

INVESTMENT OFFERING - SINGLE TENANT, NNN INVESTMENT
COMMERCE SQUARE SHOPPING CENTER

176 KNOLL ROAD, SAN MARCOS, CA 92069



Colliers International

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Executive Summary

THE OPPORTUNITY

Colliers International is the exclusive listing agent for the sale of this single tenant NNN leased investment, consisting of 1.33 acres (57,935 SF) of land and a building area of 14,500 SF occupied by Arizona Leather Interiors. The offering represents the opportunity to acquire the fee simple interest of a well located, quality property with a chain retail tenant in a high growth rate North San Diego County community.

HIGHLIGHTS

- Excellent freeway frontage and visbability to Hwy 78
- Located in the highly successful Commerce Square Shopping Center, with the following co-tenants:

Bassett

LA-Z-BOY

Chevron



COMING SOON



Thomasville

CALIFORNIA COAST



- Fixed rental increases
- NNN lease
- Below market lease rate
- Newer construction - built in 2000
- Highly desirable freeway oriented North San Diego County location
- Original multi-tenant construction offering excellent future flexibility
- Strong home furnishings synergy along Highway 78
- Low price per square foot

OFFERING PRICE:

\$3,800,000



Executive Summary

PROPERTY INFORMATION

Subject Property:	Arizona Leather Interiors Single Tenant NNN Investment
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Address:	176 Knoll Road, San Marcos, CA
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Intersection:	NWQ of Hwy 78 & San Marcos Blvd.
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Price:	\$3,800,000
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Cap Rate:	5.00%
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Approximate Building Size:	14,500 SF
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Approximate Land Size:	1.33 Acres (57,935 SF)
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Occupancy:	100%
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Construction Year:	2000
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Approximate Traffic Count:	Hwy 78: 163,400 CPD San Marcos Blvd.: 22,100 CPD
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Market:	San Diego
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Submarket:	San Marcos
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Parcel Number:	220-160-52
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LEASE SUMMARY

Tenant:	Arizona Leather Company A California Corporation
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Lease Type:	NNN
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Lease Term Commencement Date:	January 1, 2012
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Lease Term Remaining:	Approximately 3 years
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Expiration:	December 31, 2016
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Current Minimum Annual Rent:	\$190,134.24
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Rent Increases:	Three Percent (3%) Annually
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Next Rent Increase:	January 1, 2015
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Next Rent Increase Amount:	\$195,838.56
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Options:	Two (2), Five (5) Year
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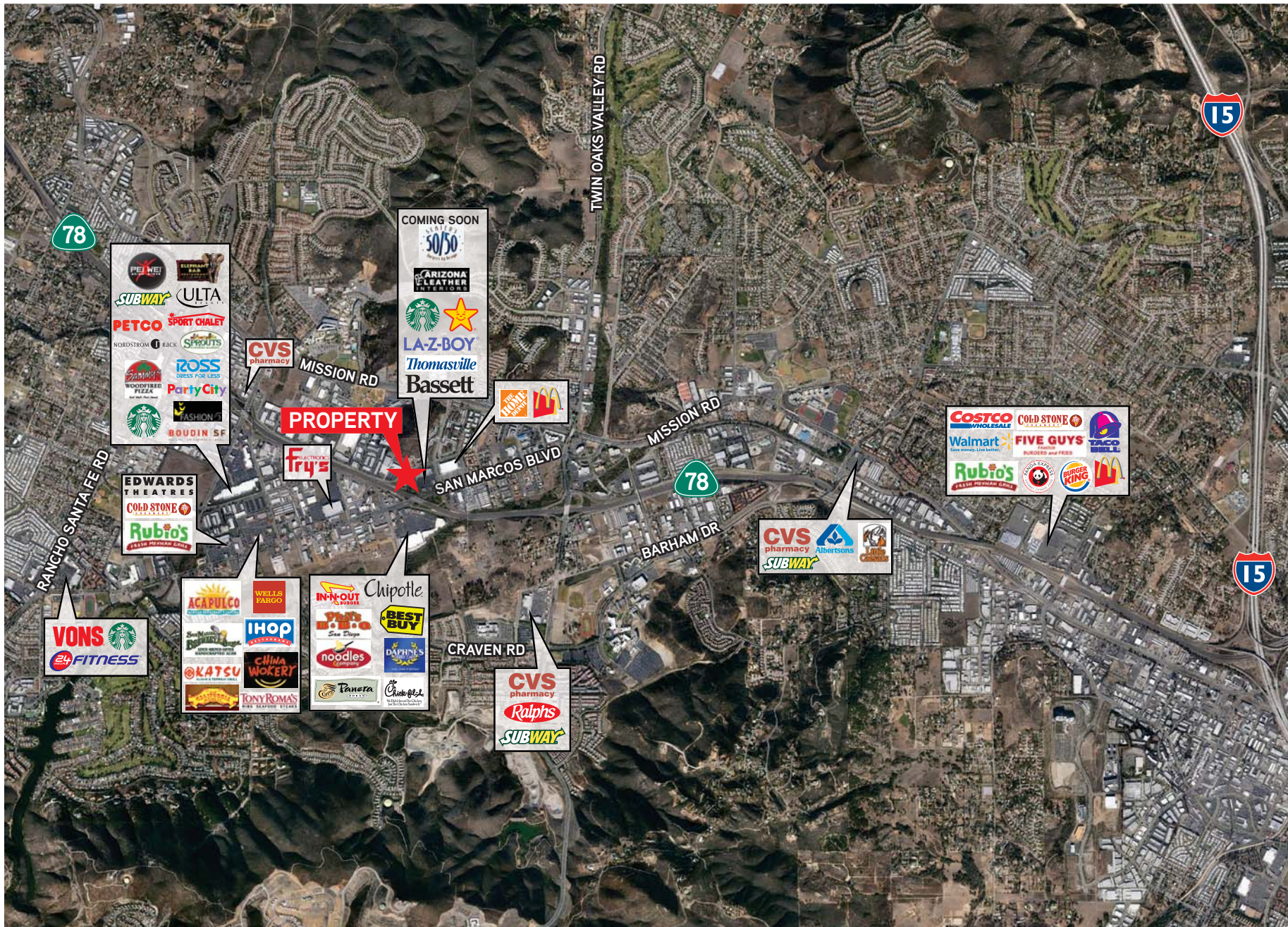
Option Rent:	1st, 5 year option at FMV 2nd, 5 year option at FMV
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Property Description

