

3704 PARKWAY PLACE

WEST SACRAMENTO, CALIFORNIA

- **High Investment Grade Credit Tenant**
- **Convenient Location**
- **Versatile & Functional Facility**
- **Mission Critical State Operation**
- **Priced Below Replacement Cost**



SINGLE TENANT LEASED INVESTMENT

EDD Employment
Development
Department
State of California



CBRE

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**NEWCASTLE
PROPERTIES
GROUP**

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3704 PARKWAY PLACE SINGLE TENANT WEST SACRAMENTO, CALIFORNIA LEASED INVESTMENT

**ASKING
PRICE**

\$8,500,000



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INVESTMENT OVERVIEW

This offering presents an opportunity to acquire a professionally managed, quality, multi-functional building leased to an investment grade tenant, with a long occupancy history. This is a mission critical printing and operations facility for EED strategically located next to the US Post Offices regional Sacramento Processing & Distribution Center. West Sacramento is a strong market for this product type, and the building is priced below replacement cost.

THE BUILDING

3704 Parkway Place, West Sacramento is ±54,518 square feet of office, tech, production and warehouse space on two floors. Circa 1988 construction, the building has long been occupied in its entirety by the State of California Employment Development Department (EDD).

The building is constructed of reinforced concrete with architectural glass. The warehouse ceiling clear height varies with 3 truck doors. There are ±66 parking spaces.

CONVENIENCE & FLEXIBILITY

The West Sacramento submarket has excellent freeway access and is convenient to the entire Sacramento region. The manner in which the property is situated at the end of a court is ideal for both perimeter and entrance security. The building's multipurpose layout and its flexible M2 zoning fit the needs of the Employment Development Department well. As such, EDD recently renewed their lease for another eight years.

TENANT IMPROVEMENTS & RENT

The building was upgraded with over \$450,000 in tenant improvements, plus another ±\$275,000 in security system improvements that were partially amortized in to the firm term of the lease. Accordingly, the rent in the fifth year of the lease is adjusted downward.

THE LEASE

The lease is a State of California "Standard Lease Form" with typical State provisions, most notably the right to terminate after four years, upon 90-days prior notice. The State of California Department of General Services Real Estate Services reference is Lease File No: 3651-011, Project No.: 2199

THE TENANT

After years of running a budget surplus and accumulating reserves in its "rainy day fund" the State of California has an excellent credit rating. The State's austerity put it in a good position to weather the budget impacts from the COVID-19 pandemic.

The State's Credit is high investment grade:

| AGENCY | RATING | LEVEL |
|---------|--------|------------|
| Fitch | AA | High Grade |
| Moody's | Aa2 | High Grade |

(2019 Q4)





SACRAMENTO INTERNATIONAL AIRPORT



SACRAMENTO RIVER

3704 PARKWAY PLACE | SINGLE TENANT LEASED INVESTMENT

WEST SACRAMENTO, CALIFORNIA



AMERICAN RIVER

DOWNTOWN SACRAMENTO



3704 PARKWAY PLACE
WEST SACRAMENTO, CALIFORNIA

WEST SACRAMENTO



SACRAMENTO RIVER DEEP WATER SHIP CHANNEL



SACRAMENTO RIVER



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3704 PARKWAY PLACE

WEST SACRAMENTO, CALIFORNIA

SINGLE TENANT
LEASED
INVESTMENT



STATE OF CALIFORNIA DEPARTMENT OF GENERAL SERVICES EMPLOYMENT DEVELOPMENT DEPARTMENT



Building & Lease Information

| 3704 Parkway Place, West Sacramento | |
|-------------------------------------|--|
| Tenant | State of California Employment Development Department |
| Guarantor | State of California |
| Tenancy | Full Building Occupancy |
| Year Built | Circa 1988 |
| Building Size | ±54,518 SF Gross (±52,182 SF "net usable" per State Lease) |
| Lot Size (acres) | ±2.10 Acres (per Yolo County tax assessor records) |
| Clear Height | varies |
| Dock High Doors | 1 |
| Grade Level Doors | 2 |
| Vehicle Parking | ±66 Parking Spaces |
| Rent Commencement | September 1, 2020 |
| Lease Expiration | August 31, 2028 |
| Rental Increases | 3% Annually (compounded) |
| Lease Type | State Gross Lease (Lease File # 3651-001 Project # 2199) |

- Per State of California lease standards the firm term is four years. The State has an early termination right beginning August 31, 2024.

