

# NNN Exchange South, LLC

AVAILABLE FOR §1031 EXCHANGE ♦ LLC INVESTMENT



Information about the property contained in this material must be read in conjunction with the Confidential Private Placement Memorandum, which contains additional important risk disclosures and more specific information about the property. This is neither an offer to sell nor a solicitation of an offer to buy an LLC interest in this property. Offers are made solely pursuant to the Confidential Private Placement Memorandum. Prospective investors should consult their own tax advisors to evaluate the tax consequences of an investment. The information in this material is current as of November 7, 2007.

THIS INVESTMENT IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.





## Property Summary

Exchange South is a five-building, 194,400-square-foot office portfolio in Jacksonville, Florida. Built in 1990 and 1996, the property is located along Philips Highway, one mile north of the Philips/I-95 intersection. With convenient access to the region's major thoroughfares (Interstates 95 and 295), it is positioned to take full advantage of Jacksonville's growing suburban areas. Situated on nearly 18 acres of land, Exchange South offers distribution and showroom space, an ideal amenity for businesses within the expanding Southside market. The property includes a 661-space surface parking lot with additional parking in the rear of each building. Exchange South is currently 93 percent leased to numerous tenants, including Florida Oncology Associates, P.L., Columbia Analytical Services, and Unique Customer Concept, Inc.

## Property Information

- Address: 9143 Philips Highway  
Jacksonville, FL 32256
- Building Type: Five-Building Office Park
- Year Built: 1990 and 1996
- Total SF: 194,400
- % Leased: 93%

## Financial Information

- Offering Purchase Price: \$29,735,000
- Offering Price Per SF: \$152.96
- Purchase Date: 4th Quarter 2007
- Offering LTV: 58.52%
- Offering Price Cap Rate: 6.20%
- 1st Year Cash Flow: 6.30%
- Loan Terms: The loan is assumed to have an overall effective fixed interest rate of 6.30%, a ten-year term and will be interest only for six years. **The effective interest rate of 6.30% reflects a buy down of 26 basis points by paying a fee of 2% of the loan or \$348,000.**

Please see the Confidential Private Placement Memorandum for additional information and risk disclosures about investment in this property. This material has been prepared for informational purposes only; it is not intended to provide and should not be relied upon for accounting, legal or tax advice. Always remember that each property is unique and past performance is no guarantee of future results.



## Major Tenants (27 Total Tenants)

### **Florida Oncology Associates, P.L.**

[www.iconspecialists.com](http://www.iconspecialists.com)

*Square Feet: 17,813 or 9.16% of the property*

*Lease Expiration: April 2009*

Florida Oncology Associates, a division of Integrated Community Oncology Network, LLC, provides specialized care for patients with cancer and/or hematological disorders in Northeast Florida. 26 physicians and their staff members practice at nine community cancer centers in Duval, Clay, St. Johns and Putnam counties.

### **Columbia Analytical Services, Inc.**

[www.caslab.com](http://www.caslab.com)

*Square Feet: 17,637 or 9.07% of the property*

*Lease Expiration: December 2014*

Consumer Analytical Services, Inc. ("CAS") is a full service analytical laboratory providing testing for many industrial, government and consulting firms in the Southeastern United States. As with other CAS facilities, the CAS facility at the property serves international clients, having the necessary permits to accept foreign water and soils in the country for analysis. The laboratory's technical expertise includes the analysis of routine environmental samples, landfill samples, DOD projects and waste stream characterization. CAS also performs industry specific testing for pulp and paper manufactures, offers field sampling and local courier service and provides a variety of customized reports, including electronic data deliverable and full CLP-like packages.

### **Unique Consumer Concept, Inc./DirectBuy**

[www.ucctotalhome.com](http://www.ucctotalhome.com)

*Square Feet: 14,863 or 7.65% of the property*

*Lease Expiration: December 2010*

DirectBuy is a members-only showroom and home design center that offers merchandise at manufacture-direct prices without traditional retail mark-up. Founded in 1971, DirectBuy is headquartered in Merrillville, Indiana and currently has over 130 locations throughout the United States and Canada.





