

THE WALTERS GROUP

ADDED VALUE SPECIALISTS

Offered for Sale at \$2,590,471

327 – 333 Passaic Avenue, Fairfield, New Jersey // 12,000 SF Flex on 1.42 Acres

Great cash flow ... Development Opportunity(s) ... Available Seller Financing

Good Condition ... Good Location ... Stable Tenant Base ... Owner User Candidate

Front from Passaic Avenue



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COMMERCIAL DIRECTOR
1 Madison Avenue, Morristown, NJ 07960
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Front Cover: Asset highlights / photo of existing front / Offering Price / Brokerage Contact

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Description

Subject was constructed in two phases ... the front 6,000 SF in the mid 50's and back 6,000 SF in the mid 70's. Construction is block with a slab floor and 12' clearance to steel truss. The stucco exterior is in good to very good condition. The roof is flat and about 18 years old. Parking area is in fair condition and currently has a capacity of at least 30 vehicles. Grounds are well kept and not formally landscaped. There are 4 sets of HVAC having various degrees of functional obsolescence, 4 gas meters and 4 electric meters. Water is paid for by the tenants.

Current Use/Zoning...

Subject is located within the L – 1 Zone (Light Industrial). (See QR Codes in Digital Library for ordinance links.) There are many within zoning uses and there are a variety of use types within/at Subject. Generally, it might be considered “flex warehouse”. However, the Pizza Restaurant use is not a within zoning use and a variance was obtained for this use.

A thorough analysis of Zoning Ordinance revealed availability of a “by right” Partial Development. This Added Value Element is outlined with specificity within this Offering Memorandum.

Tenant Outline ...

Tenants have been at Subject for an average of five years ... with the exception of Poolside ... which had a 10/1/24 lease Inception. We consider the Tenant Base and high demand for small flex to be highly stable.

All leases are NNN with a mostly competitive Base Rent, approximately \$4 PSF CAM charges and there are some in lease escalations and renewal options. Security deposits are per industry standard or convention.

Location...

Subject is located within the Route 46 corridor making Routes 287, 23, 80, 280, 3 and the GSP highly accessible. Willow Brook Mall, Target, Home Depot are a few of the many retail entities in the area. Many light industrial facilities, some light manufacturing, eating establishments, Hotels, office buildings/parks and residential communities round out the use balance in this moderately dense portion of Fairfield. (See Google Map QR Code in Digital Library.)

Environmental ...

Subject is within the 100 Yr Floodplain and incurring a cost of about \$4,100 annually for flood insurance. A Preliminary Phase 1 was recently performed and did not reveal any suspect contamination nor did a Geo Scan reveal a/any UST(s).

Valuation / Added Value / Partial Development Narrative

As is the case for all CRE assets Subject has multiple Current and Future Values. We believe the “Actual Value” of any asset is the reasonable confluence of Current “as is” Value and available Future Values.

Value 1: Current “as is” Value

This Value is outlined in XL 1 within this Offering Memorandum. To synopsise ... we used a 6.5% Capitalization Rate against a fully vetted Net Operating Income of \$153,752 yielding a Value of \$2,365,471. An older roof, some HVAC updates and some parking area/grounds dress up have been identified as reasonably needed longer term capital improvement. We estimate these improvements to be in the \$100,000 range ... but that they are not needed to secure the existing stabilized tenant base. With this, Current “as is” Value is a **Market Value of \$2,365,471.**

Value 2: Current “as is” Value increased by Pro-Forma Value

Pro-forma Value, also outlined in XL 1, was aged out to 12/31/2026 and included within Lease escalations and obtaining Market Rate for those tenants currently under market. Garnering, with current or similar Market Conditions, the Value Differential between Current “as is” Value and Pro-Forma Value (\$2,725,000 as of 12/31/26) of \$359,529 has little risk ...but may require a stabilizing capital improvement of \$100,000 identified in Value 1. With this ... we believe the Current “as is” Value should be adjusted upward by at least 35% of the Differential or \$125,000 (\$359,529 x .35) minus the 100k capital improvement ... **bringing Current Adjusted Market Value to \$2,390,471.**

Value 3: Value 2 + Development Opportunity / 3,360 SF ground level structure addition

A full analysis of all zoning and code provision requirements within the L-1 Zone reveals an opportunity to construct a 3,360 SF (84’ x 40’) addition along Passaic Avenue contiguous to the South of the existing structure as outlined in Value 1 and illustrated on the site plan.

XL 2 within this Offering Memorandum fully outlines the resulting income and expense structure of performing this partial development ... if/when completed and occupied by 12/31/2026 ... using \$20 PSF, a 5% Vacancy and Credit Loss and 6.5% cap rate.

