

FOR SALE


ECONOMOS DEWOLF
— COMMERCIAL REAL ESTATE BROKERAGE & INVESTMENTS —

 **JLL**

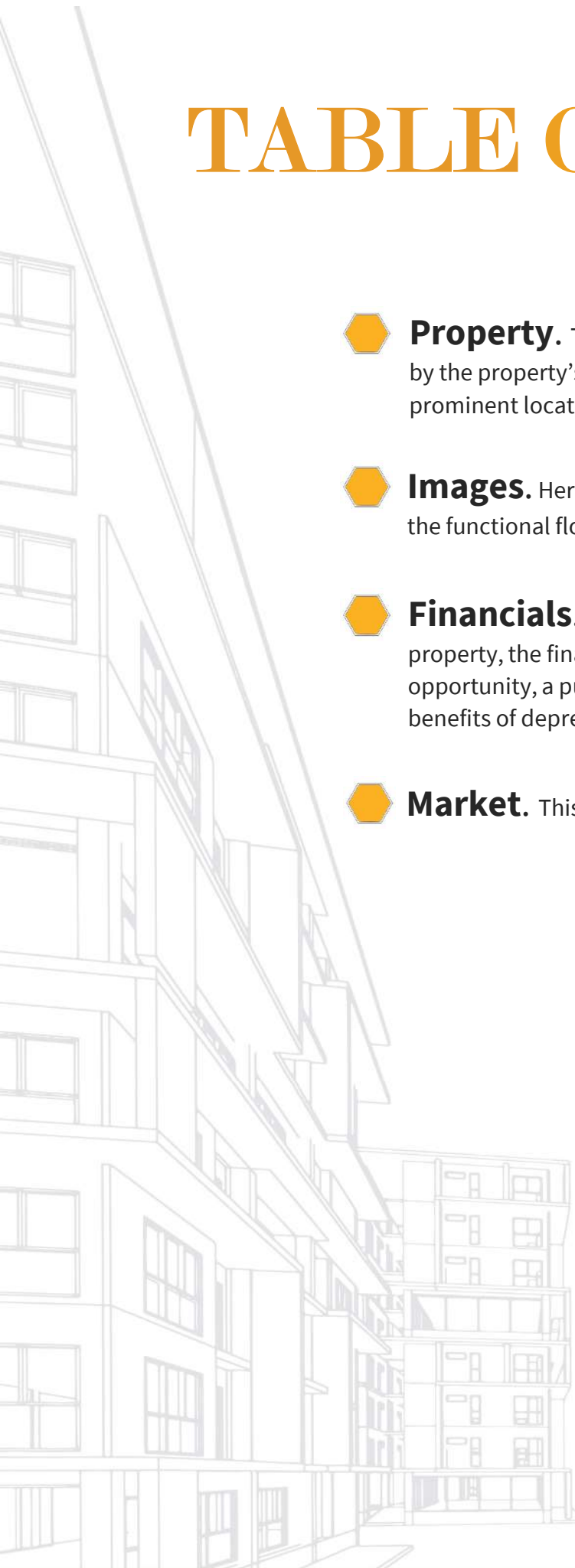
1504 Brookhollow Drive, Santa Ana, CA 92705

Owner-User Office Building Near John Wayne Airport and Amenities

View Property Video at EconomosDeWolf.com



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 - **Financials.** Providing solid support to purchase and occupy this property, the financials consist of a description of the owner-user opportunity, a purchase-vs-lease analysis, loan illustration, and the tax benefits of depreciation. **Pages 19-22**
 - **Market.** This section includes office sale comps. **Pages 23**

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SUMMARY

Offering & Addresses

This owner-user offering is a freestanding office building built in 1979 within Brookhollow Business Park

1504 Brookhollow Drive
Santa Ana, California 92705

Sale Price

\$3,915,000 (±\$209 per square foot)

Size

±18,716 square feet

Brookhollow Business Park

Brookhollow Business Park is located minutes from the John Wayne Airport, adjacent to the 55 Freeway with dedicated on and off ramps at Dyer Road.

