

BENCHVIEW PROFESSIONAL OFFICE

BY SPECTRUM
DEVELOPMENT



BUSINESS DEVELOPMENT PROPOSAL

2114 N Hillcrest Dr, Saratoga Springs, UT 84045

MARCH 29, 2017

Utah Real Estate Challenge

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BENCHVIEW PROFESSIONAL OFFICE is a proposed Class B+ office building with 49,888rsf, located in Saratoga Springs, Utah, on the west side of Redwood Road, just south of 2100 North in Lehi.

Northern Utah County is experiencing some of the highest residential growth in the state, much of which is driven by the rapid business growth of Utah’s “Silicone Slopes.”

Class A offices continue to rise along the Lehi cityscape, and many who fill those offices each day from 8:00am to 5:00pm are moving into nearby areas such as Saratoga Springs and Vineyard.

Residential builders such as DR Horton, Ivory Homes, Richmond American, and others are struggling to keep pace with the housing demand, and as more residential units are delivered to the West-of-Lehi submarket, demand for local professional services such as attorneys, chiropractors, therapists, real estate brokers, insurance agencies, etc. has increased substantially.

Despite the increased demand and exceptionally low vacancy rate, almost no office space catering to local professional services has been delivered, or even proposed. Demographic research for the area west of the Jordan River revealed that high median incomes translate to high spending on professional services, further substantiating the discrepancy between supply and demand locally.

The Benchview Professional Office will help alleviate much of the already pent-up demand.

A three-level, wood-frame structure is proposed, with just under 50,000sf of rentable space. Indicators of demand such as a survey of existing tenants, current vacancy rates, and interviews with potential tenants all support adding a significant amount of office space to this submarket.

The site is located directly adjacent to Redwood Road, at the intersection of West Harvest Hills Road. The average annual daily traffic count (AADT) at that intersection is approximately 24,000 vehicles per day. This gives the site both easy access and excellent exposure to a large number of potential clients.

The building itself is situated on the east side of the lot, allowing tenant signage to have maximum visibility along Redwood Road. This will be particularly attractive to tenants with local clientele. Easy access to Interstate 15 via 2100 North and Salt Lake County via Redwood Road, will make the project attractive to other businesses as well.

The strength of the location, coupled with lower lease rates than those of Silicone Slopes, will provide for a market segment that is currently underserved in this area.



TOTAL COSTS
\$9,157,141

STABILIZED NOI
\$755,622

CASH ON CASH (Y7)
14.77%

LEVERED IRR (Yr 7)
19.76%

LEVERED NPV (Yr 7)
\$1,622,153

GOING IN CAP RATE
7.25%

EXIT CAP RATE
7.75%

The proposed site for the **BENCHVIEW PROFESSIONAL OFFICE** consists of two parcels located at 2114 N Hillcrest Dr, in northern Saratoga Springs, UT 84045. Combined, the parcels total 129,852sf (2.98ac). It is located just south of the 2100 N corridor in Lehi, and just north of the Crossroads Shopping Center, Saratoga Springs' primary retail center.

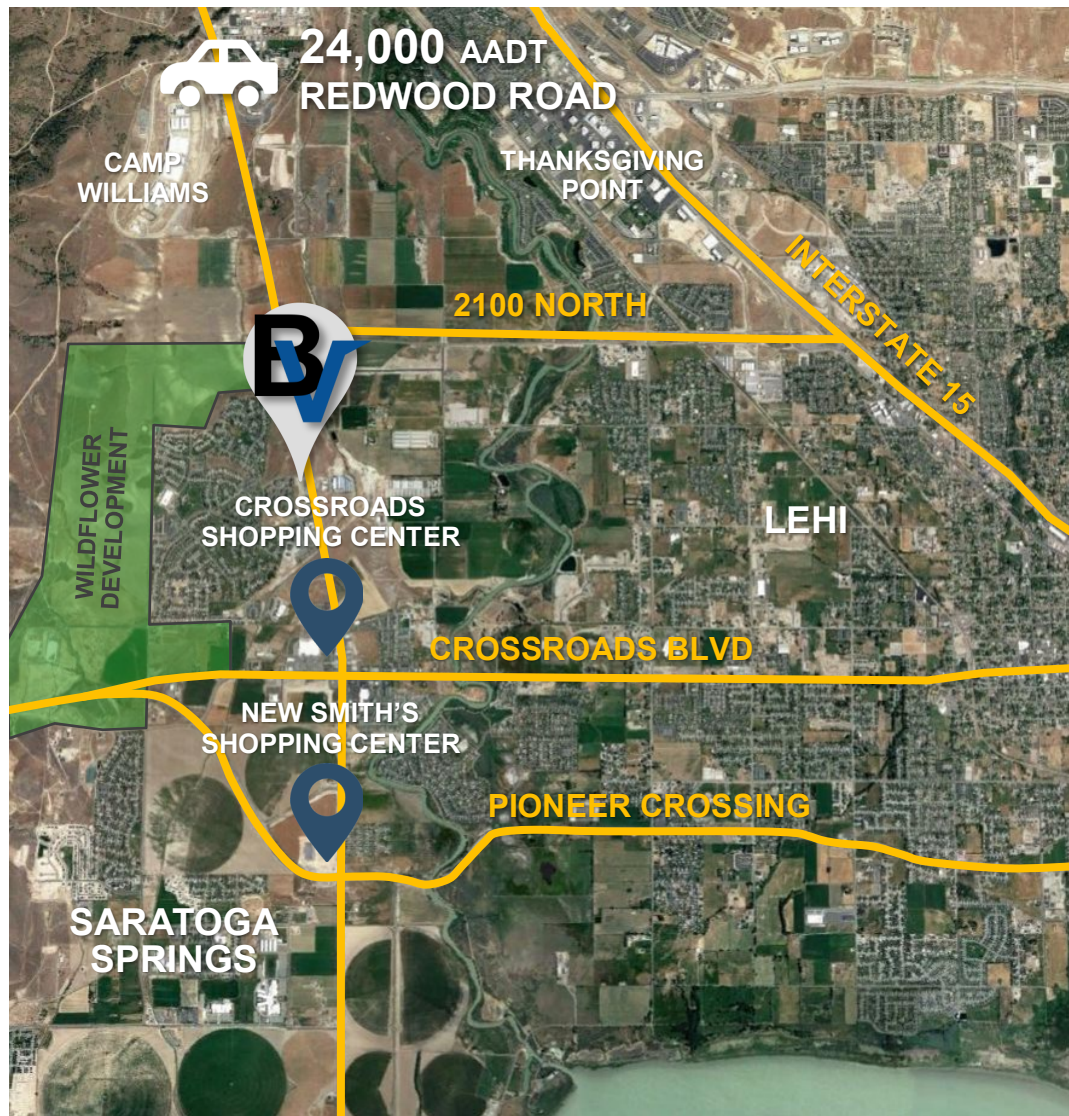
The site is only 5 minutes from I-15 by way of 2100 N, and only minutes from most areas of Saratoga Springs and other nearby cities. Ease of access from I-15 and Redwood Rd will be an additional selling point for prospective tenants.

The property abuts the west side of Redwood Rd, which has an AADT count of 24,000 vehicles along this segment each day, providing excellent marketing visibility for both tenant and leasing signage.

Because the site is located on the west bench, and adjacent to a major road, it boasts an excellent, unobstructed view of Utah Valley and Utah Lake.

Besides the Crossroads Shopping Center, nearby landmarks and amenities include Thanksgiving Point, Camp Williams, the Outlets at Traverse Mountain, and the Meadows Shopping Center in American Fork.

The land to the west of the site is an approved 800+ acre residential subdivision known as the Wildflower Community. This community alone will contribute an additional 1,500 housing units to the immediately surrounding area.



CROSSROADS
1 min

MEADOWS
9 min

TG POINT
5 min

OUTLETS
9 min

BLUFFDALE
7 min

HERRIMAN
12 min

RIVERTON
11 min

VINEYARD
15 min

OREM (UVU)
18 min

DWTN SLC
30 min

PROVO (BYU)
25 min

SLC AIRPORT
32 min



The site consists of two parcels, a north parcel and a south parcel, that are about 1.5 acres each. They are bounded by Redwood Rd on the east side, Cambria Dr on the north side, N Hillcrest Rd on the west side, and W Harvest Hills Blvd on the south side.

The building has been situated primarily on the east side of the south lot, maximizing visibility along Redwood Rd. This will provide excellent exposure for both leasing and tenant signage, particularly as passers-by will be stopping at the light at the intersection of Harvest Hills Blvd and Redwood Rd.

