

Offering Memorandum

2101K

MIDTOWN SACRAMENTO

±25,600 sq. ft. office/retail building

±1.04-acre rare redevelopment site
in the heart of booming Midtown



Capital Markets | Investment Properties

CBRE



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If after reviewing this Memorandum, you have no further interest in purchasing the Property, kindly return it to CBRE, Inc.

This Memorandum contains select information pertaining to the Property and the Owner, and does not purport to be all-inclusive or contain all or part of the information which prospective investors may require to evaluate a purchase of the Property. The information contained in this Memorandum has been obtained from sources believed to be reliable, but has not been verified for accuracy, completeness, or fitness for any particular purpose. **ALL INFORMATION IS PRESENTED “AS IS” WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND.** Such information includes estimates based on forward-looking assumptions relating to the general economy, market conditions, competition and other factors which are subject to uncertainty and may not represent the current or future performance of the Property. All references to acreages, square footages, and other measurements are approximations. This Memorandum describes certain documents, including leases and other materials, in summary form. These summaries may not be complete nor accurate descriptions of the full agreements referenced. Additional information and an opportunity to inspect the Property may be made available to qualified prospective purchasers. You are advised to independently verify the accuracy and completeness of all summaries and information contained herein, to consult with independent legal and financial advisors, and carefully investigate the economics of this transaction and Property’s suitability for your needs. ANY RELIANCE ON THE CONTENT OF THIS MEMORANDUM IS SOLELY AT YOUR OWN RISK.

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DO NOT DISTURB EXISTING TENANT.

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EXECUTIVE SUMMARY



The Offering

As exclusive advisor, CBRE is pleased to offer for sale a prime ± 1.04 -acre parcel in the heart of Sacramento's Midtown neighborhood. The property is zoned C-2-SPD and is improved with a unique single-story office building with approximate 18'+ barrel truss roofs that could lend itself to future office or retail uses. The building is leased to Lexis Nexis which occupies the entire $\pm 25,600$ square feet on a lease that expires October 31, 2022.

The property is offered at \$9,550,000 which equates to approximately \$210 per square foot of land. The offering is a tremendous redevelopment opportunity in Midtown, a neighborhood undergoing an explosion in new residential and mixed-use developments. Demand for urban apartments is at an all-time high, and according to *Multi-Housing News* Sacramento's rent growth last year exceeded the national average at 13.7%.



2101 K Street | Sacramento



21st at K is one of Midtown's busiest intersections with ADT of $\pm 16,200$ vehicles. The site is a few blocks from the Capitol, Downtown Commons, and Golden 1 Center which puts it within walking distance of every major downtown office building, most State office buildings, and many shopping and dining venues. Regional Transit has a bus stop (route 62) at 21st and K and other routes can be accessed on both J and L Streets, only one block away to the north and to the south, respectively.

Expressions of interest should be directed to Randy Getz, Executive Vice President, whose contact information can be found on page 4 of this offering. DO NOT DISTURB TENANT. All tours will be coordinated by CBRE.



J Street

21st Street

K Street

Offering Summary

2101 K Street | Sacramento

Address	2101 K Street Sacramento, CA 95816
Offering price	\$9,550,000 (\$210 psf of land)
Site	±1.044 acres at the northeast corner of 21st and K Streets
Zoning	C-2-SPD
Permitted uses	Office, retail, and mixed-use with residential up to 85 feet in height
Existing improvements	Office building and parking lot
Net rentable area	±25,600 square feet
Rent in Place	To be disclosed following execution of confidentiality agreement
Year built	circa 1947
Years renovated	1993 and 2011
Opportunity Zone	No



Tenant Summary

Tenant	SF Leased	Lease Type	Expires	Month
Lexis Nexis	±25,600	Modified net, with tenant paying taxes, insurance, landscaping, janitorial and utilities	October 31, 2022	Rent will be disclosed once Confidentiality Agreement has been signed

DO NOT DISTURB TENANT. Tours will be coordinated through CBRE.

