



OFFERING MEMORANDUM

1901 McCarthy Boulevard, Milpitas, CA

±57,536 SF Office/R&D Building on 3.5 Acres



**CUSHMAN &
WAKEFIELD**

Offering Memorandum

1901 MCCARTHY BOULEVARD, MILPITAS, CALIFORNIA

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Cushman & Wakefield U.S., Inc. has been engaged as exclusive advisors to Seller, in connection with Seller's solicitation of offers for the purchase of 1901 McCarthy Boulevard located in Milpitas, California ("The Property"). Said solicitation and potential sale to be governed by this Confidential Offering Memorandum, as it may be modified or supplemented (the "Offering Memorandum") and a purchase agreement. Prospective purchasers are advised that as part of the solicitation process, Seller will be evaluating a number of factors including the current financial qualifications of the prospective purchaser. Prospective purchasers are further advised that the Seller expressly reserves the right in its sole and absolute discretion to evaluate the terms and conditions of any offer and to reject any offer without providing a reason therefore. Further, Seller reserves the right to terminate the solicitation process at any time prior to final execution of a purchase agreement. The Property is being offered on an "AS IS" basis. This Offering Memorandum is furnished to prospective purchasers on a confidential basis solely for the purpose of prospective purchasers determining whether to submit an offer to purchase the Property. The information contained herein, or any other related information provided by Seller may not be reproduced or redistributed or used in whole or in part for any other purpose. No person has been authorized to give any information or to make any representation or warranty, either express or implied, other than those contained in an executed purchase agreement subject to any disclaimer or limitations set forth therein, and if given or made in any other form, such information or representation should not be relied upon. While Seller has no reason to believe that the information provided herein, or in the due diligence materials, contain any material inaccuracies, neither Seller nor any of its respective officers, directors, shareholders, owners, employees, agents, members, managers, etc., make any representations or

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Property Overview

- Excellent Owner-User or Value-Add Opportunity
- Large Parcel With Below Market FAR
- Easily Multi-Tenantable
- Corner Parcel at McCarthy Blvd / Montague Expy Intersection
- First time on the market since 1991
- Prominent Signage Opportunities
- Elevator-Served with Grand 2-Story Lobby
- Dock and Grade Level Loading
- 100% HVAC & 100% Fire Sprinklered
- Immediate Access to Hwy 880
- 5-minute drive to Milpitas BART

Property Summary

Location:	1901 McCarthy Blvd., Milpitas
Owner:	Creative Labs
Building Size:	±57,536
Building Stories:	2
Lot Size:	3.5 Acres (±152,460SF)
Power:	1,200A @ 277/480V
Zoning:	Highway Services
Parking Ratio:	4/1,000
Year Built:	1984
APN:	083-31-051
Purchase Price:	\$14,384,000
Price Per SF:	\$250