The Site Plan illustrates a “by right” addition (with the exception of Impervious Surface compliance) so the risk of not garnering approval for something similar is very low. If there was an Impervious Surface (IS) reduction required ... parking spaces to the North of the structure could be replaced by green area and there would still be enough parking spaces to facilitate the addition without a variance ... making the plan ... in our opinion ... fully compliant

The Value Increase derived from Income Increase from the completed/occupied addition is about \$1,000,000. Our underwriting shows structure construction costs of approximately \$470,000 and a prorated parking lot installation cost attributable to the addition of \$70,000 ... totaling a \$540,000 cost to garner the \$1,000,000 Value Differential/Increase. We refer to the difference between cost and the 1M, or \$460,000, as Unearned Equity (UE) and believe that at least 25% of UE or \$115,000 should be added to Value 2 ... resulting in an **Adjusted Current “as is” Market Value of \$2,490,471.**

(Should be noted that a full parking lot installation will cost about \$250,000. We did not use this entire cap improvement Cost against the Value Increase from the 3,360 SF ground level addition because a new parking lot will avail rent increases for all tenants at the asset. It would be reasonable to anticipate at least a 10% increase in income from all tenants from the parking lot installation but we did not incorporate this increase in the analysis because the timing and surety to garner this 10% increase is too speculative.)

Value 4: Value 3 + Extension of Development Opportunity to include a 3,360 SF second floor

As outlined in Value 3 there is a “by right” opportunity to construct a 3,360 SF addition along Passaic Ave contiguous to the South of the existing structure. This ground floor addition complies with all zoning requirements with the exception of FAR.

FAR requirements provide for a Floor Area Ratio available up to 35% of the lot size ...or for this asset with a lot square footage of 61,855 SF ... available under roof gross area of 21,649 SF. The site plan shows a combined ground level square footage of the existing structure and the ground level addition of 15,360 SF. This indicates available additional square footage of about 6,289 SF. There are three questions on this where to put this 6,289 SF, will there be parking sufficient to support the addition ... and will the addition have sufficient return against construction hard and soft costs?

We believe the available best-case scenario when considering FAR is to rather than construct a single-story ground level addition of 3,360 SF ... that a two-story addition with 3,360 SF per floor be constructed; this would increase gross square footage to about 18,720 SF ... well within the maximum compliance number of 21,649 SF.

The office sector has been enjoying a modest recovery. We believe this is going to continue and accelerate. Our research and some conservative forecasting results in a PSF Market Rate of about \$20 NNN for newly constructed second floor office space at this location.

\$20 PSF yields a GOI of \$67,200 ($\$20 \times 3,360$) and an EGI of \$63,840 using a 5% Vacancy and Credit Loss. We estimate approximately \$4,000 per year in Operating Expenses associated only to the 3,360 SF second floor addition yielding an NOI of about \$60,000 which on a 6.5% cap yields an estimated Finished Fully Absorbed Investment Value of \$923,077 ... only associated with the second floor addition.

Hard and soft costs associated **only** with the second floor addition would be in the 420k range ... yielding a 220% ($923k \div 420k$) Cost to Value Return. “Unearned Equity” would be \$503,000 ($923k - 420k$). Very good ... certainly worth the effort and expense!

So where to put and how large to make the second floor addition ... and whether or not installing it makes “return” sense has been answered. But ... will there be sufficient parking available to support an approval granting? Zoning requires a space for every 250 SF of Office requiring 14 spaces for the 3,360 second floor. This 14 + 27 (what we believe to be the requirement for the existing structure and the ground level addition) yields a total requirement for the existing structure and the/a two story addition of 41 spaces; there is an available number of spaces per site plan of 44. The caveat is that the 44 spaces on the site plan results in an approximate impervious surface (IS) of 68% when zoning has a 55% maximum. A reduction of spaces and IS can be done to garner the ground level 3,360 SF addition without a variance ... but a second story would require a number of parking spaces (41 in total) requiring a variance. A review of contiguous and immediately surrounding properties in the zone shows that most have an IS far exceeding the zoning 55% maximum and in some cases ... are more in the 80% coverage range. This, plus the fact that the existing IS of the asset is currently about 68%, suggests a very high probability a variance would be granted.

There is a Value Increase associated with Value 4 despite seller not willing to entertain contingent on approval offers and the possibility a variance may be required. Conventionally we use an increase factor of 25 – 30% of Unearned Equity but in this case 20% or \$100,000 is reasonable. This results in an **Adjusted Market Value of \$2,590,471.**

(It should be considered that there are uses for a second floor addition that require fewer number of parking spaces PSF. For example, Showrooms require 1 space for every 500 SF and warehouse flex with a retail component requires 1 space for every 1,000 SF.)