Investment Highlights

- + Prime redevelopment opportunity on a spacious site with flexible zoning
- + “Main & Main” location in the heart of Midtown at the NEC of 21st and K Streets
- + \$9,550,000 offering price is based on land value of \$210 psf
- + Versatile C-2-SPD zoning permits multi-story office, retail, and mixed use with residential up to 85 feet in height



Saturday Midtown Farmers Market at the corner of 20th & K Streets

- + One block from the MARRS (Midtown Arts, Retail & Restaurant Scene) Building, the cultural and entertainment hub of the neighborhood.
- + The ±1.04-acre site is improved with a single-story ±25,600 square foot office building, fully leased until October 31, 2022 to Lexis Nexis
- + Existing tenancy provides income during early design / repositioning phase
- + Walking distance to Downtown Commons, Golden 1 Arena, the State Capitol, and countless dining and shopping venues
- + Regional access via the two-minute drive to Capitol City Freeway
- + Regional Transit bus stop (route 62) at 21st and K and other routes on both J and L Streets, each one block away.



Area Overview

Downtown Sacramento is five years into a period of unprecedented growth in both residential and commercial development. Construction of the Golden 1 Center which opened in 2016, the Kimpton Sawyer hotel, and the restaurants and shops of Downtown Commons (DOCO) have been the catalyst for an economic expansion that has attracted national and global investment capital. In addition to Sacramento Kings basketball games the Arena hosts over 200 concerts and other non-sporting events each year proving a significant economic boost to both the immediate submarket as well as the region as a whole.

Increases in rents and property values in Midtown and the CBD have been significant. In 2021 Sacramento apartment rent growth was 13.7% according to *Multi-Housing News*. Demand was already outstripping supply prior to onset of the pandemic, but the lockdown led to overnight adoption of work-from-home protocols by corporate America. Suddenly freed from the need to commute to an office, workers in the Bay Area and Silicon Valley began moving to the Sacramento region in droves. Apartment rents have quickly escalated, driving up property values commensurately. Supply chain issues and material shortages have contributed to the shortfall in housing, and most observers believe the backlog is likely to persist for years.



CBRE's research team has prepared an overview with maps and aerials summarizing recent developments in Downtown and Midtown, plus new developments emerging immediately north of downtown, including The Railyards, The River District, and The Bridge District. [Click here to download it](#) or contact us for assistance in gaining access to the due diligence website.





PROPERTY OVERVIEW



Property Summary

2101 K Street | Sacramento

Address	2101 K Street, Sacramento, California 95816
County / parcel numbers (4)	Sacramento. 007-0091-007; -008; -009; -010
Land area	±1.044 acres (per ALTA survey map)
Parking spaces	49 on-site and 10 on-street spaces
Zoning	C-2-SPD
Year built	circa 1947
Square footage	±25,600
Construction type	Concrete and masonry with structure reinforcement in place.
Foundation	Concrete slab on grade
Roof	Quarterly maintenance provided by Kodiak Roofing. See roof analysis by Kodiak dated 2/16/22
HVAC	Quarterly maintenance provided by Scruggs Environmental Controls
Security/Fire	See AA Fire Systems report dated 11/5/21. Monitoring provided by Valley Fire; AT&T has phone lines.
Confidentiality Agreement and Due Diligence Access	A website containing documents and additional information about the property has been set up. Please contact us to receive a link to the Confidentiality Agreement and access to the due diligence site. DO NOT DISTURB TENANT.