The entire park consists of 24 buildings, 31 acres of land, and over 400K sf of office, medical, food, and retail space. It is within walking distance to six hotels including a variety of quality restaurants.

Parking

Surface parking is free and in-common at an approximate ratio of 3.2 spaces per 1,000 square feet.

Condition

HVAC units are older but functional and the roof is over 10 years old.

Association

Monthly association dues are \$2,473.

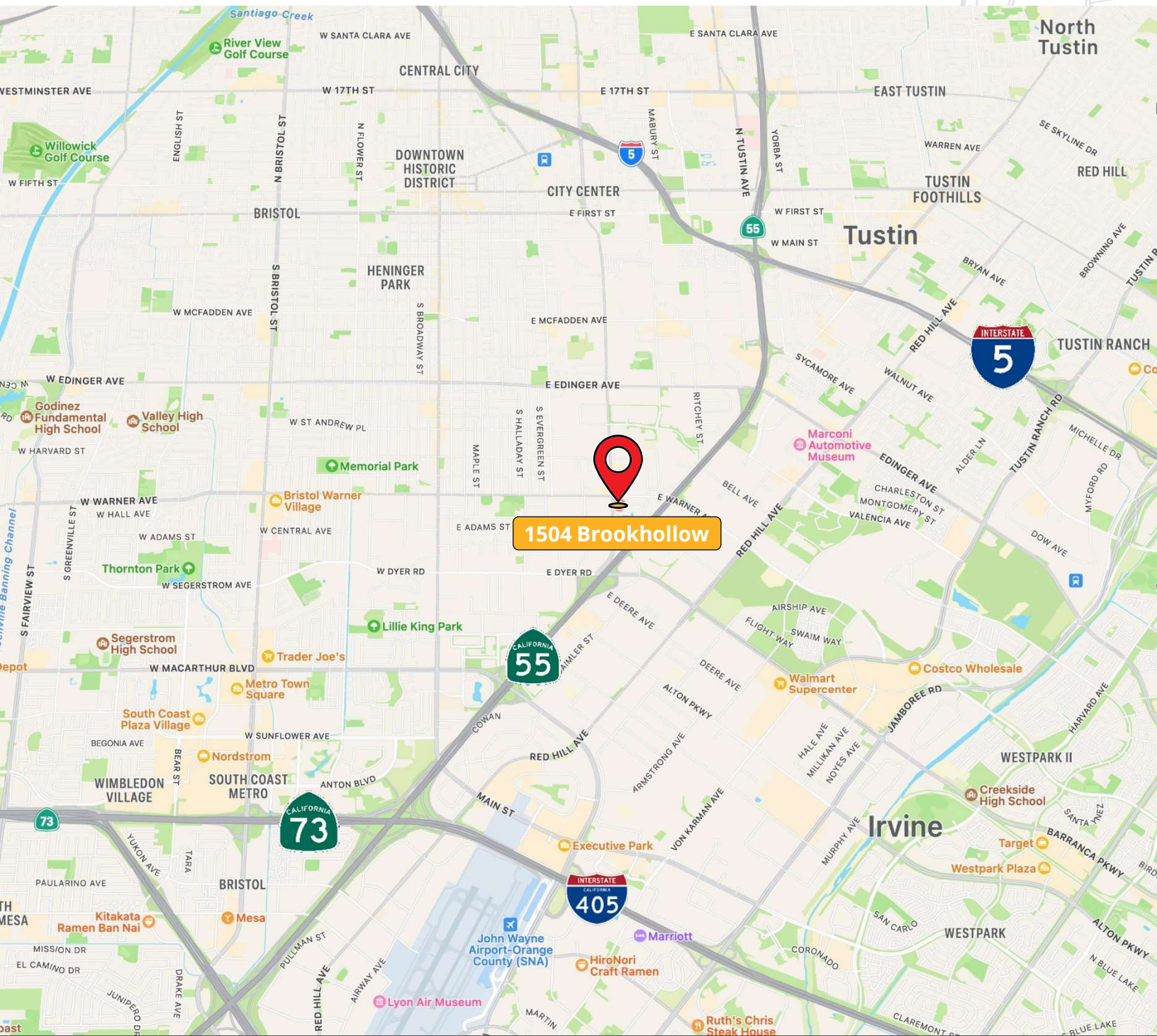


HIGHLIGHTS

- Owner has created a highly-functional layout with an ideal mix of private offices, open space with workstations, kitchen, mezzanine storage and office space, and a welcoming formal reception area with adjacent conference rooms.
- Move-in ready owner-user opportunity, with high ceilings, abundant natural light from an extensive window line, and quality furniture that can be included in a purchase or lease.
- This freestanding multi-tenant office building is currently occupied by the owner and one other small 2,048-sf tenant on a month-to-month term. The entire building can be made available for occupancy to an owner-user.
- The interior of the building is a very functional mix of open area for flexible configurations, private offices along the window line, and a break room with sink, cabinets, and natural light.
- The dynamic location is within close-proximity to the 55 Freeway just off the Dyer Road exit, as well as being a short drive to John Wayne Airport.
- Numerous restaurants and other amenities are within very close vicinity of the building. Providing a high quality of life and added convenience, this building is a very short drive to the extensive dining and shopping of The District, Diamond Jamboree in Irvine, and South Coast Plaza.
- The current owner has begun the process of putting a condo map on the building. The process has been put on hold but should a new owner wish to finalize the process they will have a head start.
- Lock in your cost of occupancy with a 25-year fully-amortized 90% SBA loan, protecting against runaway lease rates. Build equity for yourself instead of a landlord.