Tenants/ Primary Lease Provisions												Current Income (V1)		Proforma (V2)	
Tenant	Use	SF	\$ PSF	Per Month Base Rent	Per Month CAM	Per Month Add Rent	Occupancy Start Date	Initial Term Expiration	Lease Option	Escalations Initial Term	Security Deposit	\$ PM	Annual	\$ PM	Annual
Poolside	Pool Supply	1700	\$18.73	\$2,653.34	\$566.67	\$600(Park)	10/1/2024	9/30/2027	3 yr NS	None	\$5,300	\$3,832.01	\$45,984.12	\$3,832	\$45,984
One Perfect	Photo Studio	1700	\$14.70	\$2,082.50	\$531.25	None	12/1/2020	11/30/2025	5 yr	None	\$2,975	\$2,613.75	\$31,365.00	\$3,000	\$36,000
MPC	Auto Part	1000	\$15.91	\$1,326.11	\$335.00	None	8/1/2024	7/31/2026	None	None	\$2,350	\$1,661.11	\$19,933.32	\$1,800	\$21,600
Leddy	Contractor	2000	\$10.50	\$1,750.00	\$625.00	None	4/1/2021	3/31/2026	5 yr NS	None	\$4,750	\$2,375.00	\$28,500.00	\$3,600	\$43,200
Brooklyn	Elec Supply	2500	\$13.58	\$2,829.00	\$891.00	None	12/1/2023	11/30/2028	5 yr NS	5% PY	\$5,108	\$3,720.00	\$44,640.00	\$4,000	\$48,000
Boardwalk	Pizza Rstrnt	3000	\$15.36	\$3,834.00	\$1,071.00	None	5/1/2022	4/30/2027	5 yr NS	3% PY	\$6,000	\$4,911.00	\$58,932.00	\$5,200	\$62,400
Gross Operating Income (GOI)													\$229,354.44	\$21,432	\$257,184
Effective Gross Income (EGI = GOI - 5% for possible Vacancy and Credit Loss)													\$217,886.72		\$244,325
Operating Expenses															
Taxes (2023 and 2025)													\$34,211		\$35,400
Utilities (Water/Sewer) // PSEG gas and electric are paid by Tenants directly/There is not a "common" gas or electric meter													\$700		\$800
Common Area Heat/Hot Water/Gas and Electric (None)													\$0		\$0
Garbage removal (None)													\$0		\$0
Management/Reserves (% of EGI)													\$0		\$0
Insurance + Flood Insurance													\$15,000		\$15,500
Maintenance/Repairs (currently ownership is performing some // we have estimated an annual number if contracted for + contractual \$2,400 PY for HVAC													\$14,224		\$15,500
Total Operating Expenses													\$64,135		\$67,200
Net Operating Income													\$153,752		\$177,125
Market Value using a 6.5% cap rate													\$2,365,411		\$2,725,000

NOTE 1: All Leases are "NNN" // Lease Option indicated as NS (non-specific) would be negotiated at time of exercise ... guided by "Market Rate".

NOTE 2: Current Income (V1) column shows Current Income and Operating Expenses of asset as of this writing.

NOTE 3: Proforma (V2) column shows projected scenario with Market Rate Income , incorporated existing escalations and Adjusted Operating Expenses as of 12/31/2026.

NOTE 4: Subject is in good to very good condition and does not require any improvements to secure or sustain existing and or Proforma Income and resulting Value.

Tenants/ Primary Lease Provisions												Proforma (V3)		Proforma (V4)	
Tenant	Use	SF	\$ PSF	Per Month Base Rent	Per Month CAM	Per Month Add Rent	Occupancy Start Date	Initial Term Expiration	Lease Option	Escalations Initial Term	Security Deposit	\$ PM	Annual	\$ PM	Annual
Poolside	Pool Supply	1700	\$18.73	\$2,653.34	\$566.67	\$600(Park)	10/1/2024	9/30/2027	3 yr NS	None	\$5,300	\$3,832	\$45,984	\$3,832	\$45,984
One Perfect	Photo Studio	1700	\$14.70	\$2,082.50	\$531.25	None	12/1/2020	11/30/2025	5 yr	None	\$2,975	\$3,000	\$36,000	\$3,000	\$36,000
MPC	Auto Part	1000	\$15.91	\$1,326.11	\$335.00	None	8/1/2024	7/31/2026	None	None	\$2,350	\$1,800	\$21,600	\$1,800	\$21,600
Leddy	Contractor	2000	\$10.50	\$1,750.00	\$625.00	None	4/1/2021	3/31/2026	5 yr NS	None	\$4,750	\$3,600	\$43,200	\$3,600	\$43,200
Brooklyn	Elec Supply	2500	\$13.58	\$2,829.00	\$891.00	None	12/1/2023	11/30/2028	5 yr NS	5% PY	\$5,108	\$4,000	\$48,000	\$4,000	\$48,000
Boardwalk	Pizza Rstnt	3000	\$15.36	\$3,834.00	\$1,071.00	None	5/1/2022	4/30/2027	5 yr NS	3% PY	\$6,000	\$5,200	\$62,400	\$5,200	\$62,400
Addition GL	TBD	3360	\$20.00	\$5,600.00	\$1,120.00	None	TBD	TBD	TBD	TBD	TBD	\$6,720	\$80,640	\$6,720	\$80,640
Add 2nd Flr	TBD	3360	\$20.00	\$5,600.00	\$1,120.00	None	TBD	TBD	Tbd	TBD	TBD	\$28,152		\$6,720	\$80,640
Gross Operating Income (GOI)													\$337,824	\$34,872	\$418,464
Effective Gross Income (EGI = GOI - 5% for possible Vacancy and Credit Loss)													\$320,933		\$397,541
Operating Expenses															
Taxes (2026)													\$41,000		\$44,000
Utilities (Water/Sewer) // PSEG gas and electric are paid by Tenants directly/There is not a "common" gas or electric meter													\$900		\$1,100
Common Area Heat/Hot Water/Gas and Electric (None)													\$1,500		\$1,800
Garbage removal (None)													\$1,200		\$1,200
Management/Reserves (% of EGI)													\$0		\$0
Insurance + Flood Insurance													\$18,000		\$20,000
Maintenance/Repairs (currently ownership is performing some // we have estimated an annual number if contracted for + contractual \$2,400 PY for HVAC													\$18,000		\$20,000
Total Operating Expences													\$80,600		\$88,100
Net Operating Income													\$240,333		\$309,441
Market Value using a 6.5% cap rate													\$3,697,431		\$4,760,631

