

CS1031 Tampa Pharma, DST

4910 Savarese Circle, Tampa, FL 33434

ACQUISITION DATE: DECEMBER 19, 2017



Offering Details

INVESTMENT COST
\$8,471,000

EQUITY RAISE
\$3,671,000

FIXED INTEREST RATE
4.52%

LOAN TERMS
10-Year Term
30-Year Amortization
24 Months Interest Only

Recently renovated 71,150 square foot office and R&D lab used to design, develop and manufacture innovative new drugs for the biopharmaceutical, consumer health and nutrition industries. The property is 100 percent leased to Xcelience, Inc., a division of Capsugel, an award-winning global contract development and manufacturing organization. Capsugel was recently acquired by Swiss pharmaceutical firm Lonza Group, and Lonza America, Inc. serves as lease guarantor.**

**<https://www.capsugel.com/locations/tampa-florida-usa>

Current Distribution Rate* 6.00%

INVESTMENT HIGHLIGHTS

- **Strong Tenant:** From inception in 2006, original tenant Xcelience grew from one facility with 45 employees to an international contract development and manufacturing organization (CMDO), with 7 facilities and over 200 employees. Strong growth attracted Capsugel, which acquired Xcelience in 2015, with more than 4,000 customers in 100 countries. In July 2017, Capsugel's continued upward momentum led to its acquisition by Lonza Group, a Swiss pharmaceutical firm with sales of approximately \$4.13 billion¹.
- **Corporate Guaranty:** Lonza's American subsidiary, Lonza America, Inc., guarantees full payment and performance of the lease. Lonza is a leading pharmaceutical firm with a market capitalization of approximately \$19 billion². This new guaranty demonstrates the corporate-parent's Lonza's long-term commitment to the facility.
- **Stable, Long-Term Lease:** There are 10 years remaining on the lease with 2.5% annual increases in the base rental rate, and two 5-year extension options.
- **Commitment to Location:** Tenant's representative estimates that Capsugel has spent approximately \$6 million in build-out and equipment at the facility. The site is an FDA approved location, which is required to provide CDMO services to clients.
- **Favorable Purchase Price:** The purchase price of \$7,065,000 represents a \$435,000 discount to the \$7,500,000 appraised market value³.
- **Tax-Free State:** Florida does not have an income tax. Investors will not pay Florida income taxes.

¹ https://www.lonza.com/~/_media/Files/Investor%20Relations/Financial%20Reports/2016_Lonza_Annual_Report_Export_v2.ashx?la=en

² https://www.google.com/search?q=VTX:LONN&tbm=fin#scso=uid_WjEt1QAA2KsK4JT11wZZdQ_5:0

³ Appraisal Report, CBRE, Inc., File No. 17-397MI-2141-1, November 30, 2017

TENANT LEASE STRUCTURE

Property Details

- Comprised of 45,000 square feet of office space & 26,150 square feet of tech space
- Completely renovated for Capsugel expansion in 2015
- \$6 million in approximate tenant improvement and equipment spending at the property since 2015
- 110 surface parking spaces

