

COLONY PALMS HOTEL GROUND LEASE

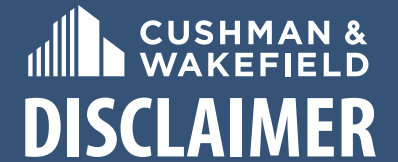
PALM SPRINGS, CALIFORNIA

OFFERING MEMORANDUM

\$14,211,000 | 4.75% CAP RATE

- » 99-Year Absolute NNN Ground Lease with Scheduled Rental Increases
 - » 2% Annual Rental Increase Beginning July 1, 2020
 - » No Landlord Management
- » Fully Remodeled Hotel with Luxury Amenities
 - » \$17 Million Renovation - 2008, \$2 Million Enhancements - 2016
- » Excellent Location Between Downtown Palm Springs and the Uptown Design District
- » Close Proximity to Major Tourist Attractions
- » Near Several Large Developments
- » Central Location in World Famous Travel Destination
 - » 13+ Million Visitors Per Year to the Coachella Valley

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LOCATION MAP

Cushman & Wakefield (“Broker”) has been retained on an exclusive basis to market the property described herein (“Property”). Broker has been authorized by the Seller of the Property (“Seller”) to prepare and distribute the enclosed information (“Material”) for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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INVESTMENT SUMMARY

ADDRESS	572 North Indian Canyon Drive, Palm Springs, CA	
PRICE	\$14,211,000	
CAP RATE	4.75% return	
NOI	\$675,000	
TERM	97 years remaining	
RENT COMMENCEMENT	June 30, 2015	
LEASE EXPIRATION	June 30, 2114	
RENTAL INCREASES	2% annual rental increases beginning July 1, 2020	
	YEAR	RENT
	Current - 2019	\$675,000
	2020	\$688,500
	2030	\$839,278
	2040	\$1,023,075
	2050	\$1,247,122
	2060	\$1,520,235
	2070	\$1,853,158
	2080	\$2,258,990
2090	\$2,753,696	
2100	\$3,356,740	
2110	\$4,091,847	
	RETURN	
	4.75%	
	4.84%	
	5.91%	
	7.20%	
	8.78%	
	10.70%	
	13.04%	
	15.90%	
	19.38%	
	23.62%	
	38.79%	
	*Annual rental increases of 2% as of July 1, 2020	
	*The chart above shows rent growth in 10-year increments	
YEAR BUILT	1936/2008	
BUILDING SF	96,225 SF	
PARCEL SIZE	2.21 acres (96,268 SF)	
ROOMS	57 guest rooms	
LEASE TYPE	Absolute NNN ground lease, with tenant responsible for all taxes, insurance, utilities, and maintenance, including roof, structure, and parking lot	

ABSOLUTE NNN GROUND LEASE WITH SCHEDULED RENTAL INCREASES

- » 99-Year Absolute NNN ground lease with 2% annual rental increases beginning July 1, 2020
- » Requires no landlord management, presenting an ideal investment opportunity for an out-of-area investor
- » Underwent an extensive \$17 million renovation in 2008 and, more recently in 2016 through a \$2 million enhancement project

CENTRAL LOCATION NEAR MAJOR TOURIST ATTRACTIONS

- » Prime location on the border between downtown Palm Springs and the Uptown Design District, Palm Springs' main retail and cultural centers
- » Near the Palm Springs Aerial Tramway (600,000 annual visitors), Wet 'n' Wild Palm Springs (200,000+ annual visitors), the Palm Springs Visitors Center (200,000+ annual visitors), the Palm Springs Art Museum (163,000+ annual visitors), Auga Caliente Cultural Museum (150,000+ annual visitors), the Palm Springs Air Museum (100,000+ annual visitors), and the Palm Springs Convention Center
- » Located a short drive from Joshua Tree National Park (2.5 million visitors in 2016), the event site for Coachella and Stagecoach, two of the world's largest and most profitable music festivals, and Indian Wells Tennis Garden, the location for the world's fifth largest tennis tournament in the world, BNP Paribas Open
- » Close proximity to numerous golf courses and state and national parks