## Location Information<sup>1</sup>

Jacksonville is the largest city in the state of Florida, and the largest city in terms of land area in the contiguous United States. Incorporated in 1832, it was named in honor of President Andrew Jackson, the first military governor of Florida. Located in the northeastern corner of the state on the banks of the St. Johns River, Jacksonville is the state's leading transportation and distribution hub. The strength of the city's economy lies in its broad diversification and is balanced among distribution, financial services, biomedical technology, consumer goods, information services, manufacturing, and other industries. Jacksonville has the largest deepwater port in the South Atlantic and is a leading port in the United States for automobile imports.

1. [www.coj.net](http://www.coj.net) – Official Website for the City of Jacksonville, Florida.

*See the Confidential Private Placement Memorandum for more information about this specific market. Opinions and estimates contained herein constitute the judgment of the source or the sponsor and are subject to change without notice, as are statements of market trends, which are based on current market conditions. We believe the information provided herein is reliable, but do not warrant its accuracy or completeness.*

## Office Market<sup>1</sup>

- In 2006, REIT reported 4.3 percent and seven percent increases in asking and effective rental rates. First quarter 2007 asking and effective rental rates increased 0.7 percent and one percent respectively.
- Southside/Bay Meadows is forecasted to have a decline in vacancy rate to 11.4 percent by the end of 2008 and then continue the decline to nine percent by the end of 2011.

## Economic Trends<sup>1</sup>

- According to a study by Inc. Magazine that analyzed job growth in over 350 cities, Jacksonville ranked as the No. 12 Boomtown in the nation.
- In the third quarter of 2007, the unemployment rate of the Jacksonville Metropolitan Statistical Area (MSA) was 4.2 percent, compared to the national average of 4.9 percent.
- The Jacksonville MSA population increased by 13.2 percent from 2000-2006. The Metro Statistical Area is ranked among the top 50 in the United States with a total population of more than one million.

1. REIS, Office Asset Advisor, "Jacksonville" 2Q 2007.







## Property Strengths

- Located along Phillips Highway (US Highway 1), approximately one mile from the Interstate 95 interchange.
- The Avenues Mall, North Florida's largest regional mall, as well as a variety of restaurants and hotels, are within a one mile radius of the property.
- Office/flex property with nearly 100 percent office build-out offer tenants quality office space at a discount to Class A asking rates with a reduced load factor.
- New and existing tenants have executed leases during 2007, totalling more than 49,000 square feet.
- Currently, a total of 25 tenants ranging in size from 1,600 square feet to 17,813 square feet occupy the property. The largest tenant occupies only approximately nine percent of the total space. Less than 50 percent cumulative lease rollover during the first four years of the holding period.

## Business Plan

- Preserve the capital investment.
- Realize income through the acquisition, operation and sale of the property.
- Make monthly distributions, which may be partially tax-deferred as a result of depreciation and amortization expenses.
- Within approximately seven years, profitably sell the property based on the value added through effective management and operation of the property.
- **There is no guarantee that the business plan will be successfully executed, that the property's value will be enhanced, or that the property will be sold within the planned time period.**
- **A high vacancy rate in the Southside/Bay Meadows office submarket of Jacksonville, Florida could cause aggressive competition for new and renewal tenants at the property.**
- **Two tenants are currently not occupying all of their space. DHI Mortgage Company, Ltd. and Preferred Home Mortgage Company have vacated most of their space, which reduces the physical occupancy of the property to approximately 87 percent. In addition, Preferred Home Mortgage is expected to exercise its early lease termination effective January of 2009.**
- **DHI Mortgage Company, Ltd. and Preferred Home Mortgage Company both rely on the residential real estate industry and an adverse change in the industry could negatively affect the property's performance.**
- **Projected performance of the property is partially based on a prospective lease that has not yet been signed with Biomedical Applications of Florida for 7,851 square feet or four percent of the property.**
- **Unless extended by the tenants, the leases representing approximately 72 percent of the property will expire within the next five calendar years. In addition, the leases representing approximately 26 percent of the property contain early termination options.**

