Offering Memorandum

OAK RIDGE ROAD OFFICE

1800 W. Oak Ridge Road | Orlando, FL 32809

HOLD THYSSEN
REAL ESTATE SERVICES

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This Offering Memorandum has been provided subject to the terms of a Confidentiality Agreement and has been prepared to provide summary, unverified information to prospective purchasers, and to establish a preliminary level of interest in the Property. The information contained in this Offering Memorandum has been obtained from sources believed to be reliable, however, H-T has not verified and will not verify, any of the information contained herein; nor has H-T conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. Potential buyers must take appropriate measures to verify all of the information set forth herein.

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INVESTMENT OVERVIEW

Executive Summary

Listing Details

Aerials

Location Map

Photographs

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EXECUTIVE SUMMARY

This property offers direct frontage on the heavily trafficked Oak Ridge Road, strategically located between Orange Blossom Trail, which boasts a daily traffic volume of 58,500, and John Young Parkway, which has a daily traffic volume of over 45,000.

The property is located in the Orlando Central Park submarket and is currently 100% occupied with medical tenants. Previously a Regency Bank, the building has now been converted into a pharmacy and doctors office build out and sits on a enormous corner piece of land for the area with room for an additional 14,000± square feet of retail build out. There are four entrances to the property and plenty of parking.

This asset is strategically located less than two miles from the Florida Turnpike and the Beachline Expressway (528) and less than six miles from the Orlando International Airport. The property is minutes from downtown Orlando and Disney.