SITE PLAN



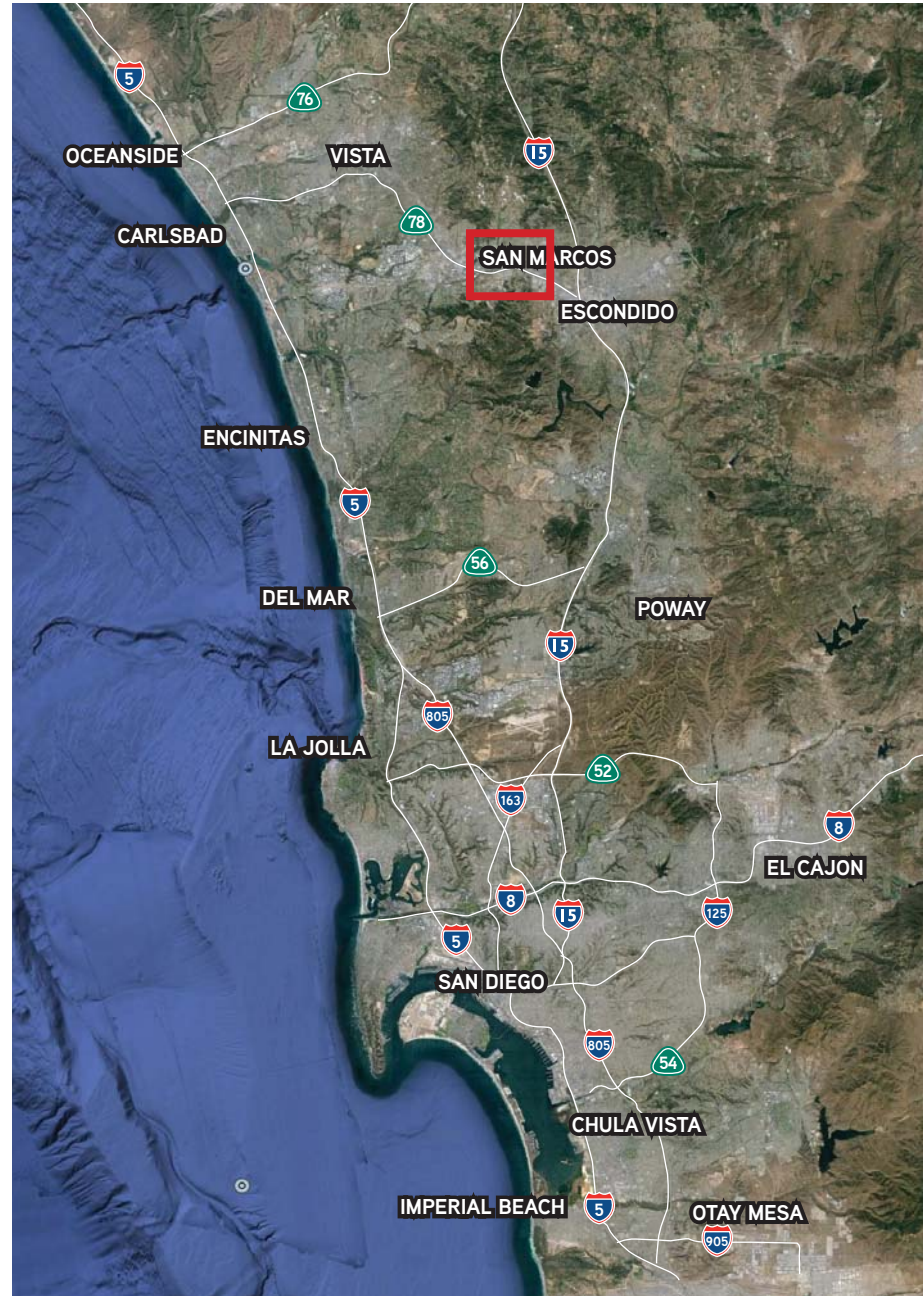
Property Description



Property Description



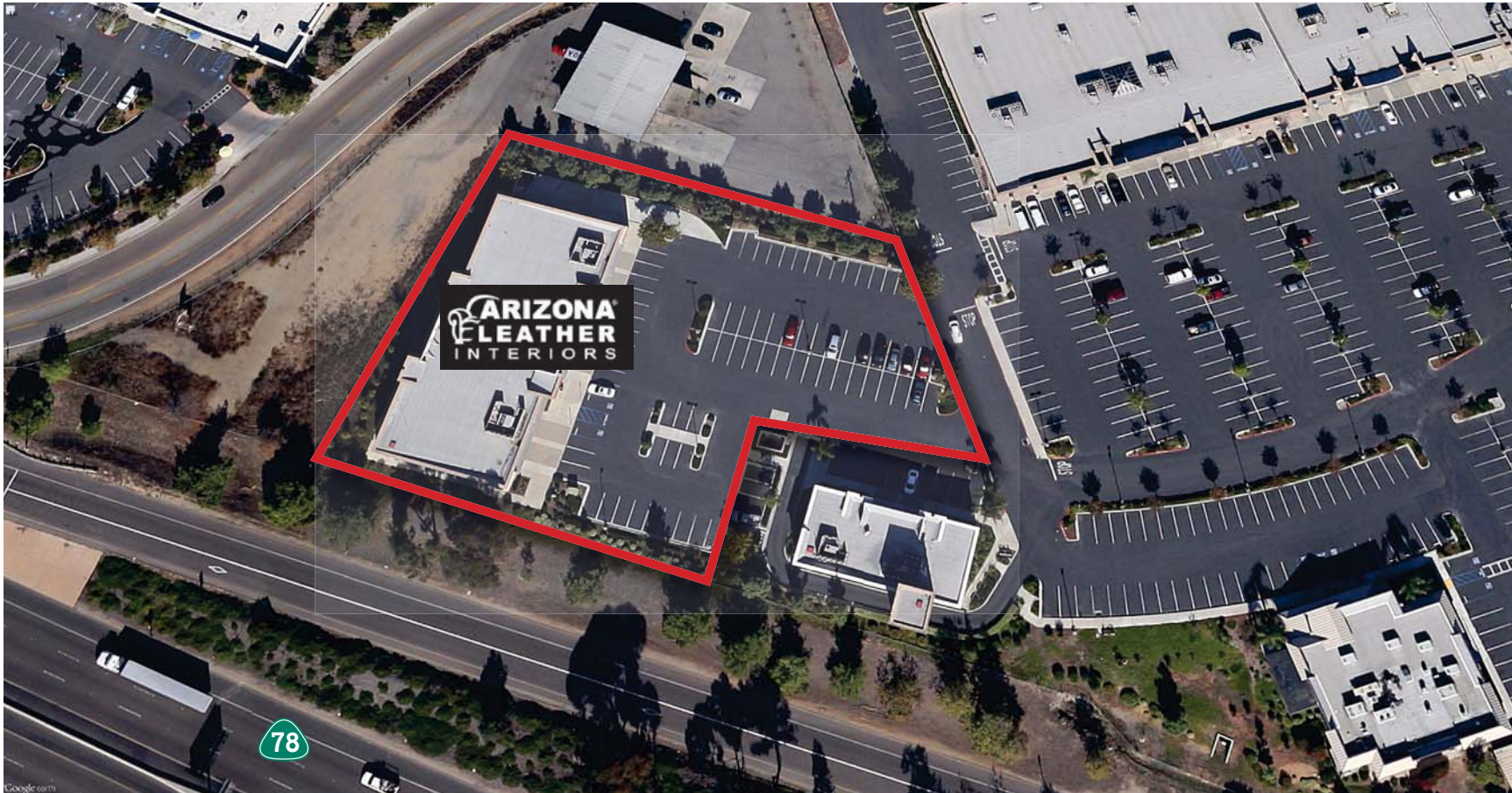
Property Description



Tenant Summary



Arizona Leather Company has been in Business for over 20 years and currently operates 16 locations throughout California and Arizona. Arizona Leather sell the largest selection of fashionable leather furnishings in the United States. They manufacture over 100 distinct designs of leather sofas, love seats, chairs, sectionals, sleepers and reclining furniture.



