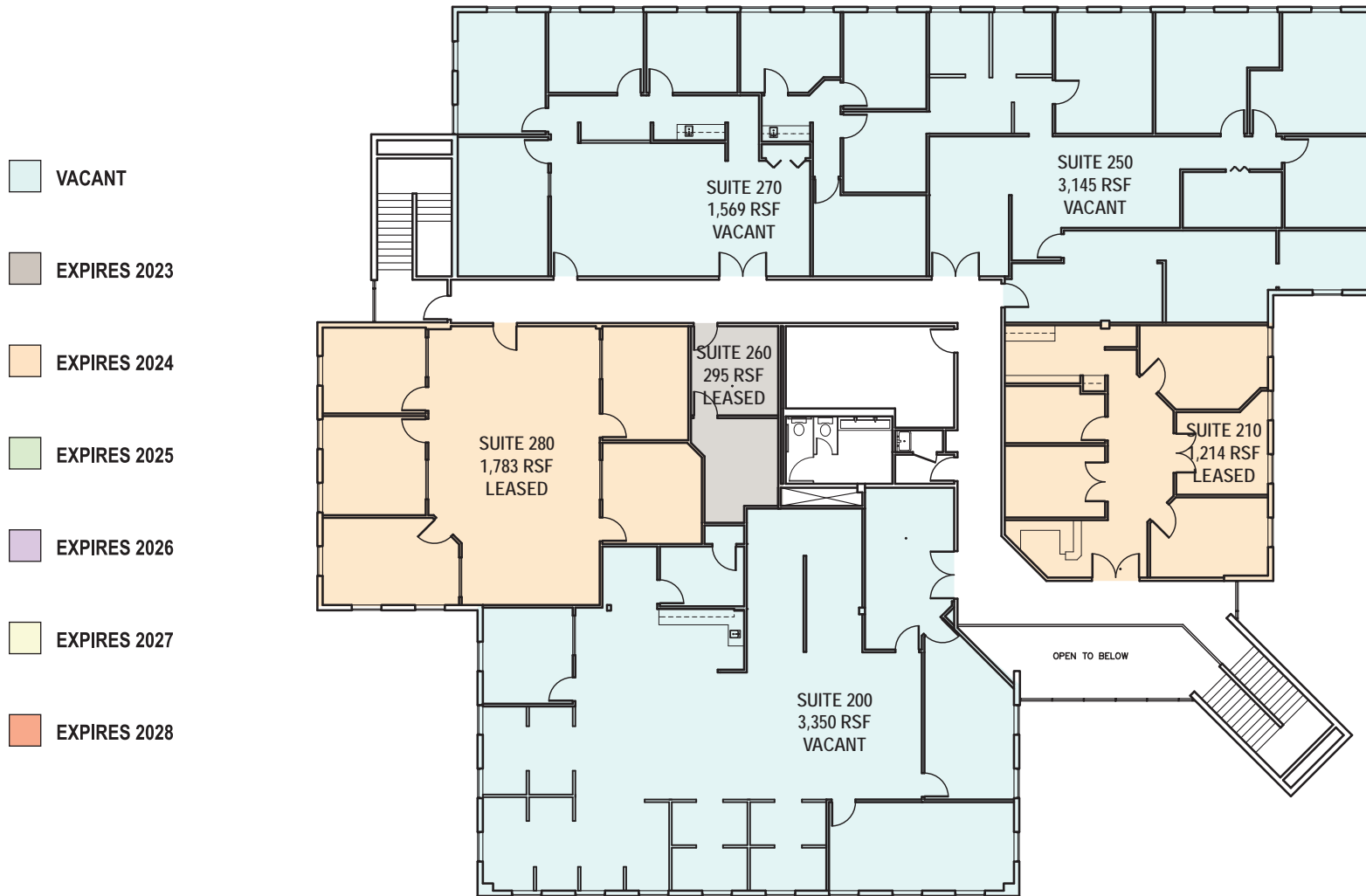
3146 RED HILL | SECOND FLOOR - ±11,274 SF



3152 RED HILL | FIRST FLOOR - ±10,457 SF



3152 RED HILL | SECOND FLOOR - ±11,355 SF





3146 & 3152

RED HILL AVENUE
costa mesa, california



Red Hill Ave

Baker St E

Pullman St





3152

RELIABLE IT BLUETHALO
INSPIRE CHARTER SCHOOLS MLC & ASSOCIATES
LearningRx

financial analysis

3146 RED HILL AVENUE

SCENARIO: BUYER TO OCCUPY 7,279 SF AND LEASE 14,581 SF TO TENANTS

PURCHASE VS. LEASE ANALYSIS

PROPERTY ASSUMPTIONS

Purchase Building Size in SF	21,860
Occupy Building Size in SF	7,279
Market Rent - NNN	\$2.00
Monthly NNN Expense PSF	\$1.02
Annual Rent + Exp. Growth	3.00%
Total Building Cost (1)	\$8,000,000
Total Building Cost PSF	\$365.97

DEBT & EQUITY

	1st TD	2nd TD	Total
Loan Amounts	\$4,000,000	\$3,200,000	\$7,200,000
Loan to Value Ratio	50%	40%	90%
Loan Fees	\$45,000	\$32,000	\$77,000
Equity Amount			\$877,000
Interest Rate	6.00%	5.50%	
Amortization Period	25	20	
Monthly Debt Service	\$25,772	\$22,012	\$47,784
Annual Debt Service	\$309,265	\$264,149	\$573,413
Loan Balance - End of Yr. 10	\$3,054,079	\$2,028,301	\$5,082,380

APPRECIATION & TAXES

Price Appreciation		3.00%
Building Value After 10 Years	\$492 PSF	\$10,751,331
Cost of Sale		3.00%
Standard Tax Rate		41.00%
Portion of Price For Building - %		80.00%
Portion of Price For Building - \$'s		\$6,400,000
Years to Depreciate Asset		39.50
Annual Depreciation Deduction		\$162,025

Disclaimer: The rental income is based on 66.7% of building leased and does not include vacancy, lease up costs, or downtime.