Rent Schedule

| YEAR | TERM | MONTHLY RENT |
|------|---|---|
| 1 | September 1, 2020 to September 30, 2020 | Base Rent \$37,093.89 Amortized Payment ±\$6,106.29 Total \$43,200.18 |
| | October 1, 2020 to August 31, 2021 | Base Rent \$66,532.05 Amortized Payment ±\$6,106.29 Total \$72,638.34 |
| 2 | September 1, 2021 to August 31, 2022 | Base Rent \$68,528.01 Amortized Payment ±\$6,106.29 Total \$74,634.30 |
| 3 | September 1, 2022 to August 31, 2023 | Base Rent \$70,583.85 Amortized Payment ±\$6,106.29 Total \$76,690.14 |
| 4 | September 1, 2023 to August 31, 2024 | Base Rent \$72,701.37 Amortized Payment ±\$6,106.29 Total \$78,807.66 |
| 5 | September 1, 2024 to August 31, 2025 | Total \$74,882.41 |
| 6 | September 1, 2025 to August 31, 2026 | Total \$77,128.88 |
| 7 | September 1, 2026 to August 31, 2027 | Total \$79,442.75 |
| 8 | September 1, 2027 to August 31, 2028 | Total \$81,826.03 |

- Base Rent escalates 3% annually.
- Tenant Improvements and prior rent credits are amortized over the first four years of the lease, and shown as amortized payments above.

| INCOME | |
|---|------------------|
| Income (2023 calendar year) | \$855,476 |
| OPERATING EXPENSES (2023 BUDGET) | |
| Utilities (water & sewer) | \$8,367 |
| Janitorial | \$159,000 |
| HVAC | \$36,118 |
| Repair & Maintenance | \$37,900 |
| Elevator | \$5,264 |
| Lot & Landscaping | \$17,160 |
| Security | \$3,323 |
| Management Fee | \$21,159 |
| Insurance | \$11,784 |
| Property Taxes (1.1256% est.) plus levy | \$105,171 |
| Total Operating Expenses | \$405,246 |
| NET OPERATING INCOME | \$450,000 |

\$8,400,000 (±5.36% capitalization rate)
plus ±\$100,000, the approximate net present value of the remaining amortized payments, in addition to base rent (see below)

\$8,500,000 TOTAL

The State pays an additional \$6,106.29 per month above the base rent as an amortized reimbursement to Landlord for tenant improvements and prior rent credit. The net present value of this income stream is approximately \$100,000 (depending on the discount rate applied and the number of remaining payments at close of escrow). This additional monthly rent has not been added to the base rent to be capitalized into the price, and cap rate.

NOTE: The Landlord fronts preventative maintenance costs for tenant's generator and is reimbursed on a dollar-for dollar basis. The State of California pays base rent and amortized payments, monthly in arrears.

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PRICE \$8,500,000**

EDD Employment
Development
Department
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LIVE, WORK, & PLAY HERE WEST SACRAMENTO, CALIFORNIA



The City of West Sacramento is a fast growing, diverse community on the west side of the Sacramento River in the heart of California. West Sacramento is just across the famed "Tower Bridge" from Downtown Sacramento. The population of "West Sac" is just over ±55,000 and offers a distinct sense of community to those who live and work there. West Sacramento, long known as business friendly, also offers abundant housing. The City is currently planning three major, innovative, mixed-use projects:

- The Washington District
- The Bridge District
- Pioneer Bluff & Stone Lock

The residents of Sacramento take great pride in the Sacramento River Cats, the San Francisco Giants AAA affiliate located at "Sutter Health Field" at the foot of the Tower Bridge

THE WEST SACRAMENTO CHAMBER OF COMMERCE

1. Minutes to Downtown Sacramento and the Capitol
2. Minutes to the University of California Davis and California State University Sacramento
3. Quick and easy commute to freeways, Sacramento International Airport and Amtrak
4. Superior distribution transportation: road, rail, air and port
5. Educated, regional work force of more than a million people
6. Abundant land, high-tech business parks and riverfront offices
7. Low business costs: No local utility taxes, Low Business license fees.
8. Accessible and cooperative city government
9. Affordable housing in new communities, existing neighborhoods and apartments
10. Rich cultural and recreational opportunities



