



DEVELOPMENT INVESTMENT PROPOSAL BENCHVIEW PROFESSIONAL OFFICE



2114 N HILLCREST DRIVE

SARATOGA SPRINGS, UT 84045

FEBRUARY 14, 2017

ACKNOWLEDGEMENTS





BENCHVIEW EXECUTIVE SUMMARY

1.48 AC

28,128 GSF

25,596 RSF

TOTAL COSTS

\$5.0M

CASH ON CASH

25.08%

LEVERED IRR (YR 10)

17.65%

UNLEVERED IRR

9.90%

LEVERED NPV (YR 10)

\$920k

UNLEVERED NPV

\$771k

STABILIZED NOI

\$375k

EXIT CAP RATE

7.5%



Product: Two-story, Class B, 30,000sf professional office.

Location: Saratoga Springs, on the west side of Redwood Road just north of Crossroads Blvd.

Site: Approximately 1.5 acres on the bench of northern Saratoga Springs with excellent vistas of Lehi, Utah Lake, and Mount Timpanogos to the east.

Advantages: Excellent business signage visibility along major N/S corridor Redwood Road.

Demographics: Fastest growing submarket in Utah County, with significant population and housing growth brought on by economic expansion as well as above average birth rates.

Market: High demand for localized professional services to the growing population coupled with undersupplied development of office space suited for local tenants.

OVERVIEW

DUE DILIGENCE

Preliminary investigations show no encumbrances to the property. Geotechnical reports from nearby properties indicate that the soil composition is mainly sandy clays (CL) and silty clays (CL-ML), with cobbles and boulders throughout. No subsurface water was encountered at maximum testing depth. The soils in this area have been recommended suitable for two-story wood-frame construction.

All utilities are already stubbed to the site from Hillcrest Rd, including water, sewer, storm drain, and power.

The owner on record for the property is Premium Oil Company, which acquired the property as an asset from another company it had dealings with. It is listed through Coldwell Banker Commercial brokerage.

HIGHEST AND BEST USE

Physically Possible. The 1.5 acre site is bounded on the north by the newly constructed E Cambria Dr, on the south by another vacant property, on the east by Redwood Road, and on the west by Hillcrest Rd, the primary access. The property slopes slightly downhill to the east, but is relatively flat and suitable for basement and slab-on-grade construction.

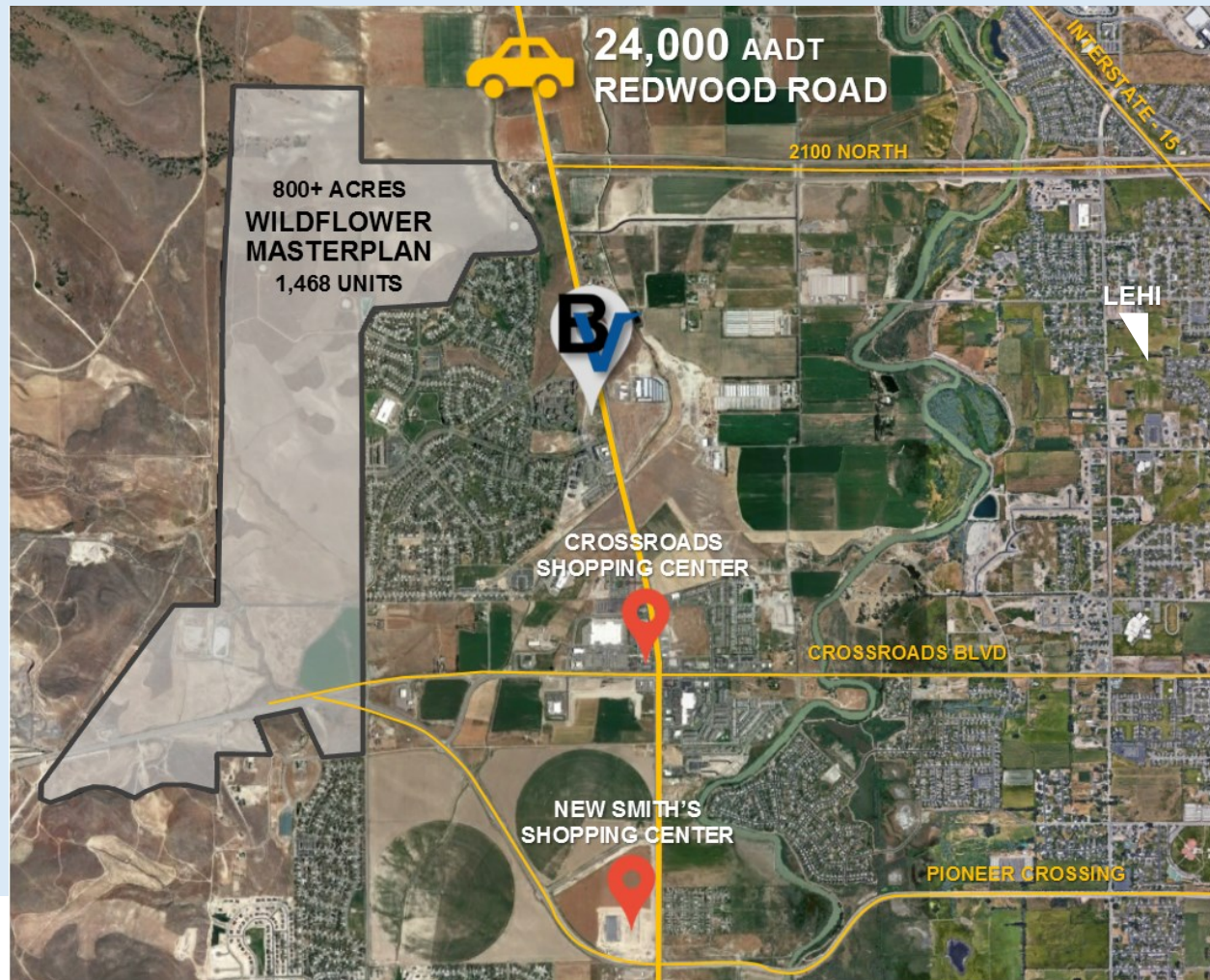
Legally Permissible. Zoning for the property is Regional Commercial (RC) and permits construction of a variety of commercial uses. Uses range from business specific uses to general and medical office. This is consistent with the Saratoga Springs General Plan.

