


# FOR SALE OR LEASE

  
**ECONOMOS DEWOLF**  
THE #1 SELLER OF OFFICE BUILDINGS IN ORANGE COUNTY & THE INLAND EMPIRE  
INVESTMENTS OWNER-USER FLEX/RS&D MEDICAL





**JOHNSTON PACIFIC**  
COMMERCIAL REAL ESTATE, INC.  
Creating Wealth For Our Clients Since 1991

1351 Calle Avanzado, San Clemente, CA 92673  
Attractive Pricing for Both Owner-Users and Investors

Property Video at [EconomosDeWolf.com](http://EconomosDeWolf.com)



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-  **Images.** Here you'll find attractive building photographs, renderings from Ware Malcomb, and the functional interior floor plans. **Pages 7-13**
-  **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, the tax benefits of depreciation, and replacement cost. **Pages 14-18**
-  **Market.** This section opens with three key sale comps followed by a custom market report for the surrounding area. **Pages 19-23**

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**1351**  
Calle Avanzado

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# SUMMARY

<b>Address</b>	1351 Calle Avanzado San Clemente, California 92673
<b>Sale price</b>	\$4,750,000 (±\$209/sf)
<b>Lease rate</b>	\$2.00/sf Modified Gross (tenant pays electricity, trash, water, and janitorial in addition to base rent)
<b>Building Size</b>	±22,708 square feet
<b>Property description</b>	Elevator-served, two-story free-standing office building constructed in 2006. It has an abundance of natural light, high ceilings, a very functional layout, and showers and lockers, and a small warehouse area.
<b>Acreage</b>	±1.34 acres (freestanding building sits on its own parcel)
<b>Parking</b>	89 parking stalls (±3.92 stalls per 1,000 sf)
<b>Association</b>	There is a minor association which covers the landscaping for the slopes adjacent to the building. Current monthly dues are \$593 per month (or less than \$0.03/sf).