NOTE 1: All Leases are "NNN" // Lease Option indicated as NS (non-specific) would be negotiated at time of exercise ... guided by "Market Rate".

NOTE 2: Proforma (V3) column shows projected scenorio with Market Rate Income , incorporated existing within lease escalations, income from completed/occupied 3,360 SF ground level addition and Adjusted Operating Expenses as of 12/31/2026.

NOTE 3: Proforma (V4) column shows projected scenorio with Market Rate Income , incorporated existing within lease escalations, income from completed/occupied 3,360 SF ground level addition and income from 3,360 SF 2nd flr addition ... and Adjusted Operating Expenses as of 12/31/2026.

NOTE 4: Please see Value 3 and Value 4 in the Valuation Narrative for a brief cost underwriting associated with these Partial Development opportunities .

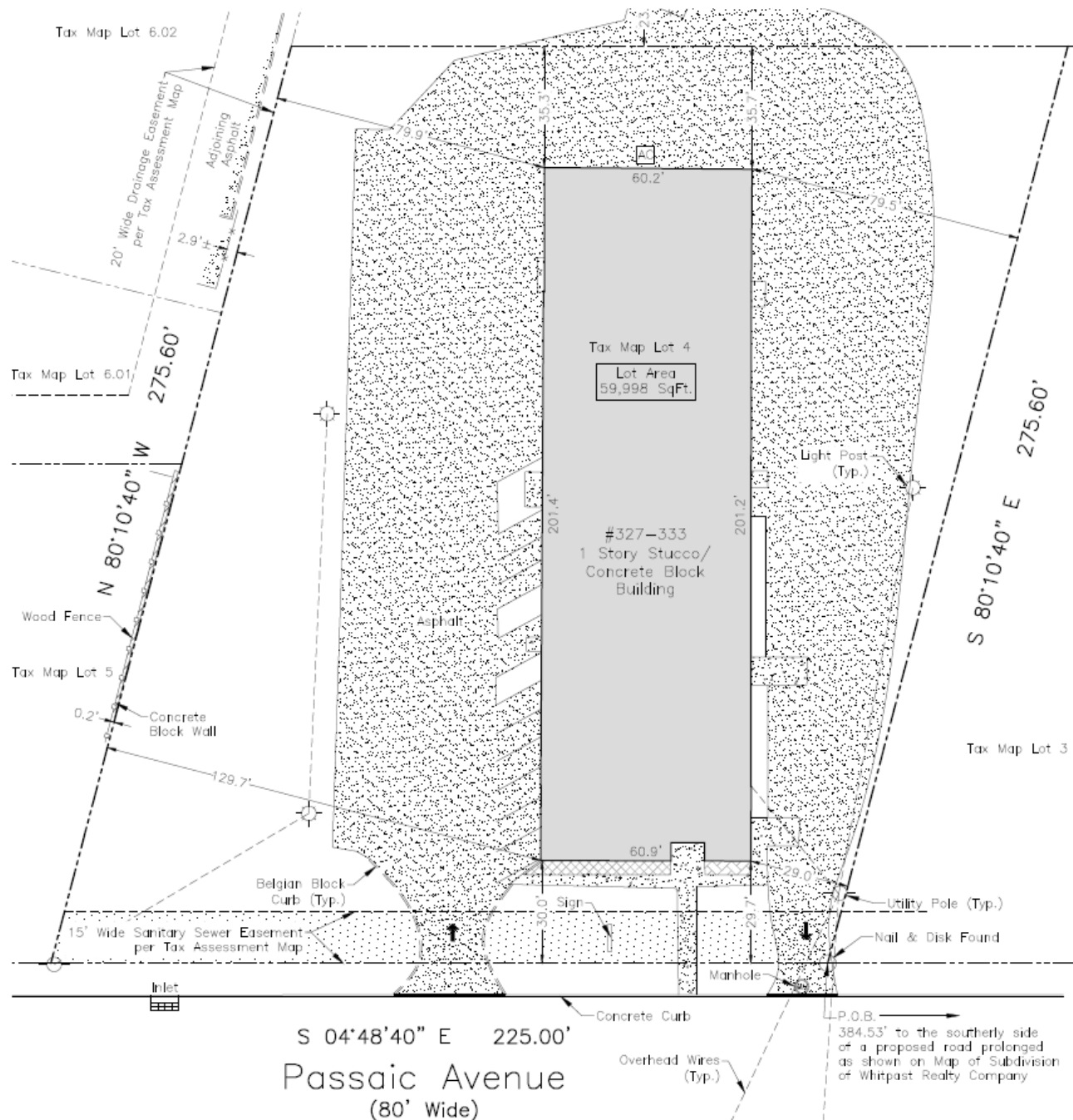
Table summary of Values 1 - 4 outlined in the Valuation Narrative