Parking allows for easy access from both Cambria Dr and Hillcrest Rd. The design has incorporated 4 stalls per 1,000sf, which will be adequate given the likely tenant mix for the Benchview Offices.

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

The parkstrip and sidewalk have already been installed along Hillcrest, Cambria, and Redwood roads. There is a dedicated city park immediately adjacent to the site on the south side.

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


- 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.

 **2.98 ACRES (129,852 SF)**

 **4.0 STALLS PER 1,000 SF**

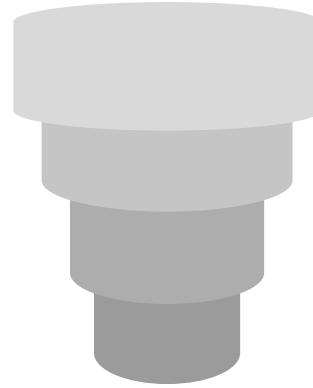
 **49,950 RSF (18,183 SF PLATES)**

PHYSICALLY POSSIBLE

The combined 2.98 acre site is vacant and bounded on the north by the newly constructed E Cambria Dr, on the south by another vacant property and detention area, on the east by Redwood Rd, and on the west by Hillcrest Rd. The property slopes very slightly downhill to the east, but is mostly flat and is immediately suitable for typical basement and slab-on-grade construction.

LEGALLY PERMISSABLE

Zoning for the property is Regional Commercial (RC) and permits construction of a variety of “As of Right” commercial uses, as well as many other “Conditional” commercial uses. As proposed, a professional office building is an As of Right use and will not require a conditional permit. 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 rapid job, population, and housing growth. Such factors have increased demand for the following types of development: residential home building, infrastructure development, and local retail and professional services.

MAXIMALLY PRODUCTIVE

Based upon the preceding factors, it has been determined that the development of commercial office space at this location will result in its maximally productive use. A marketing window used by thousands of local residents in the area, ease of access via I-15 and Redwood Rd, a central location between Salt Lake and Utah Counties, and existing site conditions all suggest that professional office space will result in the maximally productive use of this site.

TRANSACTIONAL

The owners on public record for the two properties are Premium Oil Company for the north parcel and Nichols Enterprise, LLC for the south parcel. The north parcel is listed with Coldwell Banker Commercial for \$12.00/sf. Land comparables in the same submarket indicate that market value is between \$6.00/sf and \$8.00/sf. Based on the more visible and accessible location of the property, a premium over the average market price was used to arrive at an expected land price of \$9.50/sf.

While the south parcel is not currently listed on the market, based on initial comments from investors and developers, we looked into its availability. The same broker for the north parcel has also represented the owner of the south parcel, who indicated that they would also be willing to sell that parcel. Average market rate plus the premium was applied to both lots.

CITY

Due diligence included conversations with the Senior City Planner of Saratoga Springs, Sarah Carroll, as well as the City Manager, Mark Christensen.

The most relevant findings regarded parking ratios and permit applications.

Parking. Mark Christensen mentioned that the City Council is currently granting few parking reductions on commercial/retail development. Code for this project allows for a minimum of 4.0 stalls per 1,000sf of rentable space without requiring a parking reduction. Based on that finding, the 4/1,000 ratio has been incorporated into the parking design. This ratio has also been deemed sufficient from a practicality standpoint based on expected tenant mix.

Permits. Also of interest, were comments regarding recent permit applications for professional office space... There haven't been any. Mark commented on the fact that despite rapid population growth in the area, he hasn't seen any office applications (for Saratoga Springs). He suggested that professional office would be an excellent fit for this location, and would help meet the demand he sees for the city and surrounding submarket.



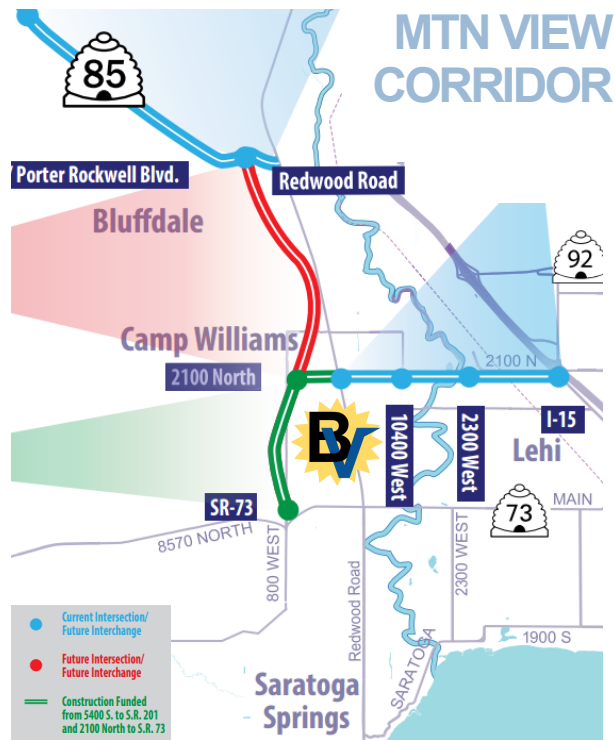
OFF-SITE

The vacant land parcels immediately to the north and across Redwood Rd to the east are planned for regional commercial, neighborhood commercial, and mixed use. A dedicated city park is located immediately adjacent to the site on the south side.

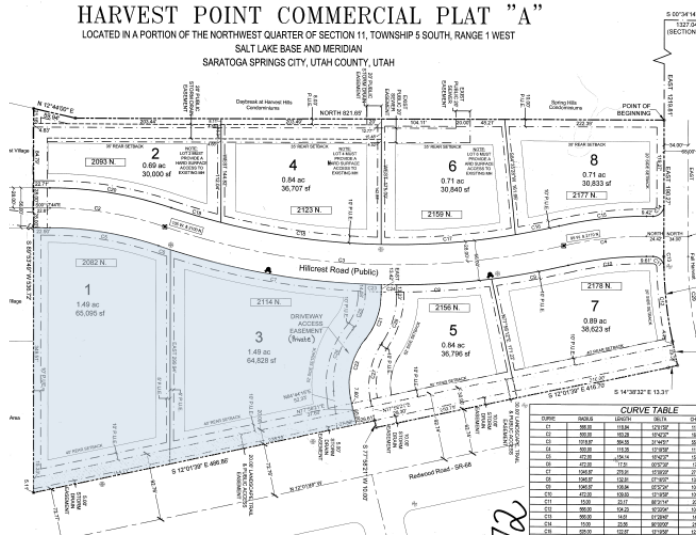
To the west and north, there is a new 800+ acre residential subdivision known as the **Wildflower Community**, included on the Location Map on page 4. It was approved by the City of Saratoga Springs on March 13, 2015 and is being developed by Development Associates, Inc. (DAI). They have already begun brokering the lots to builders along the Wasatch Front. This community alone will contribute an additional 1,500 housing units (approx. 6,000 residents) to the immediately surrounding area, further increasing the demand for local professional services.

The **Mountain View Corridor (MVC)** is also expected to extend into Saratoga Spring to the west of the Benchview site. The location of the corridor has already been coordinated between UDOT and DAI as it pertains to the Wildflower Development. According to the plan, DAI has anticipated the extension and the number of units will be unchanged.

According to the UDOT website, construction of the future section of the MVC has already been funded and is expected to begin later this Spring. The Benchview Office is less than 1 mile from where the MVC will meet 2100 N in Lehi, making the site even more accessible once it is complete.



HARVEST POINT COMMERCIAL PLAT "A"
 LOCATED IN A PORTION OF THE NORTHWEST QUARTER OF SECTION 11, TOWNSHIP 5 SOUTH, RANGE 1 WEST
 SALT LAKE BASE AND MERIDIAN
 SARATOGA SPRINGS CITY, UTAH COUNTY, UTAH



ON-SITE

Soils. While no testing has been conducted on the site itself, 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 this type of construction. A full geotechnical report has been budgeted for in the project pro forma.

Environmental. Historical imagery dating back to 1993 suggests that the site has been vacant and completely unused, thus no environmental concerns are anticipated. A full Phase 1 ESA has been budgeted for in the project pro forma.

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

METHODOLOGY

Apart from vacancy listings, growth rates, and other reports, methods for determining product demand in the submarket included interviewing and **CONSULTING** appraisers, city officials, current tenants, prospective tenants, brokers, lenders, and construction professionals.