NEAR SEVERAL LARGE DEVELOPMENTS

- » Within walking distance of the massive \$400 million renovation of a 14-acre site in downtown, featuring a 155-room Kimpton hotel, a 142-room Virgin hotel, and retail stores tenanted by West Elm, H&M, Free People, Kiehl's, Starbucks Reserve, and others
- » Across from 150-room, 13-suite Hyatt Andaz, slated to open in 2018
- » Near Vision Agua Caliente, an 18-acre project that includes a casino, hotel, and spa

PRIME LOCATION IN WORLD FAMOUS TRAVEL DESTINATION

- » Since the 1920s, Palm Springs has been Hollywood's desert playground for celebrities and a popular tourist and retirement destination, with 5.8 million visitors in 2015
- » Convenient tourist destination for large population centers, including Los Angeles, San Diego, and Phoenix



ACTUAL SITE

Hyatt Andaz
(150-room, 13-suite luxury hotel)



**Palm
Canyon
Theatre**
PALM SPRINGS

200-seat theater



East Alejo Road (14,507 AADT)

North Indian Canyon Drive (17,519 AADT)



**DESERT
ART
CENTER**
a community art resource
of coachella valley · inc.

10,000+ visitors per year



Colony Palms Hotel
PALM SPRINGS



The Cameron
(80 townhouses, 22 live-work
units, and 15,000 SF of retail)

La Plaza




chico's






AGUA CALIENTE CULTURAL MUSEUM

Smithsonian-affiliated museum
with 150,000 visitors per year

Skye
(40 14,000+ SF luxury homes)

Orchid Tree Resort & Spa
(98-room, five-story hotel)



PALM SPRINGS
ART MUSEUM

163,000+ visitors per year

Vision Agua Caliente
(18-acre project with 68,000 SF
casino expansion, 350-room hotel
and spa, and 50,000 SF of retail)

Downtown Redevelopment
(14-acre multi-use project—stores,
restaurants, office space, and two
hotels with 297 rooms)



SPA RESORT CASINO
DOWNTOWN PALM SPRINGS

30,000 SF casino



The Palm Springs
Walk of Stars

popular walk of fame

DOWNTOWN
PALM SPRINGS

Hyatt Andaz
(150-room,
13-suite luxury
hotel)

O'Donnell Golf Club

East Alejo Road (14,507 AADT)

North Indian Canyon Drive (17,519 AADT)

Palm Canyon Drive (23,464 AADT)



Colony Palms Hotel
PALM SPRINGS



DESERT
ART
CENTER

a community art resource
of Coachella Valley · Inc.

10,000+ visitors per year



Palm Canyon
Theatre
PALM SPRINGS

200-seat theater



Indian Canyons

Indian Canyons Golf Resort

Moorten Botanical Garden
(historic botanical garden with over 3,000 species of desert plants)

The Cameron
(80 townhomes, 22 live-work units, and 15,000 SF of retail)



AGUA CALIENTE CULTURAL MUSEUM
Smithsonian-affiliated museum with 150,000 visitors per year

Skye
(40 14,000+ SF luxury homes)

La Plaza








CALIFORNIA
Palm Springs
Convention Center
Like no place else™
261,000 SF
convention center



SPA RESORT CASINO
DOWNTOWN PALM SPRINGS
30,000 SF casino



Hard Rock
HOTEL

Vision Agua Caliente
(18-acre mixed-use project)

Downtown
Redevelopment
(14-acre multi-use project)

Hyatt Andaz
(luxury hotel)

O'Donnell
Golf Club

East Alejo Road (14,507 AADT)

North Indian Canyon Drive (17,519 AADT)

Palm Canyon Drive (23,494 AADT)