Value Element and Return Summary (Pro-Forma is aged to 12/31/2026)

Elements	Value 1 Current "as is" Value	Value 2 Pro-Forma without GF Addition	Value 3 Pro-Forma with Ground Flr Addition	Value 4 Pro-Forma with GF and 2 nd Flr Addition
Gross Operating Income	\$229,354	\$257,184	\$337,824	\$418,464
Effective Gross Income (-5%)	\$217,887	\$244,325	\$320,933	\$397,541
Operating Expenses	\$64,135	\$67,200	\$79,100	\$88,100
Net Operating Income	\$153,752	\$177,125	\$241,833	\$309,441
Value on 6.5% Cap Rate	\$2,365,471	\$2,725,000	\$3,697,431	\$4,760,631
Estimated soft and hard costs	0	0	\$540,000	\$960,000
Unearned Equity (Value - Basis) if acquired at \$2,570,000	(\$204,529)	2.725m-100k = 2.625m- 2.57m = 55k Unearned Equity/Profit	2.57m+540k = 3.11m 3.697m-3.11m = 590k Unearned Equity/Profit	2.57m+960k=3.5m 4.76m-3.5m=1.26m Unearned Equity/Profit
Outlined In	XL 1	XL 1	XL 2	XL2

Additional Added Value Considerations

- **Seller will consider holding a note**
- Getting to "Pro-Forma without addition" from "Current "as is" Value" is without risk and or expense
- We used a very conservative 5% Vacancy and Credit Loss to get to Effective Gross Income; 3% is more likely
- Several of the tenants are well below Market Rate
- Tenants are secure and demand for this type of flex in this location is high to very high
- The "Pizza" restaurant is not a within Zoning Use. A use variance was obtained. This enhances the probability that further use variance to higher value uses such as retail and or additional restaurants would be granted
- Recently ... approximately 600 residential units have been constructed in the immediate vicinity of Subject



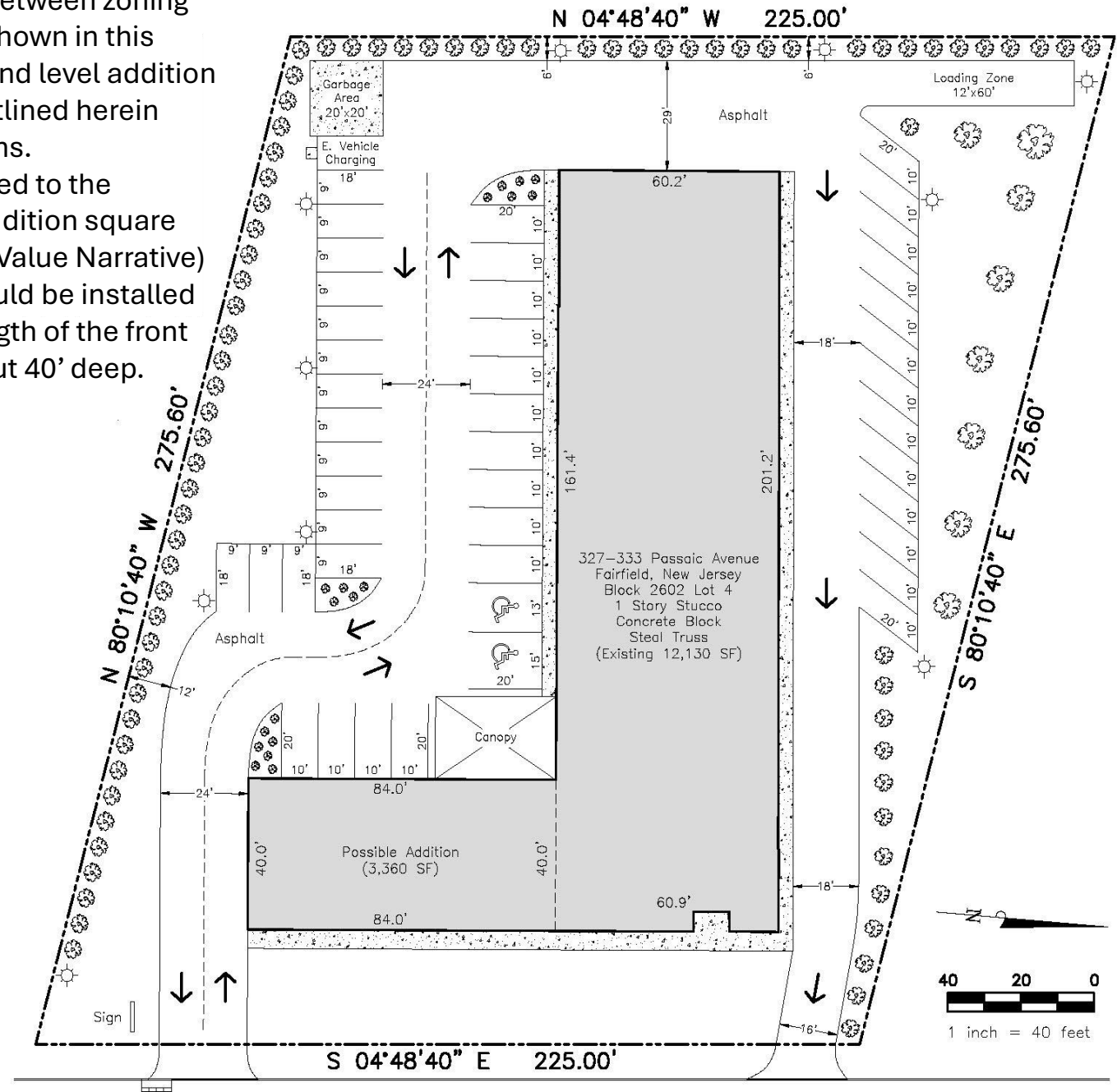
Possible Development // Site Plan Showing Addition and Parking