Our team also conducted **INDEPENDENT RESEARCH** to help verify demand assumptions. A survey was conducted of existing tenants in the submarket (at offices listed in the competitive map on page 12) who serve local clientele. The survey determined that many businesses 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.

The “**SUBMARKET**” referred to in this proposal is defined as the area incorporating West Lehi (particularly, west of the Jordan River, and specifically excluding east of I-15), all of Saratoga Springs, Eagle Mountain, and the areas of Bluffdale, Riverton, and Herriman accessible to the site within the 30 minute travel shed.

The primary **PRODUCT** identified was Class B office, tailoring to small- to medium-sized professional businesses.

SUBMARKET CONDITIONS

Saratoga Springs and surrounding areas currently have excessive pent-up demand for professional office space. The market has been almost 100% occupied for several years with little to no recent absorption. Low absorption may appear on the surface to indicate a lack of demand, but our research shows that it is a lack of supply, *not* a lack of demand, that has resulted in low absorption.

On top of a 0% vacancy rate, the City of **SARATOGA SPRINGS** also has no new construction in the pipeline. A conversation with Mark Christensen, the City Manager, revealed that there have been no recent applications for new office permits. **EAGLE MOUNTAIN** currently has one space for lease: 2,899st. for \$16.75 NNN, as well as another small office building currently being developed, which is already 60% pre-leased.

Based on nearby **COMPARABLE LEASES**, it has been determined that a \$23.00/sf FSG lease rate is reasonably obtainable, especially given the superior location and accessibility of Benchview. A look at other Tenant Improvement Allowances in Utah County concluded that \$35.00/RSF is a very attractive allowance for suburban Class B office space in this area.

The overall submarket currently has 223,127 square feet of office **INVENTORY** either existing or proposed, all of which happens to be class B space. Class A space has been amply supplied along I-15 and the Silicone Slopes. Of the existing total submarket square footage, only 1.4% is currently vacant. In comparison, the “hot” Lehi/North Utah County market was 8.9% vacant at the end of Q4 2016.

The Benchview Professional Office anticipates attracting **TENANTS** that primarily provide local professional services such as attorneys, chiropractors, therapists, real estate brokers, dentists, insurance agencies, etc. However, based on the excellent accessibility and visibility of the location, it is expected the project will also attract mid-sized businesses with non-local clients who are looking for Class B space in less expensive, equally accessible locations. Having strong signage along Redwood Rd and comparable accessibility, the Benchview Office will fill an ideal mid-market segment for many tenants that is currently undersupplied.

STRENGTHS + OPPORTUNITIES

- Low submarket vacancy
- Easy accessibility from I-15, Redwood Rd, and the future Mountain View Corridor extension
- Excellent visibility along Redwood Rd (AADT 24,000)
- Explosive job, population, residential growth

RISKS + CHALLENGES

- Rising overall Utah County market vacancy
- Low supply / lack of extensive comparables
- Submarket located in shadow of “Silicone Slopes” brand

MARKET ANALYSIS

DEMOGRAPHICS

RESIDENT PROFILE

Residents in this area spend over **\$1 Billion** on professional services each year. Other characteristics of the local demography include **above average median incomes**, high **home-ownership** rates, and an average **30 minute commute**.

According to the Saratoga Springs City Manager, Mark Christensen, Saratoga Springs alone has over 25,000 residential housing units approved, a number that equates to the population doubling by the year 2050.

According to the **ERSRI Tapestry Segmentation**, the local residents likely to work at or utilize professional services at Benchview consist mostly of “Up and Coming Families” and “Boomburbs.”


“Up and Coming Families” Younger, more diverse, and more mobile than previous generations. Took a hit during the Great Recession, but optimistic about the future. Ambitious, hard working, and willing to take risks to achieve goals. Willing to trade a longer commute time for more affordable housing in a new suburban development. Working-out and entertainment fill their leisure time.

“Boomburbs” Affluent young families who have traded-up to new housing in the suburbs of growing metro areas. Bigger homes with mortgages. An eye to the future, consulting with financial planers to ensure financial security. Style matters, furnishing new homes and contracting for remodel projects. Physical fitness is a priority, often working out at home or going hiking, golfing, or enjoying entertainment.