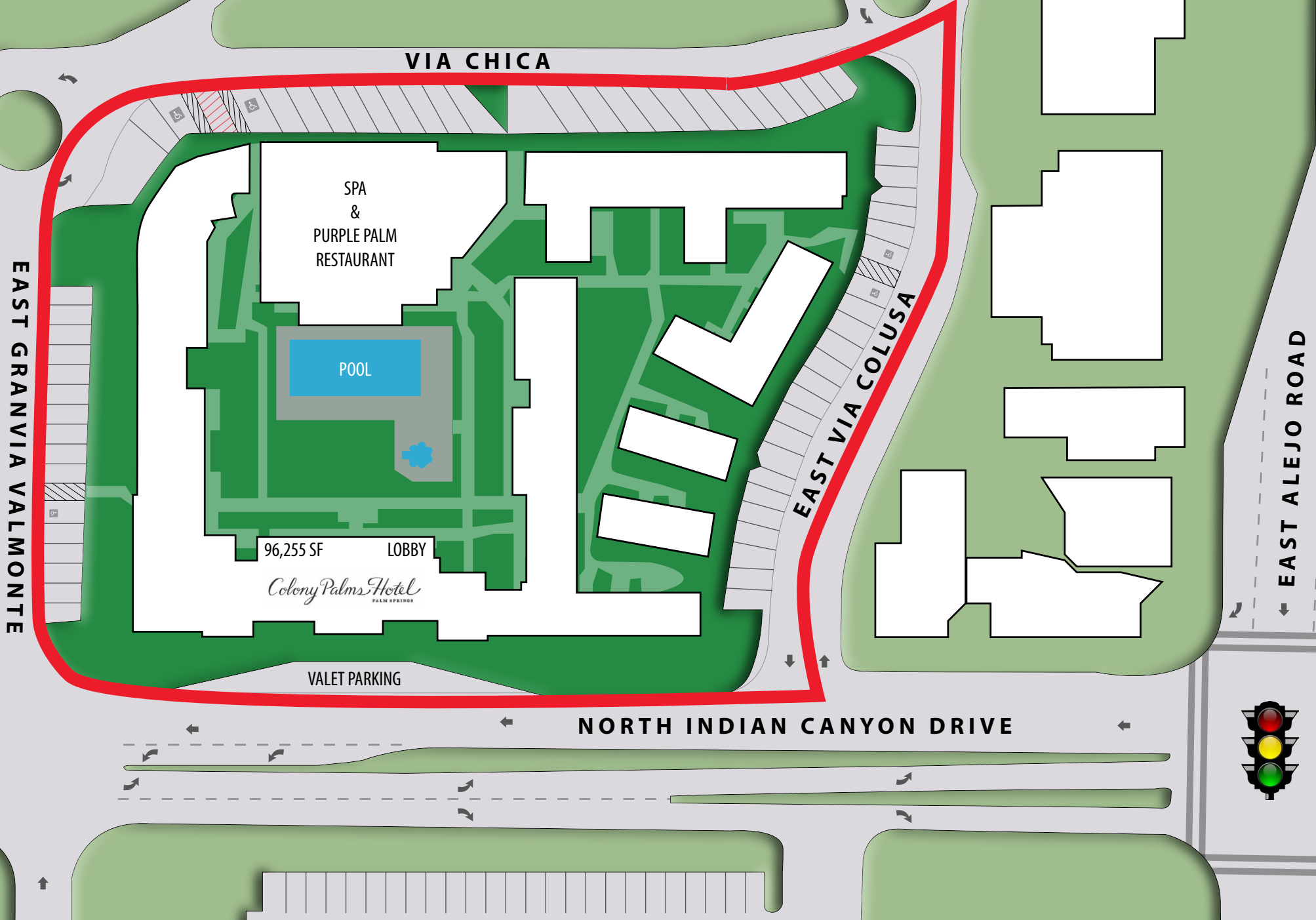


Colony Palms Hotel
PALM SPRINGS



PALM SPRINGS
ART MUSEUM
163,000+ visitors per year

SITE PLAN



VIA CHICA

EAST GRANVIA VALMONTE

SPA
&
PURPLE PALM
RESTAURANT

POOL

96,255 SF LOBBY

Colony Palms Hotel
PALM SPRINGS

VALET PARKING

EAST VIA COLUSA

NORTH INDIAN CANYON DRIVE

EAST ALEJO ROAD



TENANT SUMMARY



The Colony Palms Hotel is a fully renovated, iconic, high-end boutique hotel with 57 guestrooms, including eight casitas, two junior suites, and four full suites. The hotel features a full service spa with six treatment rooms, including a couple's room and a VIP suite. Other luxurious amenities include a 65-foot saltwater pool; meeting and event space; and the Purple Palm Restaurant, a poolside restaurant and bar that seats up to 100 people. Built in 1936, the Colony Palms Hotel's rich and colorful history established it as an iconic part of Palm Springs, and over the years it has been host to Hollywood's elite, mobsters, athletes, film producers, gamblers, and politicians. The hotel underwent a \$17 million expansion, renovation, and reconstruction in 2008. Additionally, in 2016 the hotel's current owner invested over \$2 million to refresh the property. That year, Colony Palms Hotel generated \$6.2 million in gross revenue, with March being its best month in both 2016 and 2017, when the BNP Paribas Open was held and drew 445,000 attendees to the immediate area.

The Colony Palms Hotel is operated by Palisades Hospitality Group, which develops, acquires, and operates small, individually distinct upscale hotels and restaurants in California and Mexico. Palisades' hotel portfolio includes the Colony Palms Hotel in Palm Springs; the North Block Hotel in Yountville; the El Dorado Hotel in Sonoma; Rodavento in Valle de Bravo, Mexico; Oak Knoll in Napa Valley; and Hotel Barlow in Sebastopol, which is currently under development. Palisades also operates a unique collection of over 30 inspired dining destinations, which includes both branded and independent restaurants. In total, Palisades operates a portfolio of more than 35 properties, with over \$100 million in revenue and over 2,200 employees.

For more information, please visit www.colonypalmshotel.com and www.palisadeshospitality.com.

OWNERSHIP	Private	LOCATIONS	35+
REVENUE	\$100M	EMPLOYEES	2,200+



ACTUAL SITE

LEASE ABSTRACT

TENANT	Colony Palms, LLC		
GUARANTOR	Palisades Hotel Partners, LLC		
ADDRESS	572 North Indian Canyon Drive, Palm Springs, CA		
RENT COMMENCEMENT	June 30, 2015		
LEASE EXPIRATION	June 30, 2114		