Property

LOCATION

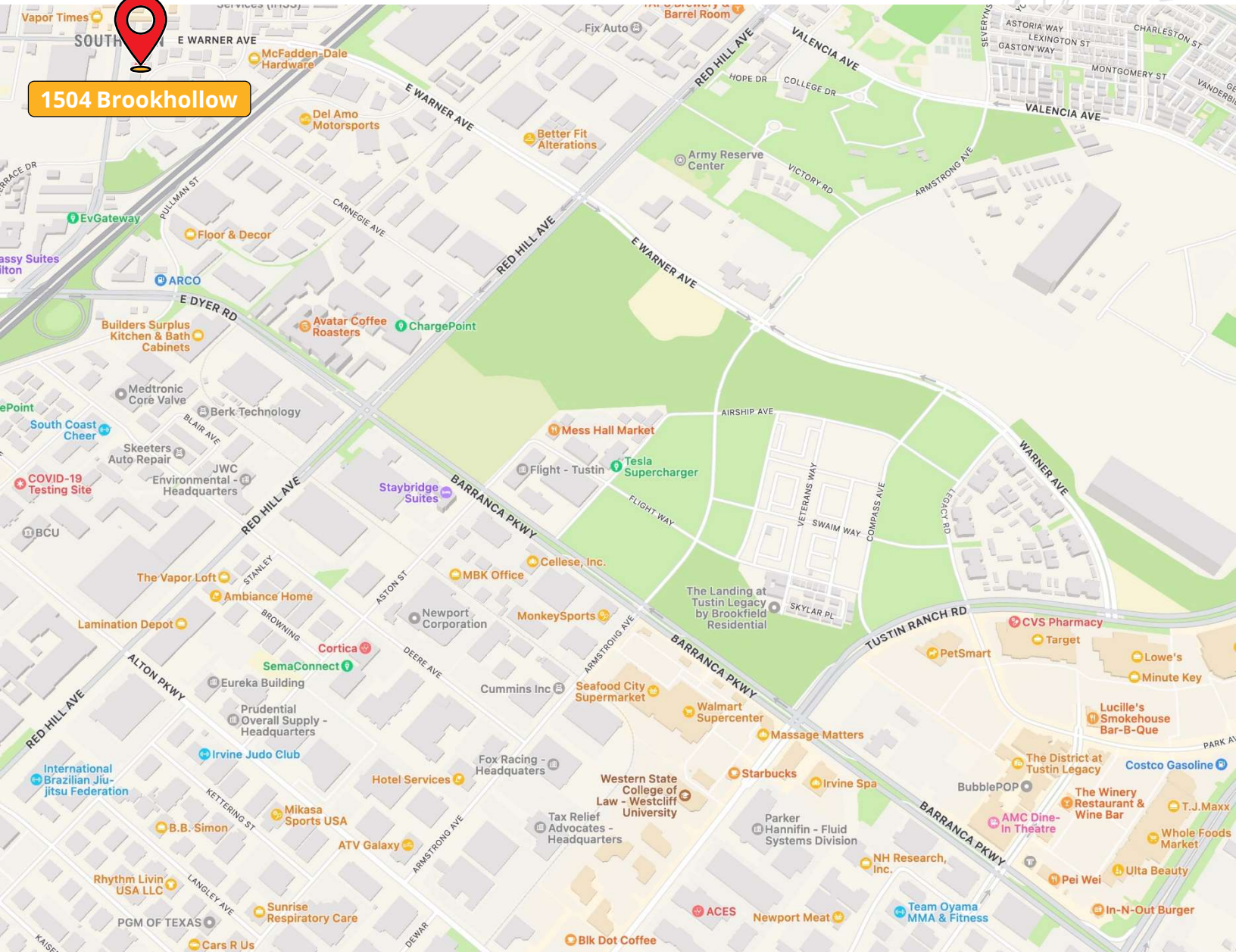


Property

AMENITIES



1504 Brookhollow



PHOTOGRAPHS



Impressive
Two-Story Lobby



PHOTOGRAPHS



Multiple Moderately
Sized Conference Rooms



PHOTOGRAPHS



Multiple Moderately
Sized Conference Rooms



PHOTOGRAPHS

2



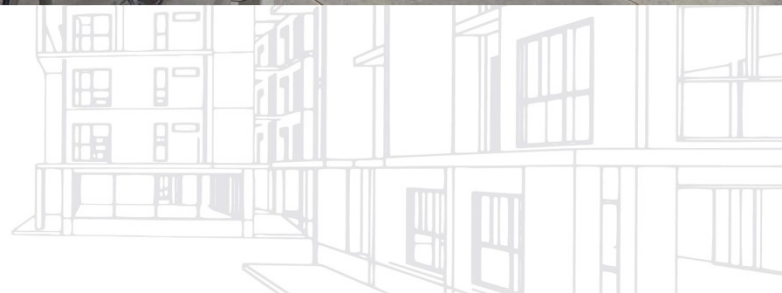
