



# STARBOARD

# STARBOARD LEMON GROVE DST

7014-7050, 7080, 7100-7144 Broadway, Lemon Grove, CA 91945

## TOTAL EQUITY

\$13,700,000

## PROJECTED DISTRIBUTIONS<sup>(1)</sup>

5.71% - 7.69% Annualized

## MINIMUM INVESTMENT

\$25,000 - Cash Investments

\$100,000 - 1031 Exchange

## INVESTMENT TERM<sup>(1)</sup>

7 - 10 Years

## LOAN

\$10,560,000

5.28% Fixed

10 Year Term

43.5% LTV

## INVESTOR REPORTING

Monthly Reports



Albertsons Not A Part<sup>(1)</sup>

## LEMON GROVE PLAZA, Lemon Grove, CA

## INVESTMENT OVERVIEW

Starboard Lemon Grove DST ("the DST") intends to acquire 2 multi-tenant buildings and 1 single tenant ground lease pad to Wells Fargo Bank within Lemon Grove Plaza, Lemon Grove, California ("Lemon Grove") for \$24,210,000 on or about March 8, 2017. Starboard Realty Advisors ("Starboard"), the sponsor/manager, is offering up to \$13,640,000 of beneficial interests representing 100% of the equity in the DST. The offering may qualify as a 1031 exchange replacement property. Lemon Grove buildings to be acquired by the DST include a pad ground leased to Wells Fargo Bank, and in-line tenants including CVS Pharmacy, Petco, Factory 2U, and Family Health Centers just to name a few. Other Tenants not part of the DST purchase but located in the shopping center and contributing their share of common area expenses include Albertsons, Carl's Jr., Starbucks, In-N-Out Burger, McDonalds, KFC and Del Taco<sup>(2)</sup>. Starboard acquires anchored multi-tenant neighborhood centers for diversification of income and rent growth opportunities. Starboard Lemon Grove MT master leases the property from the DST.

### NOTES:

- 1) ALBERTSONS GROCERY STORE BUILDING AND LAND ARE OWNED BY ALBERTSONS AND ARE NOT-A-PART OF THE DST PURCHASE OR OWNERSHIP
- 2) These tenants are not a part of the DST purchase. Pursuant to the CC&Rs these tenants pay a portion of common area expenses to MT who manages the common area
- 3) Information from REGIS Online (a Sites USA Company), a 3rd party firm

## INVESTMENT OPPORTUNITY

- Invest in a 95% leased property with annual tenant rent growth. Annual rent increases in 10 of 16 tenant leases and increases every 5 years in 4 leases for total of 14 leases representing 88+% of tenants
- Invest in a Southern California (San Diego County) community with a growing population and jobs<sup>(3)</sup>
- Professionally managed by experienced sponsor principals and local third party property managers
- 78% Credit and National Chain tenants including CVS Pharmacy, Petco, Rainbow, Factory 2U, Anna's Linens, Massage Envy and Wells Fargo

## PROPERTY DESCRIPTION

- Anchored shopping center in City of Lemon Grove, San Diego County, California of 86,742 sq. ft.
- 3 Buildings, 3 Parcels on 5.9 acres, Built in 1989
- 95% occupied, 17 tenant spaces and 710 parking spaces
- 143,000 cars per day from SR 94 visibility and being at the most highly trafficked intersection—Broadway (35,000 vpd) and Massachusetts (32,000 vpd)
- Synergistic tenant mix of junior anchors include Petco, Factory 2U and Rainbow. Pad tenants (Not A Part of purchase but contributing to CAM expenses) include KFC ranked 40 out of 3,000+ stores in the nation in sales
- Albertsons is Not A Part of the DST purchase but is contributing to CAM expenses of the shopping center and responsible for the maintenance of its own parcel. CVS have been a tenant for over 20 years

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This material does not constitute an offer and is authorized for use only when accompanied by the confidential Private Placement Memorandum. Reference is made to the Memorandum for a statement of risks and terms of the offering and qualifications and assumptions regarding forward looking information. The information set forth herein is qualified in its entirety by the Memorandum. All potential investors must read the Memorandum and no person shall invest without acknowledging receipt and complete review of the Private Placement Memorandum.