Financially Feasible. General feasibility will be driven by prevailing submarket conditions, which include demand for the following types of development: residential home building, infrastructure, local retail and professional services.

Maximally Productive: Based on the preceding factors, it has been determined that the development of commercial office space at this location will result in its maximally productive use.

LOCATION

The proposed site has an ideal location for signage marketing along the west side of Redwood Road. According to UDOT, an average of 24,000 vehicles pass this location each day. It is less than 1 mile north of the Crossroads Shopping Center, and less than 5 minutes west of Interstate 15. Nearby amenities include Thanksgiving Point, the Outlets at Traverse Mountain, and the Meadows Shopping Center. In addition to the Walmart Supercenter at the Crossroads, a new Smith's Marketplace has recently been developed on the northwest corner of Redwood and Pioneer Crossing. A pharmacy tenant also has plans to develop on the northeast corner of that intersection. The vacant areas immediately to the north, and across Redwood Rd to the east, are planned for regional commercial, neighborhood commercial, and mixed use.



MARKET & DEMOGRAPHICS

MARKET PROFILE

Saratoga Springs has been ranked one of the top ten fastest growing cities in Utah. It is also situated within the fastest growing submarket in Utah County, largely due to much of the business growth of Lehi, as well as above average birthrates. Based on our findings, no professional office space is currently being marketed for lease anywhere in Saratoga Springs. This is consistent with our other research supporting demand for local office.

Office users looking to expand in Saratoga Springs have no choice but to lease retail space or locate to another area. There has been little absorption in Saratoga Springs over the recent years, but this is due to a lack of supply rather than a lack of demand.

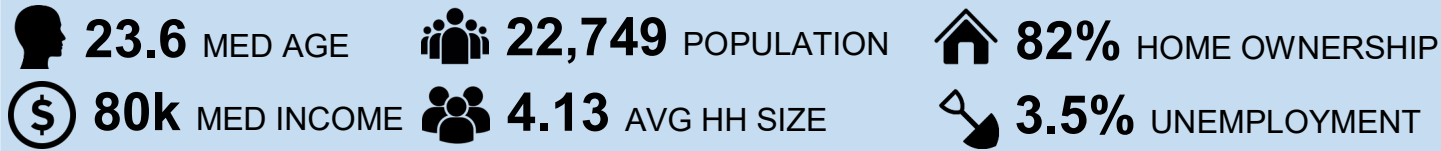
Saratoga Springs is an area that has been overlooked because of the rapid office growth in Lehi. Much of that office growth is based off of the job growth, which has fueled much of the residential growth in Saratoga. Increased residential growth, in turn, has created demand for local services needing office space close to their clients. Benchview Professional Office provides some of the space needed to alleviate this demand.