## TIC Offering

- Offering Size: \$12,335,000
- Price Per 1% Ownership: \$123,350 equity and \$174,000 assumed debt
- Minimum Investment per SPE: 3.00% = \$370,050 equity and \$522,000 assumed debt for a total purchase price of \$892,050
- Suitability: Accredited Investors Only

## LLC Offering

- Offering Size: \$616,750
- Price Per Unit: \$5,000
- Minimum Investment: \$25,000
- Suitability: Accredited Investors Only

These cash flow projections were created by the sponsor and are based on a number of assumptions and real estate analysis techniques. The results are necessarily hypothetical; the underlying assumptions may not be accurate, the results shown may not occur, and your performance could vary significantly. This material must be read in conjunction with the Confidential Private Placement Memorandum, which contains additional important risk disclosures and more specific information about the assumptions made.

### TIC Projected Annual Cash-on-Cash Yield

**\$370,050 Investment Per SPE**

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
6.30%	6.45%	6.60%	7.00%	6.35%	7.00%	6.37%

### LLC Projected Annual Cash-on-Cash Yield

**\$25,000 Investment**

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
6.30%	6.45%	6.60%	7.00%	6.35%	7.00%	6.37%

### Projected Annualized Returns

Terminal Cap Rate	TIC Return	LLC Return
7.25%	12.16%	11.46%
7.50%	10.84%	10.34%
7.75%	9.60%	9.28%
8.00%	8.44%	8.30%
8.25%	7.35%	7.35%
<b>Terminal Cap Rate Sensitivity</b>		

- Interests in this property are speculative and involve a high degree of risk; investors should be able to bear the complete loss of their investment.
- SOME INTERESTS ARE SUBJECT TO RECOURSE LIABILITY, i.e., tenants-in-common will be responsible for providing any cash needed in the future in connection with the property.
- There are restrictions in transferring interests; the interests are not liquid investments.
- There are a number of significant tax risks and tax issues involved with the purchase of an interest in this property; investors should consult their own tax advisors and legal counsel.
- The direct or indirect purchase of real property involves significant risks, including market risk and risks specific to a given property.
- The purchase of real property with other investors, e.g., as a tenant-in-common, presents risks related to the relationship with those other investors.
- Investment in this property is expected to be leveraged; leverage may increase volatility and may increase the risk of investment loss.
- The manager has broad authority and discretion over the property and the terms of financing; the various fees paid to the manager and its affiliates are significant and may offset profits related to the ownership and operation of the real estate.
- Cash distributed to you may constitute a return of your own capital and may be paid from proceeds of the offering, e.g., reserves.

Triple Net Properties, LLC has time-tested experience in real estate syndications, acquisitions, leasing and property management. Triple Net currently manages a growing portfolio of over 39 million square feet of real estate in 29 states valued in excess of \$5.4 billion. Although past performance is no guarantee of future results, Triple Net Properties, LLC has an unparalleled track record and has acquired 293 properties to date. Triple Net and affiliates have sold 107 properties for more than \$2.5 billion since 2000.

\*Prior performance is not an indication of future results. The projections and the anticipated rate of return are only for TIC/1031 investors and LLC investors and are estimates based on the specific assumptions more fully described in the Private Placement Memorandum (PPM) and any supplements accompanying the PPM. There is no guarantee that the assumptions used in the projection will be achieved. Please review the entire PPM as supplemented prior to investing. This material does not constitute an offer and is authorized for use only when accompanied or preceded by a NNN Exchange South, LLC PPM dated November 7, 2007. Reference is made to the PPM for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the PPM. All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM.



Triple Net Properties, LLC is a wholly-owned subsidiary of NNN Realty Advisors, Inc., a nationwide commercial real estate asset management and services firm.

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