 **4.13**
AVG HH SIZE

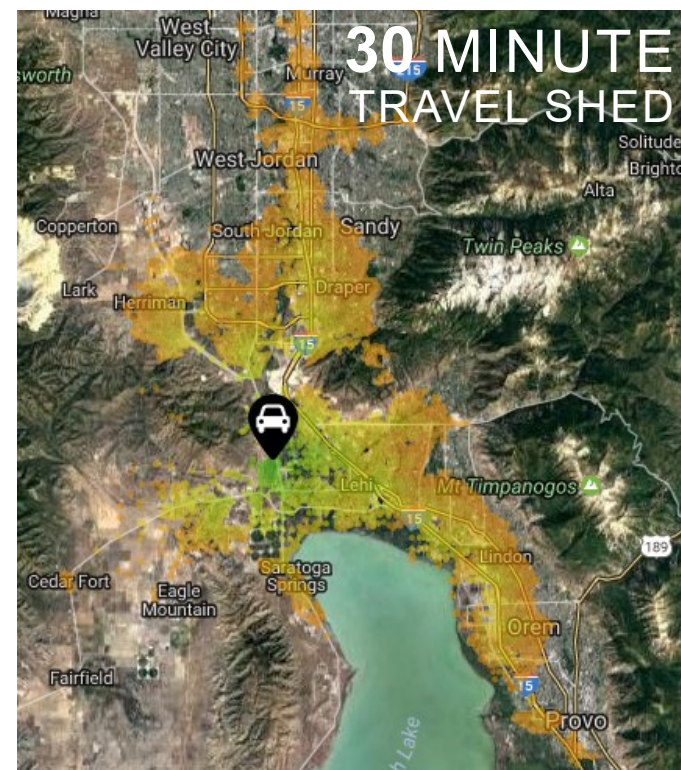
 **22,749**
POPULATION

 **23.6**
MEDIAN AGE


82% HOME OWNERSHIP

 **80,000**
MEDIAN INCOME

 **3.5%**
UNEMPLOYMENT



\$1B ANNUAL SPENDING ON PROFESSIONAL SERVICES

5.97% IN 2017
POPULATION GROWTH RATE ESTIMATE
ESRI ANALYTICS

25,000 UNITS
OF RESIDENTIAL HOUSING APPROVED
ALREADY IN SARATOGA SPRINGS

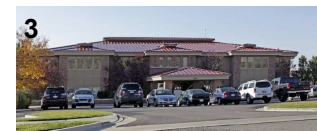
POPULATION X2
EXPECTED BETWEEN 2016 AND 2050
IN SARATOGA SPRINGS ALONE

MARKET ANALYSIS

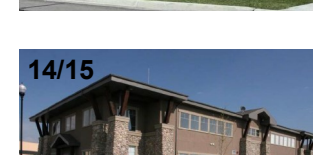
SUPPLY

11

EXISTING + PROPOSED OFFICE IN SUBMARKET



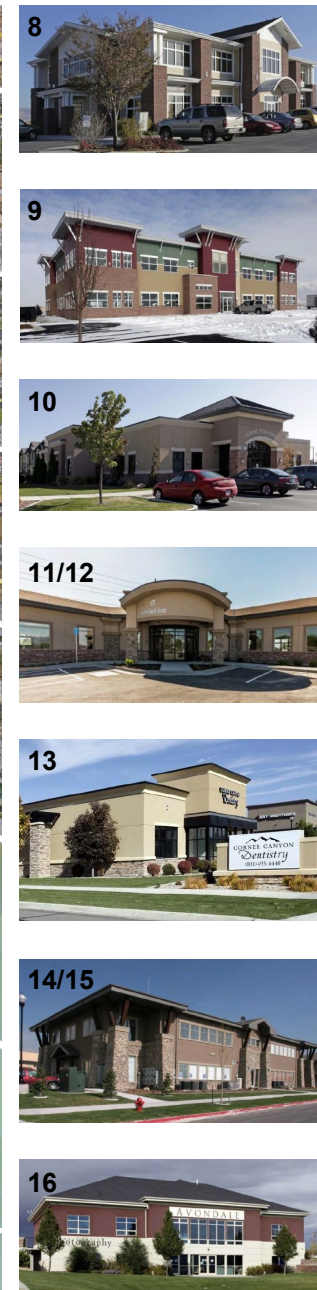
	Address	Status	Class	Built	Floors	NRA (SF)	% Vacant	Parking
1	2114 N Hillcrest Dr Saratoga Springs, UT 84045	Proposed	B	2018	3	49,888	N/A	4.00/1000
2	3700 Campus Dr Eagle Mountain, UT 84005	Existing	B	2009	2	9,103	0%	2.19/1000
3	3688 E Campus Eagle Mountain, UT 84005	Existing	B	2002	2	16,000	0%	4.00/1000
4	3726 E Campus Dr Eagle Mountain, UT 84005	Existing	B	2008	2	12,400	0%	4.03/1000
5	8998 Stonebridge Ln Eagle Mountain, UT 84005	Proposed	B	2017	2	10,780	N/A	N/A
6	3566 Pony Express Pky Eagle Mountain, UT 84005	Existing	B	2008	1	4,831	0%	5.17/1000
7	3943 E Pony Express Dr Eagle Mountain, UT 84005	Existing	B	2017	2	14,000	21%	3.00/1000
8	24 W Sergeant Court Dr Saratoga Springs, UT 84045	Existing	B	2007	2	19,510	0%	2.56/1000
9	76 E Commerce Dr Saratoga Springs, UT 84045	Existing	B	2009	2	19,800	0%	3.28/1000
10	77 E Commerce Dr Lehi, UT 84045	Existing	B	2010	1	5,618	0%	N/A
11	1020 W Pioneer Crossing Lehi, UT 84043	Existing	B	2016	1	8,000	0%	N/A
12	1100 W Pioneer Crossing Lehi, UT 84043	Proposed	B	2017	1	13,000	N/A	N/A
13	245 E State Hwy 73 Saratoga Springs, UT 84043	Existing	B	2005	1	3,223	0%	4.65/1000
14	1305 N Commerce Dr Saratoga Springs, UT 84045	Existing	B	2004	2	15,352	0%	3.91/1000
15	1307 N Commerce Dr Saratoga Springs, UT 84045	Existing	B	2005	2	29,494	0%	N/A
16	1417 S Grandview Ct Saratoga Springs, UT 84045	Existing	B	2005	2	42,016	0%	1.78/1000



MARKET ANALYSIS

SUPPLY

EXISTING + PROPOSED OFFICE IN SUBMARKET



LEASE COMPARABLES



Hamilton Square
Class B - Dental Office
1,260 sq. ft.
\$16.00 NNN
2015, 7 Yr.



Saratoga Crossroads
State Farm Insurance
1,300 sq. ft.
\$19.00 NNN (\$10 TIA)
2016, 7 Yr. Term



Prairie Gate Offices
Class B
Undisclosed
\$24.00 MG
2017



Stonebridge
Asking
10,780 sq. ft.
\$23.00 FSG
2017



Eagle Mt. Health Center
Class B / Medical
2,899 sq. ft.
16.75 NNN (\$25 TIA)
2017



Gordon Medical Plaza
Asking
6,500 sq. ft.
\$16.00 NNN
2017



Broadview University
Class B - ZampHR
6,526 sq. ft.
\$21.50 NNN
2016, 5 Yr. Term

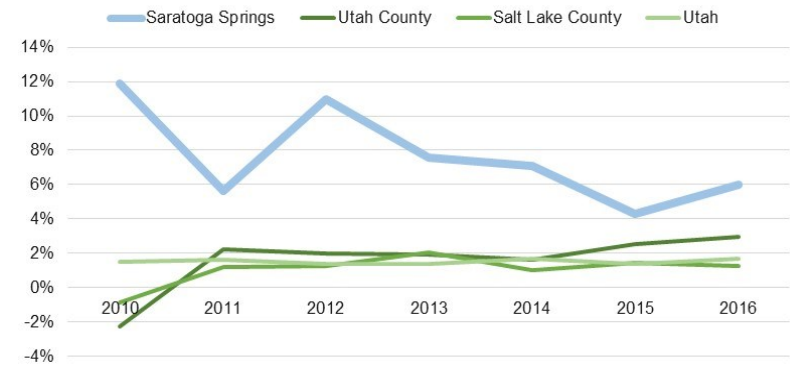


Utah County has consistently outpaced both the Salt Lake County and the State of Utah for both **EMPLOYMENT** growth and **POPULATION** growth, and Saratoga Springs has consistently outpaced even Utah County for population growth by more than *double*. With the population expected to double by 2050, and recent in-migration rates for Saratoga Springs consistently above 5% annually, it is expected that the already high demand will not be subsiding soon.

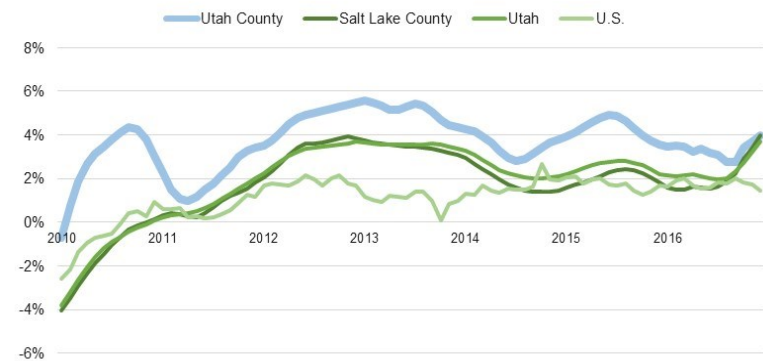
The economic and job growth in Utah County has fueled housing growth, which has resulted in unprecedented in-migration. Besides its location between the two counties, the West Lehi / Saratoga Springs submarket is attractive to residents and businesses alike because of its **ACCESSIBILITY** to I-15, amenities, suburban communities, and many opportunities for bench vistas.

As mentioned in the Market Overview on page 9, further evidence of strong demand for professional office space in this submarket was confirmed by consulting with city officials, current businesses, and prospective tenants looking for space in Northern Utah County.

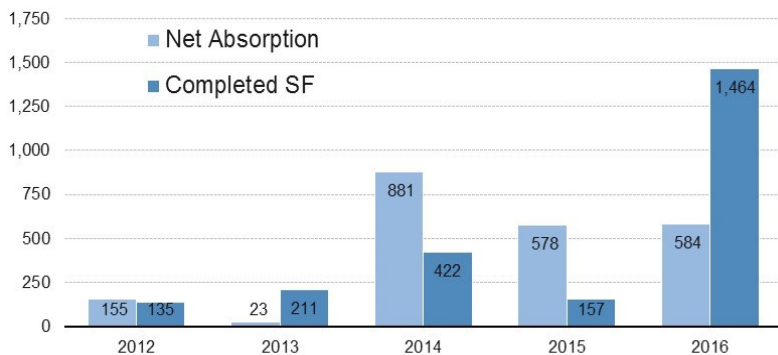
YOY % POPULATION GROWTH



YOY % EMPLOYMENT GROWTH



UTAH COUNTY ABSORPTION (000's SF)



In 2014 and 2015 net **ABSORPTION** in Utah County outpaced completed square feet by more than double. After aggressive development met the growing absorption needs in the Silicone Slopes, 2016 reached more of an equilibrium with the under supply, when square footage added more than doubled the annual net absorption. This has led some to believe that the Tech offices in Lehi are being overbuilt, but the data suggests that absorption and square footage added have only reached an equilibrium and may begin to swing back the other direction if demand persists and supply cools. Coincidentally, the net deficit in 2014 and 2015 was 800,000sf, the exact amount of square feet completed in 2016.

Regardless of the general conditions in Utah County and the Silicone Slopes, it is noteworthy that **SUBMARKET** specific conditions indicate that the area west of the Jordan River is, from a Class B demand standpoint, where the general Utah County market was in 2014 (i.e. a high-demand low-supply state).

In addition to general demand indicators, the **LIST OF TENANTS** seeking space specifically in Northern Utah County is long, totaling over 350,000sf. The list provided doesn't even include tech tenants looking for Class A space or tenants seeking over 50,000sf (the amount of space that will be available for lease at Benchview).

From **INTERVIEWS** and conversations with existing and prospective tenants, office users looking to expand in Saratoga Springs, particularly those desiring to serve a rapidly growing local clientele, have no choice but to lease retail space or locate to other areas. Multiple offices reported sending tenants to other locations or booking further out than desired due to high client volume.

Saratoga Springs is an area that has been **OVERLOOKED** because of the rapid office growth in Lehi. Much of that office growth is based on the job growth, which has been fueling the residential growth in Saratoga Springs and other nearby areas.

