

**980 Bethlehem Pike
Montgomeryville, PA 18936
(Montgomery County)**

Land Area: 3.40 acres/148,104 GSF
Property Size: 41,179 sf
Built: 2003
Building: 1 structure with 2 suites (15,682 sf, 25,497 sf), 3 dock doors
Frontage: 307 ft along Bethlehem Pike
Parking Spaces: 463 space which yields 4.09 per 1,000 psf

Occupancy: 0.00%
Number of Tenants: 0
(A.C.Moore Arts & Crafts will remain open through the end of March 2020 and it is anticipated that the store will close prior to property sale closing date)

Environmental Report Phase I-no issues

Parcel ID: 46-00-00313-00-1 in Montgomery Township-current tax equivalent assessment is \$4,151,400 which equates to a market value of \$8,421,000

Zoning: HLI II Overlay District (Highway Limited Industrial II) by Montgomery Township

Daily Traffic Count on Bethlehem Pike at property=30,625

Building is 205 feet deep x 200.9 ft of frontage
a) The former Thomasville Furniture store is **15,682 sf** with a frontage of about 76.5 ft
b) The AC Moore space is about **25,497 sf**=about a 124.5 ft frontage

18 foot high clear ceiling height, 2 suites, 3 dock doors

Area Demographics	1mile	3 miles	5 miles
2024 Population Projected:	6,813	63,566	157,913
2019 Median Age:	39.9	42.6	43.7
Households&Income 2019	1mile	3 miles	5 miles
Total Households	2,437	24,122	58,863
Average HH Size	2.65	2.54	2.59
Median HH Income	\$108,845	\$ 94,226	\$ 99,645
Avg HH Income	\$132,572	\$ 129,407	\$135,705
Housing Units 2019	1mile	3 miles	5 miles
Total Housing Units	2,504	25,316	61,263
Owner Occupied	2,052	17,384	43,766
Renter Occupied	385	6,738	15,097

Property Profile:

Structural System: steel frame on reinforced concrete slab, foundation cast-in-place spread footings, floor concrete slab.

Exterior: exterior walls clad with colored masonry block/pop out stucco, glass store entryways

Interior: 18' clear ceiling heights, varying ceiling finish levels

Roof: Heat applied EPDM membrane system (original)

Service Elements: each suite has a set of male & female bathrooms with commercial fixtures and vinyl flooring

Life Safety: 100% sprinklered (wet head system)

Risk:	Quality:	Location	Structure	Tenants	Upside Potential	Property Quality	Market	Overall
B	B+	B	B+	?	A	B+	A	B+

Property Fundamentals:

High visibility location on major thoroughfare

Nearby to several big box centers and mall

Stabilized NOI \$658,864

Roof in excellent condition, at least 5-8 more years of life

Quality property and construction

Current Operating Expenses are:

CAM	\$1.87
Taxes	\$3.17
Insurance	<u>\$0.30</u>
	\$5.34 psf

Our Estimated OPEX: (if we reduce taxes)

CAM	\$1.66
Taxes	\$1.50
Insurance	<u>\$0.20</u>
	\$3.36 psf

Strategy:

1. Rich Soloff, our intended leasing agent, thinks that he can lease both spaces within 12 months at about \$12-\$13 sf net. (6 months for each space)
2. **Reduce property taxes significantly**
3. Upgrade the property looks

Market Fundamentals:

The Montgomeryville retail market totals 3.8 million sf and consists of a mix of strip, neighborhood, community, lifestyle and power centers as well freestanding buildings. Montgomery Mall complex represents 28% of the total inventory (1.1 million sf)

Major tenants in the Montgomeryville retail market include Lowe's, Home Depot, BJ's, Costco, Target.

At the end of 4th Q 2019, vacancy rate of existing inventory was 4.4%. The vacancy rate has been fluctuating due to retailer instability (Thomasville, Babies R Us, A.C.Moore) and stores moving to a more desirable location. In 2018 Aldi's backfilled a former Whole Foods location at the Gwynedd Crossings Shopping Center. Whole Foods relocated to a newly developed center farther south of Bethlehem Pike.

Location/Property Niche:

Property is easily accessible from many major highways. It is located on Route 309 (Bethlehem Pike) which is a major north/south thoroughfare in Montgomery County. Property is within a quarter mile to Routes 202, a primary suburban highway. The PA turnpike is nine miles south of Bethlehem Pike providing convenient access to and from highly populated and commercial areas. Property is 15 minutes from Plymouth Meeting and King of Prussia, close to Philadelphia and within a 2 hour drive of New York, Baltimore and Washington, D.C.

Within a three-mile radius of the property there is 12.3 million sf of office and industrial space. Major employers include Merck, Johnson&Johnson, FedEx and Safeguard Business Systems.

Nearby to SEPTA regional rail station & bus routes

Questions and to do items

1. Call zoning attorney, Rob Lewis at Kaplin, Stewart
(O) 610-260-6000 (Direct) 610-941-2584 (F) 610-684-2021

Opportunity:

We think that one can add about 2.5 million in value to this property within 2 years of acquisition should get back all of one's equity and make \$203,000 annually after debt service.