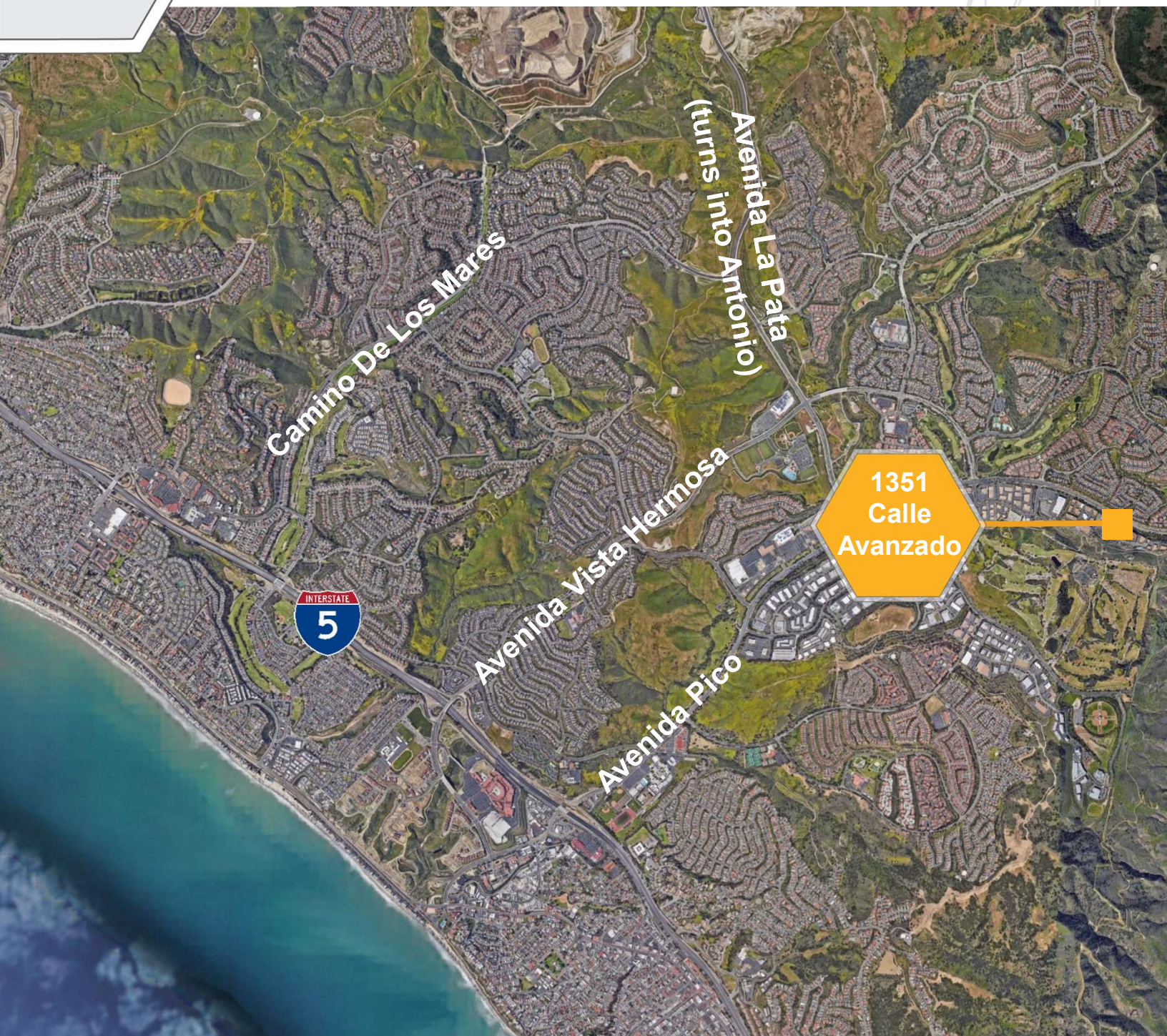
# HIGHLIGHTS

- In just the first year, it's over \$170,000 cheaper to purchase and occupy this building vs. leasing (savings of \$7.63/sf in year one – see Page 15).
- 1351 Calle Avanzado is priced to sell at well below recent sale comps and just 53% of the estimated replacement cost (see Page 18).
- Providing a high quality of life and convenience, this building is close to two golf clubs, the beach, great trails, restaurants, coffee houses, local breweries, and multiple fitness clubs.
- With the existing showers and lockers, an owner and employees can take advantage of this incredible location and also store surfboards, stand-up paddleboards, golf clubs, and road and mountain bikes in the existing small warehouse.
- The interior layout is highly functional with an elevator, an ideal mix of private offices, open space for cubicles, a prominent conference room, kitchen and break rooms, and small lab area.
- 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.
- The office can be split into two spaces if an owner wants to use one floor and lease out the other.





# LOCATION



# AMENITIES





# PHOTOGRAPHS



**Prominent corner location  
with private parking in  
front and back**



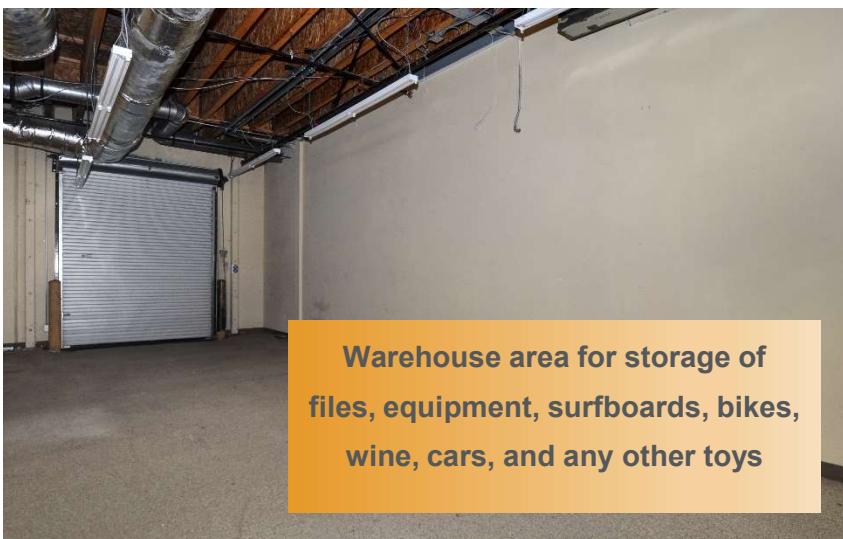
**Large main conference room  
with attractive glass entry**



