

OFFERING MEMORANDUM

HALEKUI CENTER 563-565 FARRINGTON HIGHWAY, KAPOLEI HAWAII

PRICE: \$18,000,000



**Shadow Anchored Retail Center
in High Growth Location**



OFFERING MEMORANDUM

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Exclusive Advisors

This Offering Memorandum contains select information pertaining to the business and affairs of the Property at 563-565 Farrington Highway, Kapolei Hawaii. It has been prepared by Colliers International. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property.

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> Investment Summary

INVESTMENT HIGHLIGHTS

Investment Summary

Halekuai Center is located near the hard corner intersection of Farrington Highway (31,300 vehicles per day) and Fort Barrette Road/ State Highway 901 (16,200 vehicles per day). The subject property is located just opposite to the Kapolei Shopping Center and Kapolei Marketplace, anchored by Safeway Supermarket and Longs Drug Store, all creating strong co-tenant synergy. TheBus has a stop at the Halekuai Center, which increases pedestrian traffic flow and consumer spending at this property. It stops every hour from 4:30am – 10:45 pm. National tenants within close proximity of the subject property include Walmart, Costco, Home Depot, Kmart, Target, and Ross Dress for Less, making this the dominant retail corridor in this part of Oahu. Additionally, the site benefits from over 116,100 customers with approximately \$97,700 average household incomes and over 28,000 day-time employees within the 5-mile radius of the subject property. High quality national / credit tenants within the center include Chevron, Starbucks, Papa Johns, Anytime Fitness and Jamba Juice.

Kapolei has one of the highest disposable incomes in all of Hawaii, and its **population is projected to increase nearly 64%** over the next two decades. Most of the island's population growth is occurring in the Ewa Plain and the **area around Kapolei with jobs expecting to double in the next 20 years**. The town is being developed as an urban center, second to Honolulu.



INVESTMENT HIGHLIGHTS

LOCATED IN AN AFFLUENT RETAIL TRADE AREA - HIGH INCOMES IN EXCESS OF \$101,000

- High income residents will ensure long-term rent growth and success for the Halekuai Center. Creates significant upside by upgrading the tenant base within the property to cater to high income consumers.
- There are nearly 320,000 permanent residents within a 10-mile radius of the subject property.
- The average household income within a 1-mile radius of the subject property is in excess of \$101,000.

KAPOLEI - OAHU'S FASTEST GROWING CITY

- The property is located approximately 30 minutes from downtown Honolulu in Kapolei, the fastest growing city on Oahu and the island's "second city".
- Future growth of 4.5% over next 5 years.
- Kapolei has grown 46% in the last 14 years within a 1-mile radius of the property.
- Halekuai Center benefits from its ideal location along Highway 1 and is visible to the nearly 31,000 vehicles per day which pass by each day along Farrington Highway.
- Construction is underway on a 20-mile light rail transit line, which will connect Kapolei with downtown Honolulu and Honolulu International Airport.

HIGH QUALITY TENANT PROFILE WITHIN CENTER / CLOSE PROXIMITY TO STRONG INVESTMENT GRADE / CREDIT TENANTS

- Halekuai Center is occupied by many strong national/credit tenants including: Texaco (S&P Rated AA), Starbucks (S&P Rated A-), Papa John's (4,400+ locations), Anytime Fitness (2,400+ locations), and Jamba Juice (850+ locations).
- The property is located within close proximity to many investment grade/credit tenants including: Safeway (adjacent), Longs Drugs (adjacent), Walmart Supercenter, The Home Depot, Costco, and Target.
- The excellent tenant line-up within the property and its close proximity to these strong investment grade/credit tenants allows for tremendous tenant synergy and cross-over traffic.

HIGH QUALITY CONSTRUCTION

- Pride of ownership
- Attracts tenants and customers

BELOW MARKET RENTS WITH STRONG UPSIDE POTENTIAL

- Starbucks is paying below market rent for the end cap space.
- Texaco is paying a below market rent of \$150,000 yr. - fair market option in 2021 could be in excess of \$300,000.
- Shop space is below market for immediate area.
- Potential for future investor to recapture more CAM for Texaco.
- Creates excellent future asset appreciation.
- Low rent basis offers the investor the ability to grow rents & increase value.
- Buyer has the potential to achieve double digit cash flow.

LONG-TERM GROUND LEASE

- 40 years remaining on the ground lease, creating a basically fee interest asset.
- Potential to buyout land owner with the First Right of Refusal to Purchase.
- 100% structural investment = 100% depreciation

BUS STATION STOP AT THE SUBJECT PROPERTY

- One of the busiest stops in trade area, creating instant patrons and consumer spending for the tenants.

NEW RESORTS / KO OLINA WITHIN CLOSE PROXIMITY

- The first Four Seasons on Oahu replaced the JW Marriot in 2016
- Disney Aulani - 1,120 units, including 2014 expansion of 300 rooms
- Marriott timeshare - 778 units
- Ko Olina timeshare - 622 units
- Total - 2,607 units

STRONG RENTAL INCREASES / 66% OF INCOME STREAM HAS ANNUAL RENT INCREASES

- A majority of the tenants have annual rent increases throughout their lease terms, which hedges against inflation, and increases return on investment.
- Very competitive, assumable CMBS debt
 - Current loan balance \$10,350,000
 - Fixed interest rate is 4.82%
 - Interest only remaining until August 19, 2020

INVESTMENT HIGHLIGHTS

STRONG HISTORICAL OCCUPANCY/ NEARLY 40% OF TENANTS HAVE OCCUPIED FOR 10+ YEARS

- The national / credit tenants (Texaco, Starbucks, Jamba Juice, and Papa John's) have all occupied the center since its inception in 2001, which creates security in a stable cash flow for the future investor.
- Starbucks extended their lease for additional 10 years, and plans a stone remodel which further highlights the strength of the center and location.

UNIVERSITY OF HAWAII WEST OAHU CAMPUS

- The University of Hawaii's new West Oahu campus is located approximately 1 mile of Halekuai Center.
- The campus opened in 2012 with approximately 1,937 students plus 550 faculty and staff. Currently, enrollment is 3,082 undergraduate students.

NEW HOUSING DEVELOPMENTS IN KAPOLEI -OVER NEARLY 12,000 UNITS PLANNED (HIGH GROWTH AREA)

- There are multiple housing developments currently approved by the city near the subject property, including: Makaiwa Hills (4,300 units), West Kapolei (2,500 units), Hunt Development (1,000 units), UH West (1,000 units), Kapolei North (1,200 units), Franco Mola (580 units), Forest City (500 units), and Leihano (332 units).
- Very rare high growth area in Hawaiian Islands.