The Site

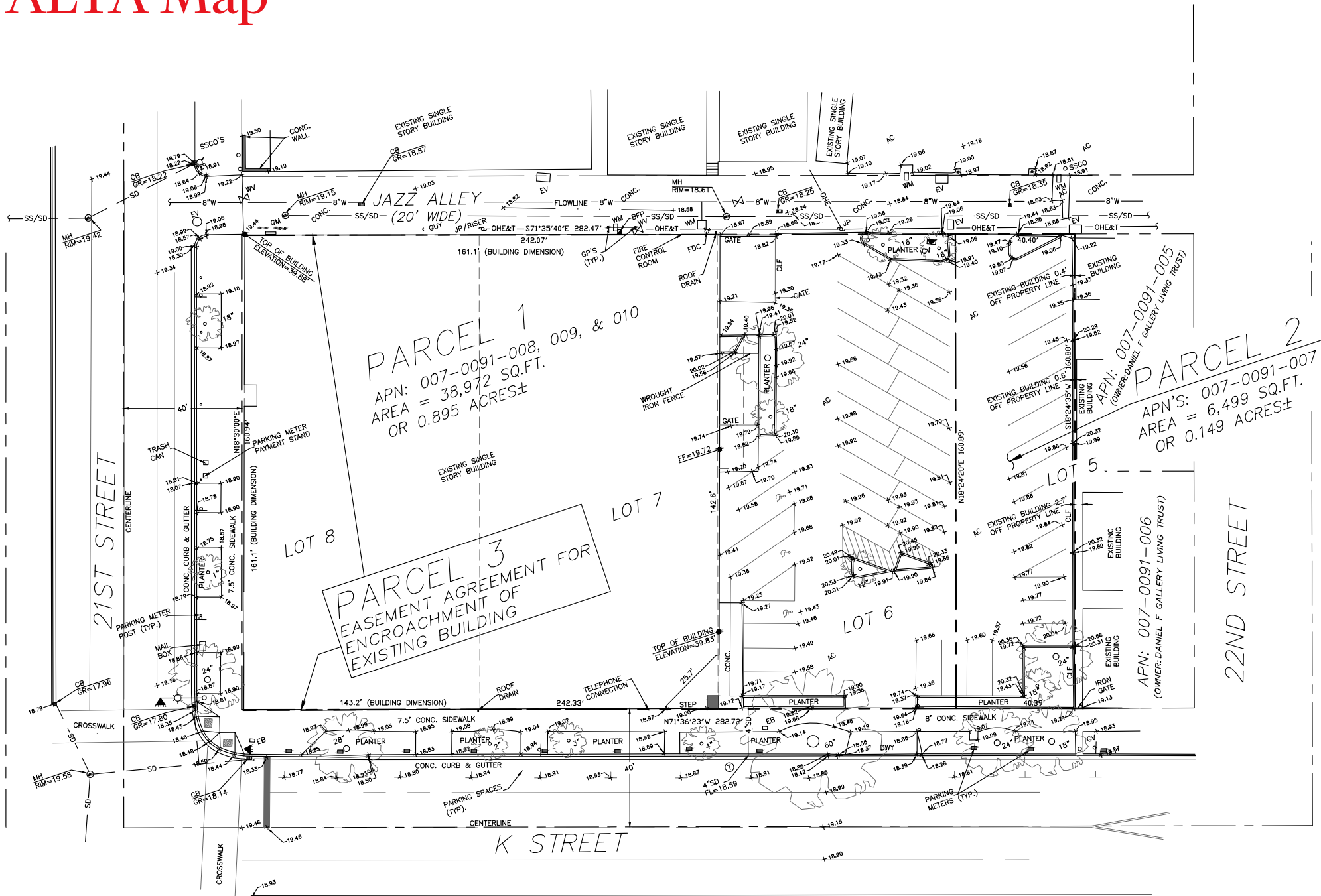
The property consists of four assessor's parcels totaling just over one acre at the NEC of K Street and 21st Street. An available site of this size is rare in Midtown. The site is rectangular with $\pm 280'$ of frontage on K Street and $\pm 160'$ of frontage on 21st Street. Jazz Alley borders the property on the north with access from both 21st and 22nd Streets. A paved parking lot on the east side of the property has 49 stalls, with on-street metered parking for an additional 10 vehicles. Two small privately-owned parcels to the east of Subject are improved with retail/residential buildings and a four-car garage.

Due diligence documents will be provided to Buyer, including a Phase I ESA dated 09/14/15 by EEI, outlining recognized environmental conditions. The building has lead/asbestos that requires remediation prior to demo, per an Asbestos Sampling & Lead Testing Report dated 08/31/15 by Alter Testing & Engineering, Inc.



Parcel Map





MAP NOT TO SCALE



AREA OVERVIEW



Sacramento

With nearly 40-million residents California is the most populous state in America and also ranks as the fourth largest economy in the world. Situated at the junction of Interstates 5 and 80, Sacramento is a logistics hub for the entire western United States. The Sacramento Metropolitan Statistical Area – consisting of seven counties – is the cultural and economic center of the region, and its 2.3 million residents make Sacramento the 25th largest market in the country. Its economy is characterized by a stable base of government employment, a well-educated labor pool, and a cost of living much more affordable than that of the San Francisco Bay Area and Silicon Valley.