The table below shows a comparison between zoning provisions and the same provision as shown in this Addition Site Plan for the 3,360 SF ground level addition only option (**Option 1**). However, as outlined herein there are two other development options.

Option 2: A second story could be added to the ground level addition yielding a total addition square footage of 6,720 SF (See Value 3 in the Value Narrative)

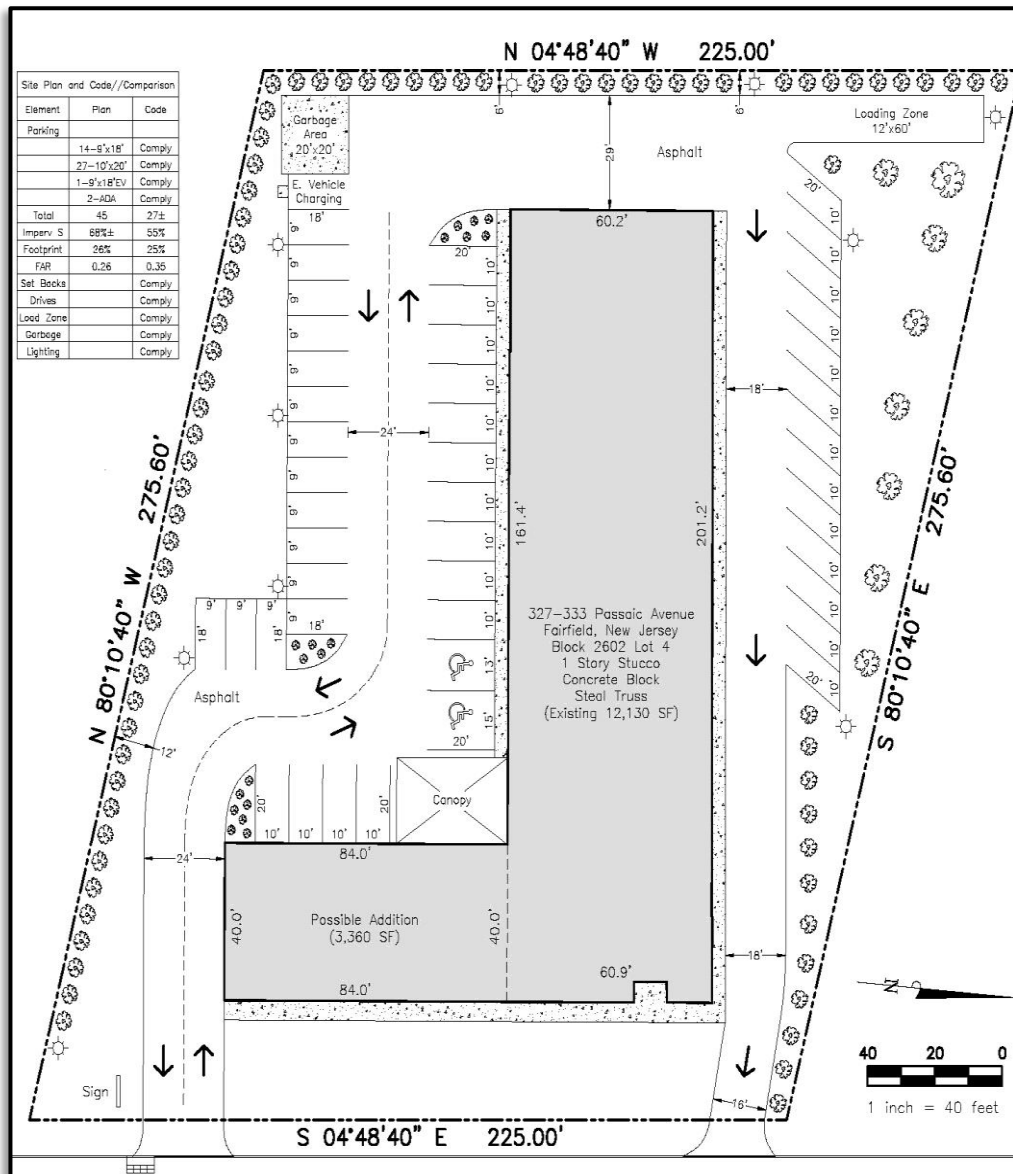
Option 3: The ground level addition could be installed with a second story running the full length of the front ... or about 144 Ft ... and would be about 40' deep. (See Value 4 in the Value Narrative)