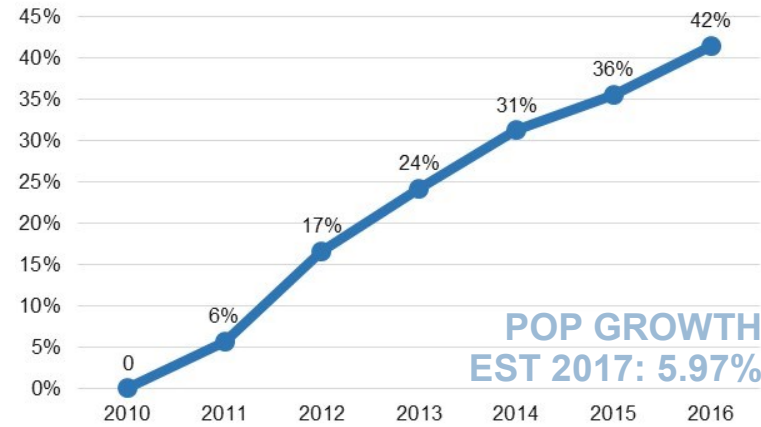
Increased residential growth, in turn, has created demand for local services needing office space close to their clients. **BENCHVIEW PROFESSIONAL OFFICE** provides for the space needed to help alleviate this demand.

It is assumed that if this is the current state of local service businesses, then the population growth discussed previously will only compound the demand.

TENANTS SEEKING OFFICE SPACE IN N. UTAH COUNTY

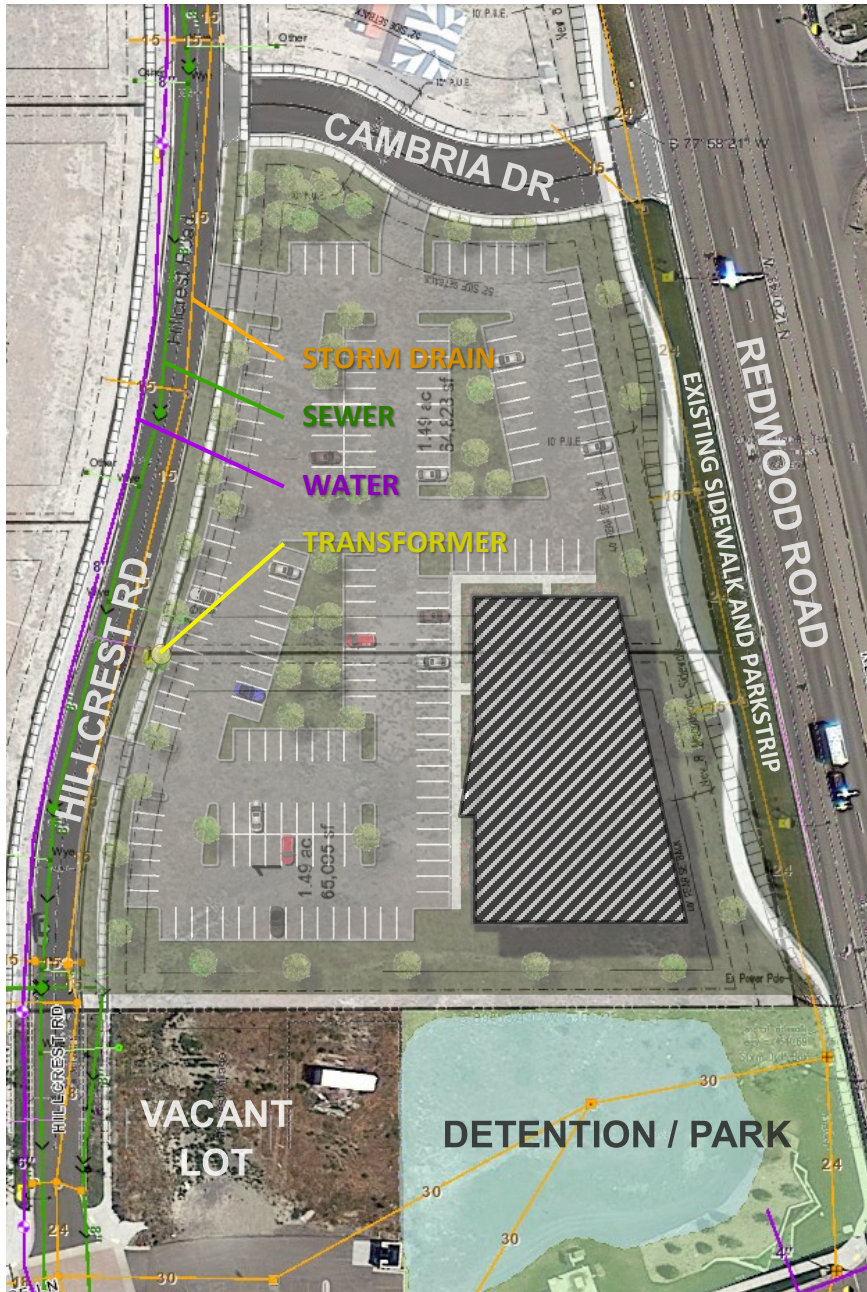
TENANT INDUSTRY	SF SEEKING
Telecommunications	40,000
Undisclosed	35,000
Other	30,000
Legal	25,000
Confidential	30,000
Financial Services	30,000
Telecommunications	30,000
Undisclosed	20,000
Direct Marketing	20,000
Undisclosed	15,000
Undisclosed	20,000
Undisclosed	18,000
Retail	10,000
Insurance-Life	10,000
Undisclosed	14,000
Undisclosed	12,000
Undisclosed	11,000
Health Care	7,000
Retail	5,000
Undisclosed	7,500
Financial Services	25,000
Legal	5,000
Financial Services	3,000
Undisclosed	10,000

CUMULATIVE POPULATION GROWTH SINCE 2010



Submarket Forecast:

EVEN MORE DEMAND



The general topography of the site is gently sloping from the high side of the property on the west to the east. This gentle slope will create minimal export of soils from the site as material from the higher west side will be cut and used as fill on the eastern portion of the parcel. The final grading of the site will maintain a slight easterly slope to facilitate storm water drainage.

All municipal utilities are located along the west border of the parcel beneath Hillcrest Rd. Development of the Benchview property will require utility lateral runs from the street to within 5 feet of the building footprint, a distance of approximately 190 lineal feet.

Preliminary site design consists of 64,430sf of asphalt for parking and drive areas (49% of the site), 31,751sf of green space (25% of the site), 18,183sf of building footprint (14% of the site), and 10,016sf of concrete paving and walks (12% of the site).

Local site development contractor Green Construction was consulted to create the following site development budget. The itemized estimate can be made available by request.

Cost Estimate dated 03.25.17

Site SF: 129,852

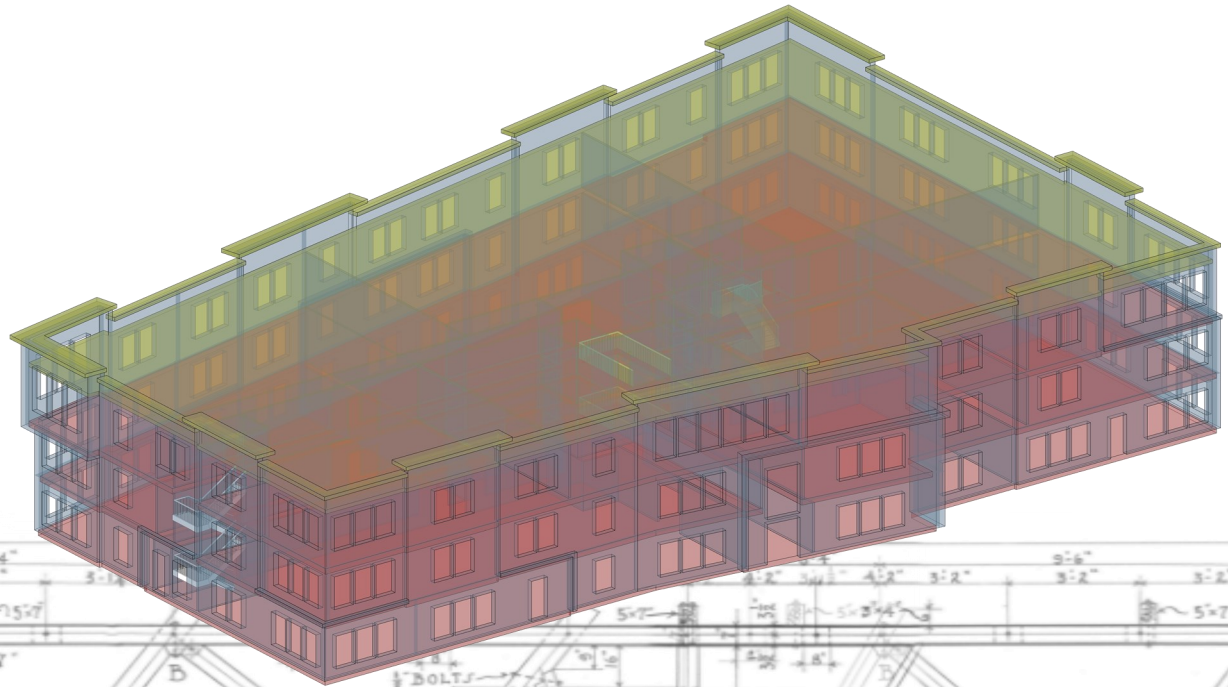
Item #	DESCRIPTION	Site SF: 129,852		
		Unit Cost	Sub Total	Total
SITWORK				
1	Earthwork			\$122,719
2	Hardscapes			\$68,278
3	Site Elements			\$31,500
4	Site Walls			\$19,248
5	Asphalt Paving			\$153,913
6	Landscaping			\$111,129
7	Utilities			\$66,100
8	Site Electrical			\$53,154
GENERAL CONDITIONS				
	General Conditions		In Building	\$0
PERMITS / FEES / INSURANCE				
	Contractor's Fee	5.00%	\$33,201	\$33,201
	GL Insurance - Contractor	0.72%	\$4,781	\$4,781
	SUBTOTAL SYSTEM 20		\$37,982	\$37,982
	PROJECT TOTAL			664,022
	Site SF			129,852
	\$/SF			\$5.11

