

**Williamsburg Crossing
5251 John Tyler Highway
Williamsburg, VA 23185**

Bid: 160-106
149,933 square feet
Built: 1989
Enlarged: 2001
17.3 acres
103,172 square feet leased (69%)
46,761 square feet vacant (31%)
Upper middle class Neighborhood

Tax Parcels: 48-1 22-0-0002
48-1 22-0-0030

Tax Assessment Value:

City of Williamsburg – 5251 John Tyler Hwy Lane, Unit 2 = \$806,000
James County – 5251 John Tyler Hwy – 16.26 acres = \$6,674,900
48-1 22-0-0002 – Land - \$2,276,200 – Improvements - \$3,898,200
48-1 22-0-0030 – Land - \$138,500 – Improvements - \$362,000 → Total: \$6,675,000

Zoning: B-1 General Business
Permitted uses: Office, retail and various commercial uses
Electrical 2771430 volt 13 phase
Food Lion is sprinkler head
Electric: Dominos VA. Power
Gas: VA Gas
Water/Sewer: James City County

Demographics:	1 Miles	3 miles	5 miles
2015 Population	5,628	35,752	70,220
2015 Average HH Income	\$94,000	\$91,000	\$93,000

Market Fundamentals:

- o Overbuilt- vacancy retail is 15-22% - Market vacancy
- o Not highway visible due to pads and landscaping
- o However the new residential development will improve access
- o Residential project, to be built adjacent to their center in 2016 – 200 Condo units \$175K to \$350K just behind center has an office building with medical offices.
- o Riverside Hospital (large hospital system) called, The Promenade at John Tyler

Location/Property Niche:

- Good location
- 3-5 minute drive from William and Mary College
- Medical buildings behind center

Opportunity:

- To purchase a supermarket anchored center in a good market for \$33psf with improvements made.
- Good return on equity.
- Food Lion center only paying \$3.57psf net in rent and doing \$188psf in annual sales- **sales are now down**
- A very under managed and under leased center

Risks/Issues:

- Not good synergy among tenants.
- We do not know this market firsthand.
- Lots of short term leases.
- Existing rents on small store are above market
- Restrictions from Food Lion- does not allow pharmacy nor a dollar store
- Lease option terms
- Rents are still above market and Florimonte deli may leave
- Impossible to finance due to short term leases.
- Will Food Lion and Christian Academy survive?
- Will Food Lion remain after merge with Martin's Supermarket

Deferred Maintenance:

- Roof - \$585,000
 - Roof line of cedar shingles should be replaced- \$100,000
 - Clock tower- clock should work - \$25,000
 - Parking lot - \$20,000
 - Painting - \$60,000
 - Miscellaneous- \$50,000
- =Total \$940,000

Replaced roof over Christian Academy

Leasing Prospects:**Strategy:**

- Bring in Drew Haynie of Thalhimer to lease for us.
- Reduce taxes
- Physical improvements and deferred maintenance
- Try to get medical tenants.

Questions:

Lease of Eastern Eye, Subway, and Domino's.
Vietnamese Restaurant signs a new lease?

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

Harrison and Bates**Bill Maddock - interacts with the owner****Frank Galleher - 804-564-6489**

- Food Lion was a bloom store did \$15 million (\$297 psf) - now down to \$188 psf.
- Sold 1 outparcel to upscale carwash - \$425,000 (1.3 acres).
- Roof \$2.70 psf.

Thalhimer**Drew Haynie****(O) 757-873-9004****(C) 757-532-8585****Drew.haynie@thalhimer.com**

- Center has been poorly kept and marketed.
- None of the current agents have a Williamsburg connection
- Site plan needs to be updated.
- Units 60-67 have no visibility to main body of center and should be discounted on rent roll.