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## DEMOGRAPHICS<sup>(1)</sup>

	<b>1 Mile</b>	<b>3 Miles</b>	<b>5 Miles</b>
2016 Estimated Population	22,111	237,077	586,386
2021 Projected Population	23,185	249,537	618,952
2016 Average Household Income	\$66,098	\$66,675	\$72,709
2016 Median Household Income	\$58,317	\$56,739	\$62,147
2016 Estimated Bachelor's Degree Only	16.5%	16.7%	18.8%
2016 Estimated Graduate Degree	7.4%	7.5%	9.1%
2016 Estimated Total Businesses	669	6,240	14,732
2016 Estimated Total Employees	6,078	48,383	127,975

## TRAFFIC COUNT

Lemon Grove Plaza has direct on/off ramps to SR 94 with 143,000 cars per day and 960 feet of freeway visibility and is also located at the most highly trafficked intersection in Lemon Grove at Broadway (35,000 VPD) and Massachusetts (32,000 VPD<sup>(1)</sup>).

## MASTER TENANT BUSINESS PLAN<sup>(2)</sup>

- Upgrade the center exterior with new paint and remove the ceramic tile features within 180 days of purchasing the property
- Lease freeway billboard signage (income not included in projections)
- Invest strategically for investors in an effort to generate cash flow and asset value appreciation, while maintaining a risk mitigating investment philosophy
- Make monthly rent payments to the Lemon Grove DST pursuant to the rent schedule in the Master Lease
- Maximize net operating income by increasing tenant rents through tenant renewals, lease up and by reducing operating costs
- Position the property for sale at the appropriate time (estimated to be 7-10 Years)

1) Data per REGIS Online, a Sites USA Company.  
 2) There are no guarantees that the business plan will be achieved.

Lemon Grove Exterior Prior to Close of Escrow



**BEFORE**

Lemon Grove Exterior 180 Days After Close of Escrow



**AFTER**



## RISK FACTORS

- There are risks associated with investing in real estate securities, including general economic conditions, interest rate fluctuations, lease expirations, tax law changes, fluctuations in operating expenses and innumerable other risks beyond the direct control of management. Fees and expenses may outweigh the benefits of tax deferral
- No public market exists for the investment beneficial interests and it is highly unlikely that any such market will ever develop
- No assurances master tenant will be able to execute business plan

# STARBOARD LEMON GROVE DST

## Rent Distribution Projections, Property Aerial & Map



### STARBOARD LEMON GROVE DST & MASTER TENANT PROJECTIONS

YEAR	1	2	3	4	5	6	7	8	9	10
Effective Gross Revenue	\$2,104,001	\$2,165,927	\$2,321,130	\$2,361,963	\$2,448,873	\$2,480,189	\$2,472,380	\$2,515,554	\$2,675,439	\$2,746,936
Total Operating Expenses	(\$737,089)	(\$756,242)	(\$779,103)	(\$798,429)	(\$819,844)	(\$839,804)	(\$858,893)	(\$880,286)	(\$906,296)	(\$929,754)
Net Operating Income	\$1,366,912	\$1,409,685	\$1,542,027	\$1,563,534	\$1,629,029	\$1,640,385	\$1,613,487	\$1,635,268	\$1,769,143	\$1,817,182
Total Leasing & Capital Costs	\$0	(\$342,060)	(\$143,525)	(\$221,425)	\$0	(\$98,336)	(\$257,187)	(\$252,277)	(\$73,276)	\$0
Debt Service	(\$565,312)	(\$565,312)	(\$565,312)	(\$565,312)	(\$565,312)	(\$702,109)	(\$702,109)	(\$702,109)	(\$702,109)	(\$702,109)
Cash Flow After Debt Service/Cap Ex	\$801,490	\$844,263	\$871,605	\$883,112	\$918,607	\$858,166	\$854,395	\$932,882	\$1,066,758	\$1,089,963
Total Distributable Rent	\$782,539	\$822,906	\$836,025	\$848,494	\$878,481	\$821,677	\$831,997	\$903,301	\$1,033,215	\$1,053,161
Total Distributable Rent as % of Equity	5.71%	6.01%	6.10%	6.19%	6.41%	6.00%	6.07%	6.59%	7.54%	7.69%
Principle Reduction as % of Equity	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.05%	1.11%	1.17%	1.23%