*Itemized estimate can be made available by request.

STRUCTURE

The Benchview Professional Office will be a slab-on-grade wood framed structure with approximately 18,200sf on each level. The building will be constructed as a core and shell space with allowance allotments granted to future tenants for tenant improvement construction costs.

In order to create a core and shell space using wood frame construction, the structural design utilizes wood floor trusses which will span 45 feet from the exterior walls to a load bearing interior corridor wall. Based on load calculation estimates from BHB Structural Engineers, we anticipate a truss depth of 4 feet. The open space in the truss system will enable mechanical, electrical, and plumbing work to be run within the framework of the trusses keeping our floor to floor heights to 14 feet with a finished ceiling elevation of 9'6".



MECHANICAL

The mechanical system for the building will use roof top mechanical units (RTU's) to provide comfort to each tenant at an affordable cost. Using the RTU's will keep the majority of the mechanical cost in the core and shell cost of the building creating lower tenant improvement costs for future tenants. Commercial rooftop unit systems are designed to address today's comfort demands, superior indoor air quality, straightforward installation, and minimized energy consumption. Dedicated digital controls will enable each tenant to control the comfort demands of their individual spaces.

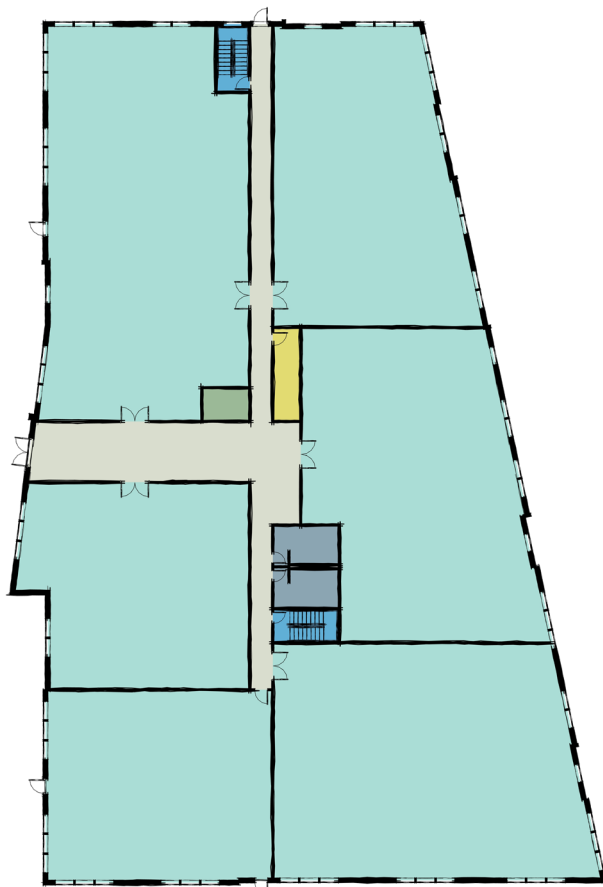
DETAIL - ONE - HALF - OF - WOOD - TRUSS -

DESIGN + CONSTRUCTION FLOOR PLANS

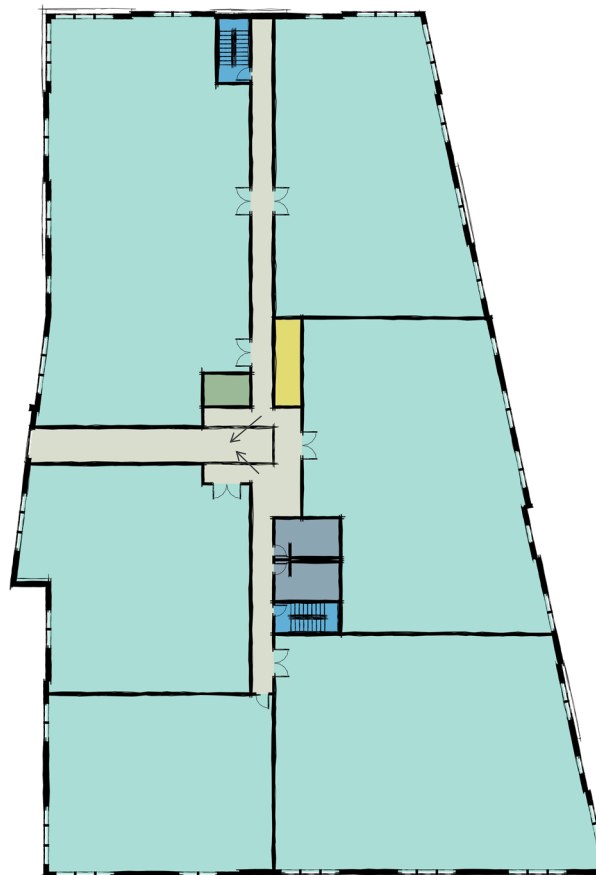
Floor plans have been designed with a “structural corridor” allowing for multiple configurations of open spaces, depending on tenant needs. With the exception of the main corridor, interior partitions can be reconfigured. Below is a tentative layout of each space. The main level features a wide entry way that is open to above, with the second and third levels opening to below.

The building consists of 49,888sf or rentable office space, common area restrooms, open hallways, utility closets on each level, two enclosed stairwells, and one elevator.

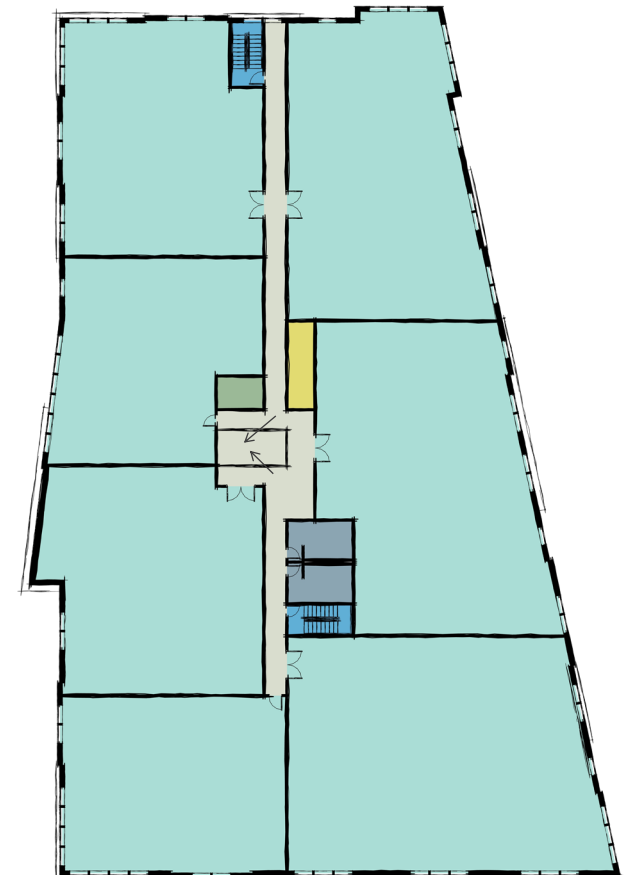
- OFFICE (49,888sf)
- HALL (3,285sf)
- UTILITY (324sf)
- RESTROOMS (691sf)
- STAIRWELLS (569sf)
- ELEVATOR (205sf)



LEVEL 1



LEVEL 2



LEVEL 3



NORTH ELEVATION

EXTERIOR

The exterior finishes of the building will be a blend of EIFS (54%), manufactured stone (19%), and glass (27%). These building finishes will not only provide an aesthetically pleasing exterior, but allow for rigid insulation on the building exterior as well as thermal batt insulation to fill the exterior wall cavity. This means lower heat transfer between conditioned and unconditioned space providing an eco-friendly building with lower operating expense. All exterior finishes are accounted for in the project's cost estimate.