INCREASING VISTOR ARRIVALS & POSITIVE JOB GROWTH

- Over 2.5 MM tourists visited Oahu in the first part of 2013, an increase of 2.8% compared with the same period in 2012.
- Visitor spending totaled \$3.7 billion in the first half of 2013, which totaled 50% of tourism spending in the state of Hawaii.
- Unemployment dropped to 4.7% in 2013, down from 6.6%, in Oahu.

NEW HIGH SPEED RAIL CONNECTING KAPOLEI TO DOWNTOWN HONOLULU AND HONOLULU INTERNATIONAL AIRPORT

- Honolulu High-Capacity Transit Corridor Project is a 20-mile elevated rail line featuring 21 stations (see map).
- Total travel time of 42 minutes, include stops, will take passengers from the beginning of the line in East Kapolei to its endpoint at Ala Moana Center.
- Approximately 10,000 jobs each year will be attributed to the construction of the project.

HIGH BARRIERS TO ENTRY

- Hawaii is currently one of the country's most expensive markets to develop in due to numerous factors including construction materials, lengthy entitlement process, extended delivery times and the high cost of materials.
- The typical permit to completion time for new developments in Hawaii is seven years, making new developments cost prohibitive.



Price:	\$18,000,000
Year One NOI:	\$1,090,364
CAP Rate:	6.08%
10 Year BTIRR:	15.14%

> Property Information

PROPERTY INFORMATION

Site Details

LEASABLE	28,885 SF
PRODUCT TYPE:	Retail with Gas Station
ADDRESS:	563-565 Farrington Highway, Kapolei HI
GROSS LAND AREA:	87,000 SF / 30,650 Leased to Texaco
LEASED:	24,495 SF / 86% Leased
COMPLETED:	2001
CONSTRUCTION:	Reinforced Concrete
STORIES:	2
APN:	1911060040000



Quality Tenants



Well Maintained



62 Walk Score



Access to Transit



High Growth Area



STRONG UPSIDE POTENTIAL RELATED TO TEXACO GAS + C-STORE

- Texaco's current rent is well below current market rent levels.
- Recent gas station leasing activity on Oahu has seen rents in range of \$300,000 per year.
- Texaco's pro rata share of CAM could be reallocated based on tenant's land square feet (30,650) vs. current square feet of its C-Store (3,130)

PROPERTY INFORMATION

NEARBY AMENITIES

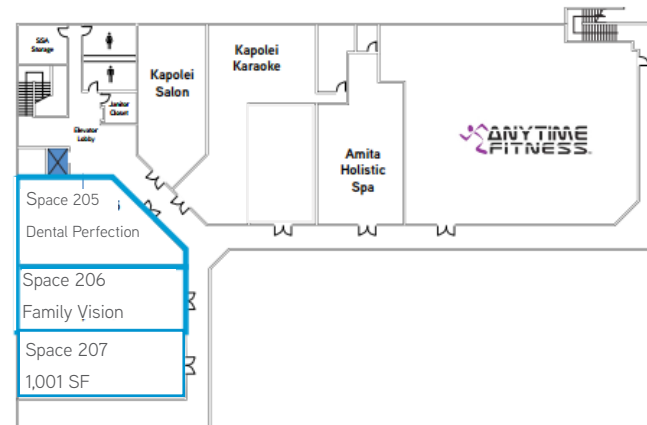
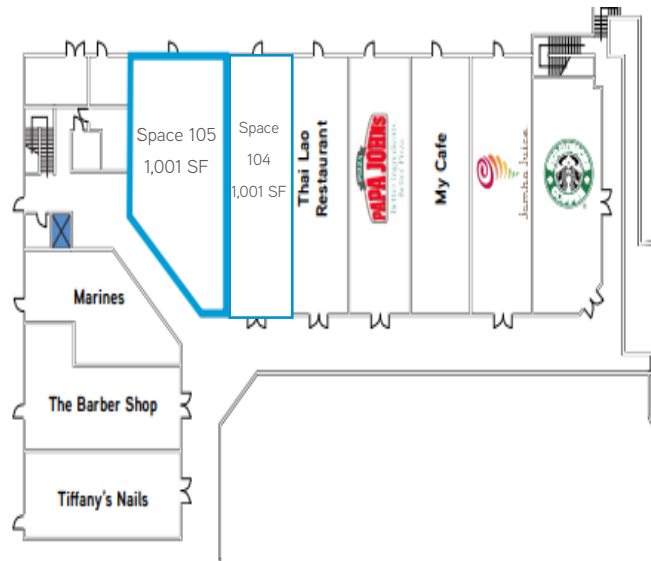


PROPERTY INFORMATION

Floorplans

Directory

Suite Number	Tenant	SF
101	Starbucks	1,375
101A	Jamba Juice	1,278
101B	My Cafe	1,116
102	Papa Johns	1,444
103	Thai Lao	1,200
104	Vacant	1,281
105	Vacant	1,658
106	Marine Recruiting	937
107	Hair Cave	1,512
108	Tiffany's Nails	997
201	Anytime Fitness	4,500
202	Amita Holistic Spa	1,300
202A	Kapolei Karaoke	1,660
205	Dental Perfection	1,226
206	Family Vision	1,175
207	Vacant	1,001
208	Kapolei Salon	970
PAD	Chevron	30,650



Site Plans not to scale

> Market Overview

MARKET OVERVIEW

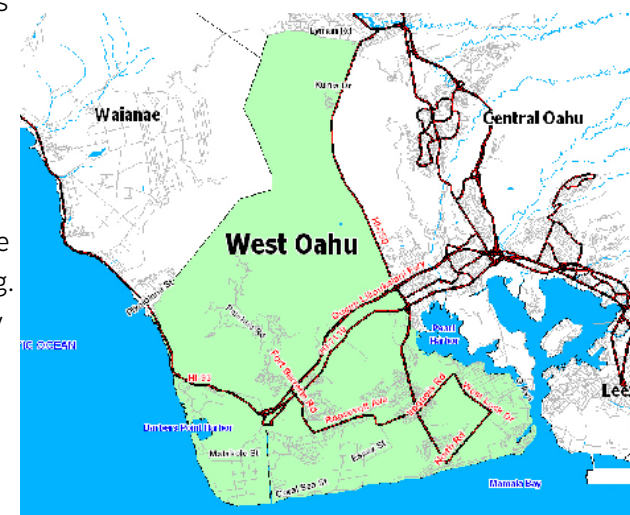
City of Kapolei

Kapolei is located on Oahu's south shore, about 25 miles (40 km) west of downtown Honolulu. In the past, the land where Kapolei is now located was agricultural land, used for sugarcane and pineapple production. Today, Kapolei is rapidly growing and already has a population of 15,186 and the median age of 34. **Jobs are expected to double in the next 20 years.** The town is being developed as an urban center, second to Honolulu. The population is projected to **increase nearly 64% over the next two decades.** In fact, much of the island's growth is occurring in the Ewa Plain and the area around Kapolei.