The pandemic has made working remotely from home commonplace, and many Bay Area-based companies have come to the realization that employees can be equally, if not more, productive working from home. Over the last year a steadily increasing number of people who formerly worked in the Bay Area have relocated to the Sacramento region to take advantage of substantially lower home prices. This migration is one of the reasons that home prices and rents in Sacramento are growing at an unprecedented rate. Last year, Sacramento apartment rent growth was 13.7% according to *Multi-Housing News*.

(continued on next page)



For many years Sacramento’s government and business leaders have focused on increasing the number of private sector jobs to achieve a more optimal balance of private- and public-sector employment. Many Bay Area tech companies that established a presence in Sacramento in the last few years cited both its lower cost of living and its relative freedom from the threat of potentially disruptive seismic activity. Public/private partnerships have been successful in helping the region publicize its competitive advantages and grow its technology community. Health care companies such as Sutter, Kaiser, Dignity Health, Centene and Blue Shield of California have thrived in Sacramento. Other key areas of growth are in the fields of agricultural/food sciences, biotechnology, and renewable energy.

(continued on next page)



Major Employers

State government (non-education)	88,700
State government (education)	31,300
Local government (non-education)	47,200
Local government (education)	59,200
Federal government	16,200
Sutter Health Sacramento Region	15,014
Kaiser Permanente	14,368
U. C. Davis Health System	10,149
Dignity Health	7,853
Intel, Corp.	6,000
Raley’s, Inc.	5,597
Apple, Inc.	4,000
Safeway	3,917
VSP Global	2,906
Wells Fargo	2,891

Sources: Sacramento Business Journal; CA Dept. of Labor Statistics

Sacramento *(continued)*

Some of Sacramento's competitive advantages include:

- + Home of the state's executive, legislative and judicial branches of government
- + Concentration of federal and state regulatory agencies and trade associations.
- + Low costs of living and doing business, with lower home prices and business occupancy costs than many other California cities.
- + Well-educated workforce. In addition to the University of California Davis and California State University Sacramento, the region has a robust system of community colleges and vocational schools. The University of the Pacific's highly regarded McGeorge School of Law has a Sacramento campus, as well.
- + Sacramento enjoys a strategic location at the intersection of Interstates 80 and 5, at the western terminus of Highway 50 and alongside Highway 99. Sacramento is two hours by car northwest of San Francisco, two hours west of more than 40 ski resorts, two hours or less from the Napa Valley and three hours from Carmel and Pebble Beach.
 - The junction of Interstates 5 and 80 just north of Downtown puts most of the western U.S. within one day by truck – a key logistics advantage.
 - Sacramento is well served by Sacramento International Airport and Amtrak.



Developments North of the CBD

In addition to the rapid growth of Downtown itself, new developments are under way in several master-planned neighborhoods adjacent to and north of Downtown.

- + **Sacramento Railyards**, which had historically been a busy Union Pacific rail yard, is currently the largest infill redevelopment undertaking in the United States. This 244-acre project sits at the northern edge of the city where substantial infrastructure construction is underway. When complete The Railyards will nearly double the size of “downtown”, with planned developments to include housing, parks, retail, entertainment, office space, theaters, and hotels. Kaiser Permanente has acquired 18 acres near Interstate 5 in the northwest corner of the Railyards for a new medical campus.
- + **The River District** is located in the area between Richards Boulevard on the south, the American River on the north, and the Sacramento River to the west. Being at the confluence of the rivers, the area is sometimes called Twin Rivers. Historically the River District is home to some of the city’s oldest businesses, including Blue Diamond Almonds (1910), General Produce (1932), Capital Machine (1936) and Sacramento Theatrical Lighting (1947). Predominantly industrial, the area began to change about 15 years ago as offices were added and people began to realize that Sacramento’s growth should take advantage of land that fronted on the two rivers to create comfortable environments for work and play.