DESIGN REVIEW

AJC Architects of Salt Lake City was kind enough to offer an independent, 3rd-party review of the design, contributing advice on elements such as exterior aesthetics, code requirements, materials, and general design principles.



WEST ELEVATION

While small in scale compared to a major downtown development, and less ambitious than the LEED accolades achieved by the Adobe building only a stone's toss down the road, smart sustainability efforts are now a development norm. The following considerations have been evaluated for the **SUSTAINABILITY** of the design and construction of the Benchview Professional Office. All costs related to sustainable development have been accounted for in the hard-costs estimate provided on page 21, and each item has been reviewed by a LEED accredited professional.

Community leadership is the courage, creativity and capacity to inspire participation, development and sustainability for strong communities.

— *Gustav Nossal* —



UTA bus route 224 runs along Harvest Hills Blvd directly south of our site. Currently, the closest bus stop is about a 5 minute walk (.3 miles) down Harvest Hills Blvd.



Installation of drip irrigation lines in lieu of traditional spray heads to improve water efficiency.



Use of Xeroscape landscaping to minimize water usage on-site.



LED bulbs in lieu of fluorescent bulbs, reducing power consumption.



Use high efficiency vinyl windows to minimize heat transfer.



“Double” insulated with rigid insulation integral to the EIFS system and behind the manufactured stone as well as batt insulation in all exterior wall cavities.



Restrooms in the core and shell will reduce water consumption by using low gallons-per-flush fixtures.



Using wood structure. Wood is a renewable resource and the production of lumber produces fewer emissions than steel and concrete production. According to a study led by the CORRIM (Consortium for Research on Renewable Materials), the lifecycle of steel and concrete results in 26% to 31% more greenhouse gas emissions than that of wood.

DESIGN + CONSTRUCTION

ESTIMATE + SCHEDULE

PROJECT ESTIMATE

An **ITEMIZED CONSTRUCTION ESTIMATE** was created in detail using budgets from contractors for all major scopes of work. Sunroc Building Supply provided budgets for the structural wood framing labor and supply. Salmon Electric provided budgets for both building and site electrical work, and Shamrock Plumbing provided budgetary costs for plumbing and HVAC. Other costs were based on historical pricing from Okland Construction. The itemized estimate can be made available upon request. Some of the estimate detail has been included below for reference.

DESCRIPTION	Conceptual Cost Estimate			
	Quantity	UM	Sub Total	Total
FOOTING AND FOUNDATION				
Earthwork				\$55,386
Concrete - Foundations				\$83,494
Reinforcing Steel - Foundations				\$13,217
Foundation Waterproofing and Insulation				\$3,498
SUBTOTAL - FOOTING AND FOUNDATIONS			\$155,595	
STRUCTURE				
	49,450	SF		
Concrete - Structure				\$175,295
Reinforcing Steel - Structure				\$15,023
Slab Preparations				\$21,852
Masonry				\$93,312
Structural Steel				\$0
Metal Decking				\$0
Stairs				\$0
Misc. Steel				\$92,719
Rough Carpentry				\$840,650
SUBTOTAL - STRUCTURE			\$1,238,851	
EXTERIOR CLOSURE				
	20,988	SF		
Masonry				\$93,980
Stone Veneer (Manufactured) 19% of Skin	3,988	SF	\$87,730	
Precast Sill	250	LF	\$6,250	
Exterior Bldg Skin - Structure				\$19,482
Joint Sealants				\$3,148
Soffits				\$0
EIFS				\$124,669
EIFS 54% of Skin	11,334	SF	\$124,669	
Glass / Glazing				\$209,000
Storefront	310	SF	\$13,020	
Vinyl Punch Windows 27% of Skin	5,667	SF	\$170,003	
Single Leaf Aluminum Swing Doors	8	EA	\$16,000	
Aluminum Entry Door - Double	2	EA	\$4,000	
Final Glass Cleaning	5,977	SF	\$5,977	
Metal Panels				\$0
Temp Exterior Elements				\$10,494
SUBTOTAL - EXTERIOR CLOSURE			\$460,772	
ROOFING SYSTEM				
		SF		
Roofing System				\$157,464
SUBTOTAL - ROOFING			\$157,464	

INTERIOR FINISHES		49,450	SF			
Caulking / Sealants						\$2,473
Doors, Frames, and Hardware						\$41,150
Handrails / Guardrails						\$25,500
Interior Glass						\$18,000
Metal Stud Framing and Drywall						\$82,063
Tile / Stone						\$40,596
Flooring						\$15,412
Painting						\$23,000
Temporary Measures						\$13,145
SUBTOTAL - INTERIOR FINISHES					\$261,338	
CONVEYING SYSTEM						
Electrical Traction Elevator	3	Stop			\$75,000	
SUBTOTAL - CONVEYING SYSTEM					\$75,000	
SPECIAL SYSTEMS / EQUIPMENT						
Toilet Partitions						\$15,600
Bathroom Specialties						\$5,145
Signage						\$1,500
Other Specialties						\$11,550
SUBTOTAL SPECIAL SYSTEMS / EQUIPMENT					\$33,795	
MECHANICAL						
HVAC						\$469,775
Plumbing						\$148,350
SUBTOTAL MECHANICAL					\$618,125	
Fire Protection						
Fire Protection						\$74,175
SUBTOTAL FIRE PROTECTION					\$74,175	
ELECTRICAL						
Building Electrical						\$264,558
SUBTOTAL ELECTRICAL					\$264,558	
CRANES and HOISTING						
Fork Lifts	7	MO			\$35,000	
SUBTOTAL SYSTEM 14					\$35,000	
GENERAL CONDITIONS / FEES / INSURANCE						
General Conditions	9	MO			\$270,000	
SUBTOTAL SYSTEM 20					\$270,000	
PERMITS / FEES / INSURANCE						
Contractor's Fee	7.50%	1	LOT		\$307,918	
GL Insurance - Contractor	0.72%	1	LOT		\$29,560	
SUBTOTAL SYSTEM 20					\$337,728	
Construction Contingency	3.00%	1	LOT		\$123,167	
SUBTOTAL SYSTEM 22					\$123,167	
PROJECT TOTAL						\$4,105,567.11
Building SF						54,590
\$/SF						\$75.21

PROJECT SCHEDULE

A **DETAILED CONSTRUCTION SCHEDULE** highlighting critical path trades with dates and durations has been completed and is available upon request. Milestone durations are as follows:

Design: 3 months Concrete: 2 months Finishes: 1 month
 Permitting: 1 month Framing: 2 months Closeout: 1 month
 Earthwork: 1 month Exteriors: 2 months

Total Construction: 9 months Total Development: 13 months

FINANCIAL ANALYSIS OVERVIEW

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PROJECT COSTS

Hard Cost	Total	PGSF
Land	\$ 1,233,594	\$22.61
Site Dev't Hard Costs	\$ 663,544	\$12.16
Core and Shell	\$ 4,102,630	\$75.21
Tenant Improvements	\$ 1,748,250	\$32.05
Contingency (5%)	\$ 238,309	\$4.37
Total Hard Cost	\$ 7,986,327	\$146.41

Soft Cost	Total	PGSF
Entitlements	In-Place	
Arch & Eng Fees	\$ 423,438	
Permit & Impact Fees	\$ 82,305	
Getechnical Report	\$ 4,500	
Phase 1 ESA	\$ 1,300	
ALTA Survey	\$ 1,800	
Real Estate Taxes	\$ 50,398	
Legal Fees	\$ 17,500	
Appraisal & Review	\$ 4,000	
Mktg & Leasing Comm.	\$ 68,931	
Loan Origination	\$ 86,405	1.25%
Interest Reserve	\$ 127,575	
Contingency (5%)	\$ 37,029	5.00%
Developer Fee	\$ 265,634	3.00%
Total Soft Cost	\$ 1,170,815	\$21.46