Multiple Moderately
Sized Conference Rooms



PHOTOGRAPHS



Break room with sink, cabinets, and natural light



Images

PHOTOGRAPHS



Multiple Balconies



Images

PHOTOGRAPHS



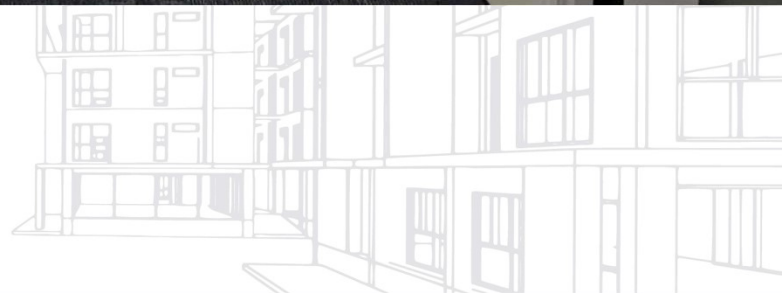
Multiple Balconies



PHOTOGRAPHS



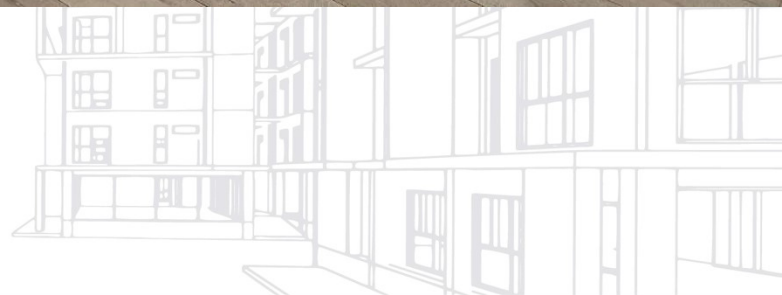
Mix of Private Offices
and Open Work Areas