SCENARIO 1 - PURCHASE BUILDING

21,860 sq. ft.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial Equity Investment	(877,000)	-	-	-	-	-	-	-	-	-	-
Annual Operating Expenses		(267,894)	(275,931)	(284,209)	(292,735)	(301,517)	(310,563)	(319,880)	(329,476)	(339,360)	(349,541)
Tenant RENT - 14,581 SF x \$2.09 + 3.0% / yr.		365,730	376,702	388,003	399,643	411,632	423,981	436,701	449,802	463,296	477,195
Annual Debt Service		(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)
Reversion Value After 10 Years		-	-	-	-	-	-	-	-	-	10,751,331
Cost of Sale		-	-	-	-	-	-	-	-	-	(322,540)
Pay Off Remaining Loan Balance		-	-	-	-	-	-	-	-	-	(5,082,380)
Tax Benefit For Operating Expenses		109,837	113,132	116,526	120,021	123,622	127,331	131,151	135,085	139,138	143,312
Tax COST For RENT From Tenants		(149,949)	(154,448)	(159,081)	(163,854)	(168,769)	(173,832)	(179,047)	(184,419)	(189,951)	(195,650)
Tax Benefit For Interest Expense		168,841	164,949	160,829	156,466	151,847	146,955	141,775	136,291	130,483	124,334
Tax Benefit For Depreciation		66,430	66,430	66,430	66,430	66,430	66,430	66,430	66,430	66,430	66,430
Capital Gain Tax Due at Sale											(1,012,261)
After Tax Cost of Ownership	(877,000)	(280,419)	(282,579)	(284,916)	(287,441)	(290,169)	(293,111)	(296,283)	(299,700)	(303,378)	4,026,816

PROFIT TO OWN

Undiscounted Cash Flow	\$531,820
Undiscounted Avg. Income (cost) PSF/mo.	\$0.61
Monthly PSF income (cost) based on occupied area of 7,279 SF	

PROFIT TO OWN

Cash Flow Discounted @ 6.50%	(\$660,093)
Discounted Avg. Income (cost) PSF/mo.	(\$0.76)
Monthly PSF income (cost) based on occupied area of 7,279 SF	

TAXABLE GAIN ON SALE

Original Basis at Purchase	\$8,000,000
Depreciation Taken	(1,620,253)
Basis at Sale	\$6,379,747
Taxable Gain on Sale	\$4,049,044
Capital Gain Tax - Rate @ 25.00%	\$1,012,261

3146 RED HILL AVENUE

SCENARIO: BUYER TO OCCUPY 7,279 SF AND LEASE 14,581 SF TO TENANTS

SCENARIO 2 - LEASE BUILDING

7,279 sq. ft.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NNN Rent - 7,279 SF x \$2.00 + 3.0% / yr.		(174,696)	(179,937)	(185,335)	(190,895)	(196,622)	(202,521)	(208,596)	(214,854)	(221,300)	(227,939)
NNN Expense - 7,279 SF x \$1.02 + 3.0% / yr.		(89,204)	(91,880)	(94,637)	(97,476)	(100,400)	(103,412)	(106,514)	(109,710)	(113,001)	(116,391)
Tax Benefit For Lease Payment		71,625	73,774	75,987	78,267	80,615	83,033	85,524	88,090	90,733	93,455
Tax Benefit For Operating Expenses		36,574	37,671	38,801	39,965	41,164	42,399	43,671	44,981	46,330	47,720
After Tax Cost of Lease	-	(155,701)	(160,372)	(165,183)	(170,139)	(175,243)	(180,500)	(185,915)	(191,493)	(197,237)	(203,155)

COST TO LEASE

Undiscounted Cash Flow (\$1,784,938)
Undiscounted Avg. Cost PSF/mo. (\$2.04)

COST TO LEASE

Cash Flow Discounted @ 6.50% (\$1,263,673)
Discounted Avg. Cost PSF/mo. (\$1.45)

SUMMARY OF PURCHASE VS. LEASE

Building Appreciation Over 10 Years \$2,751,331
Cash Flow Savings of Ownership PSF \$2.65

<< final sale value minus original purchase price

<< difference between undiscounted average monthly cost to purchase vs. undiscounted average monthly cost to lease

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LOAN WORK AREA

FIRST TD: Pmt: 309,265 per year 25,772 per month Loan Amount #1 4,000,000
 Int %: 6.000% per year 0.5000% per month Selected Loan Type 0 << 1 = interest only and 0 = amortizing
 Term: 25 years 300 months Loan Label #1 Debt Service @ 6.00%, 25 Year Amortization