- + **Township Nine** is a 65-acre mixed-use development that extends from Richards Blvd. north to the American River. The California Highway Patrol headquarters, an adaptive reuse of the Continental Can building, was completed in 2009. and the Cannery Apartments, completed in 2014, are fully leased. Other River District projects include the Township 9 light rail station and the California Lottery Headquarters on N. 10th St. At the southwest corner of Richards Blvd. and 7th Street a 17-acre site is being cleared and prepared for a new \$915 million state office “mega-campus” which will ultimately host roughly 6,000 employees. Agencies expected to populate the new campus will come from Business, Consumer Services, and Housing departments, and the Department of Tax and Fee Administration.¹

¹ *The Sacramento Bee*, June 17, 2019



MARKET TRENDS



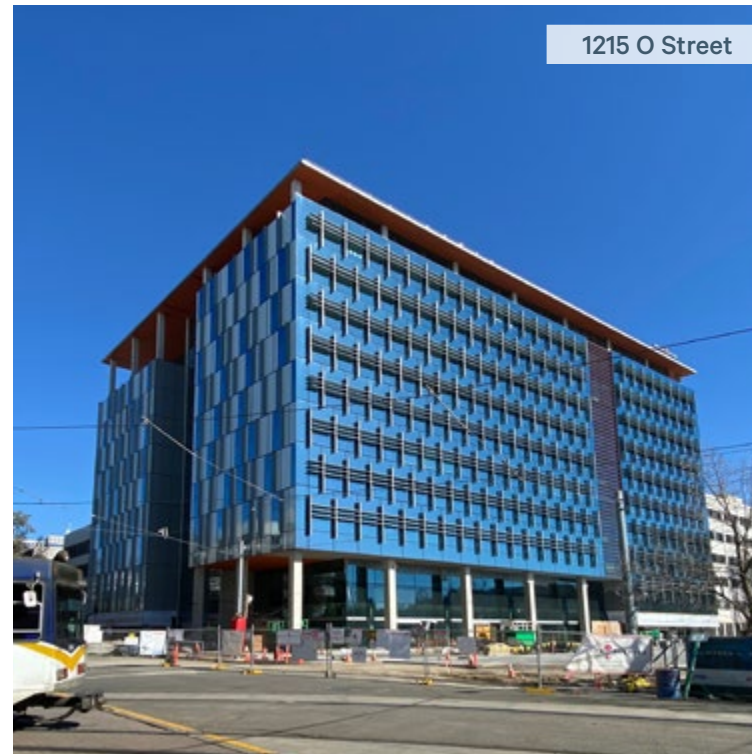
Market Trends

The State of California is presently constructing three major high-rise office buildings which are nearing completion. Once delivered these buildings will add 1,670,000 square feet of Class A office space downtown and further stimulate the need for increased residential construction.

