

1725 23RD STREET

Value-Add Investment / Development Site For Sale on the R Street Corridor

1725
23RD STREET

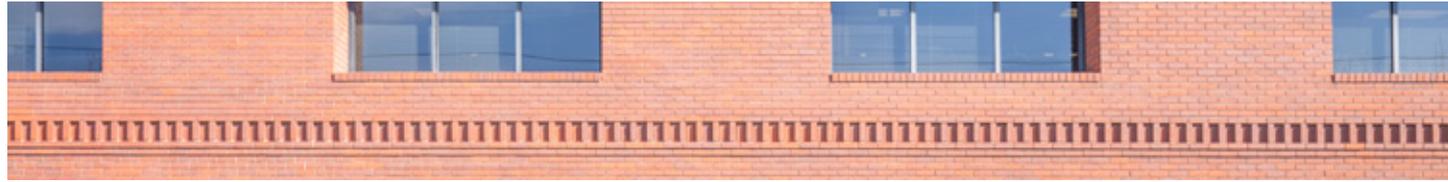


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THE PROPERTY

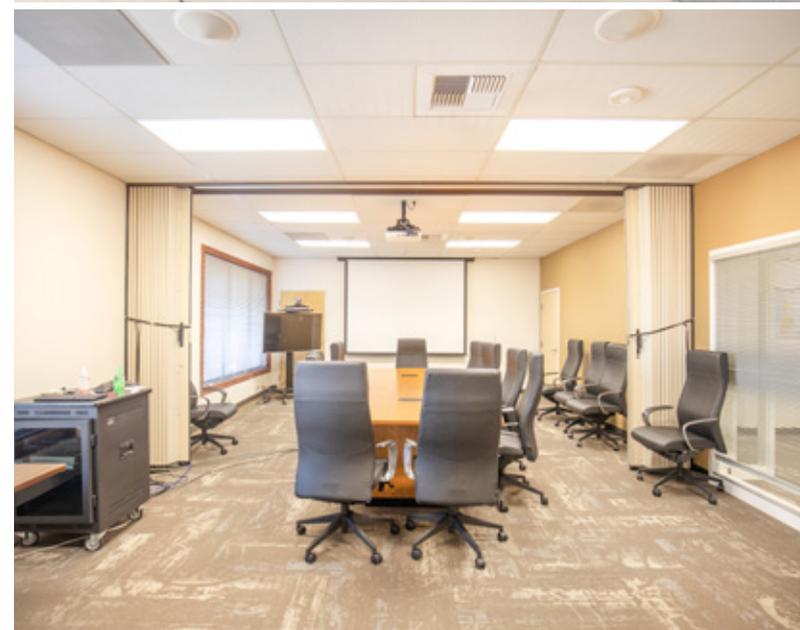
38,400 SF BUILDING	51,167 SF PARCEL	96 PARKING STALLS	8.33% YEAR 1 CAP RATE	\$10,575,000 PURCHASE PRICE
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Value-add multi-tenant office building on R Street prime for future redevelopment

Turton Commercial Real Estate is pleased to bring to market 1725 23rd Street (the “Property”) representing a truly unique opportunity to acquire a value-add office investment, well below replacement cost, in a premier location with significant upside value in the form of increased net operating income (“NOI”) as well as steadily increasing land value for redevelopment. The striking two-story, 38,400 SF Property features an attractive brick and glass façade over stick frame and is being offered at a price of \$10,575,000 representing a 8.33% Capitalization Rate (“Cap Rate”) on in year one net operating income of \$881,154.65 inclusive of proforma property taxes. The Property is currently leased to three agencies from the State of California at rents well below market and net of common area, two of which will be moving out in late 2021. Average market rents

for like properties in the highly sought-after submarket of Midtown Sacramento start at \$2.35 per square foot (“SF”) inclusive of a market rate 12% common area load factor. Tenants at the Property are currently paying an average of \$1.92 per SF not including the 12% load factor. In addition, market rates for office parking in the submarket range from \$75 per space to \$150 per space. The current tenants utilize all 96 spaces at the Property for free. As the leases roll over time it is entirely reasonable to assume the Property will achieve easily supported 2021 office rents of \$2.45 per rentable square foot inclusive of the load factor and \$125 per space parking income ultimately providing ownership with a stabilized annual yield of over 10%. Assuming a 6.00% cap rate disposition in 2026, the pro forma value of the property could

exceed \$20,600,000 providing the strategic investor with a highly reliable income while garnering an attractive 20% internal Rate of Return based on a five (5) year hold. In addition, the Property is comprised of two parcels totaling 51,167 SF (approximately ½ of a city block of land). Recent sales of comparable land support pricing between \$150-\$200 per square foot for redevelopment as multi-family residential. Based on rent and property price increases over the years, the trajectory of land values suggests there is significant upside in the land value over the coming decade. For the right buyer, the development play is to reduce the basis in the land by receiving the net operating income from the existing tenants, entitling the site and building 300-400 units in a new mixed-use development along Sacramento’s hottest urban corridor.