Market Information

SAN DIEGO MARKET

San Diego County is south-westernmost county in California. It occupies of 4,526 square miles with approximately 70 miles of coastline. Spaniards settled the San Diego County area in 1769 through the founding of Mission San Diego de Alcalá (in Old Town San Diego) and Mission San Luis Rey de Francia in 1798 (in Oceanside).

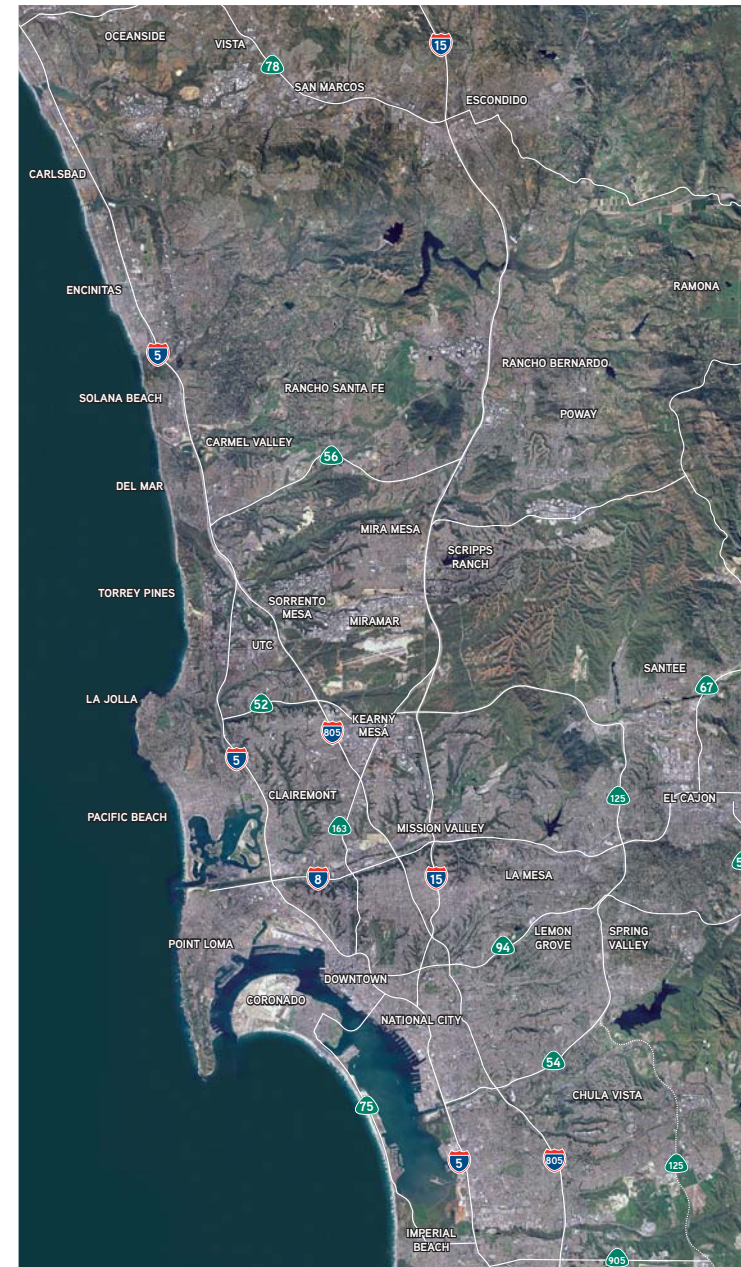
San Diego experienced a population boom during World War II as the U.S. Pacific Fleet was relocated here from Pearl Harbor. San Diego became a key base of operations for the Marine Corp and the Navy. Bombers were manufactured here by Convair during the war. Since the end of the war, throughout the cold war, and until present day, San Diego has remained the base of operations of numerous defense contractors that fuel one of the largest industrial sectors of the local economy. Some of the largest defense employers include General Dynamics / NASSCO, Northrop Grumman, and SPAWAR.