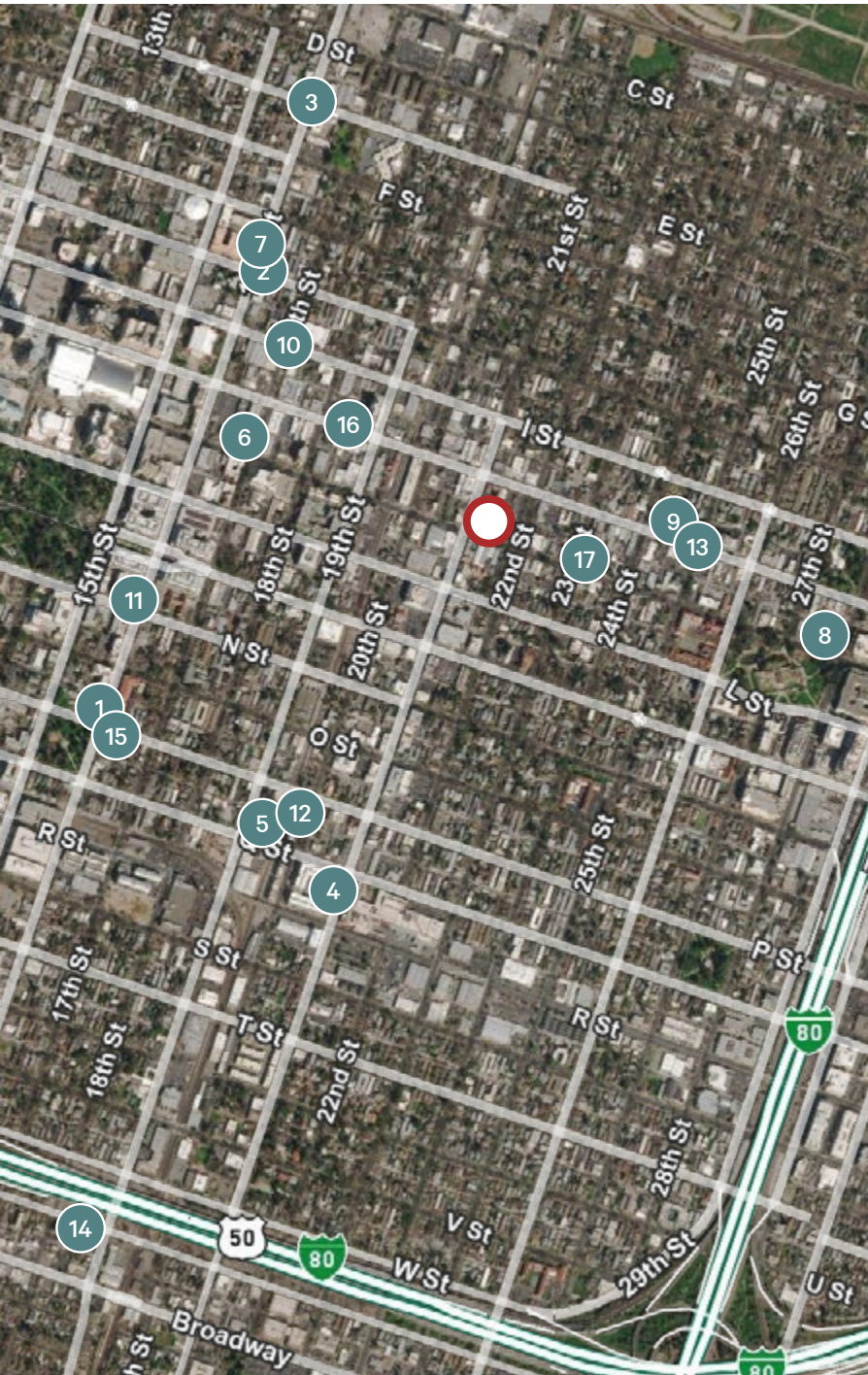
- + NEC of 7th and P Streets. 20-story office building containing 838,000 sf will house 3,540 employees.
- + 1215 O Street. 10-story Health and Human Services building will contain 360,000 square feet.
- + NWC of 10th and O Streets. This 10-story building will have 472,000 square feet and be used primarily as legislative offices.

Over the last six years Downtown and Midtown Sacramento have enjoyed steady growth in occupancy, rents and new development of office, retail and multifamily real estate. The City continues to encourage urban residential development with more than 1,600 units completed since 2015 and more than 1,000 more either proposed or under construction. Refer to the table on the following page for a partial list of new projects in proximity to Subject.

The downtown area's population growth adds vitality and creates a steady, reliable customer base for services, restaurants and other types of retail. Most of these new developments feature multiple stories of apartments over street-level retail.



Map: New Developments Near 2101 K Street



Map #	Property Name	Address	Units/SF		Status
			Residential	Retail	
1	Legado de Ravel	1520 16th St.	84	Yes	Complete
2	H16	1613 H St.	95	Yes	Complete
3	Eleanor Apartments	16th @ E St.	95	No	Complete
4	The Press *	1714 21st St.	253	Yes	Complete
5	Q19 Apartments *	1907 Q St.	68	Yes	Complete
6	17 Central	1631 K St.	107	Yes	Under construction
7	The Mansion	700 16th St.	186	Yes	Under construction
8	Hyatt House Midtown	2719 K St.	Hotel	pending	Proposed
9	2413 J	2413 J St.	pending	Yes	Under construction
10	Cascade	17th @ I St.	206	Yes	Proposed
11	Eviva Midtown *	1531 N St.	118	Yes	Complete
12	20PQR	1610 20th St.	32	No	Complete
13	Yamane	25th @ J St.	134	Yes	Proposed
14	Onyx Midtown Apts. *	1818 X St.	41	No	Complete
15	Powerhouse 16 *	1606 P St.	50	Yes	Complete
16	19J	1831 J St.	175	Yes	Complete
17	23 & K	2301 K St.	8	Yes	Complete