Year:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Mos:	300	288	276	264	252	240	228	216	204	192	180
K%:	0.006443	0.006560	0.006688	0.006831	0.006989	0.007164	0.007361	0.007582	0.007831	0.008114	0.008439
Pmt:	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265
Bal:	4,000,000	3,928,798	3,853,205	3,772,950	3,687,744	3,597,283	3,501,243	3,399,279	3,291,027	3,176,097	3,054,079
Princ. Portion		71,202	75,593	80,256	85,206	90,461	96,040	101,964	108,253	114,929	122,018
Int. Portion:		238,063	233,672	229,009	224,059	218,804	213,224	207,301	201,012	194,335	187,247

SECOND TD: Pmt: 264,149 per year 22,012 per month Loan Amount #1 3,200,000
 Int %: 5.500% per year 0.4583% per month Selected Loan Type 0 << 1 = interest only and 0 = amortizing
 Term: 20 years 240 months Loan Label #1 Debt Service @ 5.50%, 20 Year Amortization

Year:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Mos:	240	228	216	204	192	180	168	156	144	132	120
K%:	0.006879	0.007079	0.007303	0.007556	0.007843	0.008171	0.008548	0.008987	0.009502	0.010114	0.010853
Pmt:	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149
Bal:	3,200,000	3,109,595	3,014,090	2,913,198	2,806,615	2,694,020	2,575,074	2,449,418	2,316,674	2,176,443	2,028,301
Princ. Portion		90,405	95,505	100,892	106,583	112,595	118,946	125,656	132,744	140,232	148,142
Int. Portion:		173,744	168,644	163,257	157,566	151,554	145,202	138,493	131,405	123,917	116,007

COMBINED: Princ. Portion 161,607 171,098 181,147 191,788 203,056 214,987 227,620 240,997 255,161 270,160
 Int. Portion: 411,807 402,316 392,266 381,625 370,357 358,427 345,794 332,417 318,252 303,254

LOAN FEE CALCS:	Pct.	1st TD	2nd TD	Pct.
Loan Amount	50.0%	4,000,000	3,200,000	40.0%
Origination Fee	1.000%	40,000	32,000	1.000%
Environmental		1,000	-	
Appraisal		2,500	-	
Title & Escrow		1,000	-	
Legal Fees		500	-	
Total		45,000	32,000	



BUCKNER, ROBINSON
&
MIRKOVICH

WILLIAMS REAL ESTATE
MANAGEMENT, INC.

CHRISTENSEN
DEVELOPMENT

MOLLIS & MOLLER, INC.
DANIEL C. CARLTON

HEALTHMARKETS
INSURANCE AGENCY

KIDOLEN
INVESTMENT GROUP

3146

PURCHASE VS. LEASE ANALYSIS

PROPERTY ASSUMPTIONS	
Purchase Building Size in SF	21,812
Occupy Building Size in SF	21,812
Market Rent - NNN	\$2.00
Monthly NNN Expense PSF	\$1.02
Annual Rent + Exp. Growth	3.00%
Total Building Cost (1)	\$8,000,000
Total Building Cost PSF	\$366.69

DEBT & EQUITY	1st TD	2nd TD	Total
Loan Amounts	\$4,000,000	\$3,200,000	\$7,200,000
Loan to Value Ratio	50%	40%	90%
Loan Fees	\$45,000	\$32,000	\$77,000
Equity Amount			\$877,000
Interest Rate	6.00%	5.50%	
Amortization Period	25	20	
Monthly Debt Service	\$25,772	\$22,012	\$47,784
Annual Debt Service	\$309,265	\$264,149	\$573,413
Loan Balance - End of Yr. 10	\$3,054,079	\$2,028,301	\$5,082,380

APPRECIATION & TAXES		
Price Appreciation		3.00%
Building Value After 10 Years	\$493 PSF	\$10,751,331
Cost of Sale		3.00%
Standard Tax Rate		41.00%
Portion of Price For Building - %		80.00%
Portion of Price For Building - \$'s		\$6,400,000
Years to Depreciate Asset		39.50
Annual Depreciation Deduction		\$162,025

Disclaimer: The rental income is based on 0.0% of building leased and does not include vacancy, lease up costs, or downtime.

SCENARIO 1 - PURCHASE BUILDING

21,812 sq. ft.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial Equity Investment	(877,000)	-	-	-	-	-	-	-	-	-	-
Annual Operating Expenses		(267,367)	(275,388)	(283,650)	(292,160)	(300,924)	(309,952)	(319,251)	(328,828)	(338,693)	(348,854)
Tenant RENT - 0 SF x \$0.00 + 3.0% / yr.		-	-	-	-	-	-	-	-	-	-
Annual Debt Service		(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)	(573,413)
Reversion Value After 10 Years		-	-	-	-	-	-	-	-	-	10,751,331
Cost of Sale		-	-	-	-	-	-	-	-	-	(322,540)
Pay Off Remaining Loan Balance		-	-	-	-	-	-	-	-	-	(5,082,380)
Tax Benefit For Operating Expenses		109,621	112,909	116,297	119,785	123,379	127,080	130,893	134,820	138,864	143,030
Tax COST For RENT From Tenants		-	-	-	-	-	-	-	-	-	-
Tax Benefit For Interest Expense		168,841	164,949	160,829	156,466	151,847	146,955	141,775	136,291	130,483	124,334
Tax Benefit For Depreciation		66,430	66,430	66,430	66,430	66,430	66,430	66,430	66,430	66,430	66,430
Capital Gain Tax Due at Sale											(1,012,261)
After Tax Cost of Ownership	(877,000)	(495,889)	(504,513)	(513,507)	(522,891)	(532,682)	(542,900)	(553,565)	(564,701)	(576,328)	3,745,677