	Square Feet	Lease Commence	Lease Expiration	Net Per SF Rent	Annual Rent	Market Rents	NNN	Comments
Credit (41 %)								
Food Lion*	50,362	1/8/89	8/31/18	\$3.75	\$189,000	\$.45	
*2014 sales of \$9,454,000 = \$188 psf								
Papa John's	1,333	3/1/92	5/31/17	\$21.91	\$29,000	\$	2.31	
Fantastic Sams	1,400	7/11/05	7/31/25	\$13.79	\$19,000	\$	2.18	Pays late
Subway	1,400	6/15/92	9/30/16	\$19.67	\$28,000	\$	2.39	Wants a rent reduction
H&R Block	1,400	5/1/00	4/30/16	\$15.91	\$22,000	\$21,000	1.89	May relocate
Domino's Pizza	1,200	1/1/00	05/31/18	\$15.75	\$19,000	\$18,000	1.73	
Allstate Insurance	<u>653</u>	<u>7/1/04</u>	<u>6/30/19</u>	<u>\$16.18</u>	<u>\$10,566</u>			
	57,748sf				\$316,566	\$		
Avg credit rent psf: \$5.48 psf								

	Square Feet	Lease Commence	Lease Expiration	Net Per SF Rent	Annual Rent	Market Rents	NNN	Comments
<u>Non-Credit(59%)</u>								
The Coffeehouse	1,260	9/1/06	11/30/16	\$16.80	\$21,000	\$19,000		
Eastern Eye	1,400	2/1/10	1/31/15 (M-M)	\$15.00	\$32,000	\$21,000		Need to extend & may relocate
Tops China	1,200	10/1/93	12/31/23	\$18.00	\$22,000	\$18,000	3.23	
Nails Uptown	2,400	9/1/05	12/31/24	\$16.00	\$38,400	\$		
Christian Academy Greenwood (school-religion)	20,000	2/23/09	8/31/19	\$6.60	\$132,000	\$	1.48	Wants to extend
Anytime Fitness	5,200	11/2014	3/31/21 11/2017 11/2020	\$14.00 \$16.00 \$16.50	\$73,000			Landlord did a \$25psf buildout
7 Cities Ballroom	4,200	9/1/11	1/31/18	\$7.82	\$32,844			
Results Performance	2,800	6/1/2012	6/30/17	\$9.00	\$25,200			
Vietnamese Restaurant	2,077	7/1/15	6/30/21	\$14.00	\$29,000			Lease not yet finalized
Mawa Spa	1,400	5/1/14	4/30/19	\$13.50	\$18,900	\$		
Nathan Felty	1,365	9/1/14	11/30/17	\$6.59	\$8,995			
Let it Grow	712	12/1/11	2/28/17	\$10.66	\$7,590			Pays late
Nam's Cleaners	705	8/1/04	7/31/17	\$16.50	\$11,633			
Williamsburg Cigarette Outlet	705	9/1/03	1/31/17	\$16.80	\$11,844			
	45,424sf				\$464,000	\$		
								Avg non-credit rent psf: \$10.71
TOTAL	\$103,172 sf					\$737,206		
								Total Average rent psf: \$7.29 psf

Projection
Our Assumptions

Income & Expenses:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Rent	\$ 781,000	881,000	981,000		
+Reimbursable/taxes (%)	113,000	113,000	113,000		
Gross Income	\$ 894,000	994,000	1,094,000		
(Vacancy)	-40,000	-40,000	-40,000		
Adjusted Gross Income:	\$ 854,000	954,000	1,054,000		
Expenses:					
Taxes	\$ 53,000	55,000	55,000		
Insurance	\$ 37,000	37,000	35,000		
Utilities	\$ 44,000	44,000	44,000		
Repairs & Maintenance	\$ 35,000	35,000	35,000		
Management Fee	\$ 43,000	48,000	53,000		
Capital Reserves	\$ 37,000	37,000	37,000		
Miscellaneous	\$ 20,000	20,000	20,000		
Legal & Accounting	\$ 10,000	10,000	10,000		
Total Expenses(\$)	\$ 279,000	289,000	294,000		
Net Operating Income	\$ 575,000	665,000	760,000		
Value 10 cap	\$5,750,000	6,650,000	7,600,000		
9 cap	\$6,389,000	7,389,000	8,444,000		

Lease Assumptions:

2016 - 10,000sf @ \$10psf gross = \$100,000

2017 - 10,000sf @ \$10psf gross = \$100,000

Closing Costs:

Transfer Tax (1%)	\$ assume for seller
Cotswold	\$ 100,000
Auction.com (5%)	\$ 300,000
Legal & Accounting	\$ 20,000
<u>Miscellaneous</u>	<u>\$ 35,000</u>
Total Closing Costs	\$ 455,000

Deferred Maintenance:

- o Roof - \$585,000
 - o Roof line of cedar shingles should be replaced- \$100,000
 - o Clock tower - \$25,000
 - o Parking lot - \$20,000
 - o Painting - \$60,000
 - o Miscellaneous - \$150,000
- =Total \$940,000

Total operating expenses: \$2.07psf - 2015

Taxes	.35
Insurance	.17
CAM	1.55

Projection 1: (10 Cap)

Bid	\$4,355,000
Deferred Maintenance	+ 940,000
Closing Costs	+ 455,000
Total Investment	\$5,750,000 (\$38.35 psf)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
NOI-	\$ 594,000	684,000	779,000
Interest Expense	- 242,000	-242,000	-242,000
NOI Before Debt Amortization	\$ 352,000	442,000	537,000

% cash on cash return on equity	20.4%	25.6%	31.1%
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Annual Depreciation $\$4,355,000 \times .85 / 39.5 = \$93,715$

Equity (30%): \$ 1,725,000

Mortgage (70%) \$ 4,025,000
 Assume 6% Interest \$ 241,000

Projection 2: (9 Cap)

Bid	\$4,994,000	
Deferred Maintenance	+ 940,000	
Closing Costs	+ 455,000	
Total Investment	<u>\$6,389,000</u>	(\$42.60 psf)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
NOI	\$ 594,000	684,000	779,000
Interest Expense	- 268,000	-268,000	-268,000
NOI Before Debt Amortization	<u>\$ 326,000</u>	416,000	511,000

% cash on cash return on equity	17%	21.7%	26.6%
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Annual Depreciation \$4,994,000 x .85 / 39.5 = \$107,000

Equity: \$ 1,917,000

Mortgage (70%)	\$ 4,472,000
Assume 6% Interest	\$ 268,000

Projection 3: (8.6 Cap)

Bid	\$5,255,000	
Deferred Maintenance	+ 940,000	
Closing Costs	+ 455,000	
Total Investment	\$6,650,000	(\$44.36 psf)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
NOI	\$ 594,000	684,000	779,000
Interest Expense	- 279,000	-279,000	-279,000
NOI Before Debt Amortization	\$ 315,000	405,000	500,000

% cash on cash return on equity 15.8% 20.3% 25%

Annual Depreciation \$5,255,000 x .85 / 39.5 = \$113,000

Equity: \$ 1,995,000

Mortgage (70%) \$ 4,655,000
Assume 6% Interest \$ 279,000

Projection 4: (8.27 Cap)

Bid	\$5,555,000	
Deferred Maintenance	+ 940,000	
Closing Costs	+ 455,000	
Total Investment	\$6,950,000	(\$46.36 psf)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
NOI	\$ 594,000	684,000	779,000
Interest Expense	- 292,000	-292,000	-292,000
NOI Before Debt Amortization	\$ 302,000	392,000	487,000

% cash on cash return on equity	14.48%	18.8%	23.3%
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Annual Depreciation \$5,555,000 x .85 / 39.5 = \$120,000

Equity: \$ 2,085,000

Mortgage (70%)	\$ 4,865,000
Assume 6% Interest	\$ 292,000

Harrison & Bates
Lisa Honocker, Property Manager
804-788-1000

1. Roof about 22 years old. Centimark checked it out spring of 2011 - TPO- .60m - \$691,000 for 154,127sf
2. Replace cedar -CertainTeed Shingle - \$97,000
3. HVAC issues.
 - o 38 units - \$180,000
 - o 3-5 ton units, mostly by the vacant units.
 - o Southern Air had the best prices.
4. Parking lot is in good condition. Seal coating and striping - \$55,000.
Crack filling - \$13,000
5. **Facades to be Painted- \$26,000**
 - o Fill in holes, cracks and paint over to match the rest of the center.
6. **Landscaping - 9 areas of improvement**