West Sacramento Population

54,836

(Source: Applied Geographic Solutions and GIS Planning 2019)

Median Household Income

\$66,508

(Source: Applied Geographic Solutions and GIS Planning 2019)

Median Household Value

\$329,700

(Source: US Census Bureau 2018)

Homeownership Rate:

58.25%

(Source: Applied Geographic Solutions and GIS Planning 2019)

Median Rent monthly:

\$1,019

(Source: US Census Bureau 2018)

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WEST SACRAMENTO, CALIFORNIA LEASED INVESTMENT



CORPORATE NEIGHBORS

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WEST SACRAMENTO, CALIFORNIA

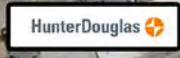
INDUSTRIAL BOULEVARD

PARKWAY BOULEVARD

SEAPORT BOULEVARD

ENTERPRISE BOULEVARD

SACRAMENTO RIVER DEEP WATER CHANNEL



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WEST SACRAMENTO, CALIFORNIA



DOWNTOWN SACRAMENTO

WEST SACRAMENTO



SACRAMENTO RIVER

SACRAMENTO RIVER DEEP WATER CHANNEL

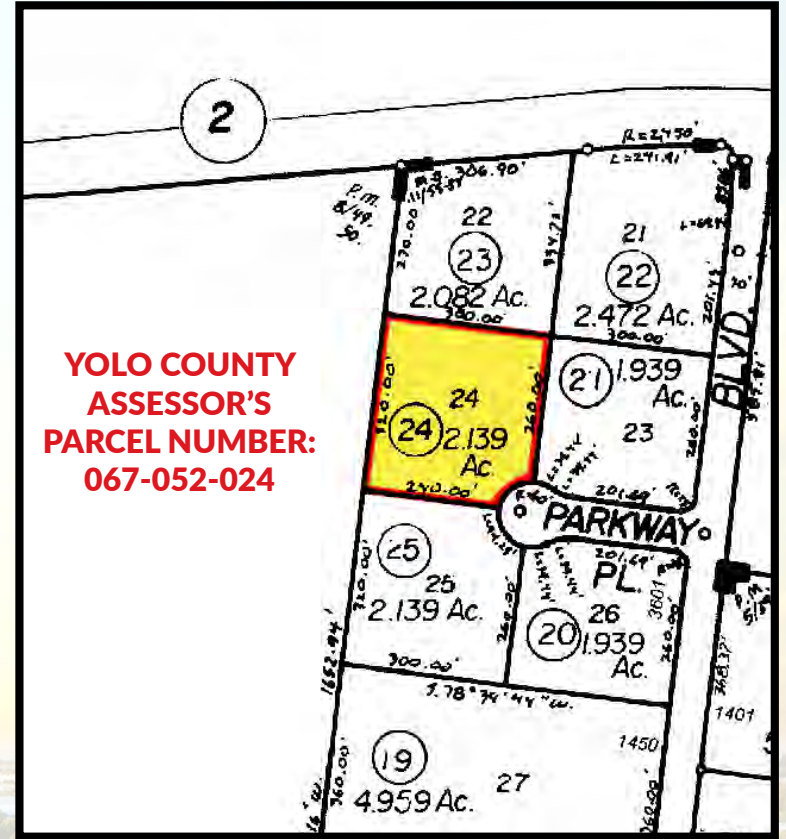
3704 PARKWAY PLACE
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AERIAL OF SITE