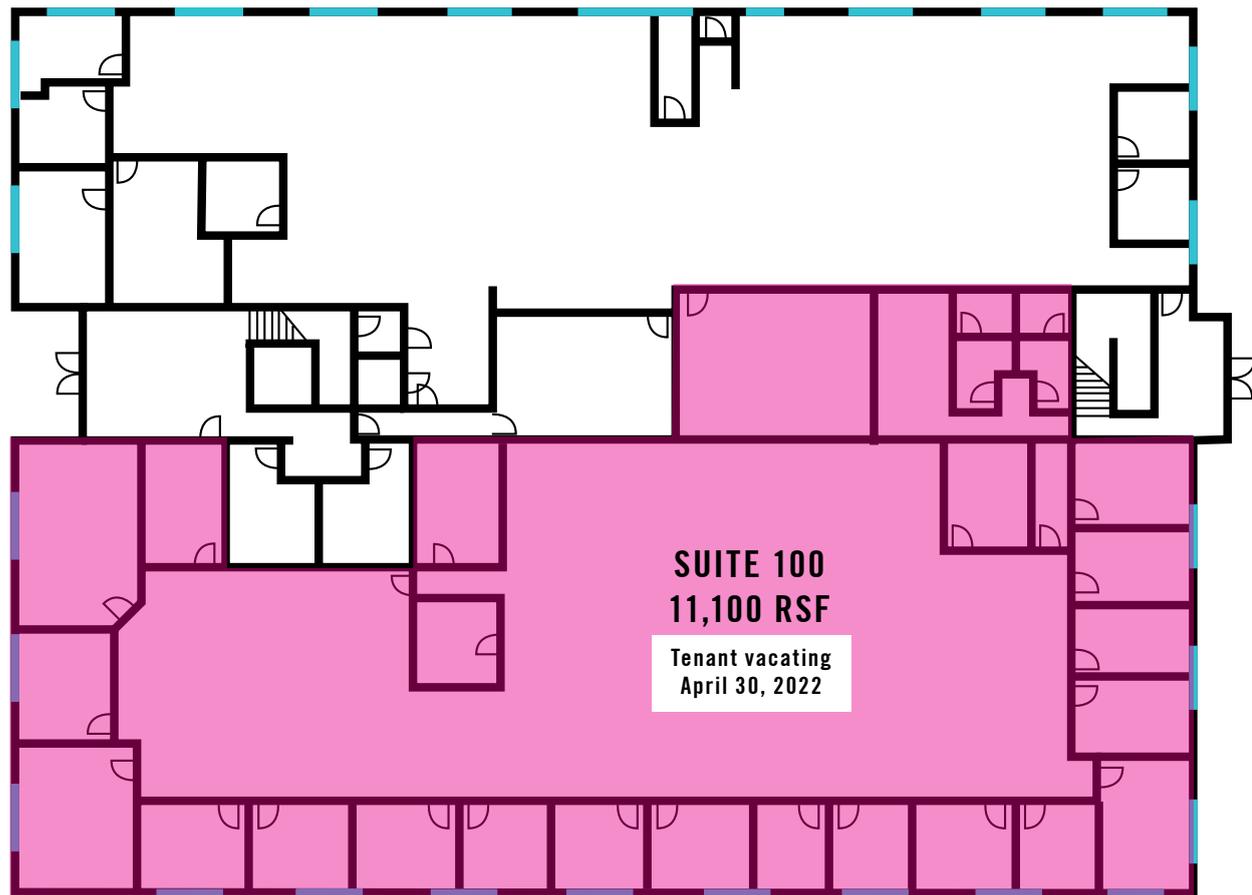


PROPERTY FEATURES

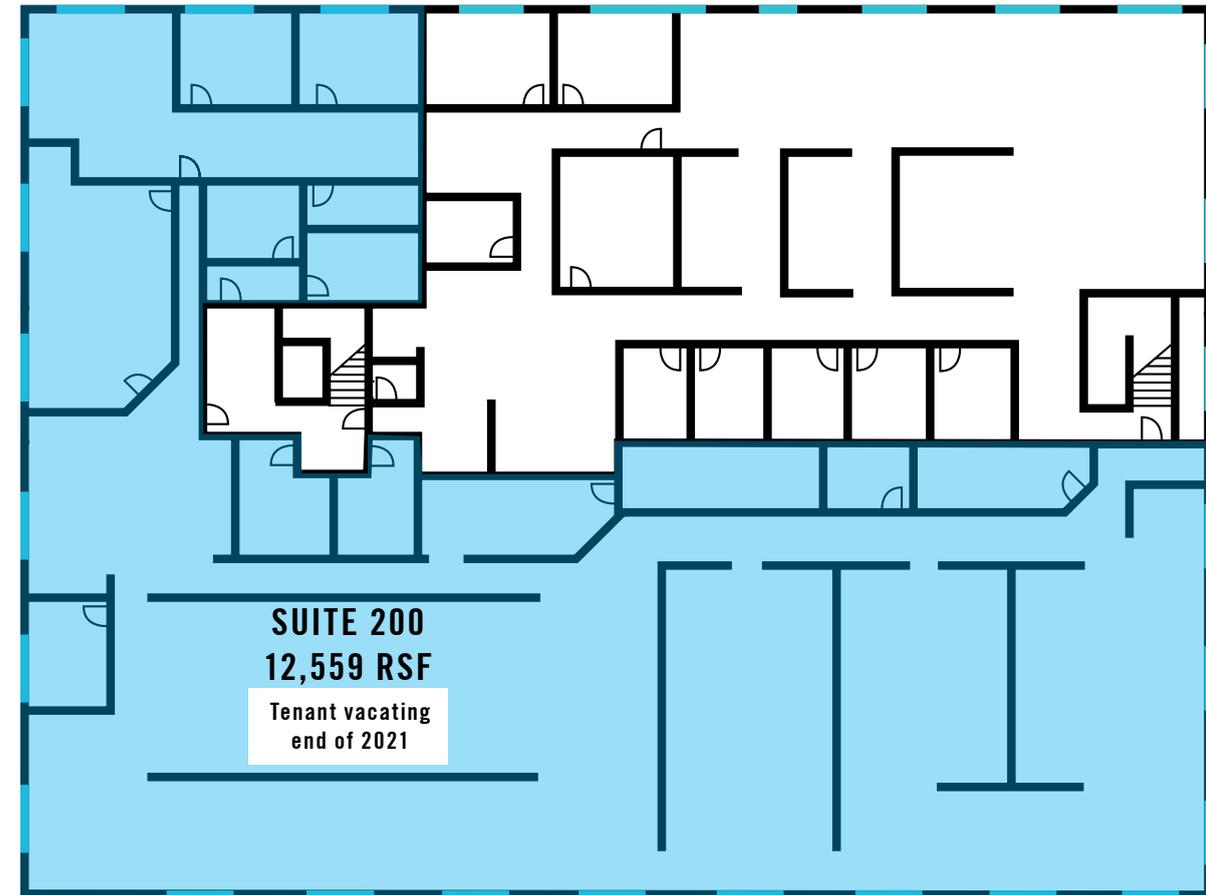
Address:	1725 23rd Street, Sacramento CA 95816
APNs:	007-0326-013 and 007-0326-014
Parcel Size:	1.17 acres (51,167 SF)
Zoning:	C2-SPD
Building Size:	38,400 SF
Parking:	96 stalls
Year Built:	1947
Stories:	Two (2)
Foundation:	Concrete slab-on grade with perimeter and interior footings under load bearing structures
Superstructure:	Poured-in place concrete perimeter walls with wooden decking supported by wooden trusses
Façade:	Brick veneer and painted stucco
Roof Type:	Flat, built-up roofing with granular-surfaced modified bitumen cap sheet
HVAC:	All new package units serving VAV boxes, packaged duct furnaces for perimeter heating
Elevators:	One (1) hydraulic
Flood Zone:	X (100 – 500 year Flood Zone)
Electricity:	SMUD
Water/Sewer:	City of Sacramento
Gas:	PG&E

FLOOR PLANS

FLOOR 1
19,200 TOTAL SF



FLOOR 2
19,200 TOTAL SF







R STREET CORRIDOR

10+
NEARBY DEVELOPMENTS

1,000+
NEW HOUSING UNITS

75+
NEARBY AMENITIES

Urban Sacramento's most vibrant creative and mixed-use district

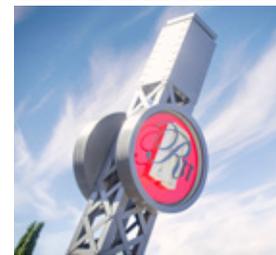
R Street, an avenue of old industrial warehouses, has been transformed into a community of high-end office workers, artisans, restaurants and residents. Since 2016, thousands of new residential units have been added to the immediately area. Midtown, already recognized nationally as one of the most walkable business/residential neighborhoods in America, unofficial home of the farm-to-fork movement and home to over 100 restaurants and eateries, became even more popular with rents soaring into the upper \$42 per SF annual range and vacancies diminishing to under 4%. Residential rents which had historically hovered below \$2 per square foot escalated to \$3.50+ per SF for best-in-class properties.