LISTING DETAILS

Property Name: Oak Ridge Road Office

Property Address: 1800 W. Oak Ridge Road
Orlando, FL 32809

APN/Parcel ID: 22-23-29-6348-03-050

Gross Leasable Area: 2,790 SF

Land Area: 2.16 AC

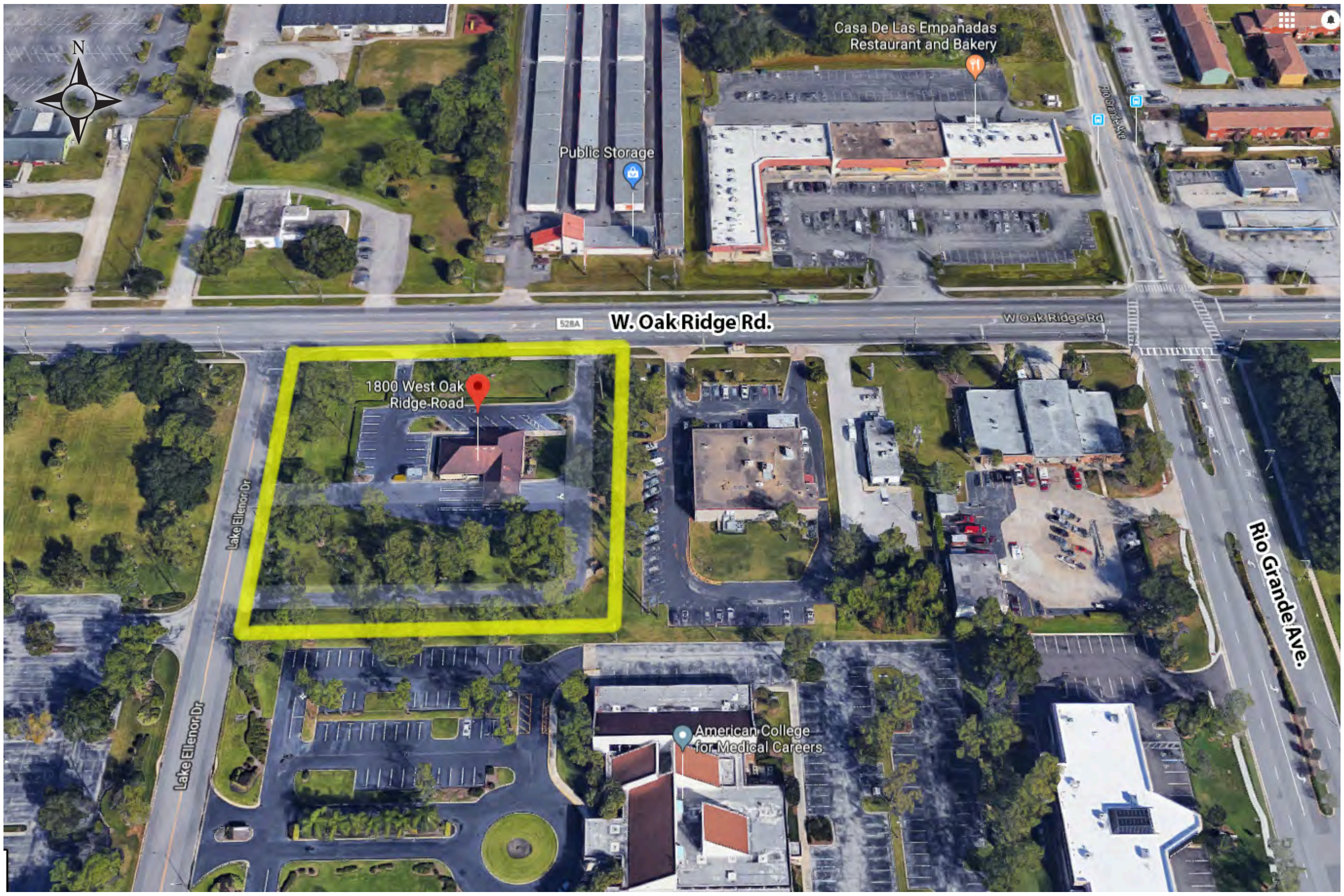
Year Built: 1980

Net Operating Income: $53,778

Asking Price: **$1,650,000**

Current Tenants			
Tenant	**GLA**	**Lease Expiration**	**Lease Type**
Super Saver Pharmacy	1,730	2/28/2021	NNN
Bull Bear Management	1,060	2/28/2021	NNN