Site Plan and Code // Comparison		
Element	Plan	Code
Parking		
	14 - 9' x 18'	Comply
	27 - 10' x 20'	Comply
	1 - 9' x 18' EV	Comply
	2 - ADA	Comply
Total	44	27 (+,-)
Imperv S	68% (+,-)	55%
Footprint	26%	25%
FAR	0.26	0.35
Set Backs		Comply
Drives		Comply
Load Zone		Comply
Garbage		Comply
Lighting		Comply



Possible Addition Site Plan and Survey Comparison

Plan showing possible addition footprint/parking layout



Existing layout from Recent Survey

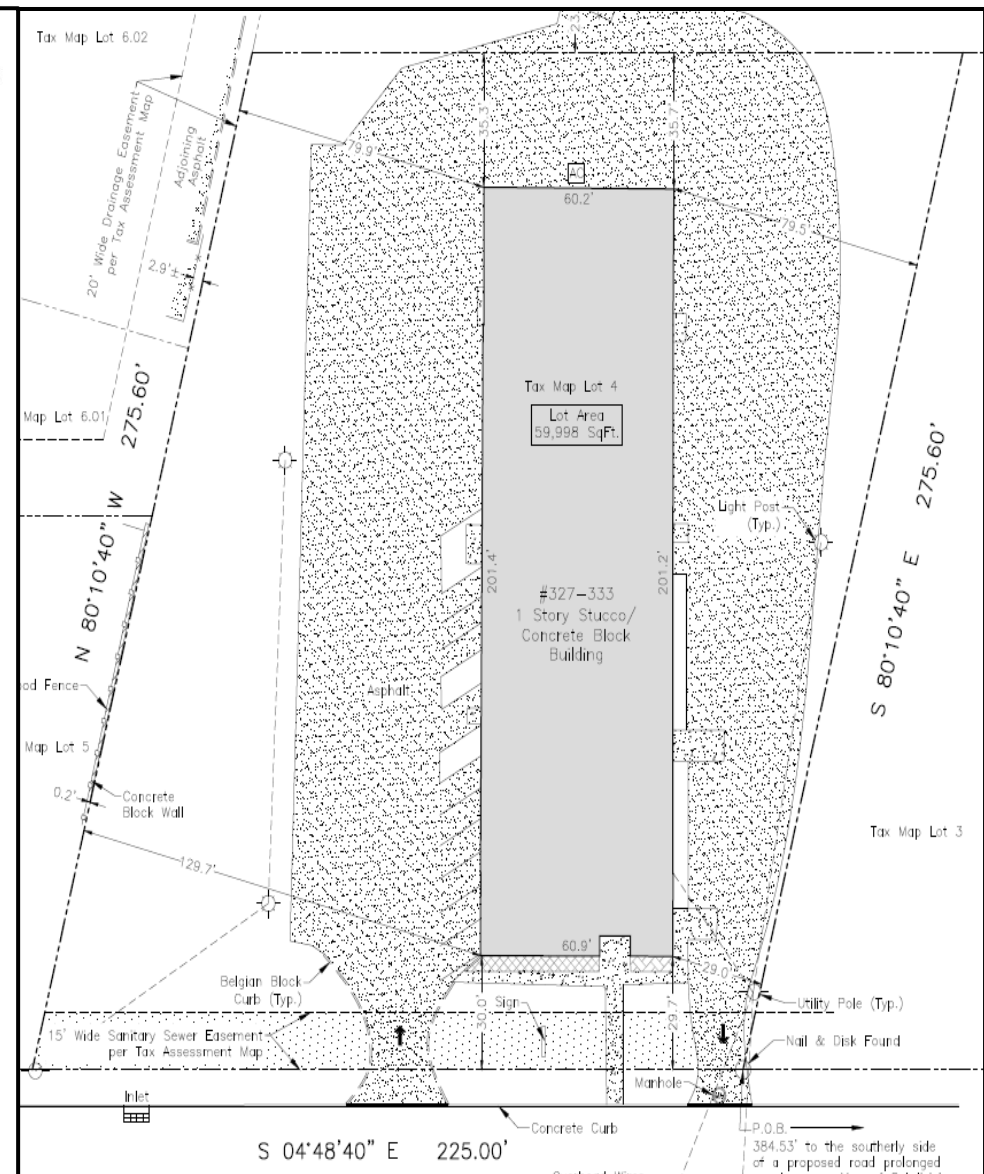




Illustration of back of “by right” addition // See Value 3



Non-endorsement and Disclaimer Notice

Confidentiality and Disclaimer

The information contained within this Offering Memorandum is proprietary and strictly confidential. It is intended to be reviewed only by the party(s) receiving it from The Walters Group and should not be made available to any other person or entity without the written consent of The Walters Group.