The R Street Corridor is the creative epicenter of downtown thanks to the medley of artists, designers,

and creatives residing and working in the corridor. R Street is a uniquely urban neighborhood that offers a variety of housing, dining and entertainment choices with more on the way. Part of the excitement behind R Street's emergence as a vibrant and distinctive district rests in the area's unique history as the State's first railroad and industrial corridor. Many brick buildings, landmarks, and street elements still reflect the former rail-based business activity that existed for over century. Now, instead of warehouses and industrial shops, R Street's historic structures are now home to some of the best dining, cocktails, entertainment, art and design that Sacramento has to offer.

R Street is the place to be for specialty boutiques. The WAL Public Market alone offers vintage clothing and home goods, music, handmade shoes, and

Moroccan rugs just to name a few. If there's one thing you can count on when exploring R Street, it's variety. Whatever you're craving, from heaven in a bowl to the finest craft beer, R Street is sure to be the highlight for any foodie. Some of R Street's more notable restaurants include Beast + Bounty, Mendocino Farms, Device Taproom, Mas Taco, Fish Face Poke Bar, Bottle and Barlow, Shady Lady and Iron Horse Tavern. In addition to enjoying the abundance of regional dining flavors, you can find the hippest local and national music acts at a number of R Street venues highlighted by Ace of Spades, Sacramento's premier small concert venue. Amenities and services are part of what makes the R Street Corridor not just a place people want to visit, but where they want to work and live.