980 Bethlehem Pike, an unoccupied 2 suite property, offers excellent value-add returns by lease up of the current vacancies. Quality retail asset in a good location.

Risks/Issues:

1. Neighboring major tenants are experiencing marketplace instability (Thomasville and Babies 'R Us) or are moving to more desirable locations. Ocean City Job Lots purchased the Babies 'R Us building for \$2.7 million. It is 37,000 sf on 5.4 acres for \$73 psf.
2. We do not know how long it will take to lease this property.
3. Difficult to estimate currently what is it worth once done and leased

Deferred Maintenance:

1. **Roof-** Per Joe Birmingham the roof is original to the building and is in decent shape. The seams are good, there is no evidence of roof repairs being made or any section of the roof needing maintenance at this time. 5-8 years of roof life left. We should budget capital reserves $\$3.50 \times 42,000 \text{ sf} = \$147,000$ or \$21,000 annually for this
 2. **Parking Lot-**overpave and store parking lot \$62,000
 3. **Paint the Building-**\$20,000 depending on how much of the building is done
 4. **Replace HVAC Units-**about 120 tons needed-budget \$180,000
 5. **Miscellaneous-**\$10,000
- Total Budget:** \$272,000 \$6.60 psf

Exclusive Advisor to the Owner/Offer for Sale Through Ten-X Auction Service

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Be all in at \$2,500,000 (\$60.71 psf)

Deferred Maintenance

Parking Lot	\$62,000
Paint Building	\$20,000
Replace HVAC Units	\$180,000
Miscellaneous	<u>\$10,000</u>
Subtotal Deferred Maintenance	\$272,000

Other Expenses

Cotswold Fee	\$50,000
5% to Auction Fee	\$110,000
Transfer Tax 1%	\$21,000
Miscellaneous	<u>\$10,000</u>
Subtotal Other Expenses	\$191,000
Total Expenses	\$463,000

Bid Up \$2,037,000 (\$49 psf)

980 Bethlehem Pike

2020 Estimated

CAM Expenses

2/26/2020

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Landscaping/Snow	\$67,100
Electric	\$8,500
Water&Sewer	\$1,300
Insurance	\$12,000
RE Taxes	<u>\$130,948</u>
Total	\$219,848
PSF	\$5.34

Our Projection

Our Projections	2021	2022
Gross Rent	\$250,912	\$658,864
Operating Expense		
Landscaping/Snow	\$67,000	\$67,000
Electric	\$9,000	\$9,000
Management Fees	\$12,500	\$33,000
Insurance	\$8,500	\$8,000
Capital Reserves	\$30,000	\$30,000
RE Taxes	\$131,000	\$50,000
Legal&Accounting	\$10,000	\$10,000
Miscellaneous	<u>\$10,000</u>	<u>\$10,000</u>
Total Expenses:	\$278,000	\$217,000
Net Operating Income Before Debt Srv.	-\$25,063	\$441,000
Value 9 Cap	?	\$4,900,000

Note: Leasing Assumption

2021 Assume \$16 psf gross rent on 15,682 sf

2022 Assume an additional 25,497 sf x \$16 psf=\$407,952

980 Bethlehem Pike

Value Projection 1

Bid of \$2,037,000 2/27/2020 **Page 8**

	2022
NOI	\$441,000
-Interest	<u>-\$150,000</u>
NOI After Interest	\$291,000
Equity	\$500,000
Debt Pay Down	<u>\$88,000</u>
NOI After Debt Service	\$203,000

Refinance Property (20 yr self amortizing loan)

Borrow \$3 Million at 5% interest=\$150,000 annually

Mortgage constant of 7.92%=\$238,000 annually

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Value Projection 2

Bid Price of \$2,500,000

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Bid Price	\$2,500,000	
5% Auction House Fee	\$125,000	
Deferred Maintenance	\$272,000	
Cotswold Fee	\$50,000	
Transfer Tax	\$26,000	
Miscellaneous	<u>\$10,000</u>	
Total Investment	\$2,983,000	(\$72.43 psf)

2022

NOI	\$441,000	
-Interest	<u>-\$150,000</u>	
NOI after Interest	\$291,000	

Debt Pay Down	<u>-\$88,000</u>	
NOI after Debt Service	\$203,000	

Refinance Property

(20 Yr Self Amortizing Loan)

Borrow \$3 Million at 5% interest = \$150,000 annually

Mortgage constant of 7.92% = \$238,000 annually

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Value Projection 3

Bid Price of \$3,000,000

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Bid Price	\$3,000,000	
5% Auction House Fee	\$150,000	
Deferred Maintenance	\$272,000	
Cotswold Fee	\$50,000	
Transfer Tax	\$31,500	
Miscellaneous	<u>\$10,000</u>	
Total Investment	\$3,513,500	(\$83.51 psf)

2022

NOI	\$441,000	
-Interest	<u>-\$150,000</u>	
NOI after Interest	\$291,000	

Debt Pay Down	<u>-\$88,000</u>	
NOI after Debt Service	\$203,000	

Refinance Property

(20 Yr Self Amortizing Loan)

Borrow \$3 Million at 5% interest = \$150,000 annually

Mortgage constant of 7.92% = \$238,000 annually

Same one make a \$513,000 of equity, on annual return of 39.6%