PHOTOGRAPHS



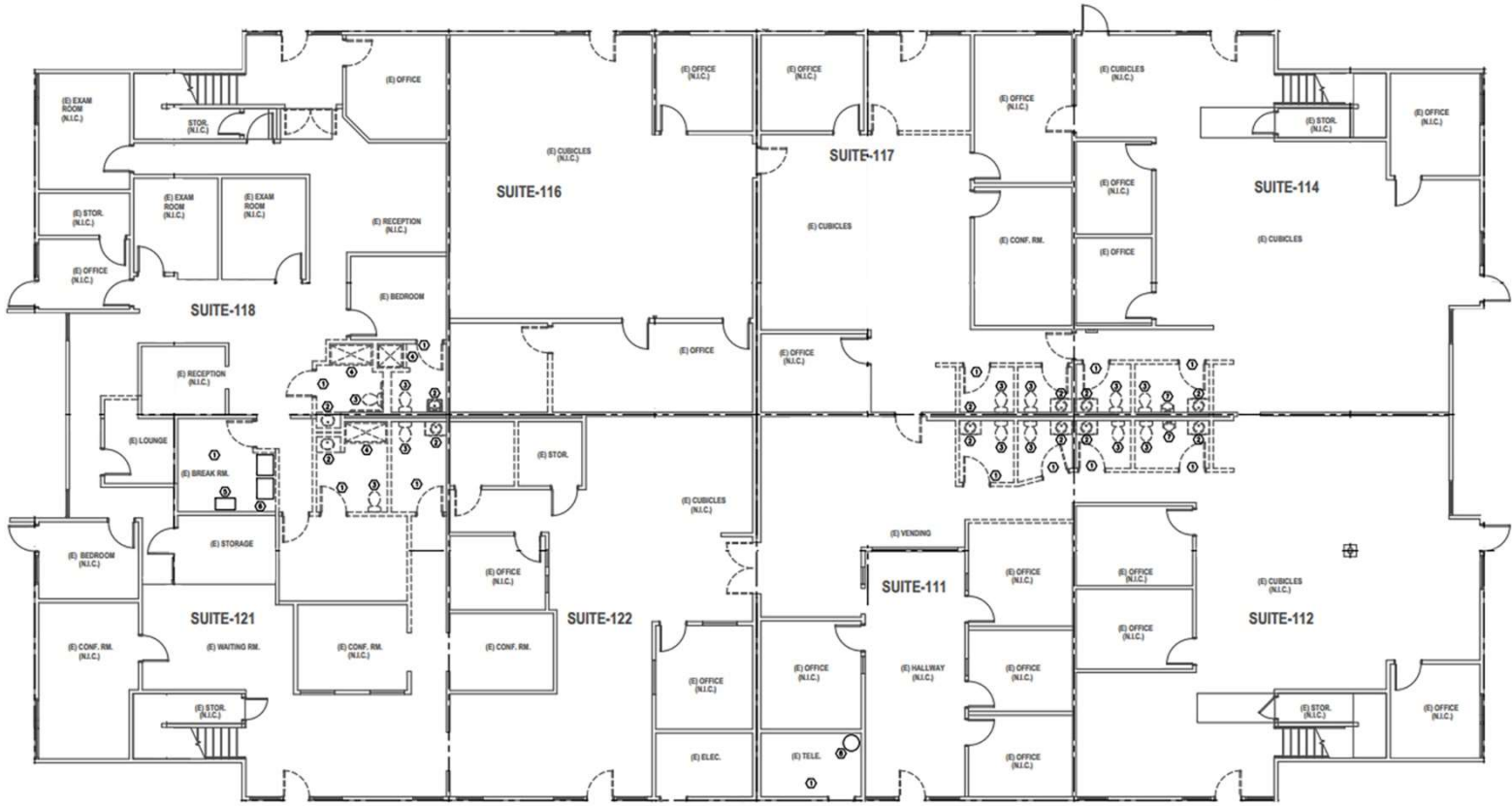
Mix of Private Offices