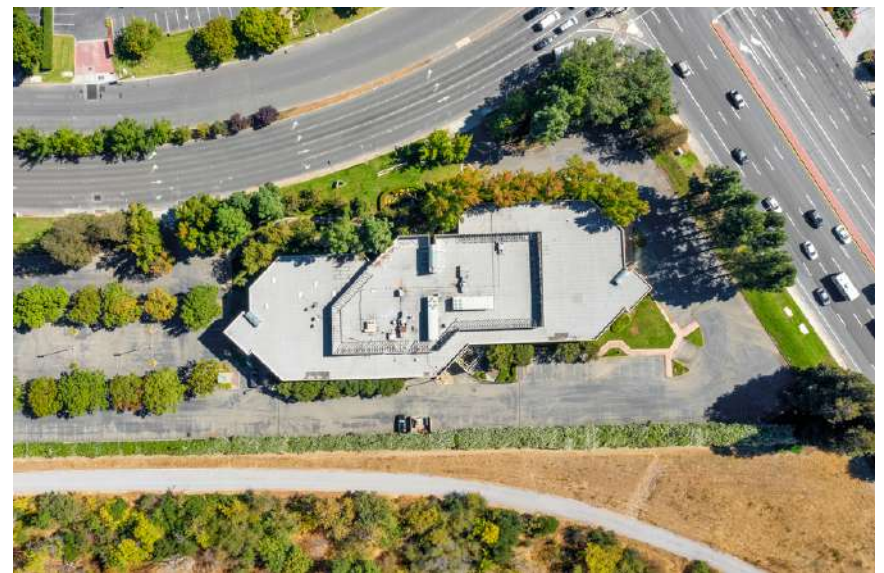
Exterior



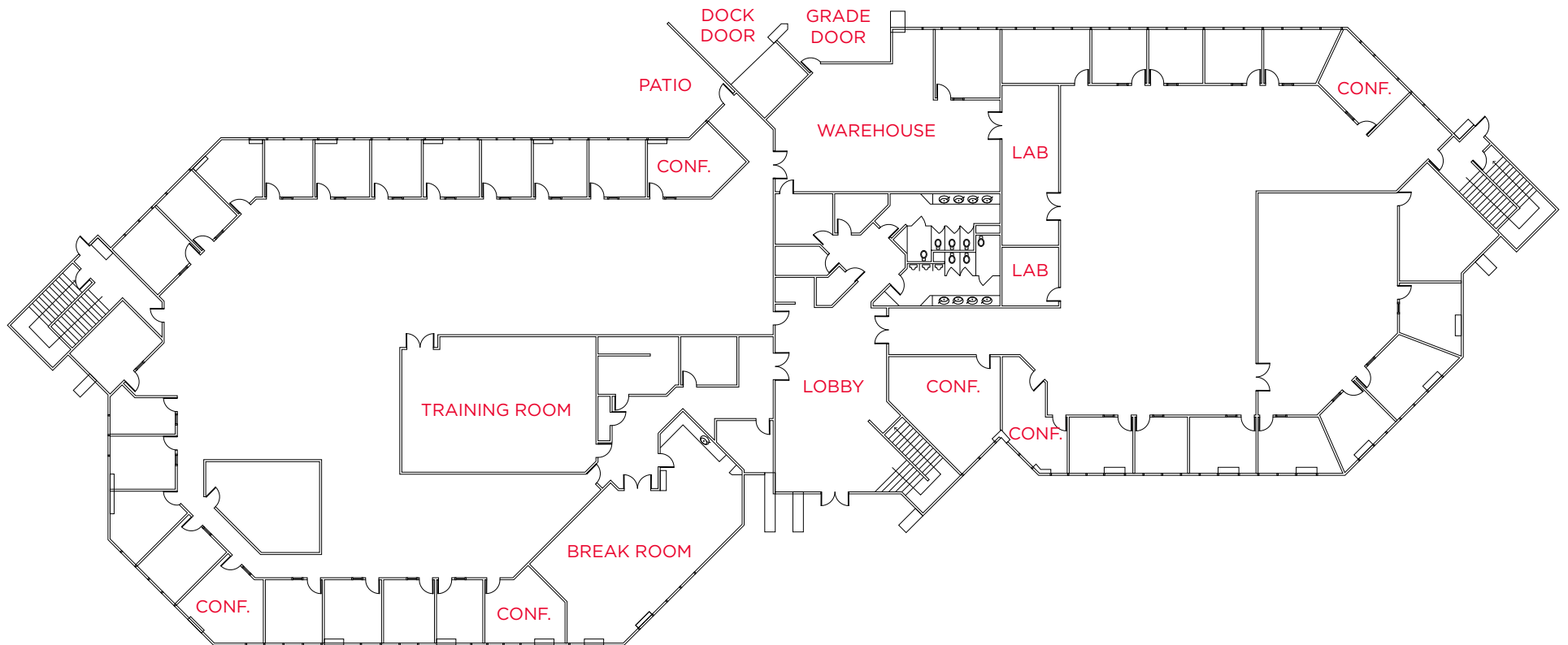
Interior



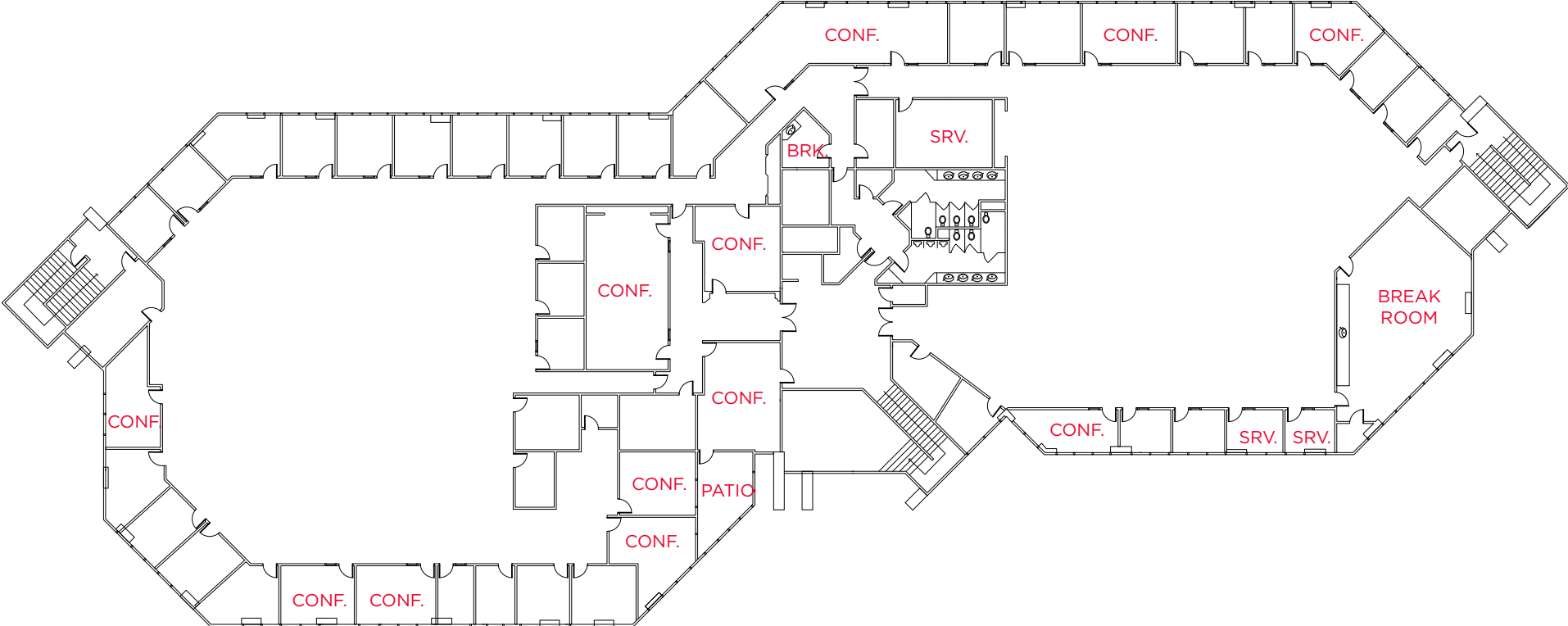
Aerials



FIRST FLOOR



SECOND FLOOR







SAN FRANCISCO BAY AREA

Fueled by technological innovation, the San Francisco Bay Area has one of the strongest economies in the world. The Bay Area has consistently received more venture capital dollars than any other region in the nation for nearly two decades. This funding has helped propel the Bay Area economy as technology related companies continue to expand their total workforce. The unemployment rate in Santa Clara County is currently at 10.7%, which is still well below the California statewide unemployment rate of 14.9%.

THE CITY OF MILPITAS

The City of Milpitas is a progressive community that is an integral part of the high tech Silicon Valley. With a very diversified resident population of 70,817, Milpitas features quality schools, conveniently located neighborhood parks and shopping centers. Milpitas is an affluent and well-educated community with an average household income of \$98,979. More than 65% of Milpitas households have an annual income that exceeds \$75,000. The homeownership rate is close to 70% with a median home value of \$745,000. Milpitas' housing market remains affordable relative to the majority of Santa Clara County.