Insurance Broker:
B,B &T -have an insurance division
Jack Greco 804-678-5019

Ohio Casualty is VA Commonwealth Corp
Raymond Taylor
804-282-6723

Sales Agent:

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Prior Property Manager:
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Lisa Honocker 804-788-1000

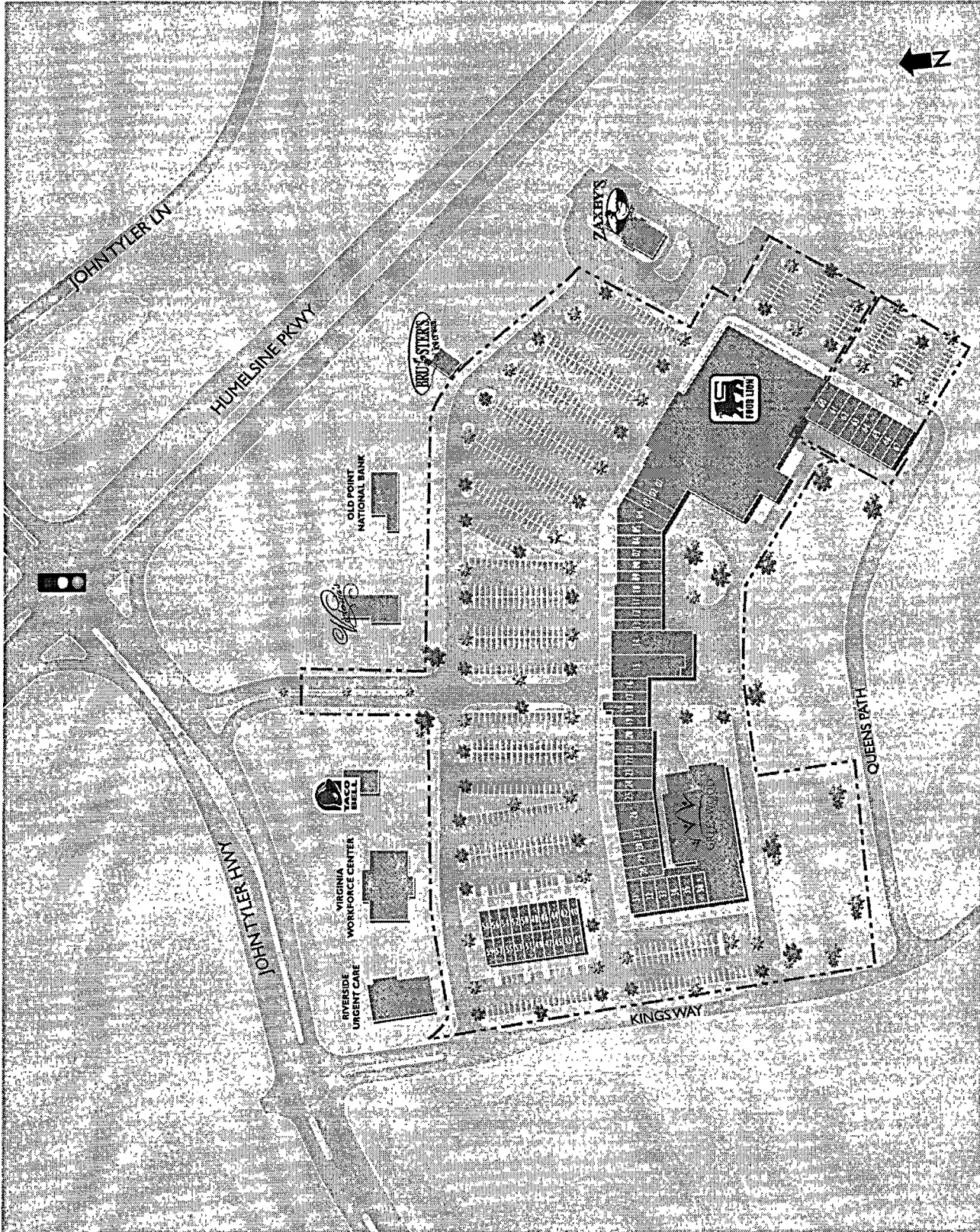
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Proof of Funds – Auction.com
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LEASING PLAN
149,872 SF