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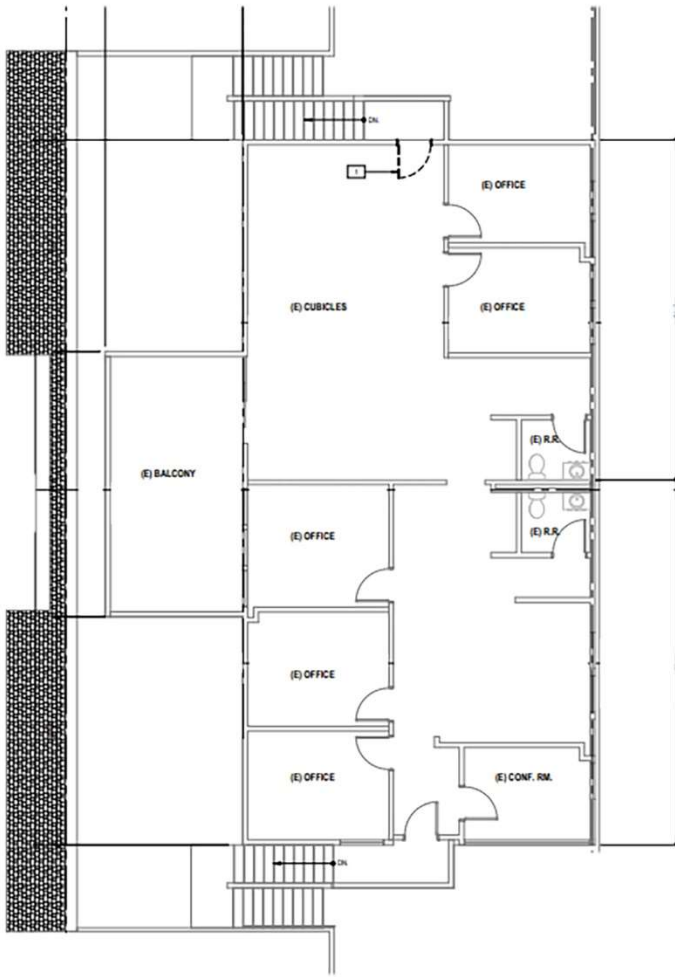
SITE PLAN