At the end of the cold war in the early 1990s, San Diego saw a significant reduction in the defense industry. This included the BRAC closure of the Naval Training Center (NTC) in Point Loma and the General Dynamics facility west of SR-163 in Kearny Mesa. Both locations have since been redeveloped into successful mixed-use projects. The retraining and utilization of these high-skilled and high-tech former defense workers during this period created a substantial workforce for companies in the communications, software, computer and electronic manufacturing industries. The defense manufacturing sector still remains a large proportion of the San Diego workforce, but the employment base has become more diversified.

San Diego County has the second largest biotechnology sector in the country. Over 12.3 million square feet of wet lab space is concentrated primarily in Torrey Pines, Sorrento Mesa, Sorrento Valley, UTC, Carlsbad and Oceanside. This sector benefits with its close-ties with UCSD, The Scripps Research Institute (TSRI), The Salk Institute, and The Burnham Institute.

San Diego has some of the finest climate in the country with moderate temperatures in the mid-70s year-round. The temperate weather coupled with incredible destination locations such as the San Diego Zoo and Zoo Safari Park, SeaWorld, Legoland, beautiful public beaches, and world class championship golf courses make San Diego a top tourist location.

Transportation in San Diego County is concentrated around a highly accessible highway network including four interstate highways and numerous state highways. Interstates 5, 15, and 805 provide access to cities and communities in the north, central, and southern parts of the county while Interstate 8 connects central San Diego with the eastern most cities and communities in the county. San Diego International Airport / Lindbergh Field is the primary airport serving the regions business, tourist, and freight traffic. Additionally, Amtrak rail service connects San Diego with Los Angeles and coastal cities as far north as San Luis Obispo. Finally, light-rail services such as the Coaster (coastal cities), The Sprinter (north county cities), and the San Diego Trolley (central San Diego and south bay) provide daily mass transit options to workers, shoppers, and tourists.

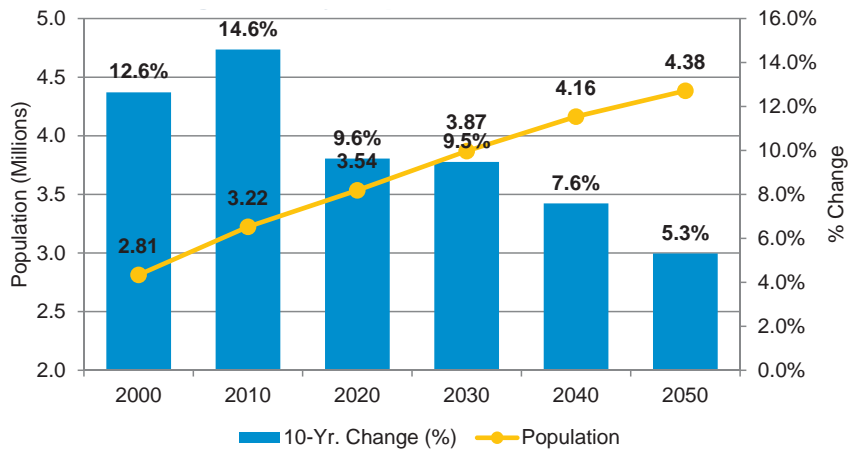


Market Information

DEMOGRAPHIC

San Diego is the second most populous county in California and ranks fifth in the nation with over 3.22 million residents. By 2020, the population is expected to grow by 9.6% to nearly 3.54 million residents. This growth rate is less than the 14.6% increase from 2000 to 2010.

SAN DIEGO COUNTY POPULATION TRENDS



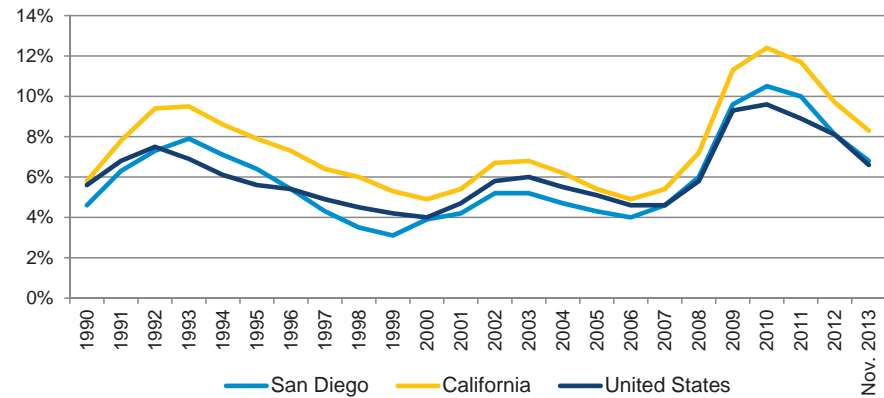
Source: SANDAG

ECONOMICS

The San Diego County unemployment rate decreased by 0.2% in November 2013 to stand at 6.8%. The state rate stayed flat at 8.3% and the national rate fell to 6.6% (-0.4%), respectively.