YOLO COUNTY ASSESSOR'S PARCEL MAP



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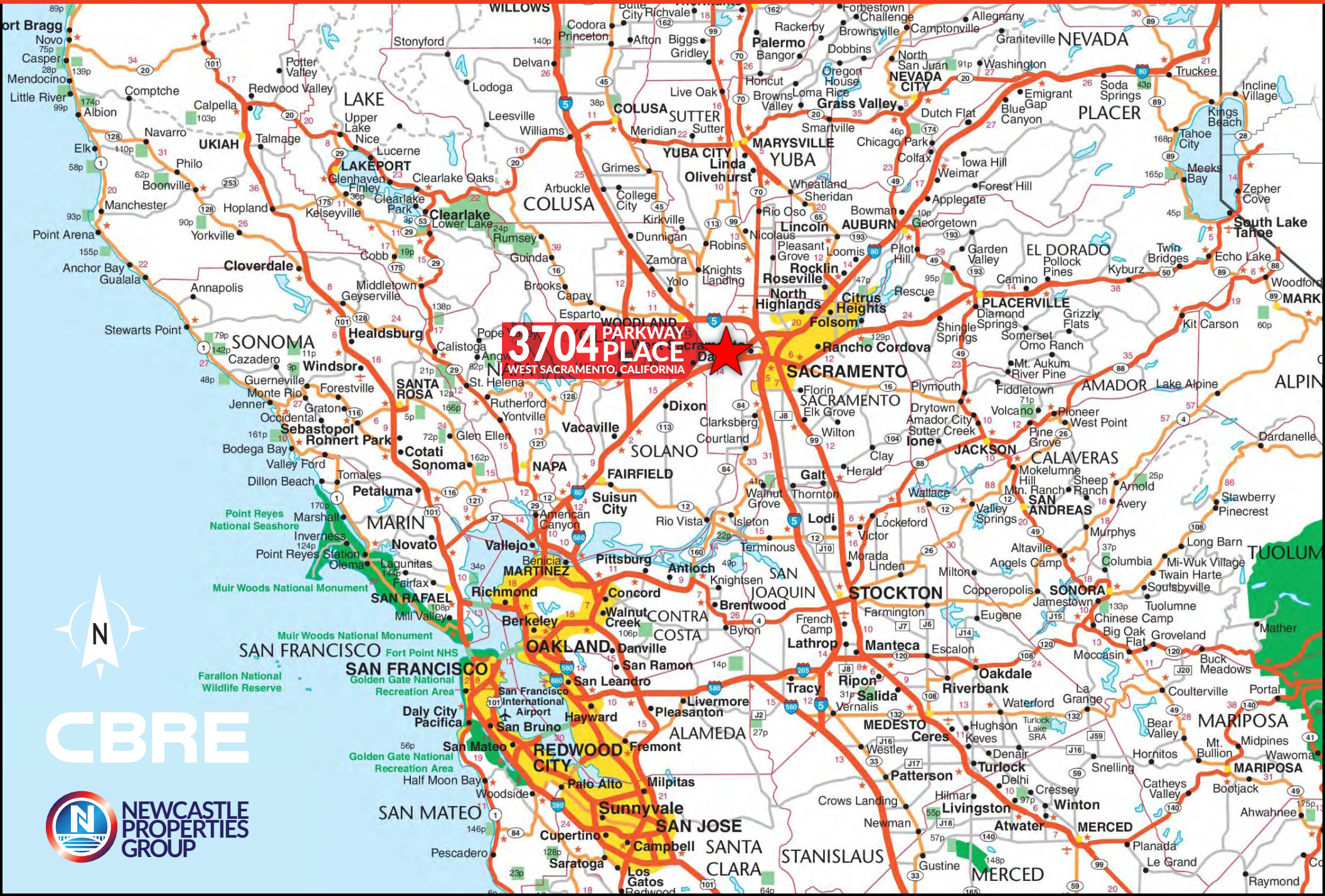
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