PROFIT TO OWN	
Undiscounted Cash Flow	(\$1,938,299)
Undiscounted Avg. Income (cost) PSF/mo.	(\$0.74)
Monthly PSF income (cost) based on occupied area of 21,817 SF	

PROFIT TO OWN	
Cash Flow Discounted @ 6.50%	(\$2,408,850)
Discounted Avg. Income (cost) PSF/mo.	(\$0.92)
Monthly PSF income (cost) based on occupied area of 21,817 SF	

TAXABLE GAIN ON SALE	
Original Basis at Purchase	\$8,000,000
Depreciation Taken	(1,620,253)
Basis at Sale	\$6,379,747
Taxable Gain on Sale	\$4,049,044
Capital Gain Tax - Rate @ 25.00%	\$1,012,261

3152 RED HILL AVENUE

SCENARIO: BUYER TO OCCUPY 21,812 SF AND LEASE 0 SF TO TENANTS

SCENARIO 2 - LEASE BUILDING 21,812 sq. ft.

	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NNN Rent - 21,812 SF x \$2.00 + 3.0% / yr.		(523,608)	(539,316)	(555,496)	(572,161)	(589,325)	(607,005)	(625,215)	(643,972)	(663,291)	(683,190)
NNN Expense - 21,812 SF x \$1.02 + 3.0% / yr.		(267,367)	(275,388)	(283,650)	(292,160)	(300,924)	(309,952)	(319,251)	(328,828)	(338,693)	(348,854)
Tax Benefit For Lease Payment		214,679	221,120	227,753	234,586	241,623	248,872	256,338	264,028	271,949	280,108
Tax Benefit For Operating Expenses		109,621	112,909	116,297	119,785	123,379	127,080	130,893	134,820	138,864	143,030
After Tax Cost of Lease	-	(466,675)	(480,676)	(495,096)	(509,949)	(525,247)	(541,005)	(557,235)	(573,952)	(591,170)	(608,906)

COST TO LEASE

Undiscounted Cash Flow (\$5,349,911)
Undiscounted Avg. Cost PSF/mo. (\$2.04)

COST TO LEASE

Cash Flow Discounted @ 6.50% (\$3,787,548)
Discounted Avg. Cost PSF/mo. (\$1.45)

SUMMARY OF PURCHASE VS. LEASE

Building Appreciation Over 10 Years \$2,751,331
Cash Flow Savings of Ownership PSF \$1.30

<< final sale value minus original purchase price

<< difference between undiscounted average monthly cost to purchase vs. undiscounted average monthly cost to lease

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LOAN WORK AREA

FIRST TD: Pmt: 309,265 per year 25,772 per month Loan Amount #1 4,000,000
 Int %: 6.000% per year 0.5000% per month Selected Loan Type 0 << 1 = interest only and 0 = amortizing
 Term: 25 years 300 months Loan Label #1 Debt Service @ 6.00%, 25 Year Amortization

Year:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Mos:	300	288	276	264	252	240	228	216	204	192	180
K%:	0.006443	0.006560	0.006688	0.006831	0.006989	0.007164	0.007361	0.007582	0.007831	0.008114	0.008439
Pmt:	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265	309,265
Bal:	4,000,000	3,928,798	3,853,205	3,772,950	3,687,744	3,597,283	3,501,243	3,399,279	3,291,027	3,176,097	3,054,079
Princ. Portion		71,202	75,593	80,256	85,206	90,461	96,040	101,964	108,253	114,929	122,018
Int. Portion:		238,063	233,672	229,009	224,059	218,804	213,224	207,301	201,012	194,335	187,247

SECOND TD: Pmt: 264,149 per year 22,012 per month Loan Amount #1 3,200,000
 Int %: 5.500% per year 0.4583% per month Selected Loan Type 0 << 1 = interest only and 0 = amortizing
 Term: 20 years 240 months Loan Label #1 Debt Service @ 5.50%, 20 Year Amortization

Year:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Mos:	240	228	216	204	192	180	168	156	144	132	120
K%:	0.006879	0.007079	0.007303	0.007556	0.007843	0.008171	0.008548	0.008987	0.009502	0.010114	0.010853
Pmt:	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149	264,149
Bal:	3,200,000	3,109,595	3,014,090	2,913,198	2,806,615	2,694,020	2,575,074	2,449,418	2,316,674	2,176,443	2,028,301
Princ. Portion		90,405	95,505	100,892	106,583	112,595	118,946	125,656	132,744	140,232	148,142
Int. Portion:		173,744	168,644	163,257	157,566	151,554	145,202	138,493	131,405	123,917	116,007

COMBINED: Princ. Portion 161,607 171,098 181,147 191,788 203,056 214,987 227,620 240,997 255,161 270,160
 Int. Portion: 411,807 402,316 392,266 381,625 370,357 358,427 345,794 332,417 318,252 303,254

LOAN FEE CALCS:	Pct.	1st TD	2nd TD	Pct.
Loan Amount	50.0%	4,000,000	3,200,000	40.0%
Origination Fee	1.000%	40,000	32,000	1.000%
Environmental		1,000	-	
Appraisal		2,500	-	
Title & Escrow		1,000	-	
Legal Fees		500	-	
Total		45,000	32,000	