ANNUAL UNEMPLOYMENT RATE

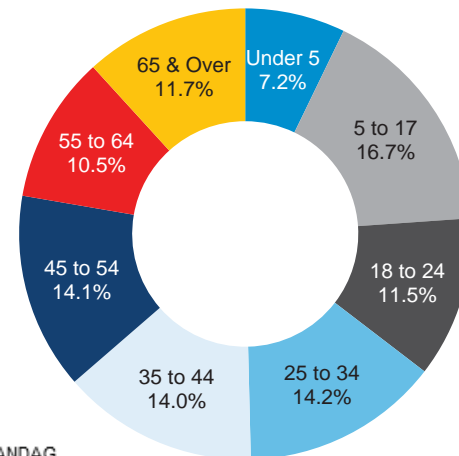
Not Seasonally Adjusted - December 2012



Source: Bureau of Labor Statistics (1/2014)

POPULATION BY AGE

The median age of San Diego County residents is 35.3. Over the next 40 years, the median age is slowly expected to increase to 38.6 by 2050. Minors under 18 years old account for 23.9% of the population while seniors 65 and older account for 11.7%

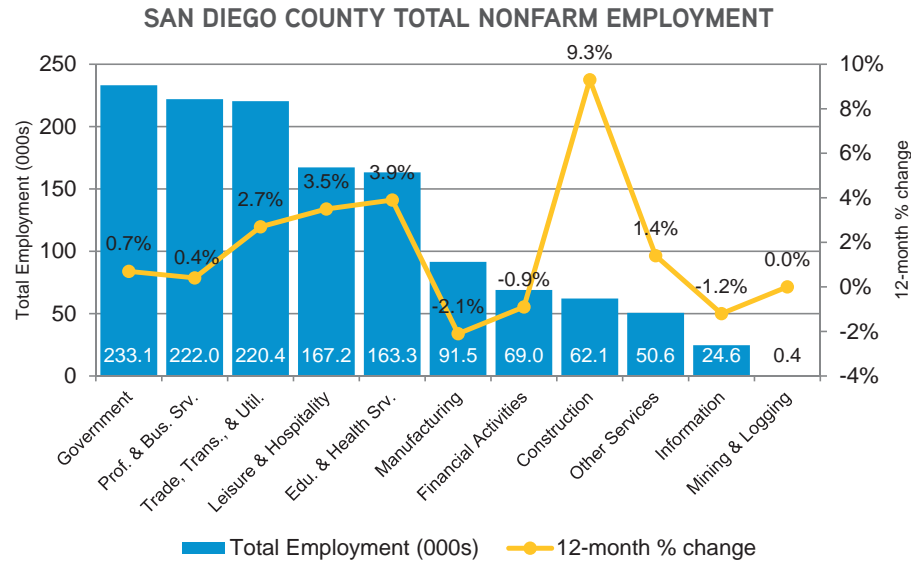


Source: SANDAG

Market Information

ECONOMICS

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA) encompasses the entire county of San Diego with its cities and unincorporated areas. The total civilian labor force stands at 1.62 million people. Of that, 1.28 million people are employed in nonfarm industries.



Source: Bureau of Labor Statistics (1/2014)

The various national, state, and local government agencies are the largest employers in the county. For example, the University of California and the United States Navy each employ over 20,000 people each. However, San Diego has several prominent private companies that employ thousands of employees each. The biggest companies tend to be hospitals, communications, and defense companies.

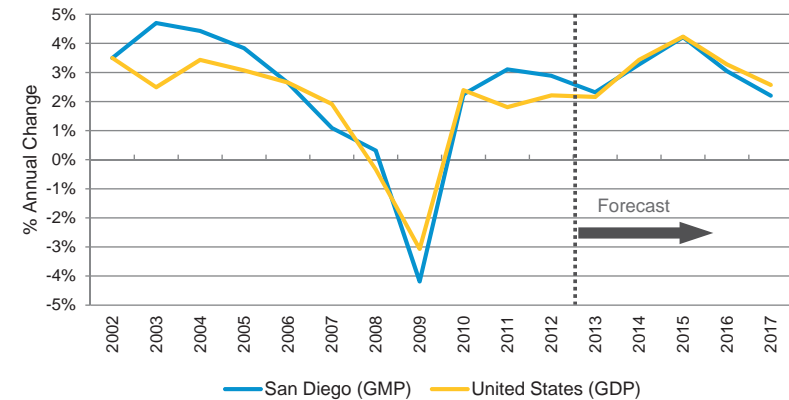
San Diego continues its economic recovery that began in 2010 with increased growth in 2011 and 2012. In 2011, San Diego's gross metro product (GMP) had positive growth of 3.1% with the same rate of growth estimated for 2012. Moody's Economy.com (December 2012) is forecasting a growth rate of 2.3% in 2013 – equating to \$168.1 billion – compared to a slightly lower increase of 2.0% for the nation.