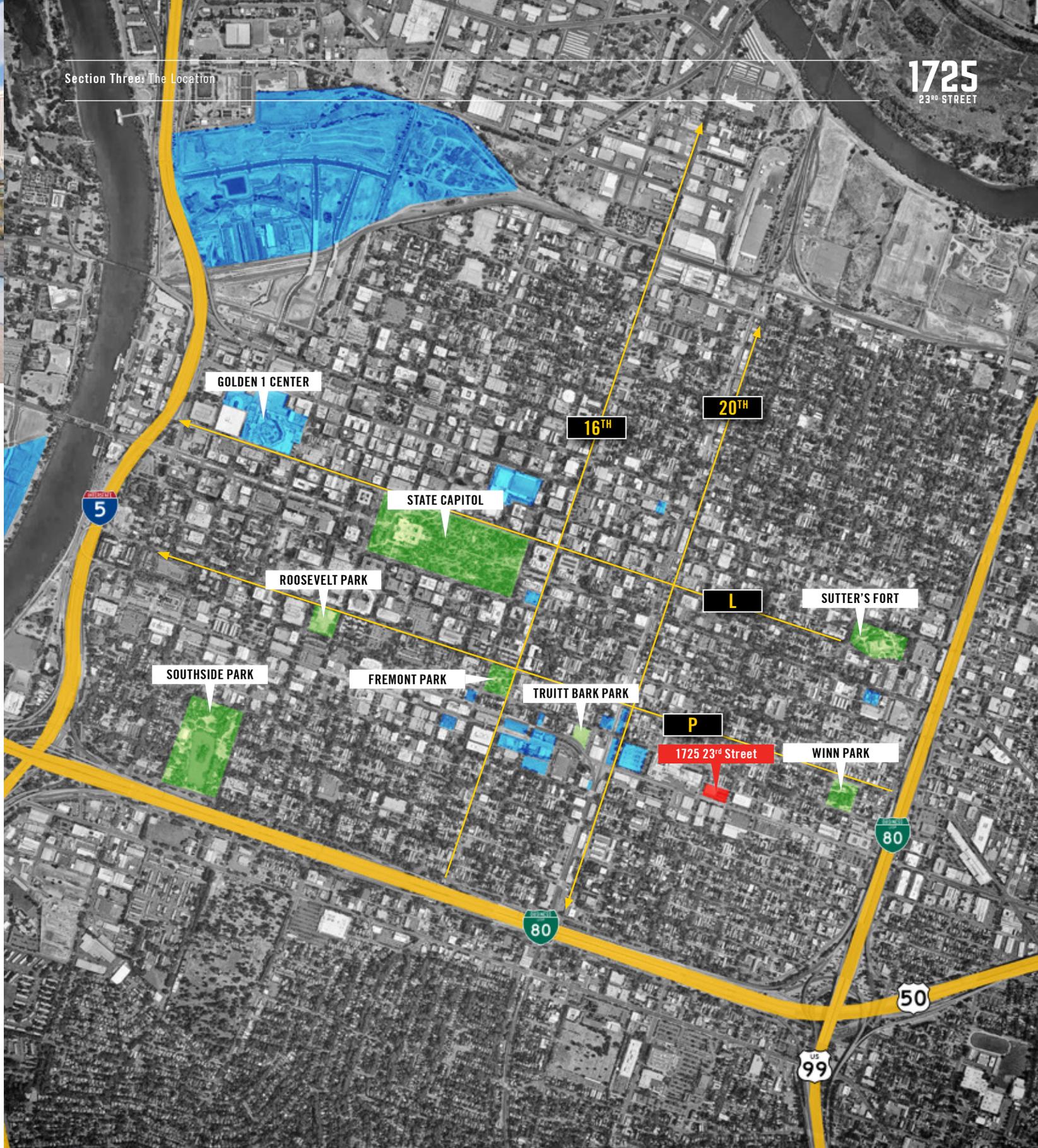


NEARBY AMENITIES

This property has one of, if not, the finest locations in the highly-desirable midtown submarket of Sacramento and is within easy walking distance of virtually every significant landmark in Sacramento's urban core:

POPULAR RESTAURANTS NEAR 1725 23RD STREET (NOT ALL ARE MENTIONED HERE):