PROPERTY AERIAL



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PROPERTY AERIAL

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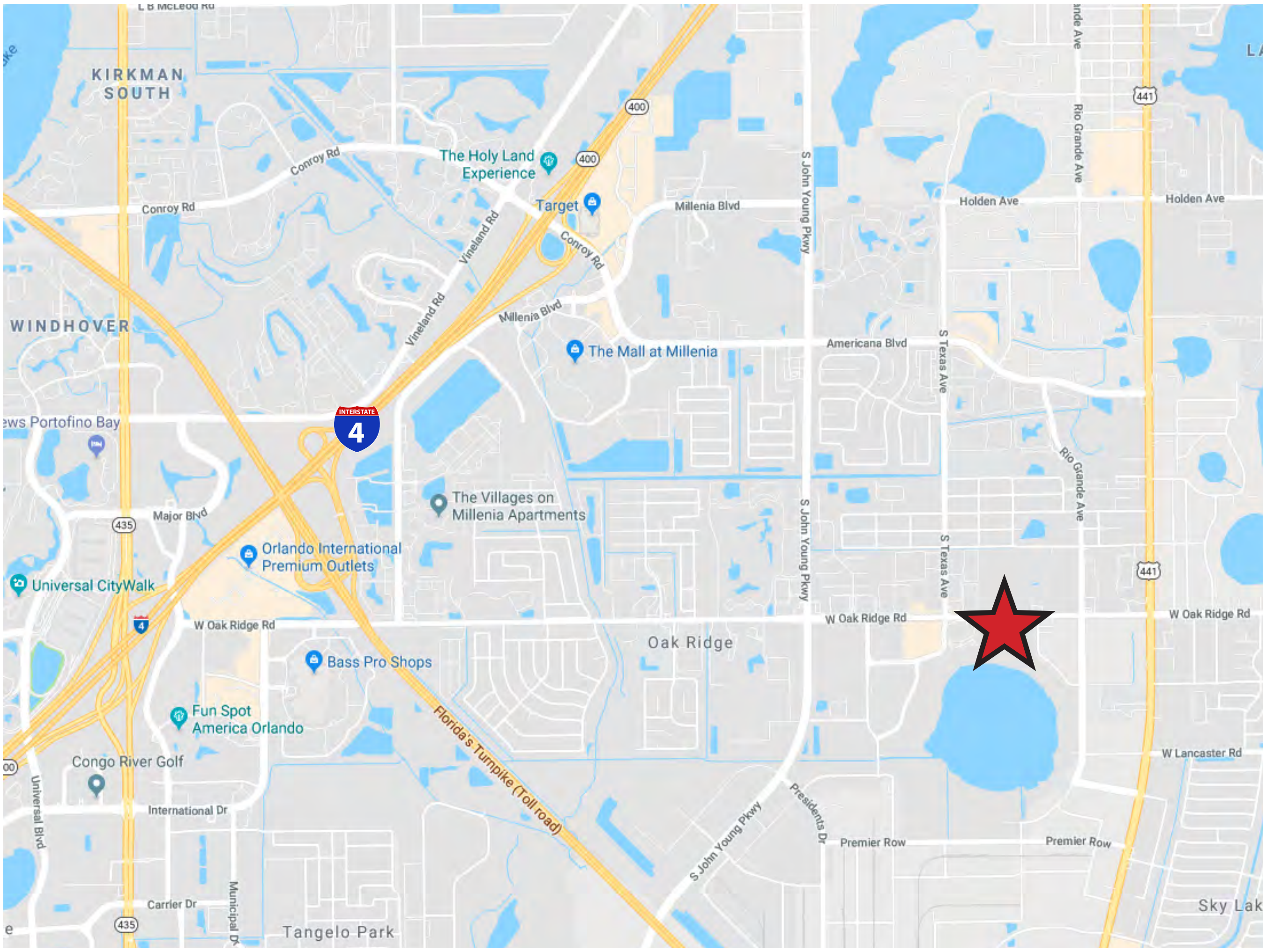
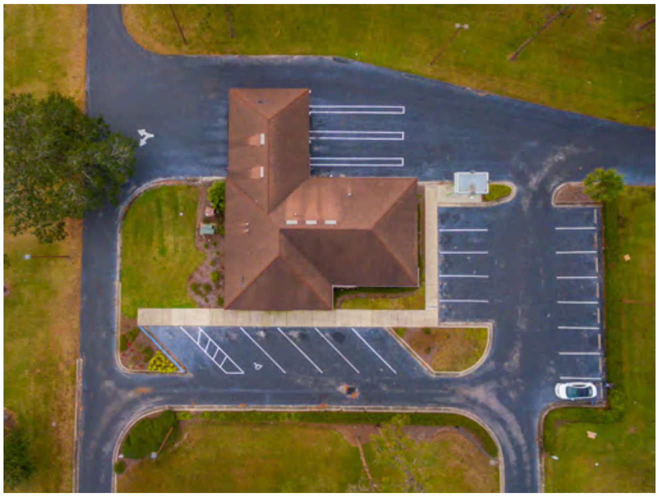
LOCATION


KIRKMAN SOUTH
WINDHOVER
Conroy Rd
The Holy Land Experience
Target
Millenia Blvd
Holden Ave
Vineland Rd
The Mall at Millenia
Americana Blvd
S John Young Pkwy
S Texas Ave
Rio Grande Ave
The Villages on Millenia Apartments
Orlando International Premium Outlets
Universal CityWalk
Major Blvd
W Oak Ridge Rd
Oak Ridge
Bass Pro Shops
Fun Spot America Orlando
Congo River Golf
International Dr
Florida's Turnpike (Toll road)
Presidents Dr
Premier Row
W Lancaster Rd
Carrier Dr
Tangelo Park
Universal Blvd
Municipal Dr

