

Kingsport Opportunity Zone Portfolio

Investment Highlights

November 7th, 2023

Portfolio Overview

Value-add, re-development, & partially-stabilized portfolio located in the historic Downtown Kingsport, TN region. Located in the heart of the Southeast, 90 miles Northeast of Knoxville, TN in the Tri-Cities region neighboring Johnson City and Bristol, TN. Portfolio consists of **20 buildings** totaling **217,655 SF** priced at **\$81.32/SF** and all centrally located in Downtown Kingsport. Asset profile ranges from high vacancy, fully / partially occupied, distressed, partially-stabilized, consisting of mixed-use, retail, restaurant, office and multifamily use.

Ideal for 1031 buyers, opportunity zone funds, investors, entrepreneurs and visionary investors who are looking for tax incentives and an opportunity to redevelop a substantial portfolio of assets in the business-friendly state of Tennessee (ranked #3 nationally by both CNBC and Area Development for 2023 *Top States for Doing Business*).

Why Invest in Kingsport, TN?

Kingsport is the global headquarters for Eastman Corporation, a fortune 500 international chemical and plastic company. Eastman has emerged as a global leader in materials innovation, recently announcing a \$250 million plastic-to-plastic molecular recycling facility in Kingsport and is investing another \$1.9 billion plan (Project Reinvest) to upgrade its Kingsport facilities and expand production there. Eastman employs roughly 7,000 residents in the Kingsport area.

Over the past few years, the City of Kingsport has invested in excess of \$55M in and around the Downtown area, enhancing streetscapes, infrastructure, outdoor recreation, transit, and other amenities. The City has created a healthy environment to incentivize developers, new businesses, and residents to help expedite the economic growth coming to this region. People are moving and they are finding Kingsport....located at the intersection of I-81 & I-26 & surrounded by beautiful hills, lakes, and streams.

Current / Past Projects:

- Holston Medical Group completed a \$40 million medical office complex on Stone Dr and has invested in a \$100 million expansion plan.
- Kingsport approved \$2.8million in incentives in the development of Rural King and a new IMAX Theatre expected to open in Spring of 2025. \$500,000 will be used to provide a new sewer in Fort Henry Dr to help with the development.
- 30,000 sq ft addition to the Meadowview Conference Resort and Convention center (\$15 million expansion).
- In 2023 Kingsport issued 221 building permits for residential homes (\$72.1 million)
- 11 permits for commercial new construction in 2023 with a total valuation of \$18.5 million.
- 88 permits were pulled for commercial additions, repairs, and remodels with a total construction cost of \$36 million this year.
- Brickyard Village Development broke ground on a 464 residential development spearheaded by Edens investments.
- Other current projects include: Main Street Rebuild incentive, Bays Mountain new amphitheater, animal habit & balcony improvements, Waterline Improvements (Kingsler Ave and Parkcliff Dr), Reservoir Road Stormwater Improvements, Riverbend Park Phase I, Brickyard Park - Pump Track, KATS Maintenance Facility (Phase II), Valleybrook Campus Extension.

MSA Statistics:

Kingsport experienced solid positive population growth yielding a rate of 0.53%(2020-2023), Johnson City Growth rate (0.64%), Bristol Growth Rate (0.28%) U.S. Average is 0.63%.

Kingsport has more than 2,500+ housing units in development.

Job market increase of 1.3% over the last year. The future job growth over the next decade is predicted to be 33.5%.

Lowest unemployment rate in the State of TN at 5.7%

Income tax rate for Kingsport is 0.0%, U.S. average is 4.3%.

The Family Median household income is \$62,821 / year.

Major industries include: (% of population by occupation)

- Healthcare and Social Assistance (17.3%)
- Manufacturing (16.8%)
- Retail Trade (14.1%)
- Educational Services (7.2%)
- Finance and Insurance (5.9%)

Opportunity Zones (OZ)

Downtown Kingsport lies in a qualified Opportunity Zone, making this portfolio attractive above and beyond just being a good investment. OZs enable investors to support economic development in qualified areas through impact investing, while also allowing them to defer taxes on eligible gains. Currently, there are only 8,700 Qualified opportunity zones across the country. A couple of the main tax benefits of investing in an opportunity zone fund are:

1. Temporary Deferral of Capital Gains from the sale of any asset if invested into an opportunity fund within 180 days of their sale, investors may defer capital gains taxes until they sell their investment or by Dec. 31st 2026, whichever occurs first. (won't have to pay taxes until April 2027).
2. The OZ program allows for a step up in basis to Fair Market Value upon exit, thus investments held for at least 10 years will pay no capital gains tax on the post-acquisition gains and will also avoid depreciation recapture.

Portfolio Comps

Commercial / retail comps:

Build out completed by Urban Synergy

- 126 E Market St - \$124.39/sqft

Other office/storefront:

- 112 E Market St - \$106.67/sqft
- 206 / 208 Cherokee St - \$104.94sqft & 101.85/sqft

Gutted/Shell Comps:

- 205 Broad St - \$53.33 / sqft
- 212 Broad St - \$56.45/ sqft

Residential / Loft Comps:

116 Commerce St Loft 216 - \$213.59/ sqft

116 Commerce St Loft 212 - \$213.02 / sqft

116 Commerce St Loft 210 - \$210.33

217 Broad St Loft 202 - \$195 / Sqft

Estimated Valuation: **\$206.44 / sqft**