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3146 & 3152 RED HILL AVENUE

SCENARIO: BUYER TO OCCUPY 29,096 SF AND LEASE 14,576 SF TO TENANTS

PURCHASE VS. LEASE ANALYSIS

PROPERTY ASSUMPTIONS

Purchase Building Size in SF	43,672
Occupy Building Size in SF	29,096
Market Rent - NNN	\$2.00
Monthly NNN Expense PSF	\$1.02
Annual Rent + Exp. Growth	3.00%
Total Building Cost (1)	\$16,000,000
Total Building Cost PSF	\$366.33

DEBT & EQUITY

	1st TD	2nd TD	Total
Loan Amounts	\$8,000,000	\$6,400,000	\$14,400,000
Loan to Value Ratio	50%	40%	90%
Loan Fees	\$85,000	\$64,000	\$149,000
Equity Amount			\$1,749,000
Interest Rate	6.00%	5.50%	
Amortization Period	25	20	
Monthly Debt Service	\$51,544	\$44,025	\$95,569
Annual Debt Service	\$618,529	\$528,297	\$1,146,827
Loan Balance - End of Yr. 10	\$6,108,158	\$4,056,602	\$10,164,760

APPRECIATION & TAXES

Price Appreciation		3.00%
Building Value After 10 Years	\$492 PSF	\$21,502,662
Cost of Sale		3.00%
Standard Tax Rate		41.00%
Portion of Price For Building - %		80.00%
Portion of Price For Building - \$'s		\$12,800,000
Years to Depreciate Asset		39.50
Annual Depreciation Deduction		\$324,051

Disclaimer: The rental income is based on 33.4% of building leased and does not include vacancy, lease up costs, or downtime.

SCENARIO 1 - PURCHASE BUILDING

43,672 sq. ft.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial Equity Investment	(1,749,000)	-	-	-	-	-	-	-	-	-	-
Annual Operating Expenses		(535,262)	(551,319)	(567,859)	(584,895)	(602,442)	(620,515)	(639,130)	(658,304)	(678,053)	(698,395)
Tenant RENT - 14,581 SF x \$2.09 + 3.0% / yr.		365,730	376,702	388,003	399,643	411,632	423,981	436,701	449,802	463,296	477,195
Annual Debt Service		(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)	(1,146,827)
Reversion Value After 10 Years		-	-	-	-	-	-	-	-	-	21,502,662
Cost of Sale		-	-	-	-	-	-	-	-	-	(645,080)
Pay Off Remaining Loan Balance		-	-	-	-	-	-	-	-	-	(10,164,760)
Tax Benefit For Operating Expenses		219,457	226,041	232,822	239,807	247,001	254,411	262,043	269,905	278,002	286,342
Tax COST For RENT From Tenants		(149,949)	(154,448)	(159,081)	(163,854)	(168,769)	(173,832)	(179,047)	(184,419)	(189,951)	(195,650)
Tax Benefit For Interest Expense		337,682	329,899	321,658	312,932	303,693	293,910	283,551	272,582	260,967	248,668
Tax Benefit For Depreciation		132,861	132,861	132,861	132,861	132,861	132,861	132,861	132,861	132,861	132,861
Capital Gain Tax Due at Sale											(2,024,522)
After Tax Cost of Ownership	(1,749,000)	(776,308)	(787,092)	(798,423)	(810,332)	(822,850)	(836,011)	(849,849)	(864,401)	(879,706)	7,772,494

PROFIT TO OWN

Undiscounted Cash Flow	(\$1,401,479)
Undiscounted Avg. Income (cost) PSF/mo.	(\$0.40)
Monthly PSF income (cost) based on occupied area of 29,096 SF	

PROFIT TO OWN

Cash Flow Discounted @ 6.50%	(\$3,063,943)
Discounted Avg. Income (cost) PSF/mo.	(\$0.88)
Monthly PSF income (cost) based on occupied area of 29,096 SF	

TAXABLE GAIN ON SALE

Original Basis at Purchase	\$16,000,000
Depreciation Taken	(3,240,506)
Basis at Sale	\$12,759,494
Taxable Gain on Sale	\$8,098,089
Capital Gain Tax - Rate @ 25.00%	\$2,024,522

3146 & 3152 RED HILL AVENUE

SCENARIO: BUYER TO OCCUPY 29,096 SF AND LEASE 14,576 SF TO TENANTS

SCENARIO 2 - LEASE BUILDING

29,096 sq. ft.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NNN Rent - 29,096 SF x \$2.00 + 3.0% / yr.		(698,304)	(719,253)	(740,831)	(763,056)	(785,947)	(809,526)	(833,811)	(858,826)	(884,591)	(911,128)
NNN Expense - 29,096 SF x \$1.02 + 3.0% / yr.		(356,571)	(367,269)	(378,287)	(389,635)	(401,324)	(413,364)	(425,765)	(438,538)	(451,694)	(465,245)
Tax Benefit For Lease Payment		286,305	294,894	303,741	312,853	322,238	331,906	341,863	352,119	362,682	373,563
Tax Benefit For Operating Expenses		146,194	150,580	155,098	159,750	164,543	169,479	174,564	179,801	185,195	190,750
After Tax Cost of Lease	-	(622,377)	(641,048)	(660,279)	(680,088)	(700,490)	(721,505)	(743,150)	(765,445)	(788,408)	(812,060)

COST TO LEASE

Undiscounted Cash Flow (\$7,134,849)
Undiscounted Avg. Cost PSF/mo. (\$2.04)

COST TO LEASE

Cash Flow Discounted @ 6.50% (\$5,051,221)
Discounted Avg. Cost PSF/mo. (\$1.45)

SUMMARY OF PURCHASE VS. LEASE

Building Appreciation Over 10 Years \$5,502,662
Cash Flow Savings of Ownership PSF \$1.64

<< final sale value minus original purchase price

<< difference between undiscounted average monthly cost to purchase vs. undiscounted average monthly cost to lease

This information is for illustration purposes only. Lee & Associates makes no representations or warranties as to the accuracy or validity of this report. Rates and terms are assumptive and each buyer should consult with their own tax accountant and attorney as to their own individual circumstances.