In 2002, Pacific Business News reported that Kapolei had the second highest median income on the island of Oahu, at \$62,303. Sperlings's Best Places reports Kapolei median income of \$70,129, compared to the national average of \$42,350. Nearly one household in five has income exceeding \$100,000, with a home ownership rate of 70%.

The median home value in Kapolei is \$521,600. Kapolei home values have gone up 6.1% over the past year and Zillow predicts they will rise 1.8% within the next year. The median list price per square foot in Kapolei is \$367, which is lower than the Honolulu Metro average of \$455. The median price of homes currently listed in Kapolei is \$545,000 while the median price of homes sold is \$486,250. The median rent price in Kapolei is \$2,500, which is higher than the Honolulu Metro Median of \$2,000.

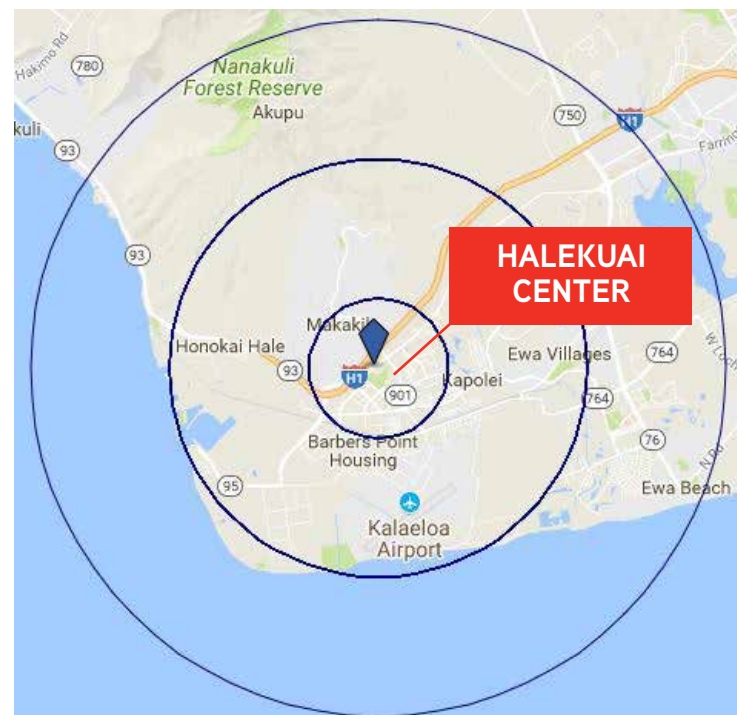
Located near Kapolei is also an industrial area, the Campbell Industrial Park featuring a deep-water port, and Barbers Point Naval Air Station, with its Kalaeloa Airport. One attraction near Kapolei is Wet'n'Wild Hawaii, a 25-acre open air water park featuring many water slides, pools and hot tubs. Near Kapolei is Ko Olina, an upscale resort community. The man-made Ko Olina Lagoons feature nice beach coves and a sheltered area for swimming. Kapolei also has a small but growing contingent of private schools, including college prep Island Pacific Academy in the city of Kapolei, The American Renaissance Academy of Kapolei, and Seagull schools for pre-school and K-2. Two public school complexes serve the Kapolei region – the Kapolei Complex for Kapolei and Makakilo, and the Campbell Complex for Ewa Beach communities. Upper division schools provide a continuum of post-secondary education at Leeward Community College, University of Hawaii West Oahu, and The University of Phoenix.



MARKET OVERVIEW

Local Demographics

DISTANCE TO/FROM PROPERTY	1 MILE	3 MILE	5 MILE
2017 Population:	17,466	53,581	130,944
2022 Population:	18,563	56,624	137,025
Pop Growth 2017-2022:	6.28%	5.68%	4.64%
Average Age:	36	34	35
HOUSEHOLDS			
2017 Total Households:	4,984	15,608	36,438
2022 Total Households:	5,331	16,558	38,254
HH Growth 2017-2022:	6.96%	6.09%	4.98%
2017 Median Household Income:	\$109,814	\$105,810	\$100,138
2017 Average Household Size:	3.5	3.4	3.5
HOUSING			
2017 Median Home Value:	\$568,785	\$551,745	\$516,293
2017 Renter Occupied:	1,015	4,868	11,089



MARKET OVERVIEW

AERIAL VIEW - DEVELOPMENTS



MARKET OVERVIEW

AERIAL VIEW - DEVELOPMENTS



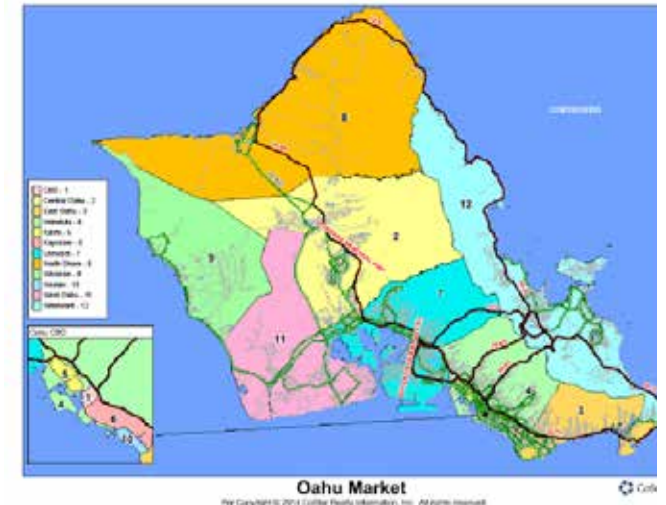
KO OLINA RESORT
Ko Olina Resort encompasses 2,200 of 9,200 approved units built and occupied (5,200 residential and 4,000 hotel units.) At full build-out, the area will be comparable in number of units to West Maui (Lahaina to Kapaula).