OAK CREEK

1901 McCarthy is situated in Oak Creek Business Park – a 1.9 million SF submarket bounded by Interstate 880, Montague Expressway, Tasman Drive, and Coyote Creek. It is dominated by one and two story Office/R&D buildings and is home to well-known companies such as Diodes Incorporated, Inspur Systems, and Analog Devices. The sub-market enjoys quick access to I-880, Hwy 101, and SR-237 along with convenient light rail service, proximity to the Milpitas Bart station, and a short commute to the Mineta San Jose International Airport.



Source: City of Milpitas



Comparable Details

Sale Comparables



1. 48420-48460 KATO RD, FREMONT

Building Size (SF):	60,607
Price:	\$15,152,000
Price/SF:	\$250.00
Type:	Flex/Office
Date Sold:	2/28/2019



2. 47200 BAYSIDE PKY, FREMONT

Building Size (SF):	53,713
Price:	\$13,874,648
Price/SF:	\$258.31
Type:	Flex/Office
Date Sold:	10/31/2018



3. 46305-46335 LANDING PKY, FREMONT

Building Size (SF):	52,321
Price:	\$13,700,000
Price/SF:	\$261.85
Type:	Flex/Office
Date Sold:	11/21/2019



4. 48363 FREMONT BLV, FREMONT

Building Size (SF):	47,868
Price:	\$12,445,660
Price/SF:	\$260.00
Type:	Flex/Office
Date Sold:	11/28/2018



5. 42021-42035 OSGOOD RD, FREMONT

Building Size (SF):	30,361
Price:	\$8,250,000
Price/SF:	\$271.73
Type:	Flex
Date Sold:	9/20/2019



6. 1873 BARBER LN, MILPITAS

Building Size (SF):	79,085
Price:	\$17,500,000
Price/SF:	\$221.28
Type:	Flex/Office
Date Sold:	12/30/2019



7. 575 COTTONWOOD DR, MILPITAS

Building Size (SF):	47,850
Price:	\$12,000,000
Price/SF:	\$250.78
Type:	Flex/Office
Date Sold:	8/1/2018



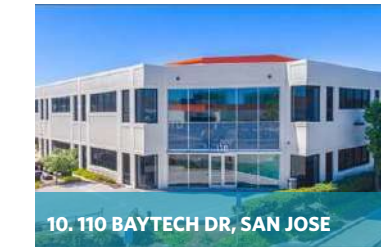
8. 1561 BUCKEYE DR, MILPITAS

Building Size (SF):	44,815
Price:	\$11,000,000
Price/SF:	\$245.45
Type:	Flex/Office
Date Sold:	6/24/2019