Note: Please refer to Exhibit C of PPM for assumptions

### LEMON GROVE PLAZA AERIAL



### LEMON GROVE PLAZA LOCATION MAP





# STARBOARD LEMON GROVE DST

## Tenant Descriptions



Tenant	SF	Public / Private	Lease Guarantee	# of Locations	% of Total Rent	% SF of Offering	Description
Elite Buffet	6,388	Private	Private	1 in U.S.	9.32%	7.36%	1 location in Southern California
Happiness Nails & Spa	1,200	Private	Private	2 in Southern California	2.21%	1.38%	2 locations in Southern California: Lemon Grove and Oceanside
Check Into Cash	900	Private	Corporate	1,100+ in U.S.	1.52%	1.04%	Founded in 1993, company has more than 1,100 locations in 30 states.
Les Cleaners	1,500	Private	Private	1 in U.S.	2.80%	1.73%	1 location in Southern California
Massage Envy	3,900	Private	Franchisee	1,173 in U.S.	8.13%	4.50%	Founded in 2002, 1.65 million members
Fantastic Sams	1,278	Private	Franchisee	1,100 franchise locations	2.11%	1.47%	Fantastic Sams is a wholly-owned subsidiary of Dessange Group North America, Inc., a Delaware corporation ("Dessange"). Dessange acquired Fantastic Sams in 2011
David Toma DDS	1,178	Private	Private	1 in U.S.	2.43%	1.36%	1 location in Southern California
Anna's Linens	6,361	Private	Corporate	40 locations	7.97%	7.33%	Home furnishings. Owned by National Stores, run by Fallas Paredes division
Gamestop	1,272	Public Ba1	Corporate	7,000 stores / 14 countries	2.35%	1.47%	Founded in 1996 and headquartered in Grapevine, TX. \$9.3 B 2014 revenues
Wells Fargo	3,042	Public A	Corporate	8,700 banks, 13,000 ATMs	9.33%	3.51%	American bank with 70,000 customers founded in 1852. \$86 B revenues in 2015
CVS Pharmacy	15,000	Public BBB+	Corporate	7,600 + in U.S.	10.69%	17.29%	Second largest Pharmacy chain after Walgreens. At Lemon Grove +20 years
Rainbow	6,870	Private	Corporate	1,100 in US/PR/Virgin Is	6.91%	7.92%	Womens clothing stores founded in 1935 Brooklyn, NY
Factory 2 U	12,000	Private	Corporate	200 in 5 States	10.03%	13.83%	Owned by National Stores, founded in 1962 in Gardena, CA
Cali Yogurt	1,300	Private	Private	1 location	2.17%	1.50%	Family owned
Petco	10,075	Private B	Corporate	1,400 in US/Puerto Rico/Mexico	13.47%	11.61%	Company founded in 1965, based in San Diego. Owned CVC Capital & Canada Pension CPEIB
Family Health Center	10,600	Non Profit	Corporate	21 locations San Diego area	8.57%	12.22%	Founded in 1970 and providing caring, affordable, high-quality health care to over 155,000 individuals per year



### TENANTS NOT PART OF DST PURCHASE

NAP Occupants/ Parcels	SF	Public / Private	# of Locations	% SF of Center	Description
Albertsons	56,100	Public B+	2,200+ in U.S.	35.83%	Founded in 1929 in Boise, Idaho. Acquired Safeway in 2015 for \$9.2 B
KFC	2,350	Public	19,000+ Worldwide	1.50%	Owned by YUM! Brands, Inc., which owns & franchises over 43,000 restaurants in 130 countries
In & Out Burger	2,595	Private	300+ in U.S.	1.66%	Founded in 1948 in Baldwin Park, Los Angeles. Operates in 5 States: California, Nevada, Arizona, Utah, & Texas
Starbucks	2,200	Public	24,000+ Worldwide	1.41%	Operates in 68 countries & as of 2015, generated annual revenue of \$19.1 B
Del Taco	3,396	Public	500+ in U.S.	2.17%	Founded in 1964, company was purchased by VC firm Levy Acquisition Corporation
Carls Jr	3,200	Public	1,300+ in U.S.	2.04%	Founded in 1941 & operated by CKE Restaurant Holdings, Inc. with locations primarily in the Western U.S.