PHOTOGRAPHS



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PHOTOGRAPHS

FINANCIAL ANALYSIS

Tenant Summary

Operating Statement

TENANT SUMMARY

Tenant Name	Suite	Square Feet	% Bldg Share	Lease Dates Comm.	Lease Dates Exp.	Annual Rent per Sq. Ft.	Total Rent Per Month	Total Rent Per Year	Changes on	Changes to	Lease Type	Renewal Options and Option Year Rental Information
Super Saver Pharmacy	A	1,730	62.0%	3/1/16	2/28/21	$19.12	$2,756	$33,072	Mar-2019	$2,756	NNN	5% Annual Increase
Bull Bear Management	B	1,060	38.0%	3/1/16	2/28/21	$19.12	$1,689	$20,268	Mar-2019	$1,773	NNN	5% Annual Increase
Total		2,790				$19.12	$4,445	$53,340				

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OPERATING STATEMENT

Income	Current		Year 1		Year 2		Per SF
Scheduled Base Rental Income	53,340		53,340		55,562		19.91
Expense Reimbursement Income							
CAM	5,899		5,899		5,899		2.11
Insurance	1,975		1,537		1,537		0.55
Real estate Taxes	13,114		13,114		13,114		4.70
Management Fees	621		621		621		0.22
Total Reimbursement Income	$21,609	102.1%	$21,171	100.0%	$21,171	100.0%	$7.59
Potential Gross Revenue	74,949		74,511		76,733		27.50
General Vacancy			0	0.0%	0	0.0%	0.00
Effective Gross Revenue	$74,949		$74,511		$76,733		$27.50

Operating Expenses	Current		Year 1		Year 2		Per SF
CAM	5,899		5,899		5,899		2.11
Insurance	1,537		1,537		1,537		0.55
Real Estate Taxes	13,114		13,114		13,114		4.70
Management Fee	621	0.8%	621	0.8%	621	0.8%	0.22
Total Expenses	$21,171		$21,171		$21,171		$7.59
Expenses as % of EGR	28.2%		28.4%		27.6%		
Net Operating Income	$53,778		$53,340		$55,562		$19.91

MARKET INFORMATION

Orlando Economy

Orlando Office Market

"Orlando Central Park" Office Submarket

Demographics

Primary data sources utilized for this analysis include CoStar Property and national published data sources.

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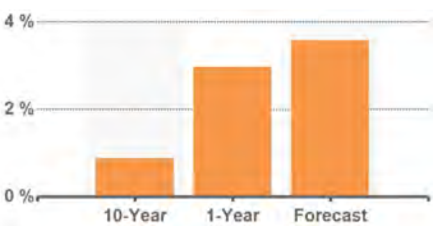
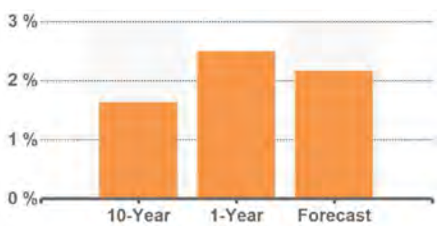
ORLANDO ECONOMY

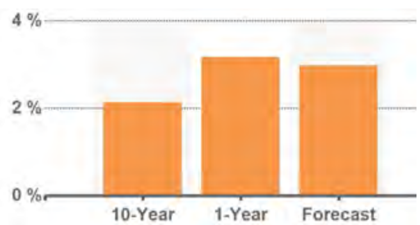
INCOME GROWTH



LABOR FORCE GROWTH



POPULATION GROWTH



Orlando is one of the few metros where total employment almost always outpaces the U.S. average, though during recessions it still experiences the deeper drop typical of Sun Belt metros. In the past three years, job growth in the metro has been amongst the best in the nation and more than double the U.S. average. Orlando is the #1 destination in the U.S., setting overall visitor records each of the last four years. This number is expected to continue to grow, with numerous infrastructure improvements in place, a booming population, and large additions at most area theme parks. International foreign policy changes require a close watch, as Orlando is more exposed than a typical metro due to the tourism industry.