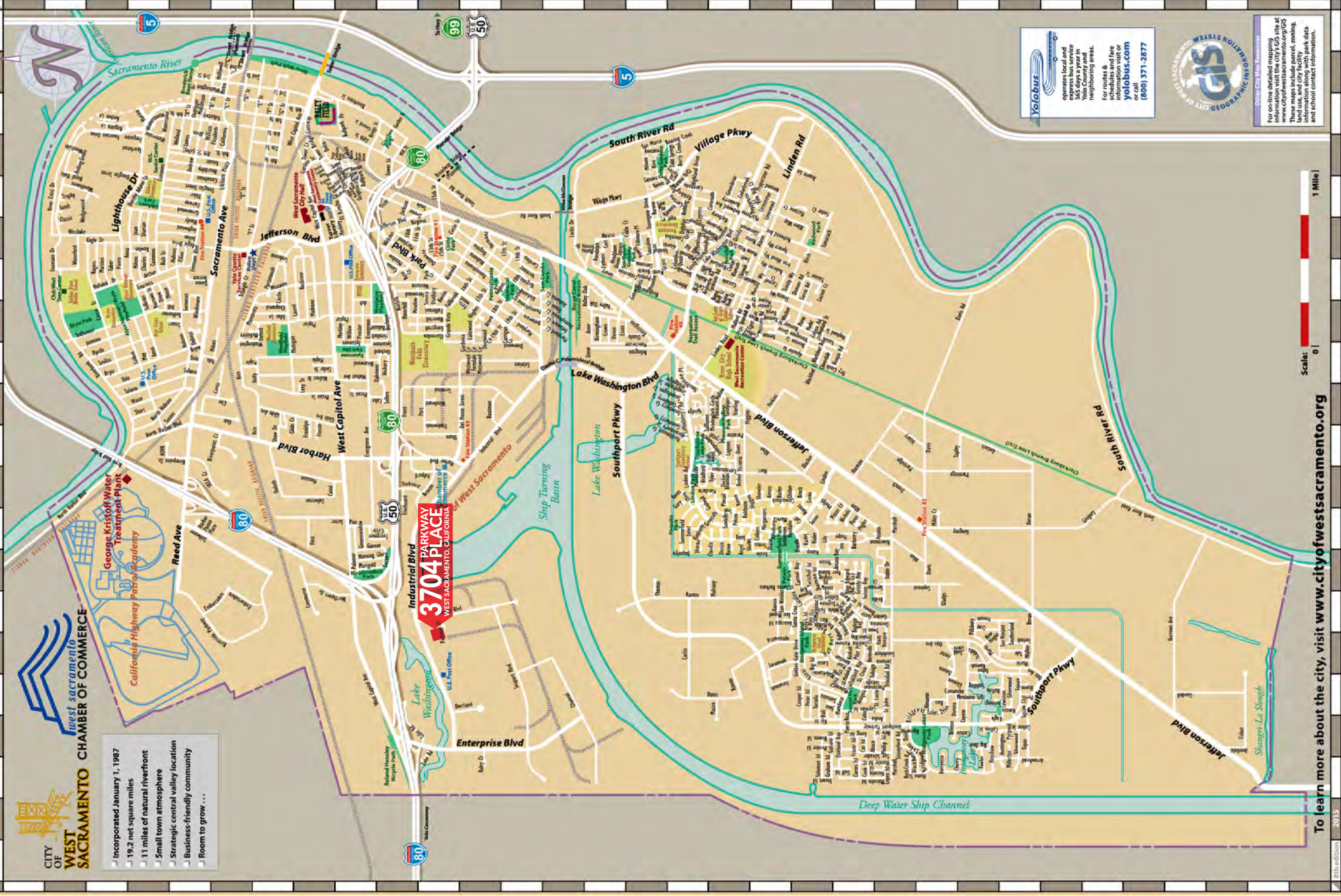
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CITY OF WEST SACRAMENTO
CHAMBER OF COMMERCE