- Four Seasons replaced the JW Marriott in 2016
- Disney Aulani - 1,120 units, including 2014 expansion of 400 rooms
- Marriott timeshare - 778 units
- Ko Olina timeshare - 622 units
- Total - 2,607 units
- 2013 ADR - \$363.35 (Sample of 1,564 rooms)

MARKET OVERVIEW

City of Honolulu

Honolulu, located on the southern coast of Oahu in Hawaii, is the state's largest, best-known and capital city. The Hawaiian Islands were first discovered by British captain James Cook in 1778 and annexed as a US territory by President McKinley in 1898. The capital of the Kingdom of Hawaii since 1845, Honolulu became the commercial hub of the Pacific and a strategic military center thanks to its geography (Honolulu in Hawaiian means “sheltered bay”). In the early 1900s, the US Navy established a Pacific headquarters at Honolulu's Pearl Harbor; Japan's bombing of Pearl Harbor in 1941 brought the US into World War II. The US Army soon built Schofield Barracks in the mountains of Central Oahu. After the War, these bases expanded, making the military an important part of the city's economy.



Median Household income of
\$60,548/year

Honolulu Population 2017
402,500(Estimated)

MARKET OVERVIEW

Employment

The Brookings Institute's January 2016 Metro Monitor composite index ranks the 100 largest MSA's across job growth, unemployment, gross product range and home prices. Portland ranked 15th for overall growth and also compares favorably to other top metropolitan areas.

- 12th in average wage with a 5.3% increase over the past five years.
- 15th in GMP per capita with a 9.4% increase over the past five years.
- 22nd in jobs with a 9.7% increase over the past five years.
- 25th in employment to population ratio with a 2.2% increase over the past five years.

Kapolei's Largest Employers





AULANI RESORT & SPA

- Aulani, the much-anticipated Disney resort and spa, staged its official sunset grand opening event - complete with Hawaiian music, a dazzling light show, and a ceremonial mixing of sand with pixie dust.
- After three years of construction on Oahu's Leeward coast, Aulani, which bills itself as aiming to combine the "magic of Disney storytelling and guest service with the beauty and traditions of Hawaii," opened its first phase to guests on Aug. 29.
- In a news release issued on the date of the grand opening (Sept 22), Tom Staggs, chairman of Walt Disney Parks and Resorts, described the resort as a sort of gateway to the Hawaiian Islands. Aulani captures the spirit of the islands, and we look forward to welcoming guests from around the world to the magnificent shores of Oahu for many years to come," Staggs said.
- Aulani - Disney's first Hawaii destination property - occupies 21 acres of beachside property in Ko Olina, adjacent to a nine-acre, man-made ocean lagoon. Ko Olina is 17 miles from Honolulu International Airport, about a 40-minute drive from Waikiki. When all phases are complete, Aulani will include 359 traditional hotel rooms and 481 two-bedroom equivalent Disney Vacation Club villas in two towers.

RESORT HIGHLIGHTS

- 359 Hotel Rooms, including 16 Suites
- 481 Disney Vacation Club Villas, including 21 Grand Villas

- Aulani, in Hawaiian, means: "messenger of a chief - someone who speaks on behalf of a higher authority." (Disney officials say the resort serves as a messenger of the Hawaiian spirit, people and culture.) "The name 'Aulani' expresses a connection to tradition and deep storytelling - and its roots are in this land right here," said Joe Rohde, senior vice president and creative executive, Walt Disney Imagineering, who led the design of the resort.
- Among the resort's nods to Hawaiian authenticity: a restaurant lounge in which every object is labeled in Hawaiian and the staffers speak both Hawaiian and English.
- While Aulani does not offer midway-style Disney rides, it does sport seven acres of water play areas. Aulani's Wai Kolohe, or "mischievous water" in Hawaiian, includes a series of water-slides, pools, and plenty of activities for kids.
- Aulani also will host big-group events. When all phases are complete, there will be nearly 50,000 square feet of meeting space, including a 14,545-square-foot conference center, main ballroom, four breakout rooms, and pre-function space. Disney also has created three event lawns, one of which is an oceanfront wedding lawn.

HONOLULU RAPID RAIL TRANSIT

8,000 PASSENGERS

The purpose of the Honolulu Rail Transit Project, or Honolulu High Capacity Transit Corridor Project, is to provide high-capacity rapid transit in the highly congested transportation corridor situated between Kapolei and UH Manoa an Waikiki. The project will improve corridor mobility, transit reliability, and service equity, while improving access to master planned development, including the second city of Kapolei.

The Honolulu Rail Transit Project, or Honolulu High-Capacity Transit Corridor Project is a 20 -mile, elevated rail line featuring 21 stations. The project will connect West Oahu with the Honolulu International Airport, continuing through downtown Honolulu with a final stop at Ala Moana Center.

A total travel time of 42 minutes, including stops, will take passengers from the beginning of the line in East Kapolei to its end point at Ala Moana Center.

The system features modern, electric, steel-wheel-on-steel rail trains, each capable of carrying hundreds of passengers in each direction. The system will move approximately 8,000 passengers in each direction during peak-travel hours.

Rail transit will be a fast, attractive, and reliable alternative to driving for many commuters. By year 2030, about 116,300 trips per weekday are expected on rail transit. The system will remove about 40,000 vehicles from our roads each weekday by the year 2030.

This reduction in the number of cars and trucks on our congested streets will deliver benefits and improve travel times for everyone - train riders, bus passengers and vehicle drivers.

Approximately 10,000 jobs each year will be attributed to the construction of the rail project. In addition, transit-oriented development will take place around rail stations, which has the potential to infuse our economy with billions of dollars during the coming decade.

The capital cost for building the 20-mile rail line is \$51 billion, including finance charges. This figure has been adjusted for inflation and represents the cost through 2019, when construction is anticipated to be completed. Contingency is more than \$600 million.

Rail construction will be funded by two sources:

Local Funding - The 1/2 percent surcharge for the General Excise and Use Tax (GET) is paid by residents, businesses, and visitors on Oahu. This is expected to net approximately \$3.7 billion. The city has collected and banked nearly \$1 billion in GET surcharge for rail to date.

Federal Funding - The Federal Transit Administration (FTA) has signed a Full Funding Grant Agreement (FFGA) to contribute \$1.55 billion in New Starts funding to build Honolulu's rail system. Congress has already appropriated \$65 million for planning and design, and the Obama Administration had awarded another \$55 million for Honolulu rail in its budget.