3146 & 3152 RED HILL AVENUE

SCENARIO: BUYER TO OCCUPY 29,096 SF AND LEASE 14,576 SF TO TENANTS

LOAN WORK AREA

FIRST TD:	Pmt:	618,529 per year	51,544 per month	Loan Amount #1	8,000,000							
	Int %:	6.000% per year	0.5000% per month	Selected Loan Type	0	<< 1 = interest only and 0 = amortizing						
	Term:	25 years	300 months	Loan Label #1	Debt Service @ 6.00%, 25 Year Amortization							
	Year:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Mos:	300	288	276	264	252	240	228	216	204	192	180
	K%:	0.006443	0.006560	0.006688	0.006831	0.006989	0.007164	0.007361	0.007582	0.007831	0.008114	0.008439
	Pmt:	618,529	618,529	618,529	618,529	618,529	618,529	618,529	618,529	618,529	618,529	618,529
	Bal:	8,000,000	7,857,597	7,706,411	7,545,900	7,375,489	7,194,567	7,002,486	6,798,559	6,582,054	6,352,195	6,108,158
	Princ. Portion		142,403	151,186	160,511	170,411	180,922	192,080	203,928	216,505	229,859	244,036
	Int. Portion:		476,126	467,343	458,018	448,118	437,608	426,449	414,602	402,024	388,670	374,493

SECOND TD:	Pmt:	528,297 per year	44,025 per month	Loan Amount #1	6,400,000							
	Int %:	5.500% per year	0.4583% per month	Selected Loan Type	0	<< 1 = interest only and 0 = amortizing						
	Term:	20 years	240 months	Loan Label #1	Debt Service @ 5.50%, 20 Year Amortization							
	Year:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Mos:	240	228	216	204	192	180	168	156	144	132	120
	K%:	0.006879	0.007079	0.007303	0.007556	0.007843	0.008171	0.008548	0.008987	0.009502	0.010114	0.010853
	Pmt:	528,297	528,297	528,297	528,297	528,297	528,297	528,297	528,297	528,297	528,297	528,297
	Bal:	6,400,000	6,219,190	6,028,180	5,826,397	5,613,231	5,388,041	5,150,148	4,898,836	4,633,348	4,352,885	4,056,602
	Princ. Portion		180,810	191,009	201,784	213,166	225,190	237,893	251,312	265,488	280,463	296,284
	Int. Portion:		347,487	337,288	326,514	315,131	303,107	290,405	276,986	262,810	247,834	232,014

COMBINED:	Princ. Portion	323,213	342,196	362,295	383,577	406,112	429,973	455,239	481,993	510,322	540,320
	Int. Portion:	823,613	804,631	784,532	763,250	740,715	716,854	691,588	664,834	636,505	606,507

LOAN FEE CALCS:		Pct.	1st TD	2nd TD	Pct.
	Loan Amount	50.0%	8,000,000	6,400,000	40.0%
	Origination Fee	1.000%	80,000	64,000	1.000%
	Environmental		1,000	-	
	Appraisal		2,500	-	
	Title & Escrow		1,000	-	
	Legal Fees		500	-	
	Total		85,000	64,000	



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market overview

ORANGE COUNTY OFFICE MARKET

The Office market continues to rebound from Covid as companies start requiring employees to return to the office on a modified schedule. The low-rise market has not been hit as hard as the high rise market, as companies like the accessibility and convenience of low-rise properties. There was positive absorption in the 1st Quarter 2023 and the average asking lease rate is \$2.65 FSG, PSF, per month.