# PHOTOGRAPHS



**Lockers and showers**



**Warehouse area for storage of  
files, equipment, surfboards, bikes,  
wine, cars, and any other toys**





# PHOTOGRAPHS



**Abundant natural light and  
dramatic San Clemente views**



**Custom cabinetry in large  
kitchen area and break room**



# CONCEPTUAL DESIGNS FROM WARE MALCOMB

Existing Building



Proposed Transform



# CONCEPTUAL DESIGNS FROM WARE MALCOMB



Perspective of Proposed Amenity



Perspective of Proposed Entry

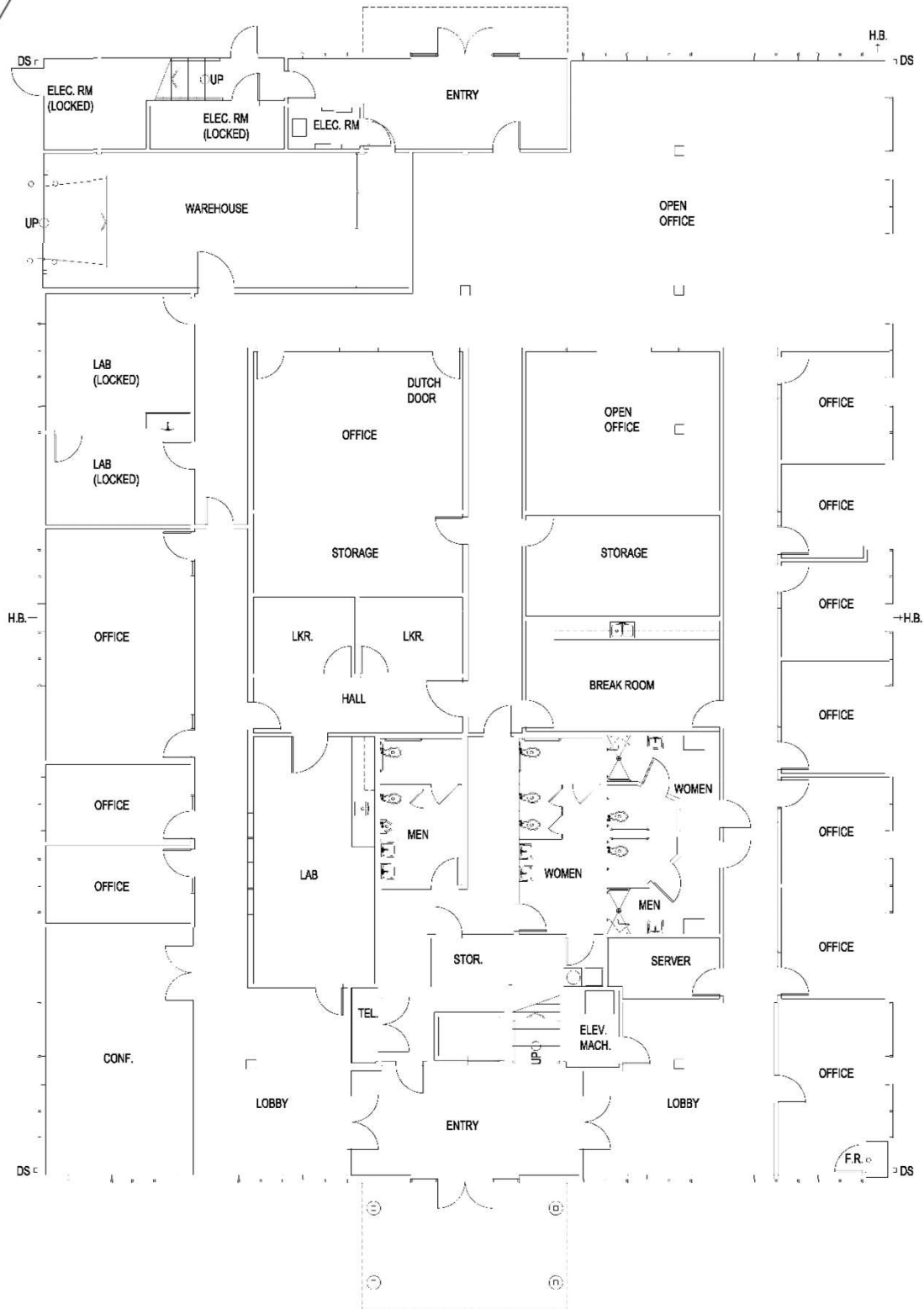


Proposed Amenity Summer Solstice

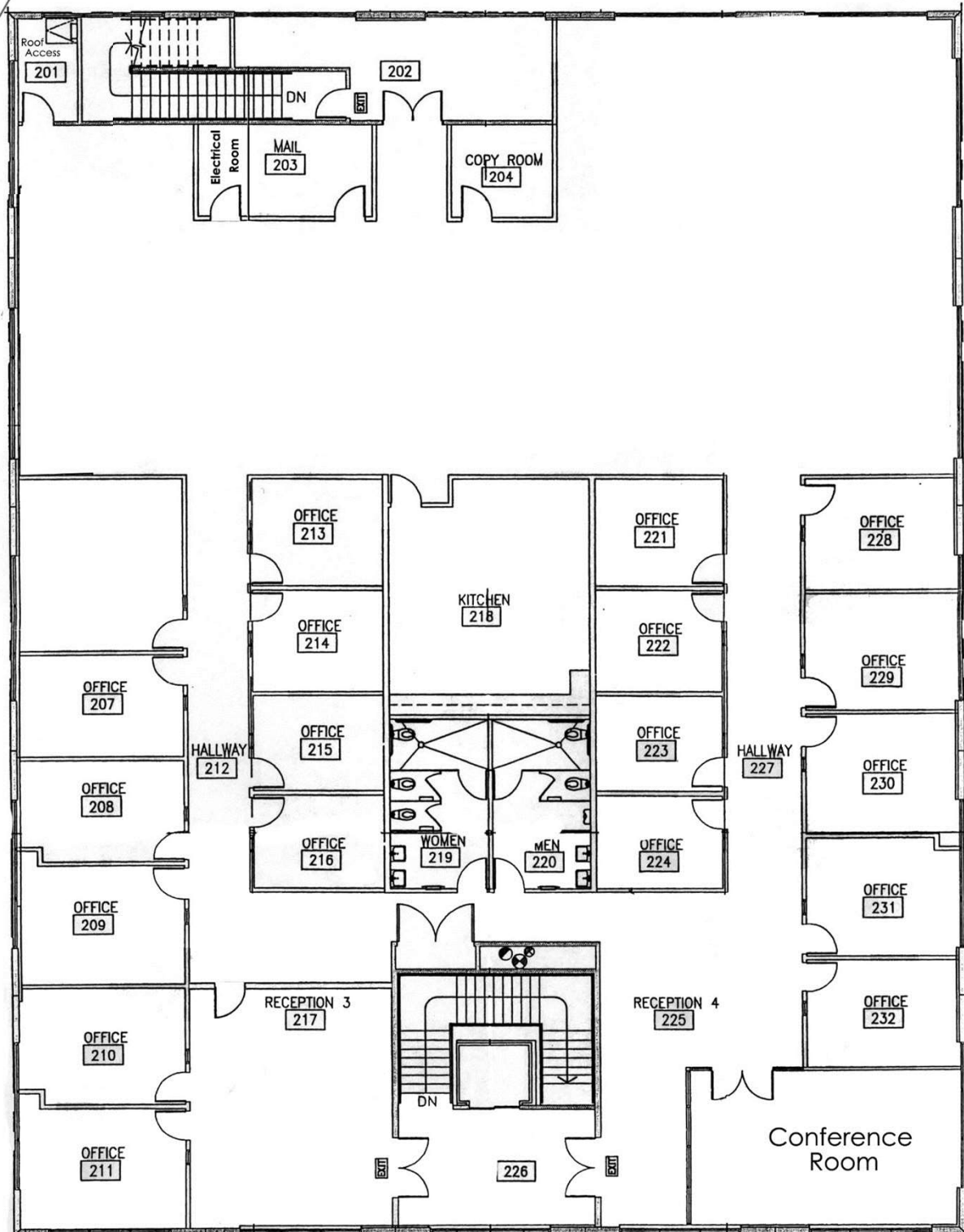


Proposed Amenity Winter Solstice

# 1<sup>st</sup> FLOOR PLAN



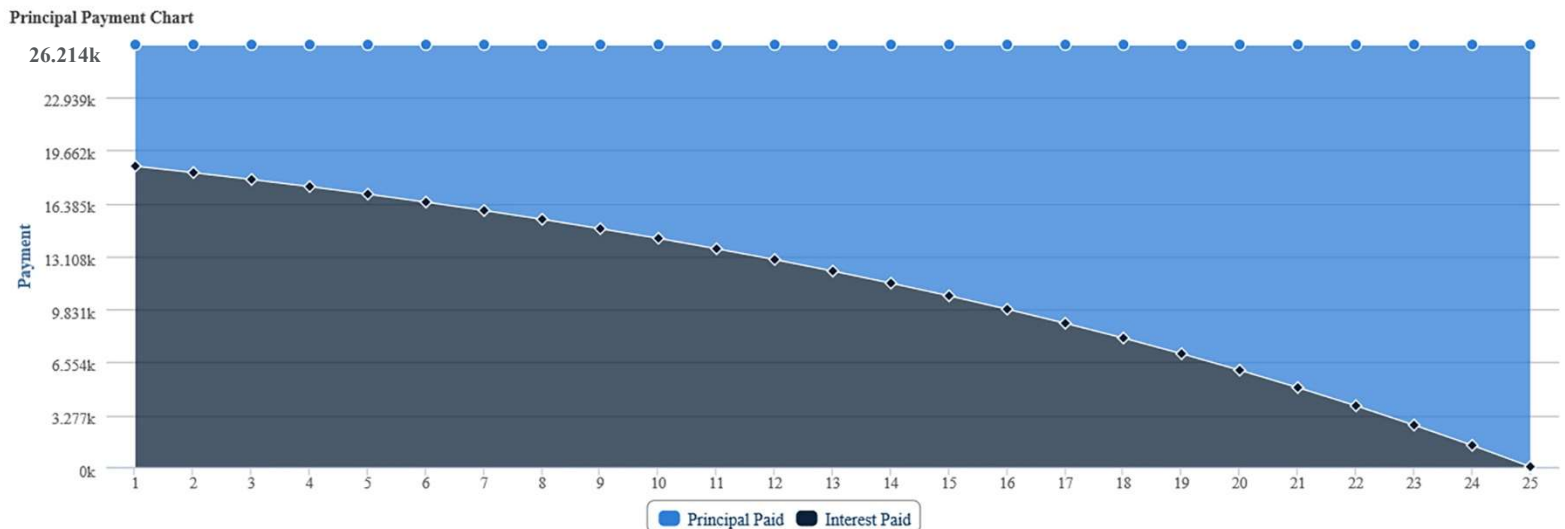
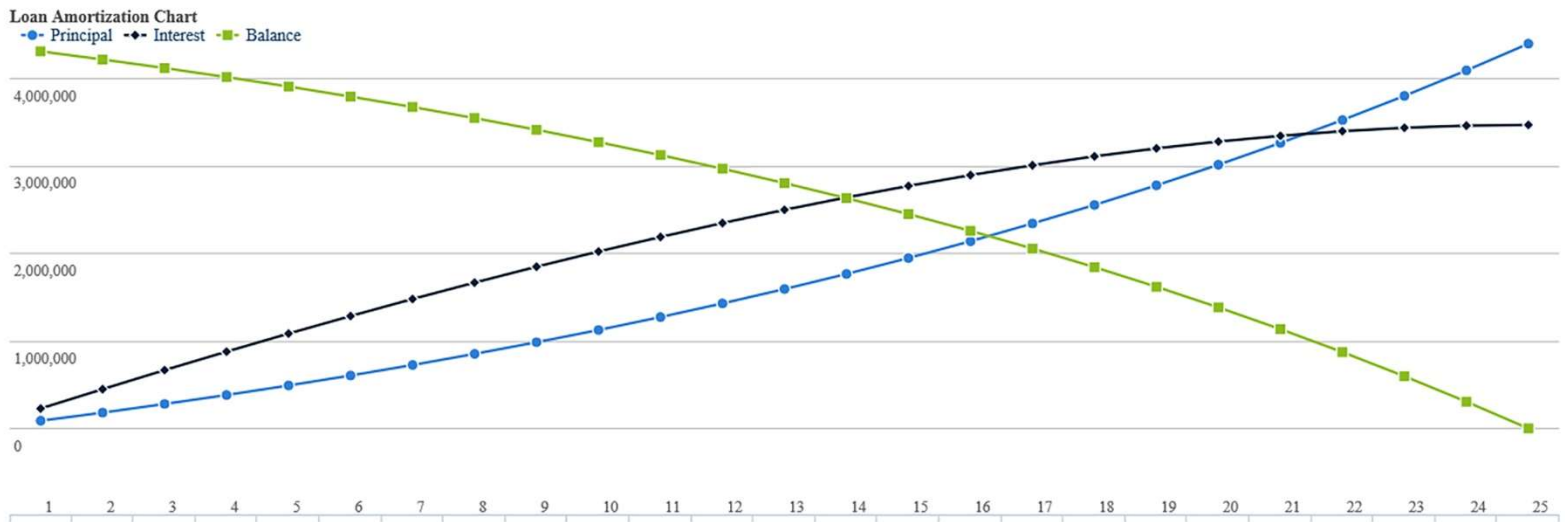
# 2<sup>nd</sup> FLOOR PLAN