KAPOLEI GOLF CLUB


> Comparables


RENT & SALE COMPARABLES

Rent Comparables

	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: A-100 Kapolei, HI 96707	West Oahu, Kapolei	1,296 SF	\$4.60 NNN	\$0.83	120	5-1-2018	4-30-2018	\$19,440.00	5


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: C-150 Kapolei, HI 96707	West Oahu, Kapolei	1,500 SF	\$4.40 NNN	\$0.83	120	5-1-2018	4-30-2018	\$37,500.00	5


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: A-120 Kapolei, HI 96707	West Oahu, Kapolei	1,035 SF	\$4.50 NNN	\$0.83	30	4-1-2018	3/31/2023	0	4


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: A-140 Kapolei, HI 96707	West Oahu, Kapolei	1,014	\$4.75 NNN	\$1.14	60	2-1-2018	1/31/2023	\$15,210.00	0


RENT & SALE COMPARABLES

Rent Comparables

	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: B110 Kapolei, HI 96707	West Oahu, Kapolei	950 SF	\$4.75 NNN	\$0.83	60	5-1-2017	4-30-2022	\$7,125.00	3


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: B-130 Kapolei, HI 96707	West Oahu, Kapolei	1,500 SF	\$4.25 NNN	\$0.83	125	11-1-2016	1-31-2027	\$45,000.00	3


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: C-100 Kapolei, HI 96707	West Oahu, Kapolei	1,339 SF	\$5.00 NNN	\$0.83	123	8-1-2016	10-31-2026	0	3


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kealanani Plaza 91-650 Farrington HWY Suite: A-130 Kapolei, HI 96707	West Oahu, Kapolei	971 SF	\$4.60 NNN	\$0.83	62	8-1-2016	9-30-2021	0	2


RENT & SALE COMPARABLES

Rent Comparables

	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kapolei Commons 4450 Kapolei Parkway Suite: 230 Kapolei, HI 96707	West Oahu, Kapolei	10,000 SF	\$3.67 NNN	\$0	120	12-1-2017	11-30-2017	0	0


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	The Marketplace at Kapolei 590 Farrington HWY Suite: B1-C Kapolei, HI 96707	West Oahu, Kapolei	1,200 SF		0	36	5-1-2017	4-30-2020	0	0


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kapolei Village Center 4850 Kapolei parkway Suite: B-2 Kapolei, HI 96707	West Oahu, Kapolei	1,025 SF	\$5.69 NNN	\$1.31	60	8-1-2017	7-31-2022	0	0


	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Ko Olina Station 92-1047 Olani Street Suite: 1-108 Kapolei, HI 96707	West Oahu, Kapolei	1,277 SF	\$3.75 NNN	\$1.69	60	10-1-2016	9-30-2021	\$89,390.00	0


RENT & SALE COMPARABLES

Rent Comparables

	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kapolei Parkway Shops 338 Kamokila Boulevard Suite: 105 Kapolei, HI 96707	West Oahu, Kapolei	1,309 SF	\$4.75 NNN	\$1.22	60	10-1-2016	9-30-2021	0	0

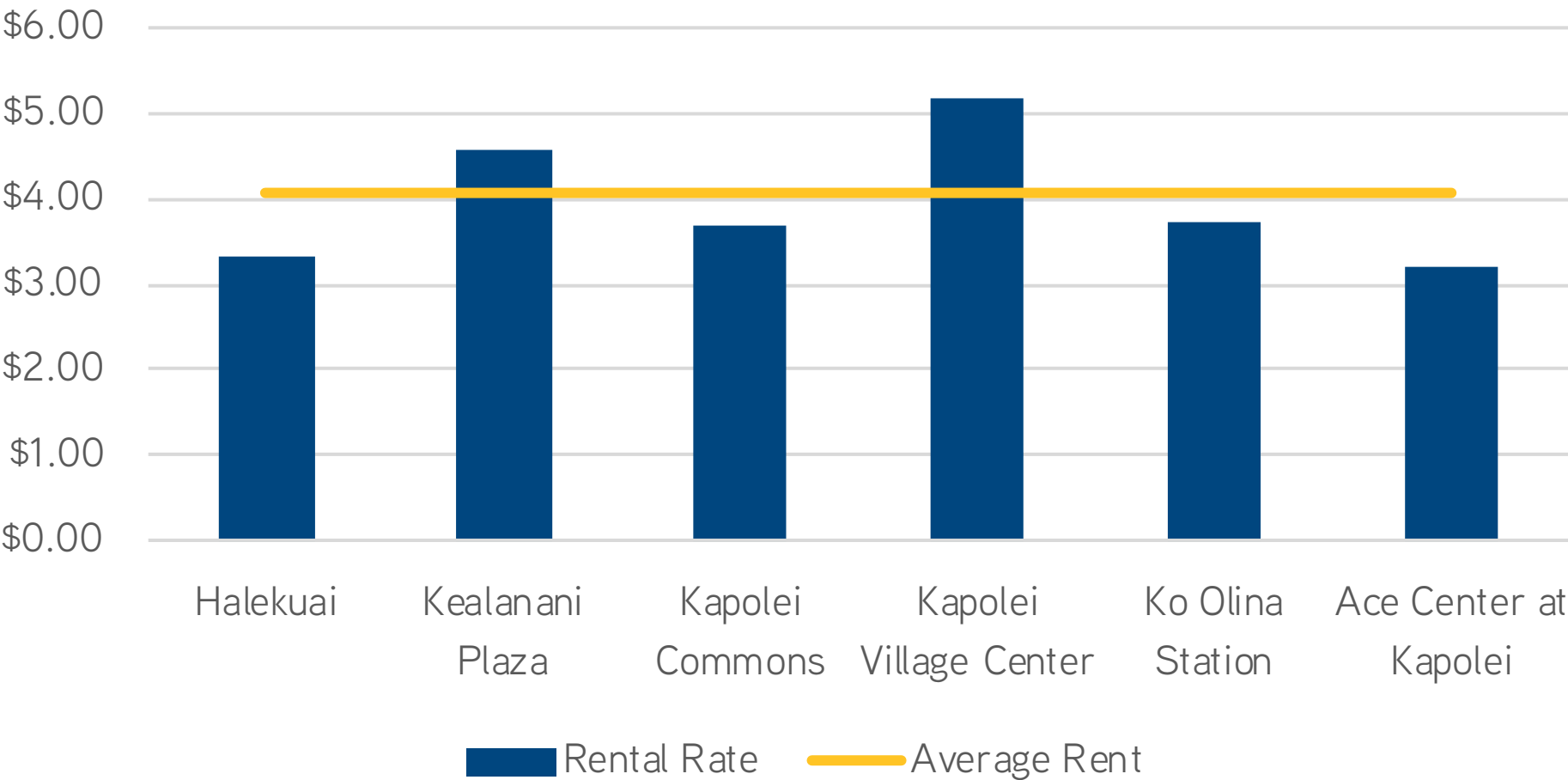
	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Ace Center at Kapolei 480 Kamokila Boulevard Suite: B-2 Kapolei, HI 96707	West Oahu, Kapolei	1,810 SF	\$3.19	\$0.52	60	11-1-2016	10-3-2021	0	0