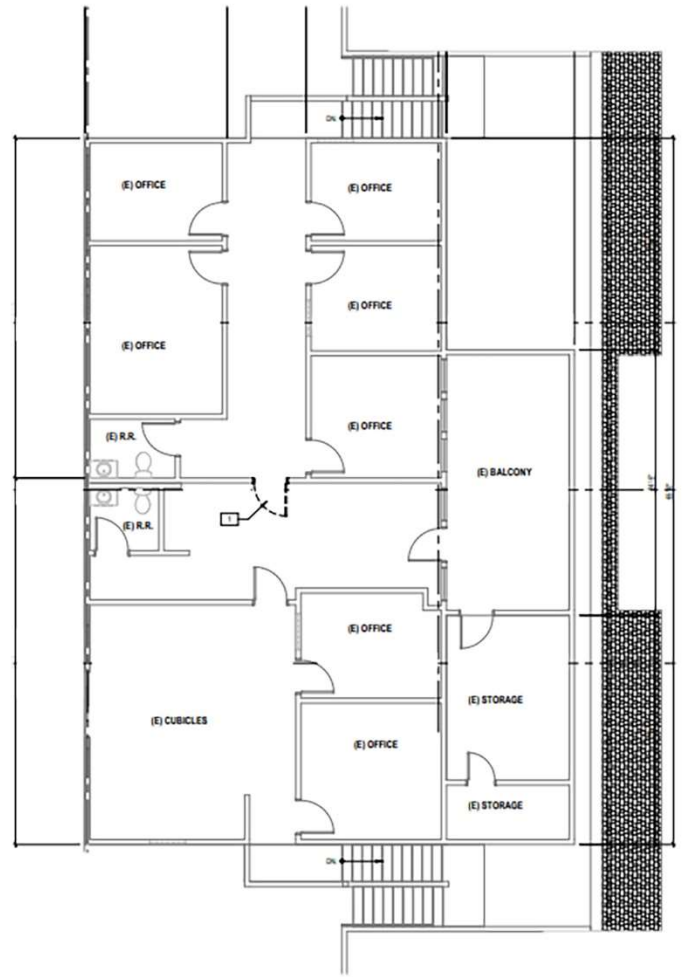
1st FLOOR PLAN



2nd FLOOR PLAN



SECOND FLOOR PLAN - WEST



SECOND FLOOR PLAN - EAST

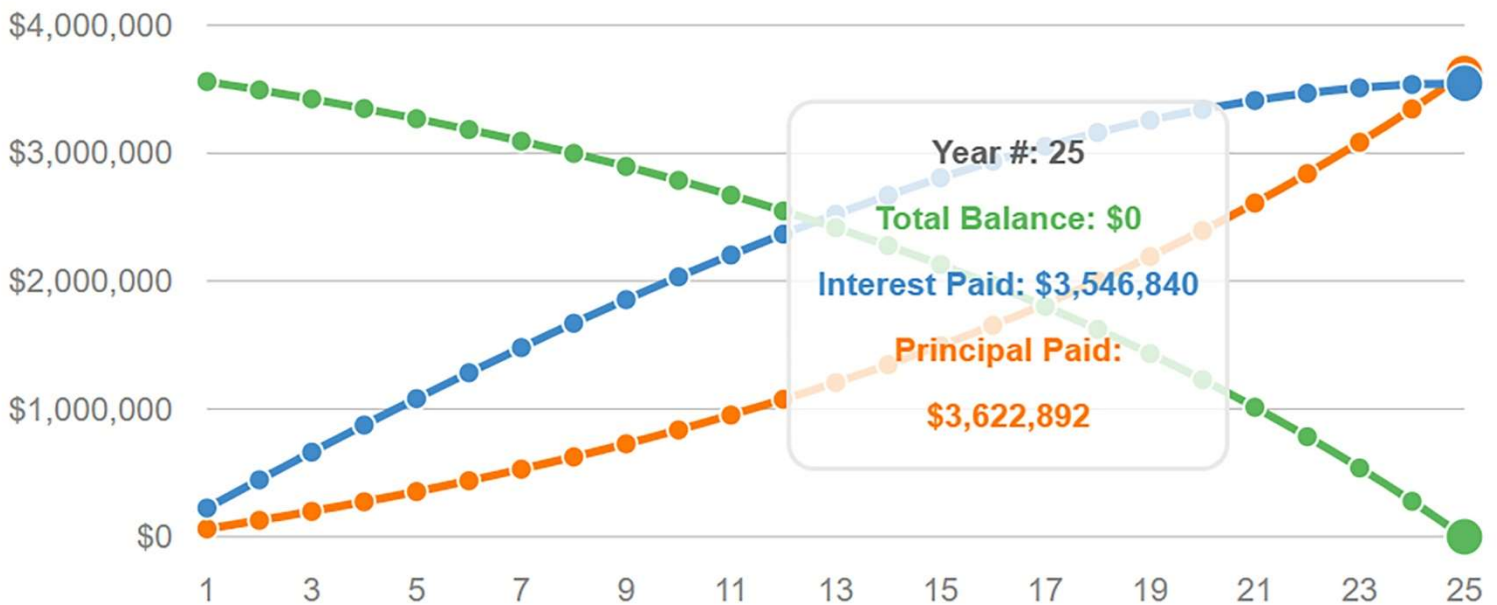


OWNER-USER OPPORTUNITY

In the analysis on the following page, we assume that a user secures a 25-year, fully-amortized SBA 7A loan option with a 10% down payment and financed loan fees.