### PROPERTY MAP



### PROPERTY PHOTOS





**LEMON GROVE PLAZA AERIAL**





### WHY STARBOARD?

- Our Investment Strategy - Neighborhood centers provide customers with life's essentials such as food and personal services which are typically difficult to purchase on the internet. Credit worthy tenants and annual rent increases in tenant leases promotes net operating income and property cash flow growth
- Our Experience – The principals of the company have 20+ years experience acquiring/managing over 30 grocery anchored shopping centers, without capital calls or a loss of equity
- Our Reputation – The principals of the firm have been structuring TIC/DST properties for over 17 years and 2,000+ investors and are industry advocates
- Asset Management Focus – we focus on real estate acquisitions, management and investor services, utilizing an independent managing broker-dealer specializing in DST equity fundraising

### WHY BUY GROCERY

#### ANCHORED RETAIL CENTERS?

- Diversification of internet resistant tenants
- Grocery store provides customer traffic with average customer visit of twice per week
- NOI growth annually due to fixed rent and increases in tenant leases
- Creditworthiness of tenants with multiple locations
- Tenants pay property operating expenses, not the owners
- Tenant improvement costs are lowest of commercial property types
- Hedge against inflation, future interest rate and cap rate increases
- Stabilized assets appropriate for DST structure and value added appropriate for LLC structure

### DELAWARE STATUTORY TRUST ("DST") INVESTMENT STRATEGY

Starboard's investment strategy for DSTs strives to meet investor objectives and the changing real estate cycle fundamentals of rising interest rates. Historically, a ½ of 1% increase in the 10 Year Treasury Bill will generally cause a 1% increase in capitalization rates\*. Since 2008, real estate values have increased largely through cap rate compression. Going forward, we believe value will be created through property performance, revenue growth and increasing the net operating income ("NOI"). We believe that NOI growth can offset downward pressure on property value caused by rising interest rates and rising capitalization rates.

Starboard's strategy is to acquire multi-tenant retail shopping centers which historically have three to ten year lease terms and annual rent increases in the tenant leases. The DST will not own the anchor because it usually represents 40-60% of the centers' income. When an anchor owns their own store, we believe they are more committed to the location and will invest more capital in the store than if it was leased. Our acquisition strategy is preferred to single net lease properties because they typically do not have annual rent increases in their leases. Grocery anchored centers have the opportunity to increase rents during the hold period when tenants renew, or by attracting new tenants that can pay higher rents.

### STARBOARDS MANAGING PARTNERS ARE BILL WINN & STEVE CARLTON

Starboard Realty Advisors is active in many aspects of the real estate industry including development, financing, recapitalization of distressed real estate projects, investment structuring and consulting.



Mr. Winn is CEO of Starboard and brings 25 years experience acquiring, managing and developing retail, multi-family, office and industrial properties and 15 years experience structuring, funding and managing investments for over 4,000 investors. Mr. Winn has raised capital through the independent broker-dealer community for real estate programs for 15 years. He was previously President and partner of Passco Companies, LLC for 10 years and President of REISA (now ADISA) in 2009. His start in the real estate industry

was 10 years as Property Manager, and Vice President/Regional Manager of the Charles Dunn Company in Los Angeles. Mr. Winn is a CSM (Certified Shopping Center Manager), from ICSC and a CPM (Certified Property Manager), from IREM. He graduated from California State Polytechnic University with Bachelor of Science in Business Administration and Pepperdine University with an MBA.



Mr. Carlton is COO/VP Asset Management of Starboard and brings over 10 years asset management and development experience primarily in retail shopping centers. Previously, he was Director of Asset Management of Value Rock Realty Partners for 7 years. The company owns 24 retail shopping centers in Southern California, Arizona and Hawaii. During Mr. Carlton's tenure, the company purchased 27 properties and sold 19. Mr. Carlton was Asset Manager for The Wilder Companies based in Boston. He oversaw 17 shopping centers comprising 1.3 million SF located in New England area as well as two ground-up developments in Florida. Mr. Carlton graduated from the University of Colorado with a Bachelor of Arts Degree in Economics. He is an active member ICSC.

#### ACQUISITION SOURCING

#### DUE DILIGENCE & FINANCING

#### ASSET MANAGEMENT

#### PROPERTY MANAGEMENT

#### LEASING

#### CONSTRUCTION & DEVELOPMENT

#### INVESTOR SERVICES

#### DEDICATED STAFF

#### 30 YEARS EXPERIENCE

#### AUDITED FINANCIALS

#### MONTHLY REPORTING

#### LOAN DISCOUNTED PAYOFFS

#### RECAPITALIZATIONS

\* "Interest Rates & Real Estate Cap Rates on the Rise", NAREIM February 24, 2014, Jack Corgal PHd, Cornell University