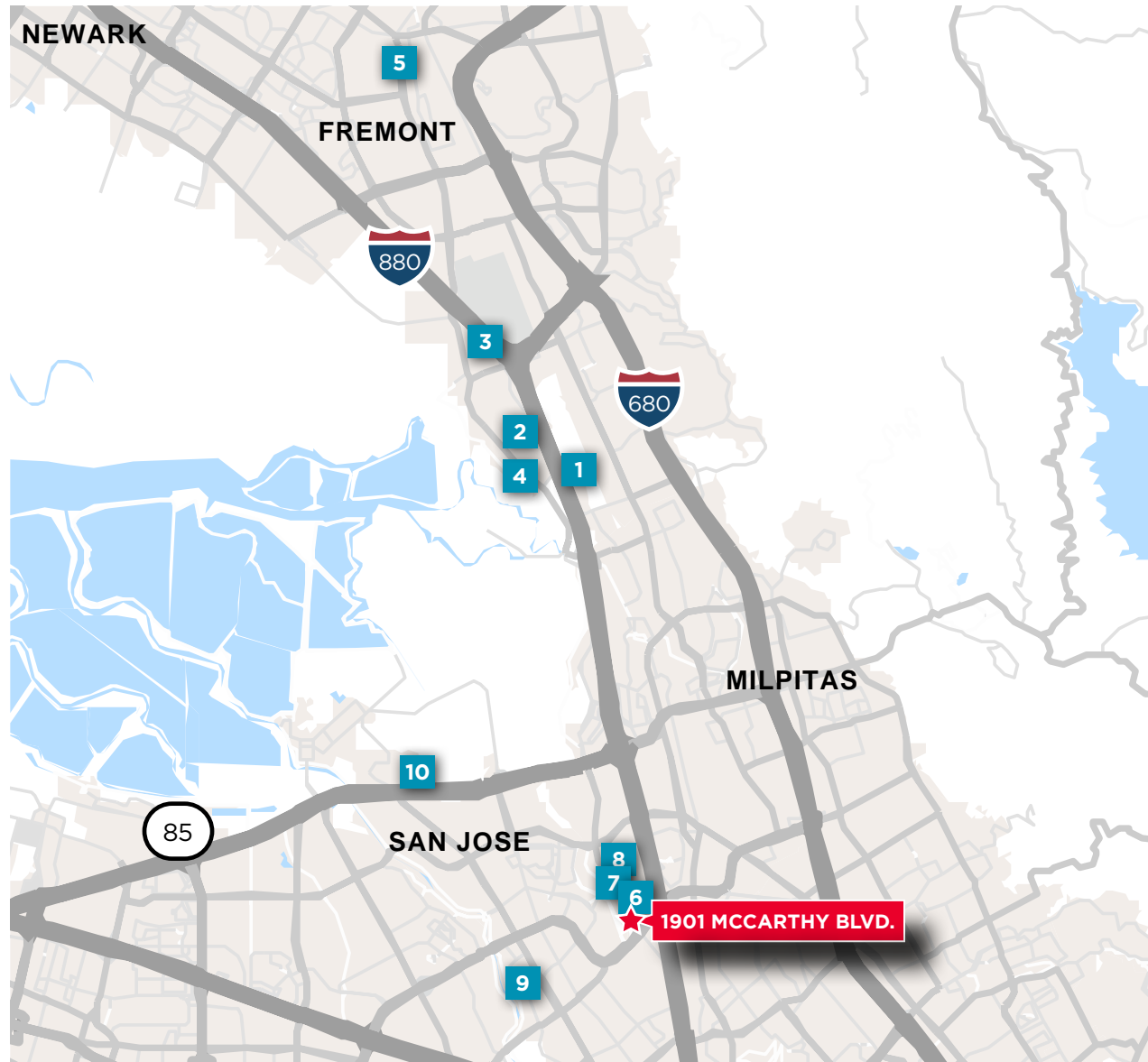
9. 3 W PLUMERIA DR, SAN JOSE

Building Size (SF):	79,521
Price:	\$21,346,000
Price/SF:	\$268.43
Type:	Flex/Office
Date Sold:	3/2/2020



10. 110 BAYTECH DR, SAN JOSE

Building Size (SF):	57,976
Price:	\$13,994,000
Price/SF:	\$241.38
Type:	Flex/Office
Date Sold:	1/4/2019



SALE COMPARABLES

- 1 48420-48460 Kato Road, Fremont
- 2 47200 Bayside Pkwy, Fremont
- 3 46305-46335 Landing Pkwy, Fremont
- 4 48363 Fremont Blvd, Fremont
- 5 42021-42035 Osgood Rd, Fremont
- 6 1873 Barber Ln, Milpitas
- 7 575 Cottonwood Dr, Milpitas
- 8 1561 Buckeye Dr, Milpitas
- 9 3 W Plumeria Dr, San Jose
- 10 110 Baytech Dr, San Jose

LEASE

LEASE ASSUMPTIONS:

Property Square Feet	57,536
Rent per Square Foot per Month NNN	\$1.85
Rent per Month (total)	\$106,442

START-UP COSTS

Prepaid Rent and Security Deposit	\$212,883
Total Start-Up Costs	\$212,883

MONTHLY COSTS

Rent Payment	\$106,442
NNN Costs (Assuming \$0.40 psf)	\$23,014
Utilities and Janitorial (Assuming \$0.35 psf)	\$20,138
Total Monthly Costs	\$149,594