Unsurprisingly, leisure and hospitality tend to lead the way in Orlando and have had strong growth in the past three years, adding about 22,000 jobs. This sector is the largest in the metro, accounting for 255,000 jobs (21% of total employment), which is about double the concentration in the typical U.S. metro. Employment in this super-sector is relatively stable in Orlando, unlike nationally and in similar tourism-driven metros like Las Vegas. This might indicate somewhat inelastic demand for Disney World—families don't want to disappoint the kids even if money is tight—whereas it's harder to justify other trips under similar conditions. In fact, amusement park employment in Orlando dipped by only 4.6% during the recession, less than half of the overall employment loss. Additionally, amusement employment experienced a very brief recession, only falling for five quarters before exceeding prerecession peaks after seven quarters. Comparatively, the U.S. fell for eight quarters and didn't exceed prerecession peaks until after 20 quarters. This should help assuage fears of multifamily owners and lenders who have properties near the parks that appeal to employees in this industry.

Education and health services, of which health services comprises the largest share (87%), have grown well above the national average. Despite the growth, Florida universities have been unable to keep up with the increased demand for teachers, creating opportunities for migrant education workers, especially in Orlando with it's wealth of A-rated schools. Health services should continue to drive the economy as Orlando's robust population growth is expected to surpass 2.5 million residents in 2017. This growth has fueled medical office demand and construction, which in turn should continue to bring in more jobs. The Central Florida area should continue to be a destination market for health services job seekers, while many areas of the U.S. are closing hospitals or struggling to find alternative uses for unneeded facilities.

ORLANDO ECONOMY

Construction has been on fire recently, although it shrank by 52% during the recession and is still 20% smaller than at its prerecession peak. Trade has the second-largest concentration of jobs in the metro, with 230,000 jobs (19%). Growth in this sector has been mediocre, averaging about 3.3% annually. The tech sector hasn't been a major factor thus far, but it could be positioned to provide a significant boost to the metro. Osceola County's 20-acre Florida Advanced Manufacturing Research Center was completed in 2017, only 24 months after construction began. The smart-sensor facility is expected to bring in thousands of high-tech, high-income jobs. Orlando is a major player in defense work and is well-positioned to capture a significant portion of the nation's recent and proposed future military budget increase. In fact, after years of lackluster growth, the manufacturing sector has seen rapid recent growth since 2016.

The Orlando area's tourist industry is booming, reaching a record level of 68 million visitors in 2016. The number of visitors should only continue to go up in the future, with many recently-opened attractions drawing crowds, including Universal's Volcano Bay, Disney's Pandora: The World of Avatar, Legoland's Ninjago, the $300 million Skyplex park, Andretti Indoor Karting & Games, and the Orlando City Soccer Club expansion. There are also a number of projects in the near pipeline expected to further boost tourism, including Disney's Star Wars and Toy Story lands, Margaritaville Resort Orlando and Universal's Nintendo expansion. The metro has also increased its prominence hosting sports events, such as the NFL Pro Bowl and the 2017 NCAA Men's Basketball Championship's first and second rounds.

Many infrastructure improvements are underway, including the I-4 Ultimate Improvement Project and Orlando International Airport's $3 billion capital improvement project. The airport saw nearly 42 million travelers pass through in 2016 and was sorely due for an overhaul, as its infrastructure was originally designed to handle an annual average of 40 million people. The initial phase is well underway, as construction has begun on both the Intermodal Terminal Facility and an Automated People Mover. The south terminal and additional 16 gates portion of the project recently expanded their portion of the budget to $2.15 billion and has an expected completion of 2020. Additionally, Central Florida Expressway Authority recently announced the largest plan in its history, which is expected to create over 11,000 jobs by 2022. The $1.6 billion work plan will widen existing roads, resurface and improve highway lighting and complete portions of the I-4 Ultimate project.