LARGEST PRIVATE EMPLOYERS IN SAN DIEGO COUNTY

2,000 or More Employees

COMPANY	# OF EMPLOYEES
Sharp HealthCare	14,390
Scripps Health	13,000
Qualcomm	11,775
Kaiser Foundation Hospital	8,800
General Atomics	6,304
UCSD Medical Center	5,475
Sempra Energy/SDG&E	5,028
Jack In The Box	5,000
Palomar Pomerado Health	4,668
Rady Children's Hospital San Diego	4,650
YMCA of San Diego County	4,522
Solar Turbines	4,300
Northrop Grumman	4,000
Science Applications International Corp. (SAIC)	3,400
General Dynamics NASSCO	3,300
Barona Resort & Casino	3,017
Sycuan Resort & Casino	2,500
Scripps Research Institute	2,346
UTC Aerospace Systems-Aerostructures	2,325
Tri-City Medical Center	2,279
Palo Casino Spa & Resort	2,010
San Diego Zoo	2,000

Source: San Diego Daily Transcript SourceBook (June 2013)



Market Information

SAN MARCOS

San Marcos is located in the beautiful foothills of northern San Diego County a community of more than 80,000 residents. 35-miles south to downtown San Diego, and a few miles west is the Pacific Ocean.

San Marcos has experienced rapid growth over the last decade but continues to maintain the small town atmosphere and values that attracted so many new residents.

San Marcos is home to Palomar College and California State University San Marcos, the City has also become the heart of education in North San Diego County. San Marcos maintains a very low crime rate with excellent fire and emergency services.

Parks and community services is a priority for San Marcos. In addition to its recreational and cultural programs for children, teens, adults and seniors, the City has constructed 60 miles of trails, 29 new parks and 11 recreation centers over the past 25 years. Quality community development like Commerce Square Shopping Center, the Creekside Marketplace, Nordahl Center and Grand Plaza have all become popular shopping and dining destinations, and plans for thoughtful future developments like the San Marcos Downtown Creek District, Palomar Station and University Village will quickly put San Marcos on the map as a regional shopping, dining and entertainment destination.

These elements all combine together to create the unique community of San Marcos.

Economic Overview

San Marcos is one of the leading cities in the percentage change in population from 2000 to 2007, with an increase in 45 percent. According to the San Diego Association of Governments (SANDAG), San Marcos will continue to be one of the fastest growing cities in San Diego County over the next 20 years.

Five key factors are spurring the continued growth in San Marcos:

1. The City benefits from its transportation hub location in North County - it is bisected by SR 78 between Interstates 5 and 15. Other regional arteries are: San Marcos Blvd/Palomar Airport Road, Rancho Santa Fe Road and Twin Oaks Valley/San Elijo Road.



2. The educational institutions are second to none. California State University at San Marcos (CSUSM) is currently serving 9,200 students with enrollment increasing annually. Palomar College has an enrollment in excess of 30,000 full and part-time students. The San Marcos Unified School District is educating over 17,200 students.

3. San Marcos is 72 percent built out with developable acreage still remaining for future development and/or redevelopment.

4. The Sprinter light rail commuter system has three stops in San Marcos (Palomar College, Civic Center, CSUSM) and one stop (Nordahl Road) just over the city line in Escondido. These are already attracting new development.

5. Land prices are still lower compared to other North San Diego County cities.

San Marcos has designated three Redevelopment Project Areas that encompass approximately 80 percent of its available land, making the vast majority of the City eligible for redevelopment.

(Source: San Marcos Chamber of Commerce, www.sanmarcoschamber.com)