	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kapolei Village Center 4850 Kapolei parkway Suite: 404 Kapolei, HI 96707	West Oahu, Kapolei	675 SF	\$5.00 NNN	\$1.48	90	2-15-2016	8-14-2023	\$20,250.00	6

	ADDRESS	MARKET/ SUB MARKET	RETAIL SF	RENTAL RATE	OPERATING EXPENSE	TERM OF LEASE	LEASE START DATE	LEASE END DATE	TI ALLOWANCE	FREE RENT (MONTHS)
	Kapolei Village Center 4850 Kapolei parkway Suite: 304 Kapolei, HI 96707	West Oahu, Kapolei	1,130 SF	\$4.85 NNN	0	64	1-15-2016	5-14-2021	0	0

Rent Comparables


Rental Rate





RENT & SALE COMPARABLES


Sale Comparables

* NOT INCLUSIVE OF TEXACO CANOPY & GROUND LEASE

	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	Halekuai Center 563-565 Farrington Highway Kapolei, Hawaii	2001	\$18,000,000	28,885	\$623.16	Ground Lease	TBD


	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	Kenrock Building 1400 Kapiolani Blvd Honolulu, HI	1949	\$22,266,000.00	30,041	\$741	Fee Simple	February-2017


	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	2470 S. King St. 2470 S. King St. Honolulu, HI 96826	1955	\$20,000,000.00	31,279	\$639	Ground Lease	March-2017


	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	Ko Olina Center 92-1046 Olani St. Kapolei, HI 96707	2009	\$17,922,857.00	30,600	\$585.71	Ground Lease	March-2017

FINANCIAL OVERVIEW

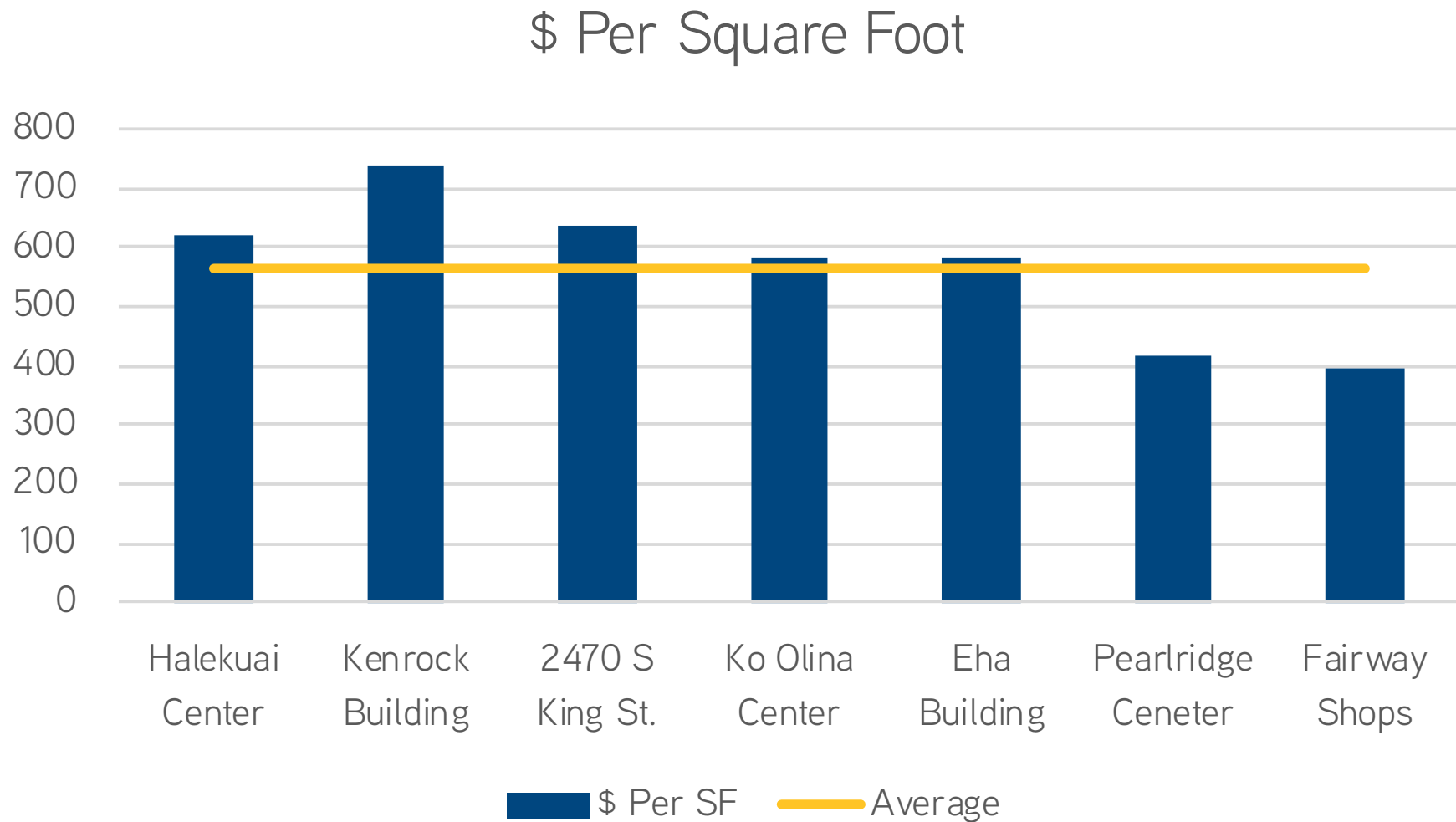
Sales Comparables

	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	Eha Building 92-1049 Olani St. Kapolei, HI 96707	2009	\$10,856,800.00	18,536	\$585.71	Ground Lease	March 2017

	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	Pearlridge Center 98-1015 Moanalua Rd. Aiea, HI 96701	2013	\$6,501,463.00	15,558	\$417.89	Ground Lease	March-2017

	ADDRESS	YEAR BUILT	PRICE	BUILDING SQ FT	\$PSF	FEE/GL	SOLD DATE
	Fairway Shops at Kaanapali 2580 Kekaa Dr. Lahaina, HI 96761	2001	\$13,970,000.00	35,491	\$393.62	Ground Lease	July-2017