MONTHLY OWNERSHIP BENEFITS

Monthly Appreciation	\$0
Monthly Depreciation Benefit	\$0
Principal Payment (Month 1)	\$0
Total Ownership Benefits	\$0

TOTAL EFFECTIVE MONTHLY COST: \$149,594

OWN

PURCHASE ASSUMPTIONS:

Base Property Price	\$14,384,000
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Total Cost	\$14,384,000
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START-UP COSTS

Cash down payment (10%)	\$1,438,400
Loan fees and costs	\$45,888
Building Improvements (Assuming \$40 psf)	\$2,301,440
Total Start-Up Costs	\$3,785,728

MONTHLY COSTS

Mortgage Payment	\$61,996
OPEX	\$23,014
Property Taxes	\$15,583
Total Monthly Costs	\$100,593

MONTHLY OWNERSHIP BENEFITS

Monthly Appreciation	\$23,973
Monthly Depreciation Benefit	\$18,441
Principal Payment (Month 1)	\$29,807
Total Ownership Benefits	\$72,221

TOTAL EFFECTIVE MONTHLY COST: \$28,372

Operating Expense Costs (OPEX): Includes estimated CAM charges, insurance and property taxes

Depreciation: Estimated based upon 60% allocation of the purchase price to building cost

Appreciation: Estimated based on a 2% annual rate of inflation

• INCREASE IN PROPERTY VALUE & OWNER'S EQUITY •

	Property Value	Loan Balances	Owner's Equity		Property Value	Loan Balances	Owner's Equity
YEAR 5:	\$15,881,098	\$11,121,465	\$4,759,633	YEAR 15:	\$19,358,970	\$6,328,819	\$13,030,151
YEAR 10:	\$17,534,015	\$8,897,174	\$8,636,841	YEAR 20:	\$21,373,867	\$3,363,178	\$18,010,689

"Equity" is based upon property value appreciating at 2% per year less the loan balances.

• SBA 504 FINANCING PROGRAM •

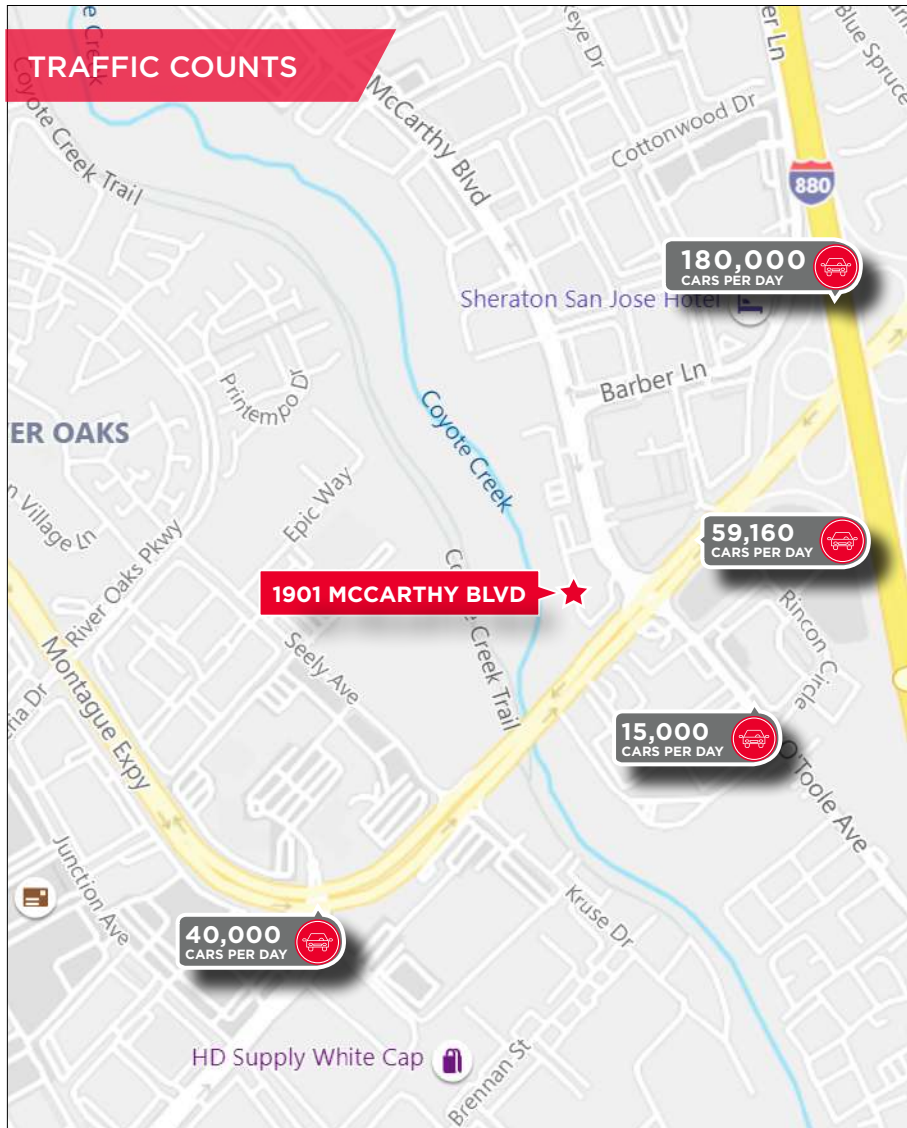
Purchase price	\$14,384,000
Cash down payment: 10%	\$1,438,400
Monthly Payment	\$61,996