# 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:



# PURCHASE VS. LEASE ANALYSIS

Situation: An owner-user purchases and occupies 1351 Calle Avanzado for \$209/sf with an initial investment of \$21/sf (10% down payment, includes financed fees).

## Estimated Monthly Costs

Typical Operating Expenses:

\$0.75/SF

Mortgage Payment:

\$1.15/SF

Amount of Principal in Mortgage Payment in Year One: (\$0.29/SF)

**Ownership Cost in Year 1: \$1.61/sf**

**Compare to Estimated Starting Lease Rate: \$2.25/sf Full Service Gross**

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):

	Monthly Lease	Monthly Own	Annual Savings	Cumulative Savings	
Year 1	\$2.25	\$1.61	\$7.63	\$7.63	
Year 2	\$2.32	\$1.62	\$8.40	\$16.03	
Year 3	\$2.39	\$1.62	\$9.20	\$25.23	Return of Initial Investment Value
Year 4	\$2.46	\$1.62	\$10.01	\$35.25	
Year 5	\$2.53	\$1.63	\$10.85	\$46.10	
Year 6	\$2.61	\$1.63	\$11.70	\$57.80	
Year 7	\$2.69	\$1.64	\$12.58	\$70.38	
Year 8	\$2.77	\$1.64	\$13.48	\$83.86	
Year 9	\$2.85	\$1.65	\$14.40	\$98.26	
Year 10	\$2.94	\$1.66	\$15.34	\$113.61	Own vs. Lease Savings After 10 Years

# LOAN ILLUSTRATION

**WELLS  
FARGO**
**Dave Friedman & Valerie Ioriatti**

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**SBA Preferred Lender | 1351 Calle Avanzado, San Clemente CA**

<b>Purchase Price</b>	<b>\$4,750,000</b>
	<b>SBA 7a LOAN PROGRAM</b>
	<b>25 Year Fixed</b>
<b>Down Payment</b>	<b>\$475,000</b>
<b>Combined LTV%</b>	<b>90%</b>
<b>Loan Amount</b>	<b>\$4,275,000</b>
<b>Financed Fee</b>	<b>\$121,139</b>
<b>Rate (%)</b>	<b>5.20%</b>
<b>Amortization</b>	<b>25</b>
<b>Term (Years)</b>	<b>25</b>
<b>Total Monthly Payment</b>	<b>\$26,214</b>

60 Day Closings

Rate Lock Options

Gift Letters are eligible for down payment source

24 Hour Pre-Qualification Letters



# 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:	\$4,750,000
Building Size:	22,708 Square Feet (\$209/sf)
Percentage of Building to Land:	45% / 55%

The amount subject to depreciation, in this example, is 45% of \$4,750,000, or \$2,137,500. **Spread over the IRS' mandated 39 years, the deduction per year is approximately \$55,000.**

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 typically it is taxed at a lower rate than the 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.**





# REPLACEMENT COST ANALYSIS

Building square footage of 1351 Calle Avanzado	22,708	
	Total	Per Building Square Foot
Shell and core cost	\$3,633,280	\$160
Soft cost (taxes, insurance, development fee, etc.)	\$1,362,480	\$60
Tenant improvements	\$1,589,560	\$70
Site work (est. 89 parking stalls at \$3,000 per stall)	\$267,000	\$12
Estimated land cost (per building sq.ft.)	\$2,157,260	\$95
<b>Total Replacement Cost</b>	<b>\$9,009,580</b>	<b>\$397</b>
<b>Compare to Asking Price</b>	<b>\$4,750,000</b>	<b>\$209</b>



