

INVESTMENT OFFERING MEMORANDUM

AN INSTITUTIONALLY-OWNED OFFICE/FLEX PORTFOLIO

NORFOLK COMMERCE CENTER III



NORFOLK COMMERCE CENTER I



NORFOLK COMMERCE PARK PORTFOLIO

AS OF DECEMBER 2014

5365, 5425, AND 5505 ROBIN HOOD ROAD
NORFOLK, VA

CBRE | Hampton Roads

Part of the CBRE affiliate network

CONFIDENTIALITY AGREEMENT

This is a confidential Memorandum intended solely for your limited use and benefit in determining whether you desire to express further interest in the acquisition of the **Norfolk Commerce Park Portfolio** in Norfolk, Virginia ("Property").

This Memorandum contains selected information pertaining to the Property and does not purport to be a representation of the state of affairs of the Owner or the Property, to be all-inclusive or to contain all or part of the information which prospective investors may require to evaluate a purchase of real property. All financial projections and information are provided for general reference purposes only and are based on assumptions relating to the general economy, market conditions, competition and other factors beyond the control of the Owner and CBRE | Hampton Roads. Therefore, all projections, assumptions and other information provided and made herein are subject to material variation. All references to acreages, square footages and other measurements are approximations. Additional information and an opportunity to inspect the Property will be made available to interested and qualified prospective purchasers. Neither the Owner nor CBRE | Hampton Roads, nor any of their respective directors, officers, affiliates or representatives make any representation or warranty, expressed or implied, as to the accuracy or completeness of this Memorandum or any of its contents and no legal commitment or obligation shall arise by reason of your receipt of this Memorandum or use of its contents.

The Owner expressly reserves the right, at its sole discretion, to reject any or all expressions of interest or offers to purchase the Property, and/or to terminate discussions with any entity at any time with or without notice which may arise as a result of review of this Memorandum. The Owner shall have no legal commitment or obligation to any entity reviewing this Memorandum or making an offer to purchase the Property unless and until written agreement(s) for the purchase of the Property have been fully executed, delivered and approved by the Owner and any conditions to the Owner's obligations therein have been satisfied or waived.

By receipt of this Memorandum, you agree that this Memorandum and its contents are of a confidential nature, that you will hold and treat it in the strictest confidence and that you will not disclose this Memorandum or any of its contents to any other entity without the prior written authorization of the Owner or CBRE | Hampton Roads. You also agree that you will not use this Memorandum or any of its contents in any manner detrimental to the interest of the Owner or CBRE | Hampton Roads.

In this Memorandum, certain documents, including leases and other materials, are described in summary form. These summaries do not purport to be complete nor necessarily accurate descriptions of the full agreements referenced. Interested parties are expected to review all such summaries and other documents of whatever nature independently and not rely on the contents of this Memorandum in any manner.

If after reviewing this Memorandum, you have no further interest in purchasing the Property, kindly return this Memorandum to CBRE | Hampton Roads.

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EXECUTIVE SUMMARY

OVERVIEW

CBRE|Hampton Roads is pleased to announce its exclusive sale representation of the Norfolk Commerce Park Portfolio located in Norfolk, Virginia. Norfolk Commerce Park is part of the Central Norfolk submarket which benefits from its central location in Hampton Roads as well as adjacency to Interstate 64, Military Highway, and the Norfolk International Airport. The offering represents a rare opportunity to acquire a critical mass of contiguous assets in the Hampton Roads market.

The 3-building office/flex portfolio encompasses 331,883 rentable square feet in three adjacent properties in addition to a 4.23 acre of undeveloped land. The portfolio is currently 85% leased. The 6 tenants occupying approximately 20,000 square feet or more represent a diverse mix of industries including education (ITT), health care (HomeChoice Partners), energy (G.E. Power), business services (FedEx), and defense (URS Federal and Alion). In addition to being centrally located in the region to serve all area customers and employee bases, the park is also the closest substantial office location to the Norfolk Naval Base which has attracted numerous defense contractors to the park over the years.