** Note that interest rates vary from month to month and loan terms differ from one lender to another.*

** The SBA 504 financing program combines a loan from a regular bank for 56% of the total loan amount and a loan from the SBA for 34% of the total loan amount (total 90%). The buyer provides a 10% cash down payment.*

SBA Financing	<u>1st Mortgage by Bank</u>	<u>2nd Mortgage by SBA</u>
Loan Amount	\$8,077,600	\$5,000,000*
		<small>*Includes Financed SBA Fee</small>
Interest Rate	3.35%	2.41%
Amortization in years	25 year amortization	25 year amortization
Percent of Total Loan Amount	56% of total	34% of total
Monthly Payment	\$39,791	\$22,205

Disclaimer - The Lease vs. Own Financial Analysis Summary and Assumptions are intended to serve as a sample scenario. While we strive to ensure the content is correct, we do not warrant the completeness or accuracy of the information. You must contact a Certified Public Accountant and Lender(s) to review the details of your specific financial situation.



2020 Summary	1-Mile	3 -Mile	5-Mile
Population	15,913	159,081	445,943
Households	6,218	53,889	146,655
Families	3,818	38,091	100,699
Average Household Size	3.17	3.37	3.46
Owner Occupied Housing Units	32.4%	44.4%	45.3%
Renter Occupied Housing Units	64.4%	51.6%	49.2%
Median Age	36.4	36.5	36.3
Median Household Income	\$167,408	\$141,324	\$113,942
Average Household Income	\$209,796	\$171,991	\$147,510
Per Capita Income	\$82,363	\$58,707	\$48,750

2025 Summary	1-Mile	3 -Mile	5-Mile
Population	18,516	171,939	474,552
Households	7,248	58,321	156,876
Families	5,267	51,754	160,715
Average Household Size	2.72	2.95	2.97
Owner Occupied Housing Units	55.6%	59.7%	54.3%
Renter Occupied Housing Units	38	55.6%	50.2%
Median Age	36.9	35.3	36.2
Median Household Income	\$178,321	\$155,686	\$127,601
Average Household Income	\$230,913	\$191,457	\$165,919
Per Capita Income	\$90,950	\$65,357	\$55,069

Trends: 2020-2025 Annual Rate	1-Mile	3 -Mile	5-Mile
Population	3.08%	\$1.57%	1.25%
Households	3.11%	1.59%	1.36%
Families	3.07%	1.62%	1.28%

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