58 Degrees & Holding Co.	Cornerstone	Karma Brew	Paesano's	Tank House BBQ
Ace of Spades	Crepeville	Kru Japanese	Paragary's	Tapa the World
Aioli Bodega Espanola	Der Biergarten	Bombay Bar & Grill	Pizzeria Urbano	Tea Cup Cafe
Amaro Italian Bistro & Bar	Dos Coyotes	Kupros Craft House	Portofino's	Temple Coffee
Art of Toys	Eatuscany Cafe	Lowbrau	Press Bistro	Thai Basil
Azul Mexican	Elixir Bar & Grill	Lucca	Pronto Pizza	Thai Canteen
Badlands	Faces	Luna's Cafe & Juice Bar	Pushkin's Bakery	The Bread Store
Bar West	Federalist Public House	Mango's/Burgertown	Q Street Bar & Grill	The Golden Bear
Bento Box	Fieldwork Brewing Co.	Make Fish	R15	The Mill Coffee House
BevMo	FishFace Poke Bar	Mercantile Saloon	Red Rabbit	The Porch
Block Butcher Bar	Fit Eats	Metro Kitchen & Drinkery	Rick's Dessert Diner	The Press
Bottle & Barlow	Fox & Goose Public House	Mikuni Sushi	Roxie Deli and Barbecue	The Rind
Broderick Midtown	Ginger Elizabeth Chocolates	Monkey Bar	Saddle Rock	The Waterboy
Buckhorn Grill	Grange	Mulvaney's B&L	Sakamoto	Tres Hermanas
Burgers and Brew	Highwater	N Street Cafe	See's Candies	Uncle Vito's Pizza
Cafe Bernardo	Hot Italian	Nekter	Shady Lady	University of Beer
Café Bernardo's	I Love Teriyaki	Nido	Shoki Ramen House	Waffle Square Country Kitchen
Cantina Alley	Identity Coffee	Nishiki Sushi	Skool	Yogurt a GoGo
Centro Cocina Mexicana	Iron Horse Tavern	Old Soul Coffee	Squeeze Inn	Zelda's Pizza
Chipotle	Jack's Urban Eats	Pachamama Coffee Coop	Sun & Soil Juice	Zocalo



Section Three: The Location

NEARBY DEVELOPMENTS

1725 23rd Street is situated in the path of development near R Street. This part of town is experiencing an urban renaissance, with new mixed-use towers replacing vacant lots and blighted warehouses.

Ice Blocks - 17th and R Street

Retail: 75,000 SF	Residential: 148 units	Office: 97,000 SF	Completion Date: 2018
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Notes:

Three block project at 16th through 18th Streets on R Street. The Ice Blocks consist of six buildings with retail on the ground floor and is anchored by West Elm. Other retailers include Title Boxing Club, Device Brewing Company, Mendocino Farms and Curry Up Now. Three levels of office and 148 apartments above are connected by a glass skybridge.

1430 Q Street - 15th and Q Street

Retail: 9,000 SF	Residential: 75 luxury units	Completion Date: Q1 2020
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Notes:

1430 Q is the newest development along the R Street corridor and is centered in Sacramento's Fremont Park neighborhood. The building is a transit-oriented development thanks to the proximity of the 16th Street light rail station. 1430 Q boasts modern features for modern urbanites: bike storage, a fitness center, pet washing station, and a rooftop terrace providing spectacular views of the city.

Warehouse Artist Lofts (WAL) - 11th and R Street

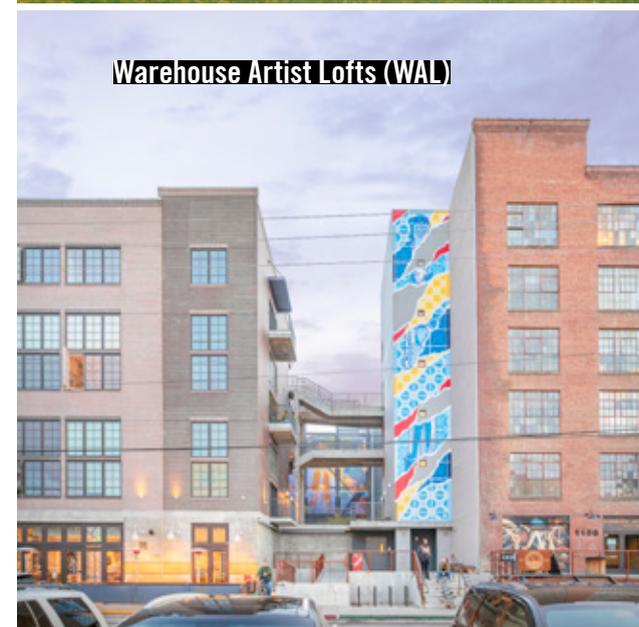
Retail: 6,000 sf	Residential: 116 affordable units	Completion Date: 2015
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Notes:

The transit-oriented development includes adaptive reuse of the historic Lawrence Warehouse, a six-story structure built in 1914. Warehouse Artist Lofts is a mixed-use, mixed-income community for artists located in downtown Sacramento's Historic R Street District. The community includes 116 rental apartments, ranging from studios to three-bedroom units, and ground floor commercial/retail space.



Ice Blocks



Warehouse Artist Lofts (WAL)



1430 Q Street

Q19 - 19th and Q Street

Retail: 1,985 sf	Residential: 68 luxury units	Completion Date: 2019	Other: TCRE sold this project
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Notes:
Q19 is Midtown Sacramento's newest and most progressive Mixed-Use Multi-Family Residential Property. Enjoying a AAA location in the heart of Midtown, Q19 is a 4-story mid-rise project comprised of 33 Studio, 26 one-bedroom and 9 two-bedroom luxury apartment units in addition to 1,985 SF of retail.

20 PQR - 20th and Q Street

Retail: None	Residential: 32 townhomes	Completion Date: 2017
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Notes:
The 20PQR community consists of 32 detached townhomes, complete with a unique roof deck option for skyline views and private outdoor living. 20PQR townhomes range in size between 1700-1900 square feet and are priced from the low-mid \$600,000's.