As the percentage of principal accumulation increases year-over-year, it becomes increasingly favorable to purchase instead of lease. Following are charts depicting the principal payments paid over 25 years, ending in a loan balance of zero when the building is owned free-and-clear:

Commercial Mortgage Payments Graph



PURCHASE VS. LEASE ANALYSIS

Situation: An owner-user purchases and occupies 1504 Brookhollow Drive for \$209/sf with an initial investment of \$21/sf (10% down payment).

Estimated Monthly Costs

Typical Operating Expenses: \$0.85/SF
Mortgage Payment: \$1.28/SF

Amount of Principal in Mortgage Payment in Year One: (\$0.27/SF)

Ownership Cost in Year 1: \$1.86/sf

Compare to Estimated Starting Lease Rate: \$2.25/sf

The advantage of owning over leasing increases every year. Assuming lease rates increase by 3% annually and operating expenses increase by 2.5% annually, below is a ten-year comparative analysis of purchasing vs. leasing (per square foot):

	Lease	Own	Annual Savings	Cumulative Savings	
Year 1	\$2.25	\$1.86	\$4.70	\$4.70	
Year 2	\$2.32	\$1.86	\$5.46	\$10.17	
Year 3	\$2.39	\$1.87	\$6.26	\$16.42	
Year 4	\$2.46	\$1.87	\$7.08	\$23.51	Return of Initial Investment
Year 5	\$2.53	\$1.87	\$7.94	\$31.45	
Year 6	\$2.61	\$1.87	\$8.84	\$40.29	
Year 7	\$2.69	\$1.87	\$9.77	\$50.07	
Year 8	\$2.77	\$1.87	\$10.75	\$60.82	
Year 9	\$2.85	\$1.87	\$11.76	\$72.58	
Year 10	\$2.94	\$1.87	\$12.82	\$58.40	Own vs. Lease Savings After 10 Years

LOAN ILLUSTRATION

Project Price	\$3,915,000
	SBA 7(a)
	Fixed
Down Payment	\$391,500
Combined LTV%	90%
Loan Amount	\$3,523,500
Financed Fee	\$99,392
Rate (%)	6.25%
Amortization (Years)	25
Term (Years)	25
Total Monthly Loan Payments	\$23,899

Estimated Closing Costs

	SBA 7a
SBA Guaranty Fee (Financed)	\$99,392
Appraisal	TBD
Environmental Report	TBD
SFR	TBD

TAX BENEFITS OF DEPRECIATION

Assume a business owner or trust personally purchases the building 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:	\$3,915,000
Building Size:	18,716 Square Feet (\$209/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 \$3,915,000, or \$1,761,750. Spread over the IRS' mandated 39 years, the deduction per year is approximately \$45,000. **At a tax rate of 33%, the tax savings due to depreciation is \$15,000 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.



OFFICE SALE COMPS

Property	Sale Date	Size	Price P.S.F.	Market Insight
 <p>2922 Daimler St Santa Ana</p>	Nov 2023	8,726 SF	<u>\$3,152,000</u> \$361	<p>This 1980 building sold to a user. This office park is only a mile away.</p> <p>1504 Brookhollow is a clear value at \$152/sf less than this sale comp.</p>
 <p>1516 Brookhollow Santa Ana</p>	Aug 2023	13,084 SF	<u>\$3,725,000</u> \$285	<p>This is the last sale within Brookhollow Business Park. It was purchased by an office user who planned to occupy about half and keep the existing tenants.</p> <p>This is a very similar offering except that the asking price of 1504 Brookhollow is priced \$76/sf less.</p>
 <p>550 N Golden Circle Drive Santa Ana</p>	Mar 2023	11,259 SF	<u>\$3,075,000</u> \$273	<p>This office building is an inferior location and sold for a price \$64/sf higher than the asking price of 1504 Brookhollow.</p>



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