Sale Comparables



* NOT INCLUDING TEXACO GROUND LEASE

> Financial Overview

FINANCIAL OVERVIEW

Pro Forma Rent Summary & Income

	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
POTENTIAL RENTAL INCOME	<u>\$1,147,554</u>	<u>\$1,222,987</u>	<u>\$1,259,677</u>	<u>\$1,297,467</u>	<u>\$1,418,391</u>	<u>\$1,460,943</u>	<u>\$1,504,771</u>	<u>\$1,549,915</u>	<u>\$1,596,412</u>	<u>\$1,644,304</u>	<u>\$1,693,633</u>
-Vacancy & Credit Losses		\$61,149	\$62,984	\$64,873	\$70,920	\$73,047	\$75,239	\$77,496	\$79,821	\$82,215	\$84,682
EFFECTIVE RENTAL INCOME	<u>\$1,147,554</u>	<u>\$1,161,838</u>	<u>\$1,196,693</u>	<u>\$1,232,594</u>	<u>\$1,347,472</u>	<u>\$1,387,896</u>	<u>\$1,429,533</u>	<u>\$1,472,419</u>	<u>\$1,516,591</u>	<u>\$1,562,089</u>	<u>\$1,608,952</u>
+Other Income (collectable)	\$902,125	\$939,915	\$973,573	\$1,022,664	\$1,052,955	\$1,077,562	\$1,120,095	\$1,178,664	\$1,202,237	\$1,226,282	\$1,250,808
GROSS OPERATING INCOME	<u>\$2,049,679</u>	<u>\$2,101,753</u>	<u>\$2,170,266</u>	<u>\$2,255,258</u>	<u>\$2,400,427</u>	<u>\$2,465,458</u>	<u>\$2,549,628</u>	<u>\$2,651,083</u>	<u>\$2,718,829</u>	<u>\$2,788,371</u>	<u>\$2,859,759</u>
OPERATING EXPENSES											
Real Estate Taxes	\$125,855	\$128,372	\$130,940	\$133,558	\$136,229	\$138,954	\$141,733	\$144,568	\$147,459	\$150,408	\$153,417
Personal Property Taxes	\$78,015	\$79,575	\$81,167	\$82,790	\$84,446	\$86,135	\$87,858	\$89,615	\$91,407	\$93,235	\$95,100
Property Insurance	\$15,592	\$15,904	\$16,222	\$16,546	\$16,877	\$17,215	\$17,559	\$17,910	\$18,269	\$18,634	\$19,007
Off Site Management	\$52,024	\$53,064	\$54,126	\$55,208	\$56,312	\$57,439	\$58,587	\$59,759	\$60,954	\$62,173	\$63,417
Payroll											
Association Dues	\$6,678	\$6,812	\$6,948	\$7,087	\$7,228	\$7,373	\$7,521	\$7,671	\$7,824	\$7,981	\$8,140
General & Admin.	\$32,235	\$32,880	\$33,537	\$34,208	\$34,892	\$35,590	\$36,302	\$37,028	\$37,768	\$38,524	\$39,294
Repairs and Maintenance	\$74,986	\$76,486	\$78,015	\$79,576	\$81,167	\$82,791	\$84,446	\$86,135	\$87,858	\$89,615	\$91,408
Utilities	\$191,178	\$195,002	\$198,902	\$202,880	\$206,937	\$211,076	\$215,297	\$219,603	\$223,995	\$228,475	\$233,045
Fire Alarm Service	\$7,941	\$8,100	\$8,262	\$8,427	\$8,596	\$8,768	\$8,943	\$9,122	\$9,304	\$9,490	\$9,680
Restroom Supplies	\$3,600	\$3,672	\$3,745	\$3,820	\$3,897	\$3,975	\$4,054	\$4,135	\$4,218	\$4,302	\$4,388
Trash	\$49,684	\$50,678	\$51,691	\$52,725	\$53,780	\$54,855	\$55,952	\$57,071	\$58,213	\$59,377	\$60,565
Supplies	\$26,989	\$27,529	\$28,079	\$28,641	\$29,214	\$29,798	\$30,394	\$31,002	\$31,622	\$32,254	\$32,899
Security	\$94,333	\$96,220	\$98,144	\$100,107	\$102,109	\$104,151	\$106,234	\$108,359	\$110,526	\$112,737	\$114,991
Replacement Reserves											
Ground Rent Expense	<u>\$193,945</u>	\$193,945	\$205,685	\$222,125	\$222,125	\$222,125	\$222,125	\$235,573	\$235,573	\$235,573	\$235,573
Misc. Expense	\$1,789	\$1,825	\$1,861	\$1,899	\$1,936	\$1,975	\$2,015	\$2,055	\$2,096	\$2,138	\$2,181
TOTAL OPERATING EXPENSES	<u>\$954,844</u>	<u>\$970,062</u>	<u>\$997,324</u>	<u>\$1,029,597</u>	<u>\$1,045,747</u>	<u>\$1,062,219</u>	<u>\$1,079,021</u>	<u>\$1,109,607</u>	<u>\$1,127,087</u>	<u>\$1,144,918</u>	<u>\$1,163,105</u>
NET OPERATING INCOME	<u>\$1,094,835</u>	<u>\$1,131,691</u>	<u>\$1,172,942</u>	<u>\$1,225,661</u>	<u>\$1,354,680</u>	<u>\$1,403,239</u>	<u>\$1,470,607</u>	<u>\$1,541,476</u>	<u>\$1,591,741</u>	<u>\$1,643,453</u>	<u>\$1,696,655</u>

FINANCIAL OVERVIEW

Investment Metrics

Before Tax			After Tax		
EOY	\$		EOY	\$	
0	(\$7,816,500)		0	(\$7,816,500)	
1	\$599,418		1	\$547,124	
2	\$636,274		2	\$574,871	
3	\$519,805		3	\$440,616	
4	\$572,524		4	\$471,276	
5	\$701,543		5	\$550,616	
6	\$750,102		6	\$578,302	
7	\$817,470		7	\$617,858	
8	\$888,339		8	\$659,480	
9	\$938,604		9	\$687,732	
10	\$990,317	+ \$17,958,752	10	\$709,759	+ \$15,156,854
IRR = 15.14%			IRR = 12.45%		

End of Year	1	2	3	4	5	6	7	8	9	10
Value Using Acquisition Cap Rate	\$18,606,000	\$19,284,000	\$20,151,000	\$22,272,000	\$23,070,000	\$24,178,000	\$25,343,000	\$26,170,000	\$27,020,000	\$27,894,000
Loan Balance	\$10,192,279	\$10,026,786	\$9,853,138	\$9,670,932	\$9,479,747	\$9,279,141	\$9,068,649	\$8,847,784	\$8,616,036	\$8,372,866
Loan to Value	54.78%	52.00%	48.90%	43.42%	41.09%	38.38%	35.78%	33.81%	31.89%	30.02%
Debt Service Coverage Ratio	2.21	2.28	1.80	1.88	2.07	2.15	2.25	2.36	2.44	2.52
Return on Asset	6.08%	6.29%	6.52%	6.81%	7.53%	7.80%	8.17%	8.56%	8.84%	9.13%
Before Tax Cash on Cash	7.67%	8.14%	6.65%	7.32%	8.98%	9.60%	10.46%	11.36%	12.01%	12.67%
After Tax Cash on Cash	7.00%	7.35%	5.64%	6.03%	7.04%	7.40%	7.90%	8.44%	8.80%	9.08%
Acquisition Cap Rate	6.08%									
Gross Rent Multiplier	15.69									
Effective Tax Rate	17.81%									