RENEWAL OPTIONS	None		
RENTAL INCREASES	YEAR	RENT	RETURN
	Current - 2019	\$675,000	4.75%
	2020	\$688,500	4.84%
	2030	\$839,278	5.91%
	2040	\$1,023,075	7.20%
	2050	\$1,247,122	8.78%
	2060	\$1,520,235	10.70%
	2070	\$1,853,158	13.04%
	2080	\$2,258,990	15.90%
	2090	\$2,753,696	19.38%
2100	\$3,356,740	23.62%	
2110	\$4,091,847	38.79%	
	*Annual rental increases of 2% as of July 1, 2020		
	*The chart above shows rent growth in 10-year increments		
REAL ESTATE TAXES	Lessee shall pay all real estate taxes.		
INSURANCE	Lessee shall maintain, at its own cost and expense, an "all-risk" form of insurance policy, commercial general liability insurance, boiler and machinery insurance, worker's compensation and employer's liability insurance, and business income insurance. All such insurance shall include standard, noncontributory, clauses naming Lessor, Fee Mortgagee, and Qualifying Mortgagee (a) as additional insureds under all liability insurance policies, (b) as first mortgagee on the fee simple interest in the Premises, in Lessor's interest under this Lease, and the reversionary interest in the Improvements (in the case of Fee Mortgagee), (c) as first mortgagee on the Leasehold Estate, inclusive of the Improvements (in the case of Qualifying Mortgagee), (d) as loss payees on all property insurance policies, and (e) as the loss payees on all loss of rents or loss of the business income insurance policies.		
REPAIR & MAINTENANCE	Lessee, at its sole cost and expense, shall maintain and repair the structure and exterior façade of the Improvements; all base building fixtures, equipment, and systems; all base building common areas; and all public and other improvements outside of the buildings comprising the Improvements. Lessee shall make all repairs and replacements, structural or otherwise, required to maintain the Premises and the Improvements. Lessee shall maintain all portions of the Premises, the Improvements, and the sidewalks, curbs, driveways, entrances, passageways, alleys, and all areas adjoining the same.		
UTILITIES	Lessee, at its sole cost and expense, shall pay all charges for gas, electricity, light, heat, power, telephone, cable or other communication service, and any other utilities rendered or supplied upon or in connection with the Premises or Improvements.		
MAINTENANCE BY LANDLORD	Lessor shall not be required to furnish any services or facilities or to make any repairs, alterations, replacements, or improvements whatsoever in or to the Premises or Improvements.		
RIGHT OF FIRST REFUSAL	None		