- Incorporated January 1, 1987
- 19.2 net square miles
- 11 miles of natural riverfront
- Small town atmosphere
- Strategic central valley location
- Business-friendly community
- Room to grow ...



3704 PARKWAY
 WEST SACRAMENTO, CALIFORNIA

Yolobus
 operates local and
 365 days a year in
 the Sacramento
 neighboring areas.
 For routes &
 schedules and fare
 information visit or
yolobus.com
 (800) 371-2877

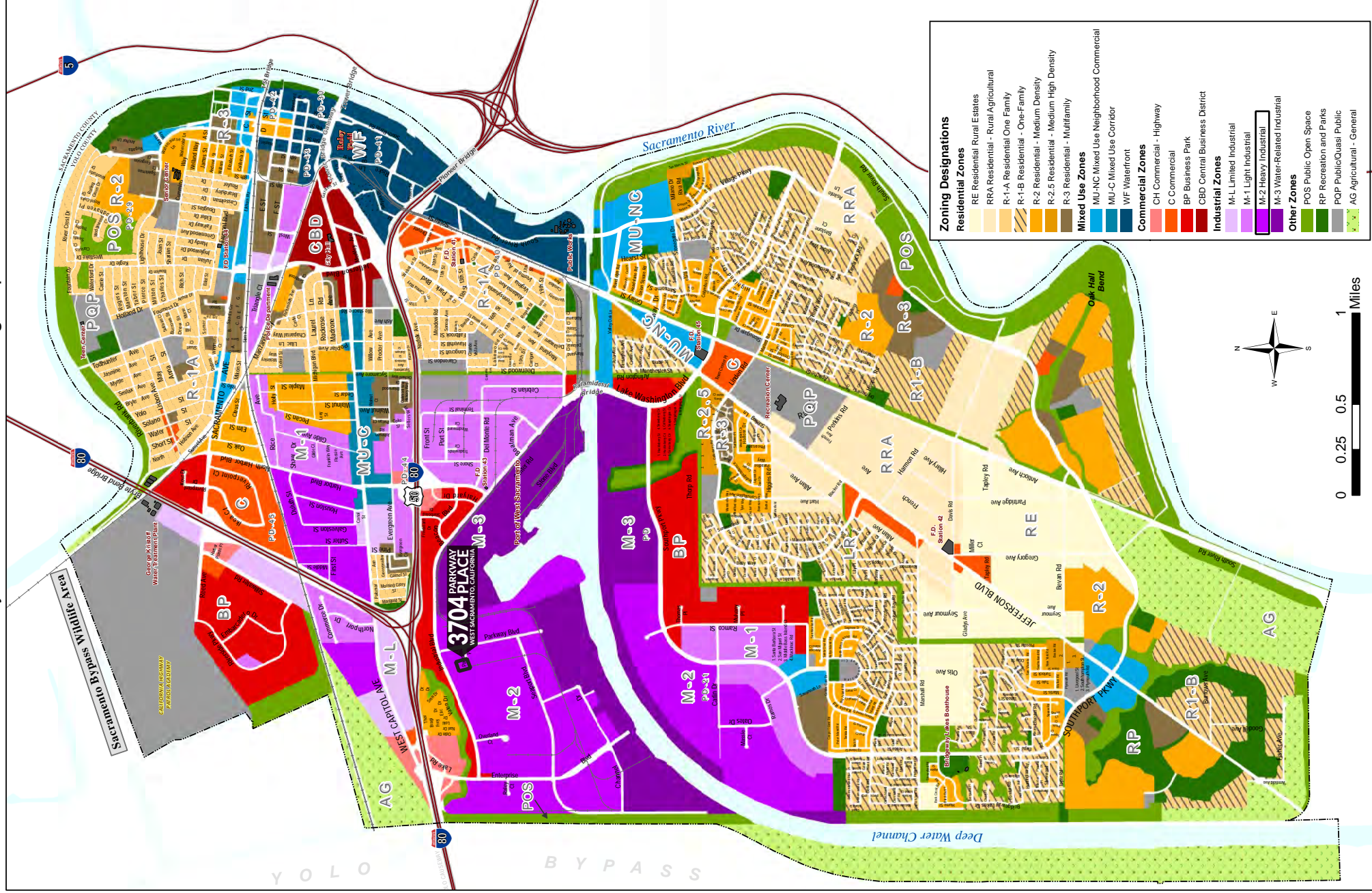


Other City Area Resources
 For on-line detailed mapping
 information visit the city's GIS site at
www.cityofwestsacramento.org/gis
 These maps include parcel zoning,
 land use, and city facility
 information. GIS data
 and school contact information.

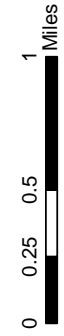


To learn more about the city, visit www.cityofwestsacramento.org

City of West Sacramento Zoning Map



| Zoning Designations | |
|---------------------|---|
| | RE Residential Rural Estates |
| | RRA Residential - Rural Agricultural |
| | R-1-A Residential - One Family |
| | R-1-B Residential - One Family |
| | R-2 Residential - Medium Density |
| | R-2.5 Residential - Medium High Density |
| | R-3 Residential - Multifamily |
| | MU-NC Mixed Use Neighborhood Commercial |
| | MU-C Mixed Use Corridor |
| | WF Waterfront |
| | CH Commercial - Highway |
| | C Commercial |
| | BP Business Park |
| | CBD Central Business District |
| | M-L Limited Industrial |
| | M-1 Light Industrial |
| | M-2 Heavy Industrial |
| | M-3 Water-Related Industrial |
| | POS Public Open Space |
| | RP Recreation and Parks |
| | PQP Public/Quasi-Public |
| | AG Agricultural - General |



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STATE OF CALIFORNIA
EMPLOYMENT DEVELOPMENT
DEPARTMENT**



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