* indicates sales comp on page 26

Comps: Sacramento Apartment/Mixed-Use Property Sales

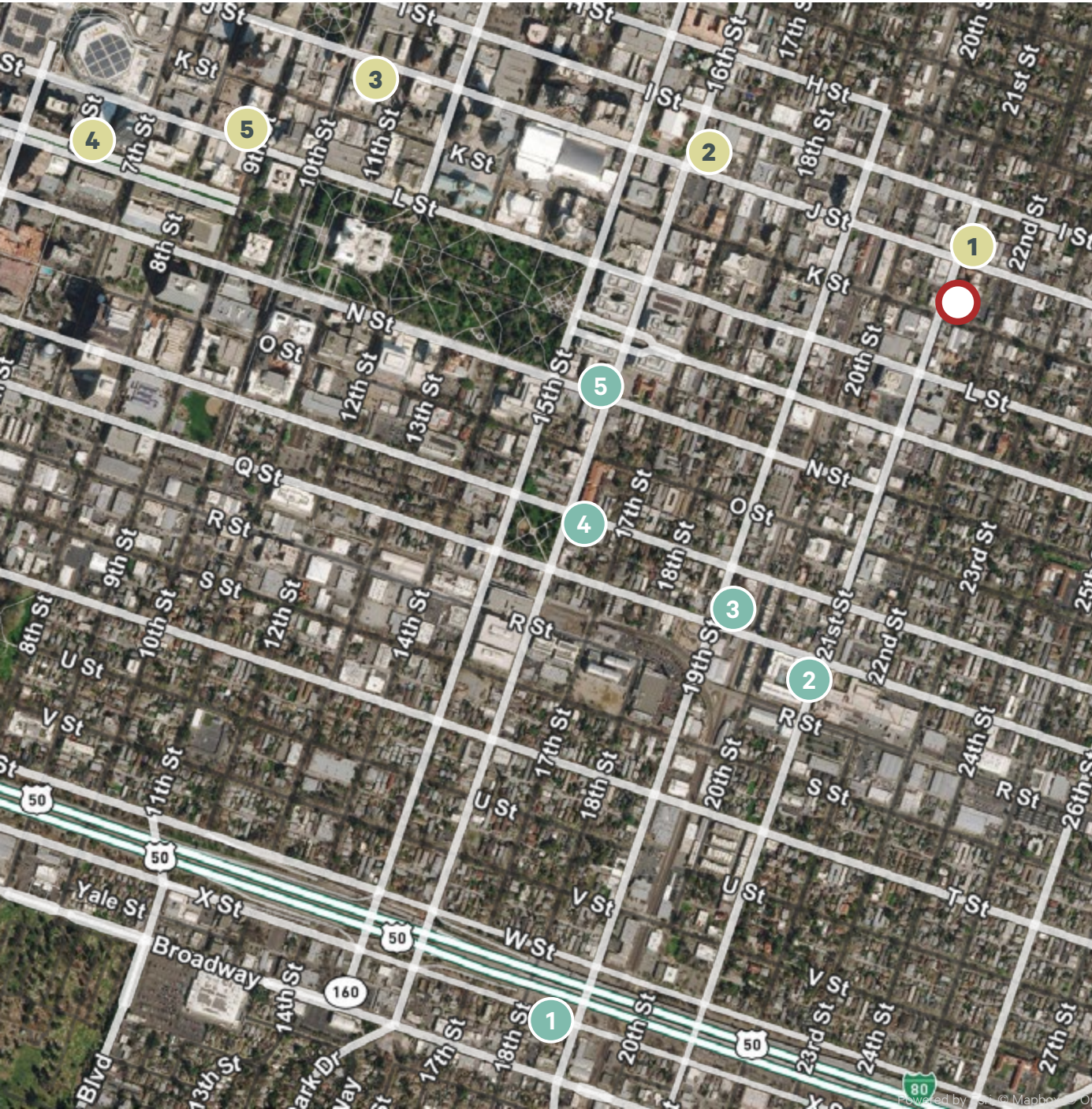
We've summarized below five apartment and mixed-use property sales over the last five years using information from CoStar. Per square foot and per unit prices are at an all-time high.