PROPERTY OVERVIEW

LOCATION

The property is situated just off of the signalized intersection of North Indian Canyon Drive and East Alejo Road, with excellent visibility and access to 32,026 vehicles per day. The property is located in the heart of downtown Palm Springs, adjacent to the vibrant Uptown Design District, and within walking distance of the shops, restaurants, and galleries along Palm Canyon Drive. The property benefits from its proximity to major tourist attractions. Palm Canyon Drive and the Uptown Design District are Palm Springs' retail and cultural centers, home to antique stores, souvenir shops, upscale boutiques, art galleries, and trendy restaurants. Palm Springs Art Museum, visited by more 163,000 people annually, and Auga Caliente Cultural Museum, with 150,000 visitors per year, are both within walking distance of the property. The Palm Springs Convention Center, one of the premier event centers in the region, is just a few blocks from the property. Other nearby attractions include the Palm Springs Air Museum (over 100,000 annual visitors), Wet 'n' Wild Palm Springs (over 200,000 annual visitors), the Palm Springs Aerial Tramway (600,000 annual visitors), and the Palm Springs Visitors Center (over 200,000 annual visitors). Several state and national parks are a short drive from the property, including Joshua Tree National Park, which was visited by over 2.5 million people 2016. Additionally, the event site for Coachella and Stagecoach, two of the largest music festivals in the world, is only 31 miles away from the site; the Indian Wells Tennis Garden, where the fifth largest tennis tournament in the world (BNP Paribas Open) is held every year, is less than 20 miles from the hotel.

Palm Springs has been seeing lots of recent development, with several major projects located near the property. The massive \$400 million renovation of a 14-acre site in downtown is located nearby, which will include some 900,000 square feet of buildings arranged around new streets, paseos, piazzas, and other public gathering spaces. New tenants in the development include West Elm, a contemporary furniture store; a 155-room Kimpton hotel, with the city's only rooftop pool and bar; a 142-room Virgin hotel; H&M, one of the world's largest fashion retailers; and Starbucks Reserve, an upscale version of the coffee chain. Several hotels are being built in the area, which is likely to increase the city's competitive edge when it comes to attracting conventions, as the availability of quality rooms within walking distance of the convention center is an important component of a competitive bid. Additionally, the 18-acre Vision Agua Caliente project is nearby, which includes a massive casino expansion and new retail space.

ACCESS

Access from North Indian Canyon Drive, East Granvia Valmonte, Via Chica, and East Via Colusa

TRAFFIC COUNTS

North Indian Canyon Drive:	17,519 AADT
East Alejo Road:	14,507 AADT
Palm Canyon Drive:	23,464 AADT
Interstate 10:	84,000 AADT

PARKING

66 parking stalls, including five (5) handicap stalls

YEAR BUILT

1936/ Renovated 2008 & 2016

NEAREST AIRPORT

Palm Springs International Airport (PSP)



66
PARKING
STALLS



2016
LATEST RENOVATION



17K
TRAFFIC
COUNT (AADT)