ORLANDO OFFICE MARKET

6.9%
Vacancy Rate

4.7%
12 Mo. Rent Growth

OVERVIEW

A strong economic comeback and robust job growth have helped fuel the office vacancy recovery in Orlando. The market has seen significant demand improvement over the past few years as companies look to relocate or add significant numbers of new jobs to the market. Part of the growth has been fueled by financial incentives to major corporations. For instance, the economic development committee in Lake Mary, which had originally paid Deloitte $1.7 million to move into the submarket, is considering an additional $1 million incentive for the company to create 850 high-salaried jobs. The metro's low cost of living remains a long-term driver in the market, and growth should continue in the near term. Orlando's office-using employment is particularly susceptible to military/defense spending. Of all U.S. metros, it has the highest proportion of defensive spending-related jobs at over 12%. This tends to make the market move more drastically with Washington's military spending, which has led to a significant boon from the current administration's ongoing defensive budget increases.

Orlando's significant population growth, expected to soon surpass 2.5 million residents, has led to a flurry of medical office and healthcare construction. In contrast to many areas of the U.S. that are closing hospitals or searching for adaptive reuse, Central Florida's medical growth and competition has been remarkable. This recent activity has continued to fuel medical tenant activity and job growth throughout the entire metro.

With a Millennial population growing faster than national averages and a burgeoning tech scene, new companies looking to take advantage of Orlando's cost savings (particularly relative to most major tech markets) may be forced to build their own space. Currently, only a handful of buildings have large blocks of space available, and only three were built since 2000. The negative aspect of prospective tenants becoming owner-occupants is it delays the impact these companies may have on future office market growth. However, the metro is showing some signs of a revival, with projects such as Church Street Plaza breaking ground in late 2017. The 26-story tower will feature 214,000 SF of 5 Star office space and would be the first to be built in Downtown Orlando in over a decade.

LEASING

Recently, strong demand (nearly 4 million SF since 2016) has combined with a near absence of new supply (cumulative inventory grew less than 0.5% per year from 2010–17, far less than the 3% annually from 2000-2010) to push vacancies to their lowest point in nearly 20 years. However, the trend could be on the verge of shifting, as Downtown Orlando saw its first significant office-component tower in over a decade break ground in 2017. Even with that much-needed space infusion the metro will struggle to keep up with recent demand levels, with only a little over one million SF currently under construction. This imbalance should allow vacancies to continue compressing, especially as long as office using employment maintains its healthy growth pace.

ORLANDO OFFICE MARKET

In recent quarters, tenants in two industries dominated leasing in 4 & 5 Star properties of at least 25,000 SF, comprising over three-quarters of leased square footage. Gaming, lodging, and restaurants took the top spot, with over one-half of the leasing activity, followed by finance and insurance with around one-quarter. Around 20% of leases in this time frame were renewals and the majority (60%) took place in the Tourist Corridor. This was in large part due to Darden Restaurants, which in a move to raise capital sold—and leased—its 534,000 SF building in the Tourist Corridor. However, even after adjusting for such a large outlier, the outcome is the same: gaming, lodging, and restaurants, along with finance and insurance, still handily drive the submarket. The Tourist Corridor itself remains in the pole position with over twice the activity of the second-most active submarket, Maitland Center. Maitland Center saw the overwhelming bulk of its recent lease activity from the combined 230,000 SF ADP lease for its new regional headquarters. Virtually all recent major leases in the Orlando metro were signed either in the Tourist Corridor or along I-4 linking Orlando Central Park to Lake Mary farther to the north. Lake Nona has long been a hotbed of multifamily development and recently celebrated the groundbreaking of KPMG's $430 million training campus. The complex will include 850 guest rooms, 750,000 SF of office space and is expected to add 250 jobs by 2020.

The Metro West Submarket and Orlando received a jolt mid-2017, when Hard Rock Cafe announced they would relocate their corporate headquarters in 2018 to Hollywood, Florida. While this potentially frees up a large block of contiguous space, it is surprising to see a corporate headquarters leave a high-growth metro. The move was made to place the firm's primary corporate entity near the home of the current owners, The Seminole Tribe of Florida.