1717 S Street - 17th and S Street

Retail: TBD	Residential: 159 units	Completion Date: 2021/22
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Notes:
A new mixed-use residential project, 1717 S, is slated to be a housing project that will provide 159 mixed income units. Spearheaded by the late Ali Youseffi, who also developed projects such as the Warehouse Artists' Lofts (also known as The WAL) and The Hardin, 1717 S will add to the much needed inventory of affordable housing.

1500 S Street - 15th and S Street

Retail: 13,000 SF	Residential: 76 units	Completion Date: 2022
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Notes:
This mixed-use project will house 76 residential units sitting above 13,000 sf of commercial space. There will be a mix of one, two, and three bedroom units.



Press @ Midtown Quarter - 21st and Q Street

Retail: 8,600 SF	Residential: 277 units	Completion Date: Q2 2020
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Notes:
Situated on the block of 21st Street between Q and R Streets, with 21st being a high traffic one-way street into the grid, the corner location benefits from visibility from over 20,000 cars per day. As with cars traveling up Q Street and 21st street, the building is located on the "driver's side" of the street thus creating maximum exposure for any user. Developer: SKK.

Market 5-ONE-5 - 9th and R Street

Retail: 11,200 SF	Completion Date: 2018
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Notes:
This 11,200 sq. ft. project is a grocery store reminiscent of a neighborhood corner market that falls under the Raley's family of grocery stores. The store features both conventional and specialty groceries with an emphasis on natural and organic products. The project also includes restaurant space, and outdoor seating.



SACRAMENTO

15.3 MILLION
ANNUAL REGIONAL VISITORS

71,335
DAYTIME EMPLOYEES

215+
BARS / RESTAURANTS

California's fastest-growing metropolitan area!

While the Golden 1 Center has expedited urban renovation on the K Street Grid, the renaissance of Sacramento's urban sectors surrounding the K Street Grid has been underway for several years now. Residential migration to the higher density urban cores is a phenomenon easily recognizable in Tier 1 population centers like New York, Chicago, Philadelphia, and in California, Los Angeles, San Francisco and San Diego. This same pattern is now beginning in

Tier 2 population centers like Portland, Denver, San Antonio and Sacramento.

The urban core of Sacramento (Downtown and Midtown) is the most desirable business location the Sacramento region and easily boasts the lowest combined commercial vacancy rate, hovering between 5–8%. This figure is impressive when factoring in many buildings marketed as "available" that are functionally obsolete and non-compliant. The ur-

ban core is the perfect fusion of multi-generational locally owned business, organic youth infused retail and services, a healthy dose of carefully selected national and regional retailers, the best restaurants east of the Bay Bridge, an eclectic mix of high-end demographic occupations all magically embedded in a landscape of unique older buildings and mature trees and flora.



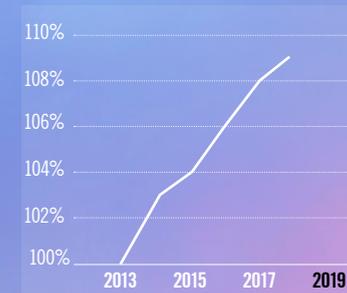
THERE'S A REASON EVERYONE IS COMING HERE.



SACRAMENTO DATA BITES

Sacramento's relative affordability versus amenities remains one of its biggest draws. Population growth is expected to average about 1% (20,000 annually for the region) over the next five years and is expected to outpace the national average. Household growth continues to far outpace the rate of single-family and apartment deliveries. In recent years, Bay Area residents have flocked to Sacramento to escape exorbitant housing costs.

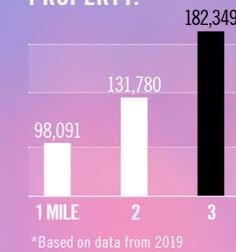
FASTER GROWTH THAN AVG IN PROFESSIONALS WITH BACHELORS



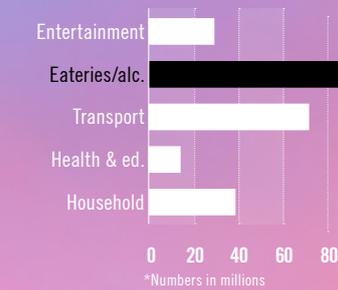
SACRAMENTO'S CITY RANKINGS

- #1 Happiest workers in midsized cities
- #2 Top 10 most fun, affordable U.S. cities
- #4 U.S. metro clean tech index
- #4 Best cities for nerds
- #5 Hot startup cities
- #10 Best cities for women in the workforce
- #10 Best cities for coffee snobs
- #10 Least Stressed-out cities
- #14 America's coolest cities
- #16 Best cities for millennials

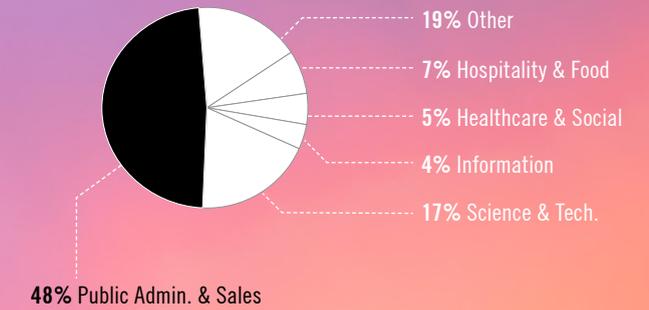
NUMBER OF EMPLOYEES WITHIN VARYING RADIUS OF THE PROPERTY:



ANNUAL CONSUMER SPENDING WITHIN A ONE MILE RADIUS OF THE PROPERTY:



LARGEST EMPLOYMENT INDUSTRIES WITHIN 1 MILE RADIUS OF THE PROPERTY:



SACRAMENTO REGION ANNUAL SALARY BREAKDOWN:



WALK SCORE: 90
BIKE SCORE: 98
TRANSIT SCORE: 69

ECONOMICS

Significant value upside in the heart of the r street corridor with long term development potential

2021 Actual Proforma:

REVENUE				
State of CA Parks & Recreation	10,146	\$20,145.87	\$1.99	\$241,750.44
State of CA Public Health	13,154	\$25,441.29	\$1.93	\$305,295.48
State of CA Parks & Rec OHV	11,480	\$21,343.30	\$1.86	\$256,119.60
Common	3,620	\$0.00	\$0.00	\$0.00
Parking (96 stalls)		\$0.00		
Upcoming CPI Increase		\$750.00		\$9,000.00
Subtotal	38,400	\$67,680.46	\$1.76	\$812,165.52

EXPENSES				
Item	Monthly	Monthly Per SF	Annual	Annual Per SF
Janitorial	\$3,246.08	\$0.08	\$38,952.96	\$1.01
Electricity	\$2,800.00	\$0.07	\$33,600.00	\$0.88
Gas	\$385.00	\$0.01	\$4,620.00	\$0.12
Water/Sewer	\$525.00	\$0.01	\$6,300.00	\$0.16
Garbage	\$81.13	\$0.00	\$973.56	\$0.03
Landscaping	\$465.39	\$0.01	\$5,584.68	\$0.15
Pest Control	\$85.00	\$0.00	\$1,020.00	\$0.03
Elevator Cell Line	\$45.00	\$0.00	\$540.00	\$0.01
Elevator/Lift	\$47.67	\$0.00	\$572.04	\$0.01
Elevator Permits	\$29.17	\$0.00	\$350.04	\$0.01
Fire Alarm	\$121.69	\$0.00	\$1,460.28	\$0.04
Extinguishers	\$16.25	\$0.00	\$195.00	\$0.01
PD Alarm Permit	\$2.50	\$0.00	\$30.00	\$0.00
HVAC Repairs & Maintenance	\$100.00	\$0.00	\$1,200.00	\$0.03
Insurance	\$593.08	\$0.02	\$7,116.96	\$0.19
Property Taxes (@\$10.575m)	\$10,344.07	\$0.27	\$124,128.81	\$3.23
Subtotal	\$18,887.03	\$0.49	\$226,644.33	\$5.90
Net Operating Income	\$585,521.19			



2022 Proforma:

REVENUE					
Tenant	SF / Units	Monthly Base Rent	Monthly Base Rent Per Net USF	Annual Base Rent	Notes
New Tenant / Suite 100	11,100	\$27,195.00	\$2.45	\$326,340.00	\$10 TI
State of CA Public Health	13,154	\$27,397.49	\$2.08	\$328,769.84	* 2.5% increase annually est.
New Tenant (Suite 200)	12,559	\$30,769.55	\$2.45	\$369,234.60	\$10 TI
Common	1,587	\$0.00	\$0.00	\$0.00	
Parking (96 stalls)		\$7,375.00		\$88,500.00	59 stalls * \$125/stall
Subtotal	38,400	\$92,737.04	\$2.42	\$1,112,844.44	

EXPENSES					
Item	Monthly	Monthly Per SF	Annual	Annual Per SF	
Janitorial	\$3,327.23	\$0.09	\$39,926.78	\$1.04	2.5% annual increase over 2021
Electricity	\$2,870.00	\$0.07	\$34,440.00	\$0.90	2.5% annual increase over 2021
Gas	\$394.63	\$0.01	\$4,735.50	\$0.12	2.5% annual increase over 2021
Water/Sewer	\$538.13	\$0.01	\$6,457.50	\$0.17	2.5% annual increase over 2021
Garbage	\$83.16	\$0.00	\$997.90	\$0.03	2.5% annual increase over 2021
Landscaping	\$477.02	\$0.01	\$5,724.30	\$0.15	2.5% annual increase over 2021
Pest Control	\$87.13	\$0.00	\$1,045.50	\$0.03	2.5% annual increase over 2021
Elevator Cell Line	\$46.13	\$0.00	\$553.50	\$0.01	2.5% annual increase over 2021
Elevator/Lift	\$48.86	\$0.00	\$586.34	\$0.02	2.5% annual increase over 2021
Elevator Permits	\$29.90	\$0.00	\$358.79	\$0.01	2.5% annual increase over 2021
Fire Alarm	\$124.73	\$0.00	\$1,496.79	\$0.04	2.5% annual increase over 2021
Extinguishers	\$16.66	\$0.00	\$199.88	\$0.01	2.5% annual increase over 2021
PD Alarm Permit	\$2.56	\$0.00	\$30.75	\$0.00	2.5% annual increase over 2021
HVAC Repairs & Maintenance	\$102.50	\$0.00	\$1,230.00	\$0.03	2.5% annual increase over 2021
Insurance	\$607.91	\$0.02	\$7,294.88	\$0.19	2.5% annual increase over 2021
Property Taxes (@\$10.575m)	\$10,550.95	\$0.27	\$126,611.38	\$3.30	2.5% annual increase over 2021
Subtotal	\$19,307.48	\$0.50	\$231,689.79	\$6.03	
Net Operating Income	\$881,154.65				