Texaco Corporation is an American multinational energy corporation. Texaco is one of the world's leading integrated energy companies. Texaco Corporation, through its subsidiaries, is engaged in petroleum, chemicals, mining, power generation, and energy operations worldwide. Texaco is involved in coal and molybdenum mining operations; cash management and debt financing activities; insurance operations; real estate activities; and energy services, and alternative fuels and technology businesses. The company owns or has stakes in 8,090 gas stations in the US (8,700 outside the US) that operate mainly under the Chevron and Texaco brands. Texaco also owns 50% of chemicals concern Chevron Phillips Chemical.

Company Type: Public (NYSE: CVX)
2017 Employees: 61,345
2017 Net Income: \$21,423 Million
2017 Equity: \$149,113 Million

Fiscal Year End: December
2017 Revenue: \$228.848 Billion
2017 Assets: \$253.753 Billion
S&P Rating: AA

Website: texaco.com



Starbucks Corporation, doing business as Starbucks Coffee, is an American global coffee company and coffeehouse chain based in Seattle, Washington. The world's #1 specialty coffee retailer, Starbucks has more than 27,000 retail stores in about 65 countries. The outlets offer coffee drinks and food items, as well as roasted beans, coffee accessories and teas. Starbucks operates more than 10,000 of its own shops, which are located mostly in the US, while licensees and franchisees operate roughly 9,575 units worldwide (primarily in shopping centers and airports). In addition, Starbucks markets its coffee through grocery stores, food service customers, and licenses its brand for other food and beverage products.

Company Type: Public (NASDAQ: SBUX)
2017 Market Cap: \$81.00B
2017 EPS : \$3.03

Fiscal Year End: September
2017 Revenue: \$22.39 Billion
2017 Assets: \$14.37 Billion
S&P Rating: A

Website: starbucks.com



Jamba, Inc. owns and franchises Jamba Juice stores through its wholly-owned subsidiary, Jamba Juice Company. As of January 2017, there were 857 store locations globally. There were 258 Company-owned and operated stores and 551 franchise-operated stores in the United States, and 48 franchise-operated international stores. Jamba Juice Company expanded the Jamba brand by direct selling of consumer packaged goods (CPG) and licensing its trademarks. CPG products for at-home enjoyment are also available online, through select retailers across the nation and in Jamba Outlets.

Company Type: Public (NASDAQ: JMBA)
2016 Employees: 1177
2016 Net Income: <\$22.36> Million
2016 Market Cap: \$13 Billion

Fiscal Year End: December
2016 Revenue: \$79.62 Million
2016 Assets: \$23.7 Million

Website: jambajuice.com



Anytime Fitness is a 24-hour health and fitness club. The company operates over 2,400 franchised locations in 19 countries. Anytime Fitness was founded by Jeff Klinger, Dave Mortensen and Chuck Runyon in 2002. Anytime Fitness headquarters are in Hastings, Minnesota. To the general public, the company offers memberships to boutique fitness centers. Open 24 hours a day, 365 days a year. Anytime Fitness prides itself on providing its members with convenient fitness options and friendly, personal service in well-maintained facilities which feature top-quality exercise equipment. Gyms are now open in all 50 states, Canada, Mexico, Australia, New Zealand, England, Scotland, Ireland, Grand Cayman, Poland, the Netherlands, Spain, Qatar, India, Chile, Japan, Singapore, Malaysia and the Philippines. All franchised gyms are individually opened and operated.

Company Type:	Private	Fiscal Year End:	December
2017 Revenue	Over \$1.00 Billion		
2013 Net Income:	#1 Top Global Franchise two years in a row.		
Website:	anytimefitness.com		

Papa Johns International, Inc. operates and franchises pizza delivery and carryout restaurants under the Papa Johns trademark worldwide. The company also operates dine-in and delivery restaurants in certain international markets. As of January 2018, it operated 4,428 Papa Johns restaurants consisting of 723 company-owned and 3,705 franchised restaurants in 50 states of the United States and 35 countries. The company was founded in 1985 and is headquartered in Louisville, Kentucky.



Company Type:	Public (NASDAQ: PXXA)	Fiscal Year End:	December
2013 Employees:	20,700	2017 Revenue:	\$1.783 Billion
2017 Net Income:	\$102.00 Million	2017 EPS:	\$2.86
2017 Assets:	\$145.48 Million		
Website:	papajohns.com		

> Transaction Guidelines

TRANSACTION GUIDELINES

Offering Procedure

The offering of 563-565 Farrington Highway, Kapolei Hawaii is being conducted exclusively by Colliers International. All questions and inquiries should be directed to the Colliers representatives listed in this memorandum.

Colliers will be available to assist prospective investors with their review of the offering. On-site inspections of the property and tours of the market area can be arranged directly with Colliers.

All prospective purchasers can receive the due diligence materials by contacting any one of the listing brokers to register and receive a Confidentiality Agreement. Once a signed Confidentiality Agreement is received prospective buyers will receive a link to the due diligence material folders.

Offers should include, at a minimum, the following:

- The purchase price and closing date;
- The source of capital, both equity and debt, for the transaction;
- The amount of earnest money deposit;
- A statement agreeing to the due diligence, Purchase and Sale Agreement, and closing processes; and
- A description of assumptions utilized for the offer.

Please address your offers to the brokers listed below.



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TRANSACTION GUIDELINES

CONFIDENTIALITY & DISCLAIMER STATEMENT

This Offering Memorandum contains select information pertaining to the business and affairs of the Property at 563-565 Farrington Highway, Kapolei Hawaii. It has been prepared by Colliers International. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Colliers International. The material is based in part upon information supplied by the Seller and in part upon financial information obtained by Colliers International from sources it deems reliable. Owner, nor their officers, employees, or agents makes any representation or warranty, express or implied, as to the accuracy or completeness of this Offering Memorandum or any of its contents and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and conduct their own due diligence.

By acknowledging your receipt of this Offering Memorandum from Colliers, you agree:

- 1) The Offering Memorandum and its contents are confidential;
- 2) You will hold it and treat it in the strictest of confidence; and
- 3) You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Colliers International expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of the Property or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Colliers International or any of their affiliates or any of their respective officers, Directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.



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