# KEY SALE COMPS

Property	Sale Date	Size	Price P.S.F.	Market Insight
 991 Calle Amanecer San Clemente	Apr 2017	28,075 SF	<u>\$5,699,225</u> <b>\$203</b>	<p>This older flex office building was built in 1989 and purchased by an owner-user. As a smaller, newer, pure office building, 1351 Calle Avanzado should command a significant premium. At our asking price of only \$209/sf, 1351 Calle Avanzado is an outstanding value.</p>
 229 Avenida Fabricante San Clemente	Apr 2018	40,728 SF	<u>\$10,000,000</u> <b>\$246</b>	<p>This is an investment sale 100% leased to a tenant with less than four years left on their lease. Given that owner-user offerings often command a premium over investments, the asking price of \$209/sf for 1351 Calle Avanzado is very attractive.</p>
 1201 Puerta Del Sol San Clemente	FOR SALE  (offer has been received)	19,432 SF	ASK PRICE:  <u>\$5,149,480</u> <b>\$265</b>	<p>This building is offered at \$265/sf and reportedly there is an offer near the asking price. Note that the asking price is \$56/sf higher than 1351 Calle Avanzado for a very similar offering.</p>



# OFFICE REPORT

SOURCE: COSTAR 2018



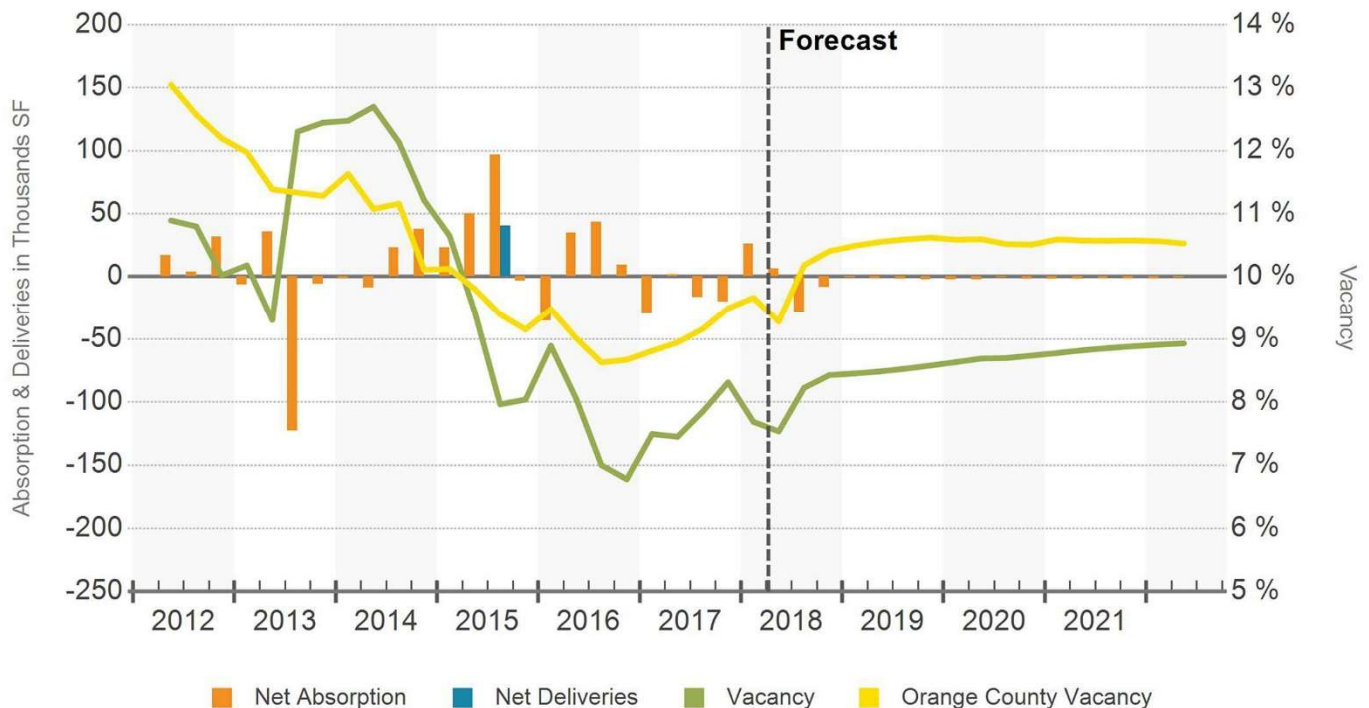
## Submarket Summary

San Juan Cap/S Clemente/Dana Pt/Cap Bch Office

The San Juan Capistrano/San Clemente/Dana Point/Capistrano Beach Submarket is among Orange County's most fundamentally stable submarkets. A diverse employment pool, consisting largely of boutique firms, and a premiere location in South County buttress demand. Developers aren't very active here outside of medical office buildings, but the coastal commission often has a voice in projects west of the I-5, frequently

throwing roadblocks in the path of building. As such, the inventory tends to be of the older, garden-style variety. The tenant profile is diverse and very few companies have a footprint of more than 25,000 SF. Rents are among the highest in the metro and vacancies among the soundest. Sales volume is consistently pedestrian, although traders are active, similar to the apartment market.