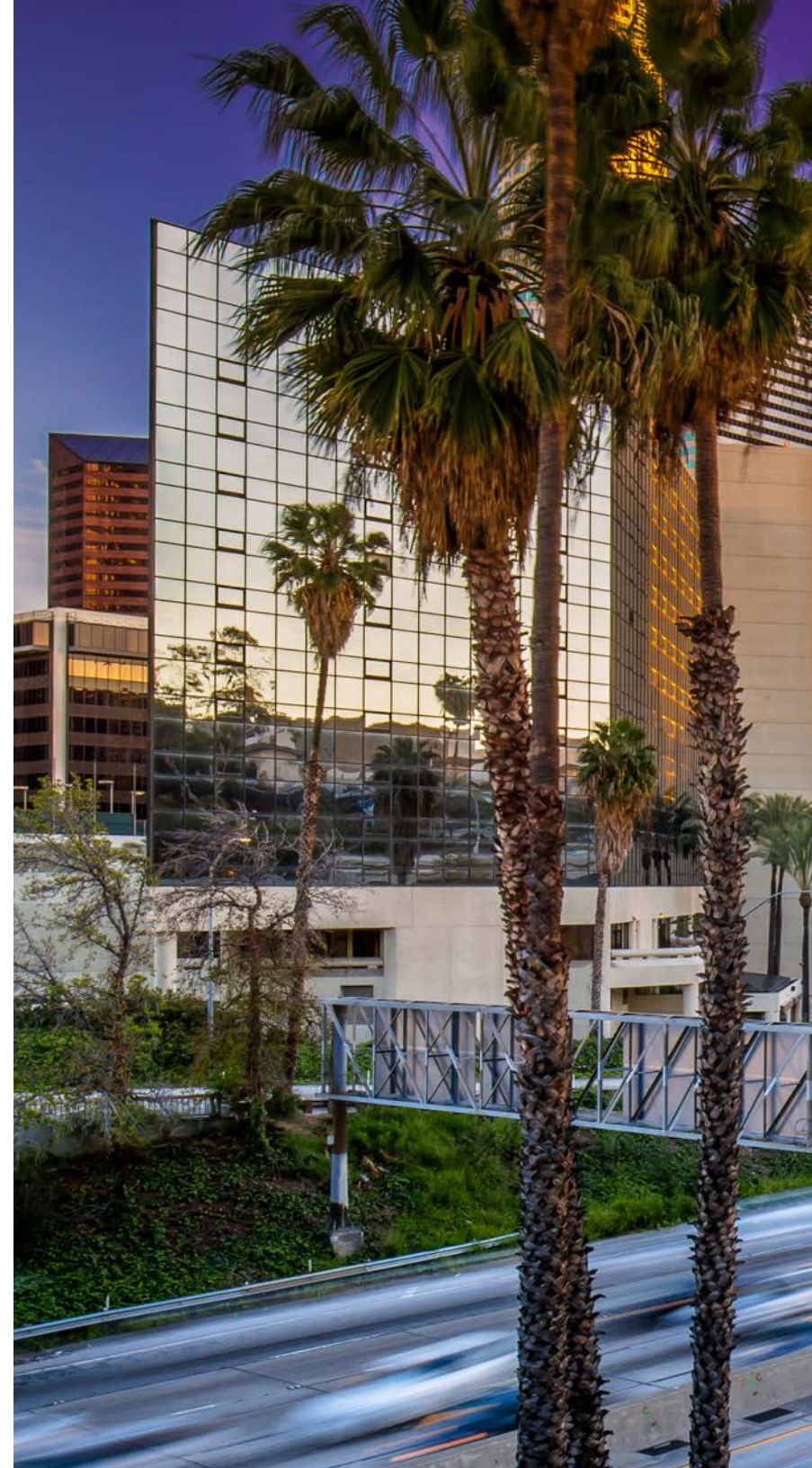
Orange County unemployment remains historically low at 3.4%.

AIRPORT AREA OFFICE MARKET

The Airport Area submarket encompasses the cities of Newport Beach, Irvine, Costa Mesa, portions of Tustin and Santa Ana. The Airport Area is broken down into approximately 26.6 million square feet of class B office space and 25.3 million square feet of Class A office space. The submarket finished 2022 with a vacancy rate of 16%, and positive net absorption of 644,493 square feet.

Investors still find the Airport Area to be the most desirable office market in which to invest within Orange County. The market continues to set new record prices for lease rates and sale prices as Orange County is one of the most desirable markets in the country for native and foreign investors.

The Airport Area is not only the largest, but traditionally the strongest submarket for office space within Orange County.