With very little recent supply, many buildings are getting creative by renovating older, traditional space into a more modern, open-concept build-out to better attract desirable tenants. This trend was evident in early 2017, as Shutts & Bowen signed a 15-year expansion for 47,000 SF in Lincoln Plaza in Downtown Orlando. Originally located on the 9th and 10th floor of the same building, Shutts was looking for an efficient and collaborative workspace. The solution was to take over the entire 9th and top floor of their current building. The newly renovated space will include a 30-foot vaulted ceiling, conference/lounge space, upgrades to the lobby and shared workstations.

“ORLANDO CENTRAL PARK” OFFICE SUBMARKET

6.9%
Vacancy Rate

4.7%
12 Mo. Rent Growth

SUMMARY

Orlando Central Park, a small submarket just south of Downtown Orlando, has largely seen positive demand throughout the recovery; however, it has yet to recover to prerecession occupancy levels. With virtually nothing built here this cycle and vacancy rates roughly twice the metro average, owners in Central Park are keenly aware that lagging demand is the chief concern, not supplyside pressure. Large move-outs have also loosened vacancies, particularly for 3 Star properties, which took a big hit recently. In one such move-out, AT&T vacated 52,000 SF in 2016. One of the possible factors for Orlando Central Park’s recent departures could be area demographics indicate a lack of skilled workforce common in neighboring submarkets such as Downtown Orlando and Maitland Center.

The submarket has some hospitality-type office-using tenants because of spillover from the nearby Tourist Corridor, but for the most part, Orlando Central Park trails its neighbors in popularity and is far more retail oriented. Additionally, most existing office space is more than a decade old, with only a handful of deliveries since 2007.

LEASING

The submarket is largely comprised of retail space with a smaller proportion of office space. Additionally, the existing high-end office space largely surrounds highend retail space. All but one of the submarket’s 4 & 5 Star office spaces are within a one-mile radius of the Mall at Millennia, one of Orlando’s premier shopping centers. Office vacancies tend to hover at roughly double the metro rate and vacancies for 4 & 5 Star properties are the highest of all property types in the submarket.

Despite the submarket’s recent struggles with moveouts, it did manage to snag one of the largest Orlando metro leases of 2017, when the U.S. Army took 75,000 SF at 6039 South Rio Grande Ave. There have also been a number of significant leases of late that allow optimism. Elite Preparatory Academy also signed a lease for 30,000 SF mid-2017. Devry University recently moved its Orlando location from Millenia Boulevard to Greenbriar Parkway. The 71,900 SF previously occupied by the university is now taken by Asurion, a phone insurance and tech support company. An additional 250,000 SF of office space is expected to break ground in late 2018. The space would be distributed between two properties - Millenia Lakes building IV and V. The previous three buildings—Millennia Lakes I, II, and III—have maintained high levels of vacancy since completion.

One factor that could play into Orlando Central Park’s future demand is its expected walkability increase from Orange County’s International Drive Overlay Plans. The project should enhance the submarket’s access to walkable amenities and have a positive impact on the area’s record number of tourists, visitors, and convention attendees.

AREA DEMOGRAPHICS

	1 Mile	3 Mile	5 Mile
Population			
2022 Projection	18,248	107,139	240,357
2017 Estimate	16,602	97,539	218,810
2010 Census	14,804	87,354	195,900
Growth 2017-2022	9.91%	9.84%	9.85%
Growth 2010-2017	12.15%	11.66%	11.69%
Households			
2022 Projection	6,344	38,669	92,449
2017 Estimate	5,762	35,129	84,062
2010 Census	5,108	31,207	75,181
Growth 2017-2022	10.10%	10.08%	9.98%
Growth 2010-2017	12.80%	12.57%	11.81%
Income			
2017 Avg. Household Income	$40,796	$47,635	$56,152
2017 Median Household Income	$31,717	$33,866	$39,252