This Offering Memorandum has been prepared to provide summary, supported but not guaranteed information to prospective purchasers and to initiate only a preliminary level of interest in the Subject Property. The information herein is not a substitute for a thorough due diligence Investigation that might be performed by the purchaser and or their agent(s) and or representative(s).

The Walters Group has performed substantive investigation of the Value of the property but makes no warranty with respect to the Income, expenses, possible Future Use, the size and square footage of the structure and or lot, the presence or absence of contaminating substances, identification of a Floodplain Status, the compliance with State and Federal regulations, the physical condition of the improvements or the financial condition of business prospects of any tenant, or any tenant's plan or intentions to continue its occupancy at Subject Property.

The information within this Offering Memorandum has been obtained from sources we believe to be reliable; however, The Walters Group makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. All potential buyers must take appropriate measures to verify all of the information set forth herein.

Non-endorsement Notice

The Walters Group is not affiliated with, sponsored by or endorsed by any tenant or lessee identified within this Offering Memorandum or that might be identified within the course of the transaction process. Other than Re/Max and or its affiliates the presence of any corporate or other business entity logo or name is not intended to indicate or imply affiliation with or sponsorship or endorsement by said corporation or business entity of or by The Walters Group and or Re/Max, their affiliates or subsidiaries, or any agent, product, service and or listing of The Walters Group and is solely Included, if included, for the purpose of providing tenant/lessee an or information about the Subject Property as part of a Sale Offering to/for prospective purchasers.

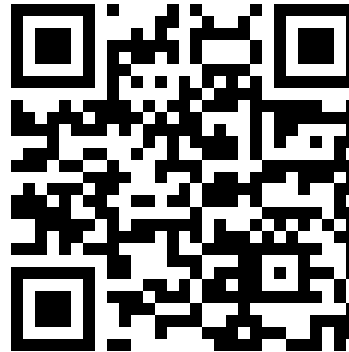
ALL PROPERTY SHOWINGS ARE BY APPOINTMENT ONLY.

ANY BROKERAGE INTERESTED IN PROVIDING FOR SALE INFORMATION ON AND OR SHOWING THE SUBJECT TO ONE OR MORE OF THEIR BUYER CLIENTS WILL BE REQUIRED TO OBTAIN AND SIGN A CONFIDENTIALITY AGREEMENT.

PLEASE CONSULT WITH JIM WALTERES FOR MORE DETAILS.



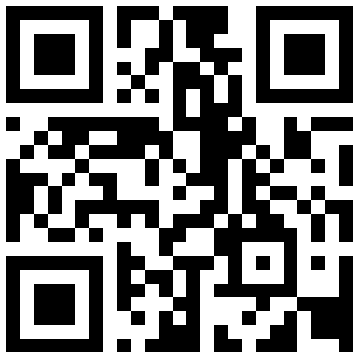
L-1 (Light Industrial)
Zoning Ordinance



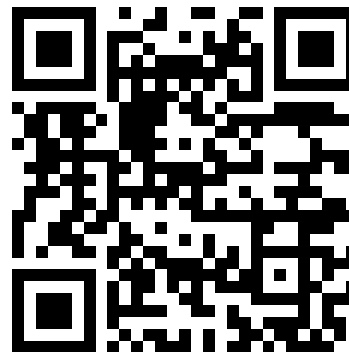
Parking Ordinance



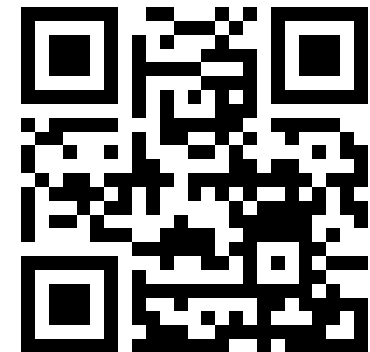
Google Map



Jim Walters Mobile



Jim Walters Email



The Walters Group
Web Site

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ADDED VALUE SPECIALISTS

Offered for Sale at \$2,590,471

327 – 333 Passaic Avenue, Fairfield, New Jersey // 12,000 SF Flex on 1.42 Acres

TWG has been providing CRE Brokerage, Advisory and Valuation Services in New Jersey for 25 years. Our Directive for Buyer and Seller Clients is to reveal, define and support every reasonably available Added Value Strategy that will drive and garner Asset Value Increase!

Please contact our office or me directly if you have questions on this property or if you believe we might assist with a current holding(s).

Best regards,

Jim Walters // Founder // Director



Photo is of south side of structure ... shooting North

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Web Site: www.thewaltersgrp.com



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