### NET ABSORPTION, NET DELIVERIES & VACANCY



Market



# OFFICE REPORT

SOURCE: COSTAR 2018

## Overall Construction Summary



1351 Calle Avanzado

All-Time Annual Avg. SF

93,672

Delivered SF Past 4 Qtrs

0

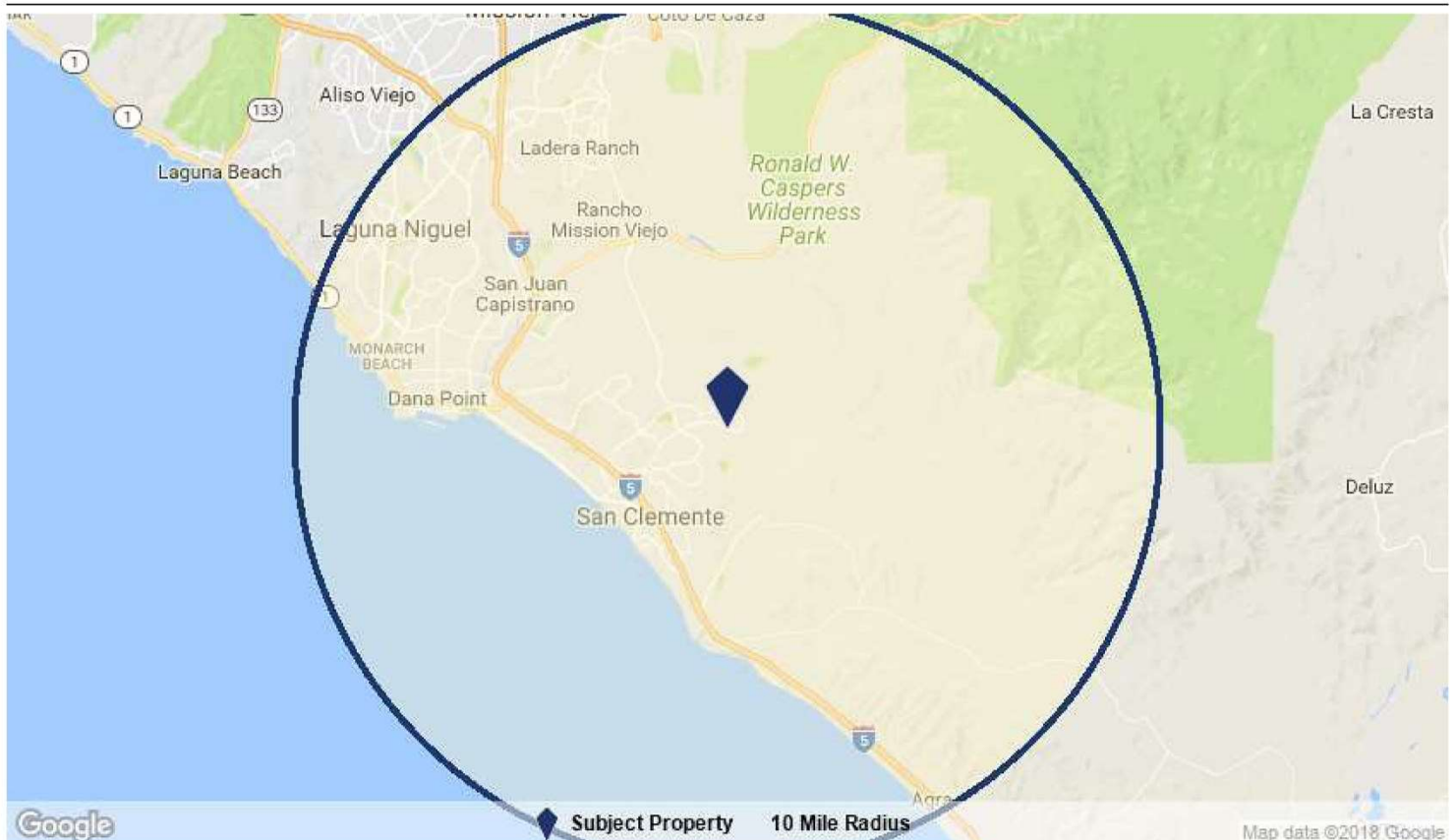
Delivery SF Next 4 Qtrs

0

Proposed SF Next 4 Qtrs

0

PAST 4 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED





# OFFICE REPORT

SOURCE: COSTAR 2018



1351 Calle Avanzado

## Vacancy Analytics

### VACANCY RATE

		Peers		San Juan Cap/S Clemente/Dana Pt/Cap Bch		Orange County	
		Vacancy	Trend (YOY)	Vacancy	Trend (YOY)	Vacancy	Trend (YOY)
2012		5.7%	0.7%	10.0%	-2%	12.2%	-1.2%
2013		8.8%	3.1%	12.4%	2.4%	11.3%	-0.9%
2014		6.4%	-2.4%	11.2%	-1.2%	10.1%	-1.2%
2015		3.5%	-2.9%	8.0%	-3.2%	9.2%	-1%
2016		13.6%	10.1%	6.8%	-1.3%	8.7%	-0.5%
2017		9.5%	-4%	8.3%	1.5%	9.5%	0.8%
YTD		14.7%	2.6%	7.7%	-0.6%	9.6%	0.1%
2018	Forecast >			8.4%	0.1%	10.4%	0.9%
2019				8.6%	0.2%	10.6%	0.2%
2020				8.7%	0.2%	10.5%	-0.1%
2021				8.9%	0.1%	10.6%	0.1%
2022				9.0%	0.1%	10.4%	-0.1%