ORANGE COUNTY OFFICE MARKET OVERVIEW

1st Quarter 2023

6,089
Buildings

158,552,912
Total Square Feet

13.3%
Vacancy Rate

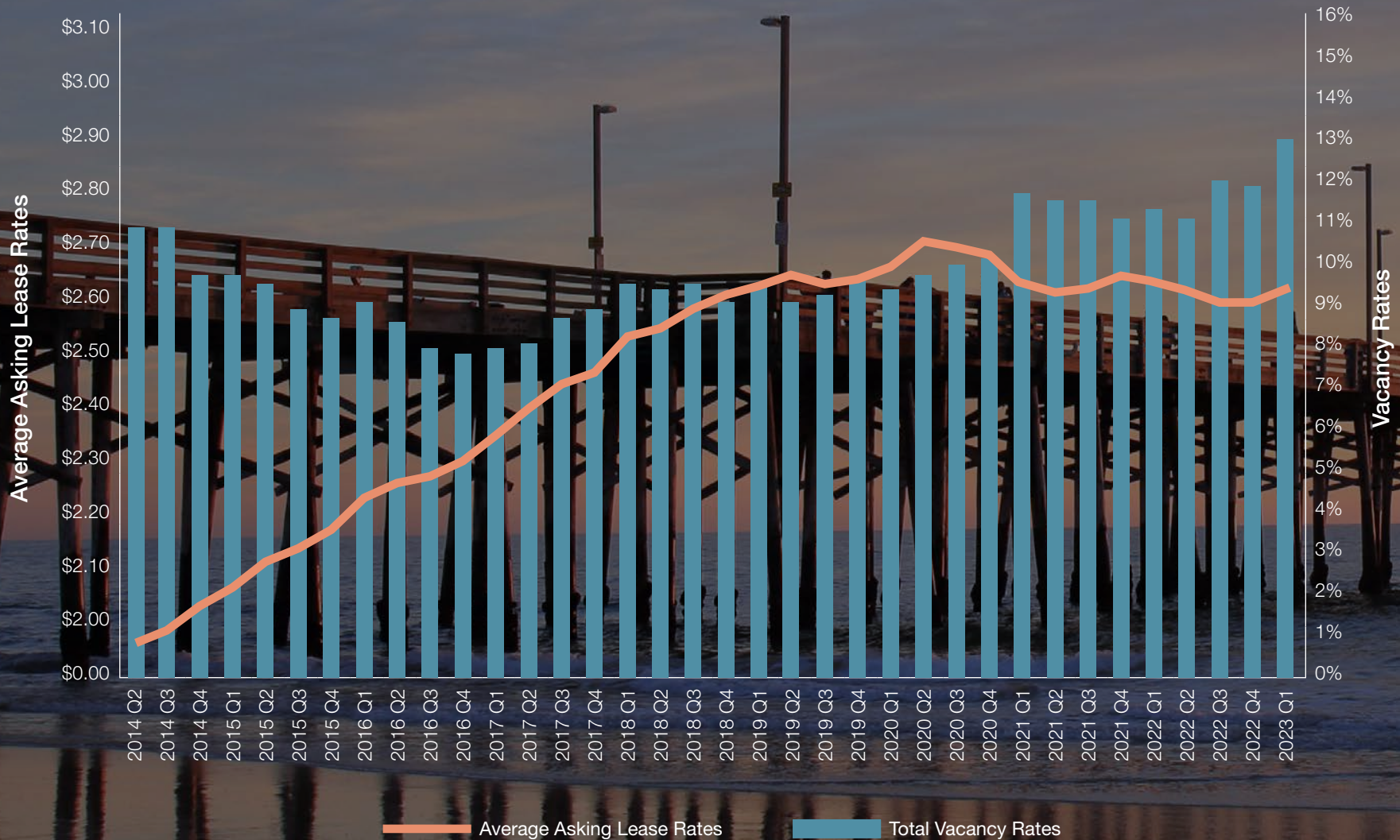
-169,618
Net Absorption (SF)

-169,618
YTD Net Absorption (SF)

\$2.65 PSF
Avg. Asking Lease Rate (FSG)

\$324 PSF
Avg. Asking Sale Price

3.4%
OC Unemployment



GREATER AIRPORT AREA OFFICE MARKET OVERVIEW

1st Quarter 2023

1,279 Buildings
54,434,238 Total Square Feet
16.2% Vacancy Rate
-62,375 Net Absorption (SF)
-62,375 YTD Net Absorption (SF)
\$2.82 PSF Avg. Asking Lease Rate (FSG)
\$350 PSF Avg. Asking Sale Price
3.4% OC Unemployment



SALE COMPARABLES

	<i>Building Address</i>	<i>Building Area</i>	<i>Sold Price</i>	<i>Price PSF</i>	<i>Sale Date</i>	<i># of Stories</i>	<i>Year Built</i>
1)	 17991 Mitchell S Irvine, CA	18,331 SF	\$6,575,000	\$358.68	Feb-2023	2	1983 Ren. 2006
2)	 18061 Fitch Irvine, CA	19,000 SF	\$7,375,000	\$388.16	Oct-2022	2	1979
3)	 1621 Alton Parkway Irvine, CA	46,236 SF	\$20,775,000	\$449.33	Aug-2022	2	1982
4)	 17801 Cartwright Road Irvine, CA	16,872 SF	\$7,500,000	\$444.52	Aug-2022	2	1980
5)	 9 Corporate Park Irvine, CA	23,732 SF	\$9,550,000	\$402.41	Aug-2022	2	1985
6)	 7 Corporate Park Irvine, CA	37,177 SF	\$15,560,154	\$418.54	Feb-2022	2	1986 Ren. 2019
7)	 2300 Michelson Drive Irvine, CA	24,031 SF	\$10,750,000	\$447.34	Jun-2021	1	1975
Averages:		26,483 SF	\$11,155,022	\$415.57			

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RED HILL AVENUE

costa mesa, california










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BUONICK, BOBINSON & MIDOVICH	MOORE & MILLER, P.C. DANIEL C. MILLER
WILLIAMS REAL ESTATE MANAGEMENT, INC.	HEALTHMARKET INSURANCE AGENCY
CHRISTENSEN DEVELOPMENT	TRIDEN INVESTMENT GROUP

COMPETITIVE BUILDINGS ON THE MARKET

	<i>Building Address</i>	<i>Building Area</i>	<i>Asking Price</i>	<i>Price PSF</i>	<i># of Stories</i>	<i>Year Built</i>	<i>Comments</i>
1)	 18851 Bardeen Avenue Irvine, CA	18,500 SF	\$7,862,500	\$425.00	2	1977 Ren. 2004	Owner/User Opportunity.
2)	 2729 Bristol Street Costa Mesa, CA	18,133 SF	TBD	TBD	2	1986	Owner/User or Investment Opportunity.
3)	 16812 Hale Avenue Irvine, CA	15,560 SF	\$6,995,000	\$449.55	1	1974	Owner/User or Investment Opportunity.
4)	 1701 Quail Street Newport Beach, CA	24,364 SF	\$21,500,000	\$882.45	2	1976	Owner/User or Investment Opportunity.
Averages:		19,139 SF	\$12,119,167	\$585.67			

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RED HILL AVENUE

costa mesa, california



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