2022 Value at 5.75% Cap Rate	5.52%	\$15,962,946.57
Property Value Increase After Purchase		\$15,962,946.57
Cap Rate on Original Purchase Price		8.33%

2026 Proforma:

REVENUE	SF / Units	Monthly Base Rent	Monthly Base Rent Per Net USF	Annual Base Rent	Notes
Tenant					
New Tenant / Suite 100	11,100	\$29,970.00	\$2.70	\$359,640.00	
New Tenant or State of CA at market rate	14,741	\$39,800.70	\$2.70	\$477,608.40	\$10 TI
New Tenant (Suite 200)	12,559	\$33,135.44	\$2.64	\$397,625.28	
Common	-	\$0.00	\$0.00	\$0.00	
Parking (96 stalls)		\$12,960.00		\$155,520.00	96 stalls * \$135/stall
Subtotal	38,400	\$115,866.14	\$3.02	\$1,390,393.68	

EXPENSES	Monthly	Monthly Per SF	Annual	Annual Per SF	
Item					
Janitorial	\$3,672.64	\$0.10	\$44,071.70	\$1.15	2.5% annual increase over 2021
Electricity	\$3,167.94	\$0.08	\$38,015.32	\$0.99	2.5% annual increase over 2021
Gas	\$435.59	\$0.01	\$5,227.11	\$0.14	2.5% annual increase over 2021
Water/Sewer	\$593.99	\$0.02	\$7,127.87	\$0.19	2.5% annual increase over 2021
Garbage	\$91.79	\$0.00	\$1,101.49	\$0.03	2.5% annual increase over 2021
Landscaping	\$526.55	\$0.01	\$6,318.55	\$0.16	2.5% annual increase over 2021
Pest Control	\$96.17	\$0.00	\$1,154.04	\$0.03	2.5% annual increase over 2021
Elevator Cell Line	\$50.91	\$0.00	\$610.96	\$0.02	2.5% annual increase over 2021
Elevator/Lift	\$53.93	\$0.00	\$647.21	\$0.02	2.5% annual increase over 2021
Elevator Permits	\$33.00	\$0.00	\$396.04	\$0.01	2.5% annual increase over 2021
Fire Alarm	\$137.68	\$0.00	\$1,652.17	\$0.04	2.5% annual increase over 2021
Extinguishers	\$18.39	\$0.00	\$220.62	\$0.01	2.5% annual increase over 2021
PD Alarm Permit	\$2.83	\$0.00	\$33.94	\$0.00	2.5% annual increase over 2021
HVAC Repairs & Maintenance	\$113.14	\$0.00	\$1,357.69	\$0.04	2.5% annual increase over 2021
Insurance	\$671.02	\$0.02	\$8,052.19	\$0.21	2.5% annual increase over 2021
Property Taxes (@\$10.575m)	\$11,420.69	\$0.30	\$137,048.23	\$3.57	2.5% annual increase over 2021
Subtotal	\$21,086.26	\$0.55	\$253,035.13	\$6.59	
Net Operating Income	\$1,137,358.55				

2026 Value at 5.75% Cap Rate	5.52%	\$20,604,321.50
Property Value Increase After Purchase		\$20,604,321.50
Cap Rate on Original Purchase Price		10.76%

Recent Capital Upgrades (Over \$500K Total):

- Elevator modernization major upgrade
- 4 New AC Units
- Parking lot reseal & restripe
- Secured bicycle storage
- Upgraded carpet and paint throughout the tenant suites
- Upgraded carpet and paint throughout the common area

Rent Roll:

Suite	Tenant	Square Feet	Percentage of Building	Expiration	Base Monthly Rent FSG	Base Monthly Rent Per SF FSG	Base Annual Rent FSG	Increases / Notes:
Suite 100	State of California: Parks & Recreation Office of Historic Preservation	10,146	26%	"Firm Term: April 30, 2022 Soft Term: April 30, 2026"	\$20,145.87	\$1.99	\$241,750.44	State will be vacating at end of firm term, April 30, 2022.
Suite 110 and 210	State of California: Department of Public Health	13,154	34%	"Firm Term: May 14, 2022 Soft Term: May 14, 2026"	\$25,441.29	\$1.93	\$305,295.48	CPI increase every January 1, CPI notice given every mid Dec, \$0.05 annual increase during soft term every May
Suite 200	State of California: Parks & Recreation Off Highway Vehicles	11,480	30%	Soft Term: October 31, 2023	\$21,343.30	\$1.86	\$256,119.60	State will be vacating at end of 2021.
Common Area		3,620	9%	N/A				State of California only pays on usable square feet. Currently common area not paid for as part of tenant square footage.
Parking		96 stalls		Currently included in the rent on each lease.				
Upcoming CPI Increase					\$750		\$9,000	
TOTALS		38,400	100%		\$67,680.46		\$812,166	

1725
23RD STREET



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