Demographics

	1 mi Ring	3 mi Ring	5 mi Ring
Population Trend			
2000 Total Population	12,464	63,001	141,904
2010 Total Population	13,025	84,654	183,609
2013 Total Population	13,384	87,446	190,064
2018 Total Population	14,062	96,085	206,784
Households Trend			
2000 Total Households	3,185	21,538	51,056
2010 Total Households	3,535	28,275	64,081
2013 Total Households	3,540	28,281	64,152
2018 Total Households	3,721	31,124	69,670
Population Change Trend			
2000 to 2010 Population Change	4.5%	34.4%	29.4%
2000 to 2013 Population Change	7.4%	38.8%	33.9%
2010 to 2018 Population Change	8.0%	13.5%	12.6%
2013 to 2018 Population Change	5.1%	9.9%	8.8%
Household Change Trend			
2000 to 2010 Household Change	11.0%	31.3%	25.5%
2000 to 2013 Household Change	11.1%	31.3%	25.7%
2010 to 2018 Household Change	5.3%	10.1%	8.7%
2013 to 2018 Household Change	5.1%	10.1%	8.6%
2013 Race			
White alone	48.2%	63.6%	68.3%
Black or African American alone	2.3%	2.4%	2.5%
American Indian and Alaska Native alone	.9%	.7%	.7%
Asian alone	7.9%	8.2%	7.7%
Native Hawaiian and OPI alone	.4%	.4%	.3%
Some Other Race alone	36.3%	19.7%	15.5%
Two or More Races	4.1%	5.0%	4.9%
2013 Income			
Per Capita Income	\$15,765	\$24,045	\$26,863
Household Income: Median	\$43,091	\$55,506	\$60,867
Household Income: Average	\$58,819	\$74,050	\$78,685
Less than \$10,000	3.7%	5.6%	5.4%
\$10,000 to \$14,999	4.9%	4.0%	3.9%
\$15,000 to \$19,999	5.0%	3.4%	3.8%



Demographics

	1 mi Ring	3 mi Ring	5 mi Ring
\$20,000 to \$24,999	9.0%	5.8%	4.9%
\$25,000 to \$29,999	7.6%	5.8%	5.1%
\$30,000 to \$34,999	5.6%	5.0%	4.8%
\$35,000 to \$39,999	9.1%	6.4%	5.2%
\$40,000 to \$44,999	8.0%	5.7%	5.0%
\$45,000 to \$49,999	7.8%	4.1%	4.1%
\$50,000 to \$59,999	8.6%	7.4%	7.3%
\$60,000 to \$74,999	5.6%	9.7%	9.8%
\$75,000 to \$99,999	9.2%	11.9%	12.9%
\$100,000 to \$124,999	4.3%	7.6%	9.1%
\$125,000 to \$149,999	5.8%	6.5%	6.4%
\$150,000 to \$199,999	3.9%	6.0%	6.5%
\$200,000 or more	1.8%	4.9%	6.0%
Average household size	3.7	3.1	2.9
Total Daytime Population	15,103	103,115	201,057
Total Employee Population	7,168	50,856	90,003
Total Daytime at Home Population	7,935	52,259	111,054
Total Employee Population (% of Daytime Population)	47.5%	49.3%	44.8%
Total Daytime at Home Population (% of Daytime Population)	52.5%	50.7%	55.2%



Exclusive Agents



For more information please contact:

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DISCLAIMER AND CONFIDENTIALITY AGREEMENT

This is a confidential Memorandum intended solely for your limited use and benefit in determining whether you desire to express further interest in the acquisition of Mission Plaza.

This Memorandum contains selected information pertaining to the Property and does not purport to be a representation of the state of affairs of the Owner or the Property, to be all-inclusive or to contain all or part of the information that prospective investors may require to evaluate a purchase of real property. All financial projections and information are provided for general reference purposes only and are based on assumptions relating to the general economy, market conditions, competition, and other factors beyond the control of the Owner and Colliers International. Therefore, all projections, assumptions, and other information provided and made herein are subject to material variation. All references to acreages, square footages, and other measurements are approximations. Additional information and an opportunity to inspect the Property will be made available to interested and qualified prospective purchasers. Neither the Owner, nor Colliers International, or any of their respective directors, officers, affiliates, or representatives make any representation or warranty, expressed or implied, as to the accuracy or completeness of this Memorandum or any of its contents, and no legal commitment or obligation shall arise by reason of your receipt of this Memorandum or use of its contents.

The Owner expressly reserves the right, at its sole discretion, to reject any or all expressions of interest or offers to purchase the Property, and/or to terminate discussions with any entity at any time, with or without notice which may arise as a result of review of this Memorandum. The Owner shall have no legal commitment or obligation to any entity reviewing this Memorandum or making an offer to purchase the Property unless and until written agreement(s) for the purchase of the Property have been fully executed, delivered, and approved by the Owner and any conditions to the Owner's obligations therein have been satisfied or waived.

By receipt of this Memorandum, you agree that this Memorandum and its contents are of a confidential nature, that you will hold and treat it in the strictest confidence and that you will not disclose this Memorandum or any of its contents to any other entity without the prior written authorization of the Owner or Colliers International. You also agree that you will not use this Memorandum or any of its contents in any manner detrimental to the interest of the Owner or Colliers International.

In this Memorandum, certain documents, including leases and other materials, are described in summary form. These summaries do not purport to be complete nor necessarily accurate descriptions of the full agreements referenced. Interested parties are expected to review all such summaries and other documents of whatever nature independently and not rely on the contents of this Memorandum in any manner.

If after reviewing this Memorandum, you have no further interest in purchasing the Property, kindly return this Memorandum to Colliers International.