# OFFICE REPORT

SOURCE: COSTAR 2018



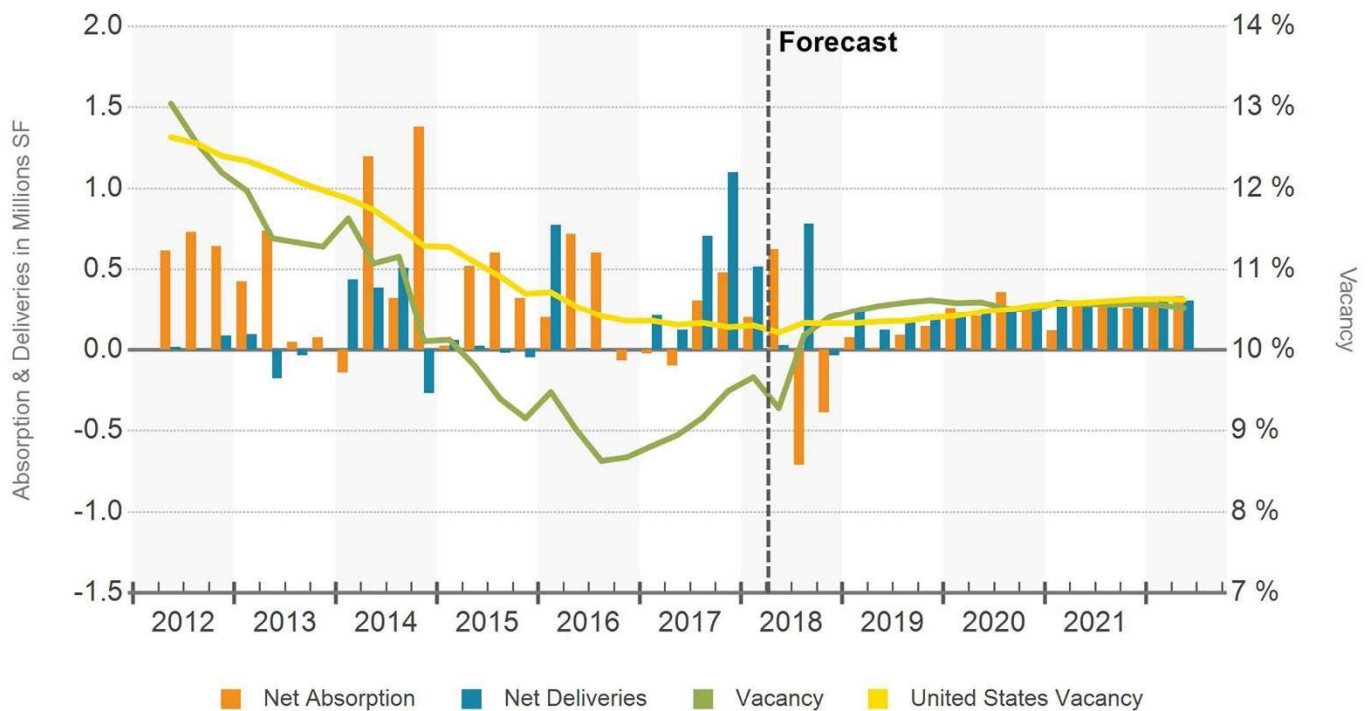
Orange County Office

## Market Summary

A diversified employment base combined with a well-educated workforce and limited development earlier this cycle have set the Orange County office market on firm footing. The Irvine submarkets highlight the market's innovative foundation, with Newport Beach providing the backbone of the financial industry. Spec development has picked up heavily in Irvine Spectrum in addition to a new tower delivering in Irvine. Stable vacancies and

healthy rent growth contribute to investors' confidence, and capital continues to target the market for average yields more favorable than in the apartment sector. Investment volume last year exceeded 2016's level, with a significant assist from the sale/leaseback of the Broadcom Campus in August, which was one of the largest investment deals in Orange County history.

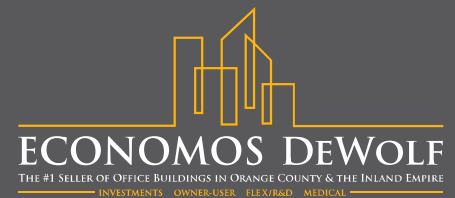
### NET ABSORPTION, NET DELIVERIES & VACANCY



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