	 1	 2	 3	 4	 5
	Onyx Apartments 1818 X Street	The Press 1714 21st Street	Q19 Apartments 1907 Q Street	Powerhouse 16 1606 P Street	Eviva Midtown 1531 N Street
Date Sold	9/8/21	9/30/20	4/19/19	3/6/18	9/1/17
Purchaser	Knott Trust San Diego	Oakmont Properties Folsom	Woodmont Belmont, CA	Demmon Partners Sacramento	Sequoia Equities Walnut Creek
Seller	Rockworth Holladay, UT	SKK Developments Sacramento	SKK Developments Sacramento	D&S Development Rancho Cordova	LDK Ventures Sacramento
Built	2020	2020	2018	2015	2016
Price	\$13,980,000	\$118,000,000	\$26,800,000	\$32,500,000	\$53,000,000
Cap Rate	4.75%	unreported	4.65%	5.06%	4.78%
No. Of Units	41	277	68	50	118
Price/Unit	\$340,976	\$425,993	\$394,118	\$650,000	\$449,153
Property SF	28,773	200,616	46,170	71,929	165,300
Price/SF	\$486	\$588	\$580	\$452	\$321
Notes		DeBartolo partnered	Grupe partnered		Integral Group of Atlanta partnered

Comps: CBD Land Sales

						
	<i>NEC 21st & K Streets Sacramento 95816</i>	<i>2101 J Street Sacramento 95814</i>	<i>NEC 16th & J Streets Sacramento 95814</i>	<i>Cathedral Square 1018-1030 J Street</i>	<i>NEC Capitol Mall & 6th 601 Capitol Mall</i>	<i>NWC of 9th & L 831 L Street</i>
Status / Date Sold	<i>Subject</i>	Jan-22	Jan-22	Sep-18	Apr-18	Jan-17
Sale Price	\$9,550,000	\$2,500,000	\$3,700,000	\$5,250,000	\$7,000,000	\$5,250,000
Seller	<i>K Street Highland Ventures, LLC</i>	Colony Plaza	Fischer Trust	St. Anton Investors	David Taylor Interests	Cordano
Purchaser	<i>TBD</i>	Kenny-Kruz	SKK Development	Anthem Properties	Shorenstein	831 L Street, LLC
Zoning	<i>C-2-SPD</i>	C-2-SPD	C-2	CBD C-3	CBD	C-3-SPD
Site Size - Acres	<i>±1.044</i>	0.29	0.42	0.66	0.89	0.62
Site Size - SF	<i>±45,471</i>	12,632	18,400	28,800	38,972	27,200
Price PSF	\$210	\$197.91	\$201.09	\$182.29	\$179.62	\$193.01
Notes	<i>One block from MAARS Building</i>			Effective price shown above. \$5,000,000 sales price adjusted for estimated cost of demolition. 25-story condos over retail.	Multifamily over retail 8-stories presently under construction	Effective price shown above. \$5,000,000 sales price adjusted for estimated cost of demolition.

Map: Comps - Apartment/Mixed-Use and Land



Map #

 **Subject - 2101 K St.**

Comps: Apartment/Mixed-Use Property Sales

-  1 Onyx Apartments - 1818 X St.


-  2 The Press - 1714 21st St.


-  3 Q19 Apartments - 1907 Q St.


-  4 Powerhouse 16 - 1606 P St.


-  5 Eviva Midtown - 1531 N St.


Comps: CBD Land Sales

-  1 2101 J St.

-  2 NEC 16th & J St.

-  3 Cathedral Square, 1018-1030 J St.

-  4 NEC Capitol Mall & 6th, 601 Capitol Mall

-  5 NWC 9th & L, 831 L St.



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MIDTOWN SACRAMENTO

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