LEASE

12.5-year lease with approximately 10 years remaining

STRUCTURE

Modified triple net lease

RENTAL INCREASES

2.5% annual rent increases

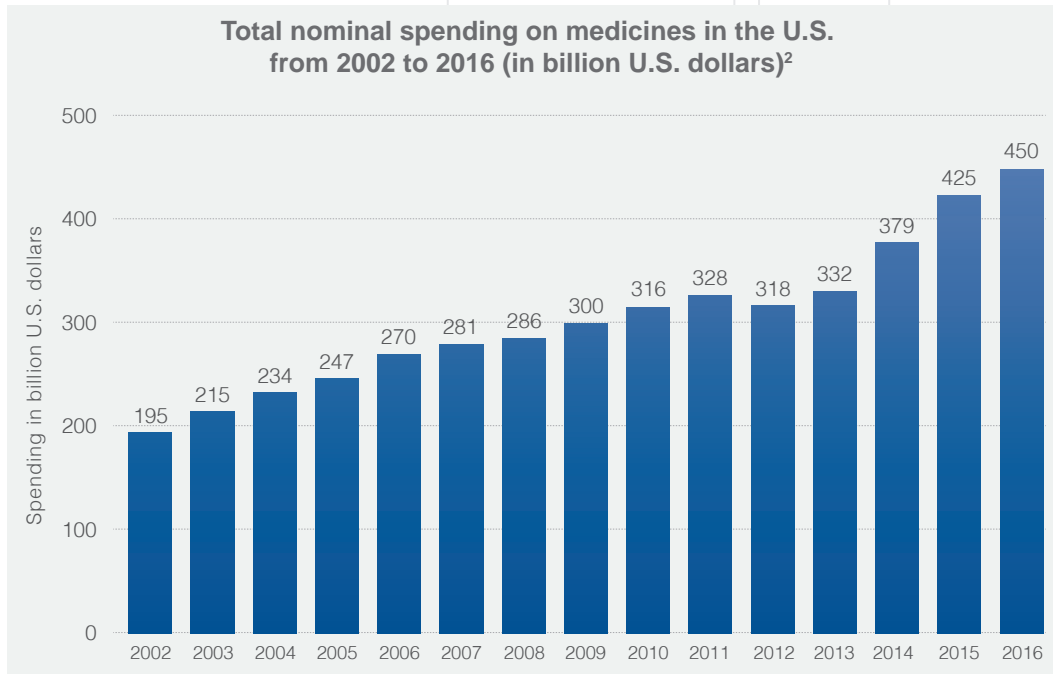
RENEWAL OPTIONS

Two five-year renewal options



A SNAPSHOT OF THE U.S. PHARMACEUTICAL MARKET

The United States is responsible for over 45 percent of the global pharmaceutical market, valued at approximately \$446 billion in 2016¹.



The market for overall biopharmaceutical outsourced development spending is expected to increase from \$26 billion in 2016 to \$31 billion in 2019³.

¹ <https://www.statista.com/topics/1719/pharmaceutical-industry/>

² <https://www.statista.com/statistics/238689/us-total-expenditure-on-medicine/>

³ <http://www.pharmsource.com/market/how-big-is-the-market-for/#OverallOutsourced>

ABOUT CAPSUGEL

Capsugel is an award-winning contract manufacturing and development organization (CMDO). Capsugel provides research and development services for pharmaceutical companies seeking to outsource the development of new drugs. With clients providing initial research, Capsugel completes the process of developing drugs into a marketable FDA approved product. This process involves the research and testing necessary to design the chemical components of a drug in a way that is stable and resistant to stress (temperature, degradation, etc.), and formulating the drug to achieve proper consistency and solubility in a tablet or capsule. Capsugel's Tampa staff also provides small-scale clinical commercial manufacturing, including packaging of clinical supplies, specialized analytical services, and logistics. Capsugel's Tampa executive management team is located at the property.

Source: <https://www.capsugel.com/locations/tampa-florida-usa>

ABOUT LONZA GROUP

Lonza is one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. Lonza harnesses science and technology to create products that support safer and healthier living and that enhance the overall quality of life. An integrated solutions provider serving the healthcare continuum, Lonza offers products and services from the custom development and manufacturing of active pharmaceutical ingredients to innovative dosage forms for the pharma and consumer health and nutrition industries. In addition to drinking water sanitizers, nutraceuticals, antidandruff agents and other personal care ingredients, Lonza provides agricultural products, advanced coatings and composites and microbial control solutions that combat dangerous viruses, bacteria and other pathogens.

Source: <https://www.lonza.com/about-lonza/company-profile/facts-and-figures.aspx>



ABOUT CAPITAL SQUARE

Capital Square 1031, LLC specializes in the creation and management of real estate investment programs for Section 1031 exchange investors and other investors using the Delaware Statutory Trust structure. Louis J. Rogers, founder and chief executive officer of Capital Square, has been involved in the creation and management of more than 100 investment offerings totaling over \$3 billion, including DSTs, tenant-in-common offerings, numerous real estate funds, and multiple publicly registered non-traded real estate investment trusts.

FOR SALES AND OTHER INFORMATION, CONTACT

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Securities offered through WealthForge Securities, LLC, the managing broker-dealer for the CS1031Tampa Pharma, DST offering and member FINRA/SIPC. Capital Square and WealthForge are not affiliated.

Consider the Risks

An investment in the Interests involves substantial investment and tax risks, including, without limitation, the following risks:

- Past performance is not a guarantee of future results.
- The economic success of the Interests will depend upon the results of operations of the Property. Fluctuations in vacancy rates, rent schedules, and operating expenses can adversely affect operating results or render the sale or refinancing of the Property difficult or unattractive.
- The Master Tenant's capitalization is supported solely by the cash flow from the underlying tenant lease. The Sponsor is not under any obligation to contribute capital to the Master Tenant.
- No assurance can be given that future cash flow will be sufficient to make the debt service payments on any borrowed funds and also cover capital expenditures or operating expenses.
- No assurance can be given that Beneficial Owners of Interests will realize a substantial return (if any) on their investment or that they will not lose their entire investment in the Trust.
- The Interests are not freely transferable by the Beneficial Owners.
- There are various risks associated with owning, financing, operating, and leasing commercial properties in Florida.
- The Interests do not represent a diversified investment.
- Beneficial Owners must completely rely on the Master Tenant to collect the rent and operate, manage, lease, and maintain the Property.
- The Beneficial Owners have no voting rights with respect to the management or operations of the Trust or in connection with the sale of the property.
- There are various conflicts of interest among the Trust, the Sponsor, the Signatory Trustee, and their Affiliates.
- The Interests are illiquid.
- There are tax risks associated with an investment in the Interests.
- There are risks related to competition from properties similar to and near the property.
- There may be environmental risks related to the property.