The three buildings have an overall office finish of approximately 73% and feature abundant on-site parking with 1,084 spaces (approximately 3.3 spaces per 1,000 square feet). Norfolk Commerce Centers I and IV are one-story buildings with the highest office finish (83% for NCC I and 73% for NCC IV), while Norfolk Commerce Center III is a "u-shaped" building with a 2-story office building in the front and 2 one-story wings on the sides to combine for a 64% office finish. The office/warehouse product type is highly favored and successful throughout the Hampton Roads area for a number of reasons, including tenant signage, security, lack of core factor, flexibility, and cost advantages.

The South Hampton Roads office market that the subject park is located in has experienced substantial recovery over the last several years. Per CoStar research, the vacancy rate in South Hampton Roads has declined from 12.9% as of the first quarter of 2012 to 10.0% as of mid-year 2014. Norfolk Commerce Park is specifically located in the 2.9 million square foot Central Norfolk submarket which had an even stronger 8.5% vacancy as of mid-year 2014 per CoStar research. Within Norfolk Commerce Park specifically, there has been substantial absorption over the last few years with the overall park vacancy in line with the vacancy of the subject portfolio.

INVESTMENT SUMMARY

Offering Price:	\$28,000,000
Rentable Square Feet:	331,883
Price Per Square Foot:	\$84.37
Capitalization Rate:	9.4%
Occupancy (as of December 2014):	84.9%
Year 1 Net Operating Income (Proforma):	\$2,629,540
Financing:	Free and clear of existing debt
Additional Undeveloped Land Parcel:	4.23 Acres (included with sale)

KEY TENANT OVERVIEW

TENANT	SQ. FT.	LEASE EXPIRATION
URS Federal Services	47,489	April 2020
Federal Express	42,000	May 2018
ITT Education Services	39,838	September 2018
Alion	23,153	September 2019
General Electric Power Systems	20,315	September 2018
Home Choice Partners	19,783	June 2015

VALUATION UPSIDE

In addition to solid in-place income, the portfolio offers valuation upside through additional lease-up, increasing in-place rents over time, and development or sale of an included undeveloped land parcel. The cash-flow assumptions included herein show an additional approximate 27,600 square feet of new tenants at market rents added during the valuation period. Cash flow upside can also be achieved through rolling some current tenants at below-market rents (i.e. PRA for example) to market at expiration and by adjusting all leases to have annual escalations at roll over (i.e. FedEx and ITT currently with no annual escalation).

The 4.23 acre parcel referred to as the site for Norfolk Commerce Center II has prime visibility along Robin Hood Road and is directly accessible from the Interstate 64 off-ramp that serves Norfolk Commerce Park. The land site could be developed for new office space or an alternative commercial use (i.e. hotel or service amenity) or even for additional parking or green space.

EXECUTIVE SUMMARY (continued)

LOCATION HIGHLIGHTS

- Centrally located within the region and near the Norfolk International Airport, a major advantage for business tenants.
- Closest substantial office park to the Norfolk Naval Base, the world’s largest naval base, which has attracted numerous defense contractors to the park over the years.
- Hampton Roads is a major metro area being one of the largest Metropolitan Statistical Areas (“MSA”) in the United States. With over 1.7 million people, the area is more populous than other prominent southeastern areas such as Jacksonville, Nashville, and Richmond.
- Hampton Roads economy and office market is substantial in size and strong in relative performance. The area’s large military presence, as well as its East Coast-leading port and well-known tourism destinations, have all helped maintain the economic stability of the region.

PROPERTY SUMMARY

The Portfolio consists of three contiguous office/flex buildings and an undeveloped land site. Highlights of the individual assets are as follows:



NORFOLK COMMERCE CENTER I		NORFOLK COMMERCE CENTER III		NORFOLK COMMERCE CENTER IV	
ADDRESS:	5505 Robin Hood Road	ADDRESS:	5425 Robin Hood Road	ADDRESS:	5365 Robin Hood Road
SIZE:	74,522 Square Feet	SIZE:	180,702 Square Feet	SIZE:	76,659 Square Feet
OCCUPANCY:	92.8%	OCCUPANCY:	83.7%	OCCUPANCY:	83.2%
OFFICE FINISH %:	83%	OFFICE FINISH %:	64%	OFFICE FINISH %:	73%
ACRES:	9.50 (*)	ACRES:	9.50	ACRES:	5.44

(*) Inclusive of site for development of Norfolk Commerce Center II