**NEAREST
AIRPORT**
PALM SPRINGS
INTERNATIONAL
AIRPORT

HOTEL SNAPSHOT



AREA OVERVIEW

Palm Springs, a resort city in the Coachella Valley, has been Hollywood's desert playground for celebrities to relax and escape since the 1920s. Located approximately 55 miles east of San Bernardino, 107 miles east of Los Angeles, 123 miles northeast of San Diego, and 268 miles west of Phoenix, Palm Springs is a convenient tourist destination for several large population centers. The permanent year-round Palm Springs population is approximately 48,000, with the population doubling in the winter months during the peak tourist season. Tourism is a major factor in the city's economy, and Palm Springs hosts numerous festivals, conventions, and international events. Greater Palm Springs is Southern California's premier resort, special event, and golf destination; with more golf courses than any other region in California, the Coachella Valley is the most popular golf vacation destination in California. Natural mineral springs and abundant outdoor recreation options enhance Greater Palm Springs' reputation as a mecca for health and wellness. Activities include golf, tennis, swimming, and equestrian sports, as well as biking and hiking on more than 100 scenic trails. A flourishing culinary, arts, and music scene invigorates the destination's cultural landscape. Palm Springs International Airport, just two miles from downtown, welcomes nearly two million passengers a year from throughout the U.S. and Canada. The airport has been described as one of the most "hassle-free" airports in the U.S. Current estimates predict that, in 2017, more than 13 million visitors will come to Greater Palm Springs and spend over \$5 billion.

- » The Coachella Valley hosts numerous festivals, including Coachella and Stagecoach. Coachella is the largest, most famous, and most profitable music festival in the world. Each Coachella staged from 2013 to 2015 set new records for festival attendance and gross revenues. The 2016 festival sold 198,000 tickets and grossed \$94.2 million. Stagecoach is the largest country music festival in the world. In 2015, Stagecoach grossed \$21.9 million in revenues, making it the third highest grossing festival of any kind in the world.
- » Palm Springs is famous for its midcentury modern architecture, and the city hosts Modernism Week each year. Nearly 100,000 people flocked to Palm Springs during Modernism Week 2017. The 11-day festival generated an estimated \$35.5 million in revenue for area hotels, shops, restaurants, and other local businesses.
- » Palm Springs International Film Festival regularly attracts around 135,000 people, with some 70% coming from outside of the Coachella Valley, including Canada and Europe. It is noted for its award ceremonies where such actors as Brad Pitt, Clint Eastwood, Sean Penn, Dustin Hoffman, Anne Hathaway, and Leonardo DiCaprio have appeared. Palm Canyon Theatre, located directly across from the Colony Palms Hotel, is one of the venues for the film festival.
- » The Palm Springs area features a number of sporting events, including the BNP Paribas Open, one of the most significant tennis events in the world. The tournament is the most popular tennis tournament outside the four Grand Slam tournaments, drawing over 445,000 visitors to the area.

MAJOR EMPLOYERS IN THE COACHELLA VALLEY	# OF EMPLOYEES
EISENHOWER MEDICAL CENTER	2,517
AGUA CALIENTE BAND OF CAHUILLA INDIANS	2,403
DESERT SANDS UNIFIED SCHOOL DISTRICT	2,403
PALM SPRINGS UNIFIED SCHOOL DISTRICT	2,000
MORONGO CASINO RESORT & SPA	1,915
DESERT REGIONAL MEDICAL CENTER	1,750
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT	1,724
LA QUINTA RESORT & CLUB	1,235
FANTASY SPRINGS RESORT CASINO	1,200
JW MARRIOTT DESERT SPRINGS RESORT & SPA	1,100



DEMOGRAPHIC PROFILE

2017 SUMMARY	1 Mile	3 Miles	5 Miles
Population	6,304	41,667	81,118
Households	3,336	20,913	34,251
Families	1,155	7,983	16,437
Average Household Size	1.88	1.97	2.35
Owner Occupied Housing Units	1,536	11,386	19,763
Renter Occupied Housing Units	1,800	9,528	14,488
Median Age	54.4	53.3	46.7
Average Household Income	\$82,165	\$78,158	\$76,110

2022 ESTIMATE	1 Mile	3 Miles	5 Miles
Population	6,611	44,309	85,612
Households	3,485	22,212	36,167
Families	1,204	8,449	17,266
Average Household Size	1.89	1.97	2.35
Owner Occupied Housing Units	1,591	12,072	20,839
Renter Occupied Housing Units	1,894	10,140	15,328
Median Age	56.5	55.1	47.6
Average Household Income	\$90,457	\$88,872	\$86,183



**AVERAGE HOUSEHOLD INCOME OF \$82,165
WITHIN ONE MILE**



**POPULATION OF 81,118
WITHIN FIVE MILES**