RESEARCH & METHODOLOGY

Apart from vacancy listings and other reports, independent research was conducted to help verify demand assumptions. Methods included interviewing and consulting appraisers, city officials, current tenants, prospective tenants, brokers, lenders, and construction professionals.

Our team conducted a survey of existing tenants who serve local clientele, and learned that the majority rank themselves "busy to very busy," and are either putting people on waitlists or sending them to other locations such as American Fork, Pleasant Grove, Lehi, etc.

A conversation with Mark Christensen, the Saratoga Springs City Manager, revealed that there have been no recent applications for new office permits, and according to market data there is no new construction in the pipeline either.



ANNUAL SPENDING ON PROFESSIONAL SERVICES **\$1B**



SITE DEVELOPMENT

SITE CONSIDERATIONS

With all utilities available and stubbed directly to the site from Hillcrest Road, laterals will have a direct run to the structure.

The building has been situated so that signage attached to the east side can be visible to passing cars on Redwood Road. This will be particularly advantageous as cars will be required to stop at the Harvest Hills Boulevard traffic signal adjacent to the property on the southeast corner.

The parking will allow for 3.7 stalls per 1,000sf of office space. Pavement covers about 33,000sf of the lot, approximately 50%. The building pad accounts for another 14,064sf (approx. 22%), and landscaping accounts for the balance of the lot (17,733sf - 28%).

The parkstrip and sidewalk have already been installed along Hillcrest, Cambria, and Redwood.

Setbacks. In accordance with the Saratoga Springs Zoning Ordinance (see §19.04.22) building setbacks are as follows:

Front: Not less than 20ft.

Sides: Not less than 20ft.

Rear: Not less than 20ft.

*The City Council may reduce one setback requirement by up to ten feet if in its judgment the reduction provides a more attractive and efficient use of the property.

All other aspects of design are also in conformance with the applicable zoning ordinances and requirements of Saratoga Springs City.



PARKING RATIO: 3.7 PER 1000SF



LOT: 1.49 ACRES (64,792 SF)



BLDG: 28,128sf (14,064 FL PLATES)



FINANCIAL FEASIBILITY

PROJECT COSTS

Hard Cost	Total	PGSF
Land	\$ 615,524	\$ 21.88
Site Development Hard Costs	\$ 323,960	\$ 11.52
Core and Shell	\$ 2,583,276	\$ 91.84
Tenant Improvements	\$ 819,087	\$ 29.12
Contingency - Hard Costs	\$ 145,362	\$ 5.17
Total Hard Cost	\$ 4,487,209	\$ 159.53
Soft Cost	Total	PGSF
Development Soft Costs	\$ 223,579	
Interest Reserve	\$ 69,335	
Contingency - Soft Costs	\$ 14,646	5%
Developer Fee	\$ 191,791	4%
Total Soft Cost	\$ 499,351	\$ 17.75
	Total	PGSF
Total Development Costs	\$ 4,986,559	\$ 177.28

FINANCING ASSUMPTIONS

CONSTRUCTION LOAN: \$3,490,592 AT 70% LTC. TERM: 18 MO. INTEREST RATE: 4.00%.

PERMANENT LOAN: \$3,752,444 AT 70% LTV. TERM: 10 YR. INTEREST RATE: 5.00%.

PROJECTED RETURNS & PERFORMANCE - 5YR HOLD

CASH ON CASH 25.08%	UNLEVERED NPV (YR 10) \$770,752
LEVERED IRR (YR 10) 17.65%	STABILIZED NOI \$375,244
UNLEVERED IRR (YR 10) 9.90%	TOTAL INVESTMENT \$1,495,968
LEVERED NPV (YR 10) \$920,039	EXIT CAP RATE 7.5%

Potential Gross Income	\$ 588,719
- VCL	\$ 47,098
EGI	\$ 541,622
- Total operating expenses	\$ 166,377
Stabilized NOI	\$ 375,244

PRO FORMA ASSUMPTIONS - 5 YEAR HOLD

- LEASE UP: 12 MONTHS	TENANT IMPROV: \$32/RSF
- LEASE RATE: \$23/RSF FSG	CONTINGENCIES: 5% (BOTH HARD AND SOFT)
- DISCOUNT RATE: 10%	DEVELOPER FEE: 4%
- RENT GROWTH RATE: 3%	GOING IN CAP RATE: 7.0%
- EXP GROWTH RATE: 3%	TERMINAL CAP RATE: 7.5%
- OPERATING EXP: \$6.50/RSF	STABILIZED VACANCY: 8%