Total Development Costs \$ 9,157,141 \$167.87

FINANCING

Construction Loan	
LTC	75.00%
Max Loan	\$6,867,856
LTV	70.00%
Max Loan	\$7,295,661
Max Loan amount	\$6,867,856
Loan term (Years)	1.5yr Int Only
Loan rate type	Floating
Underwriting Rate	5.00%

Permanent Loan	
LTV	70.00%
Loan amount	\$7,295,661
Loan term (Years)	10
Amortization	25
Loan rate type	Fixed
Underwriting Rate	6.00%
Annual Debt Service (ADS)	\$564,073
Monthly Debt Service	\$47,006
Balloon Payment (10yrs)	\$5,570,382

Financeability Summary	
DCR (1st Yr Stabilized)	1.34
Break-even ratio	82%
Debt Yield Ratio	10.36%
Debt to income	75%

TOTAL COSTS
\$9,157,141

STABILIZED NOI
\$755,622

CASH ON CASH (Yr 7)
14.77%

LEVERED IRR (Yr 7)
19.76%

LEVERED NPV (Yr 7)
\$1,622,153

GOING IN CAP RATE
7.25%

EXIT CAP RATE
7.75%

FINANCIAL ANALYSIS

CASH FLOW

23

Year	Constr / Lease Up		Stabilized						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Potential Gross Income		\$287,213	\$1,148,850	\$1,183,316	\$1,218,815	\$1,255,379	\$1,293,041	\$1,331,832	\$1,371,787
Vacancy & Collection Loss		\$22,977	\$91,908	\$94,665	\$97,505	\$100,430	\$103,443	\$106,547	\$109,743
Concessions		\$264,236	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Effective Gross Income			\$1,056,942	\$1,088,650	\$1,121,310	\$1,154,949	\$1,189,598	\$1,225,285	\$1,262,044
Total Operating Expenses		\$75,330	\$301,320	\$310,360	\$319,670	\$329,260	\$339,138	\$349,312	\$359,792
Net Operating Income		-\$75,330	\$755,622	\$778,291	\$801,639	\$825,689	\$850,459	\$875,973	\$902,252
Development + Lease Up									
Developer Equity	\$1,942,268	\$347,017							
Construction Loan Draw		\$6,867,856							
Permanent Loan Debt Service			\$564,073	\$564,073	\$564,073	\$564,073	\$564,073	\$564,073	\$564,073
Before Tax Cash Flow	-\$1,942,268	-\$422,347	\$619,355	\$214,218	\$237,567	\$261,616	\$286,387	\$311,900	
IRRe			26.68%	24.04%	22.56%	21.56%	20.82%	20.24%	
NPVe			\$691,839	\$881,405	\$1,055,641	\$1,215,763	\$1,362,885	\$1,498,034	
Cash on Cash			8.37%	9.36%	10.38%	11.43%	12.51%	13.62%	

PRO FORMA ASSUMPTIONS

Lease Rate: \$23/sf/yr FSG

TI Allowance: \$35/rsf

Leasing Commissions: 6%

Absorption Rate: 2,700sf per month

Stabilized Vacancy Rate: 8%

Concessions: 3 months of free rent

Operating Expenses: \$6.03/rsf/yr. In-line for Class B office space. Unit costs derived from current operating reports on comparable structure.

ANNUAL OPERATING EXPENSES

Expense	Total	PRSF
Property Taxes	\$ 50,398	\$1.01
Insurance	\$ 10,364	\$0.21
Utilities	\$ 81,824	\$1.64
Trash	\$ 2,727	\$0.05
Landscaping / Snow R.	\$ 10,910	\$0.22
Maintenance	\$ 27,275	\$0.55
Management	\$ 30,002	\$0.60
Payroll	\$ 54,000	\$1.08
Advertising & Mktg	\$ 5,455	\$0.11
Janitorial	\$ 10,910	\$0.22
Replacement Reserves	\$ 17,456	\$0.35
Total Operating Expenses	\$ 301,320	\$6.03

ALTERNATIVE SCENARIO + EXIT STRATEGY

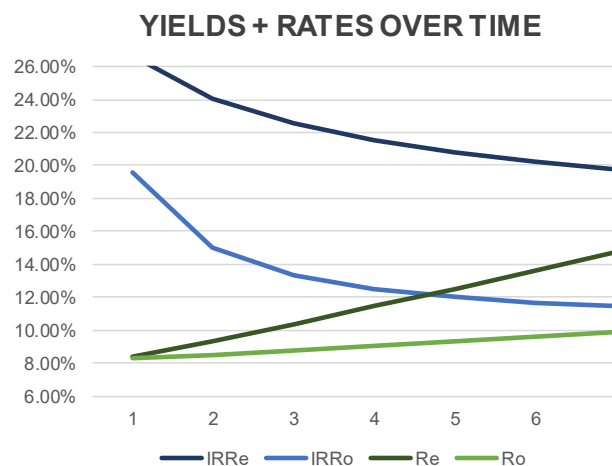
The primary risk factor associated with the Benchview project is space proposed compared to total space in the submarket. Currently, the defined submarket has 223,127rsf of office space. The additional 49,888sf from Benchview would represent about 18% of the total inventory. Preliminary feedback from investors and developers was mixed, with some suggesting that the demand justifies the risk, and others suggesting a more conservative approach. While our analysis indicates that demand justifies the proposed additional space, an alternative analysis was conducted to evaluate a more conservative approach.

The alternative scenario proposes that instead of building a single, larger structure, one smaller structure would be constructed on each parcel. This approach allows for a **PHASED DEVELOPMENT** that would reduce market exposure by reducing the commitment to added inventory all at once, but would also 1) reduce the efficiency in the site design, 2) reduce economies of scale in construction, and 3) extend the project timeline. Expected performance based on the alternative scenario is summarized below:

TOTAL COSTS \$9,657,638	LEVERED IRR (Yr 7) 11.75%	GOING IN CAP RATE 7.25% (SAME)
STABILIZED NOI \$693,200	LEVERED NPV (Yr 7) \$331,854	EXIT CAP RATE 7.75% (SAME)
CASH ON CASH (Y7) 10.46%		

SENSITIVITY ANALYSIS

Certain sensitivities have been run based on the as-proposed development of a single, larger structure. Key indicators such as financing, market cap rates, lease rates, and holding period were evaluated as part of the overall financial analysis.



This project assumes a traditional design-bid-build delivery method. During the preparation of the costs estimate for the project a design-build construction delivery method was considered as a method to improve design efficiency. This delivery method would likely produce a reduction in total construction costs.

LEASE RATE SENSITIVITY		
Rate	CoC (Yr 7)	IRR (Yr 7)
\$22.50	14.33%	17.92%
\$22.75	14.55%	18.84%
\$23.00	14.77%	19.76%
\$23.25	15.00%	20.70%
\$23.50	15.22%	21.66%

CAP RATE (GOING IN)		
Rate	CoC (Yr 7)	IRR (Yr 7)
7.75%	16.06%	18.51%
7.50%	15.59%	19.12%
7.25%	14.77%	19.76%
7.00%	13.89%	20.50%
6.75%	12.95%	21.35%

CAP RATE (EXIT)		
Rate	CoC (Yr 7)	IRR (Yr 7)
8.25%	14.77%	18.46%
8.00%	14.77%	19.11%
7.75%	14.77%	19.76%
7.50%	14.77%	20.43%
7.25%	14.77%	21.11%

LTV SENSITIVITY		
LTV	CoC (Yr 7)	IRR (Yr 7)
60%	18.29%	17.74%
65%	16.53%	18.67%
70%	14.77%	19.76%
75%	13.01%	21.07%
80%	11.25%	22.64%

Based on the foregoing analysis, it is proposed that the **BENCHVIEW PROFESSIONAL OFFICE** will yield safe, strong returns. The project boasts an A location positioning for its property type, excellent visibility, high demand, lack of submarket supply, and a build-ready lot – all of which are elements that will contribute to a successful project. Risks have been well-assessed and accounted for. The project represents a safe investment in a rapidly growing submarket with already pent-up demand.

STRENGTHS

- Excellent Visibility
- Easy Accessibility
- Build-Ready Site

OPPORTUNITIES

- Low Submarket Vacancy
- Established Demand
- High-Growth Submarket

WEAKNESSES

- Fewer Lease Transactions for Basis
- Few Recent Comparable Developments

RISKS

- Infusion of Space into Low-Inventory Submarket

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Utah MARCH

