

# NNN Townley Business Park, 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 October 30, 2007.

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



## Property Summary

Townley Business Park consists of three office buildings and an undeveloped 1.34-acre parcel of land in Phoenix, Arizona. Totaling nearly 121,725 square feet, the garden-style business park is situated near the intersection of 23rd Avenue and Dunlap Road, easily accessed from Interstate 17 and the Loop 101 Freeway. Townley Business Park is conveniently located near the 1.4 million-square-foot MetroCenter Mall, as well as more than 60 restaurants and 11 hotels. The property offers an ample parking supply of 509 parking spaces, including 30 covered spaces, for a ratio of 4.18 spaces per 1,000 square feet. Townley Business Park is currently 80 percent leased to a variety of national and regional companies specializing in industries such as insurance, healthcare and real estate.

## Property Information

- Address: 8804, 8826, 8836 North 23rd Avenue  
Phoenix, AZ 85021
- Building Type: Three-Building Office Park
- Year Built: 1985
- Total SF: 121,725
- % Leased: 80%

## Financial Information

- Offering Purchase Price: \$19,060,000
- Offering Price Per SF: \$156.58
- Purchase Date: 4th Quarter 2007
- Offering LTV: 51.94%
- Offering Price Cap Rate: 6.20%
- 1st Year Cash Flow: 6.50%
- Loan Terms: The loan is assumed to have an overall effective fixed interest rate of 6.28%, a ten-year term and will be interest only for the first four years of the loan. **The effective interest rate of 6.28% reflects a buy down of 30 basis points by paying a fee of 2% of the loan or \$198,000.**

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 (6 Total Tenants)

### **Cigna HealthCare of Arizona, Inc.**

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

*Square Feet: 43,586 or 35.8% of the property*

*Lease Expiration: 2/2012*

Cigna HealthCare of Arizona, Inc. is a wholly-owned subsidiary of Cigna Corporation. With more than 35 years of history, Cigna HealthCare of Arizona, Inc. is one of the oldest and largest health plans in Arizona. Cigna HealthCare of Arizona provides health care coverage and employee benefit services to approximately 500,000 individuals throughout the state. The CIGNA Medical Group, a division of Cigna HealthCare of Arizona, is the Valley's largest multi-specialty group practice with approximately 145,000 patients and 17 offices located throughout metropolitan Phoenix. Cigna HealthCare of Arizona, Inc. is a wholly-owned subsidiary of Cigna Corporation. Cigna Corporation is not a guarantor of the lease with Cigna HealthCare of Arizona, Inc.

### **Magellan Health Services of Arizona, Inc.**

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

*Square Feet: 19,320 or 15.9% of the property*

*Lease Expiration: 12/2009\**

Magellan Health Services of Arizona, Inc. is a subsidiary of Magellan Health Services, Inc., the country's leading diversified specialty health care management organization. Magellan Health Services offers a comprehensive, integrated suite of products, including behavioral health management, radiology benefits management, and specialty pharmacy management. Magellan Health Services' clinical and operational philosophy allows it to offer its members access to high quality, clinically appropriate and affordable healthcare tailored to each individual's need while managing costs responsibly. **\*Option to terminate any time after December 20, 2008 with nine months notice, subject to the following: a) tenant has not assigned or subleased its leased portion of the Property, b) tenant is not in default and c) tenant has lost its funding from the State of Arizona, with nine months written notice. Termination fee is equal to unamortized commission and tenant improvements at 10%.**





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

Phoenix is in the heart of the fastest growing region in the country, serving all the major markets in the western United States. With a population of almost 1.4 million, Phoenix is the nation's fifth largest city and serves as the centerpiece for nearly 3.4 million people in its metropolitan area. Incorporated as a city in 1881, Phoenix is the capital and most populous city in Arizona. The prehistoric Hohokam Indians first settled the area about 300 B.C. and dug a system of extensive irrigation canals for farming. Since the city was founded on the ruins of the ancient civilization, it was named Phoenix after the legendary bird that could regenerate itself. In the last two decades, the economy has diversified as rapidly as the population has grown. Many residents in the area are employed by the government as well as Arizona State University, which has enhanced the area's population through education and its growing research capabilities. Numerous high-tech and telecommunications companies have recently relocated to the area.

1. Source: [www.phoenix.gov](http://www.phoenix.gov)

*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>

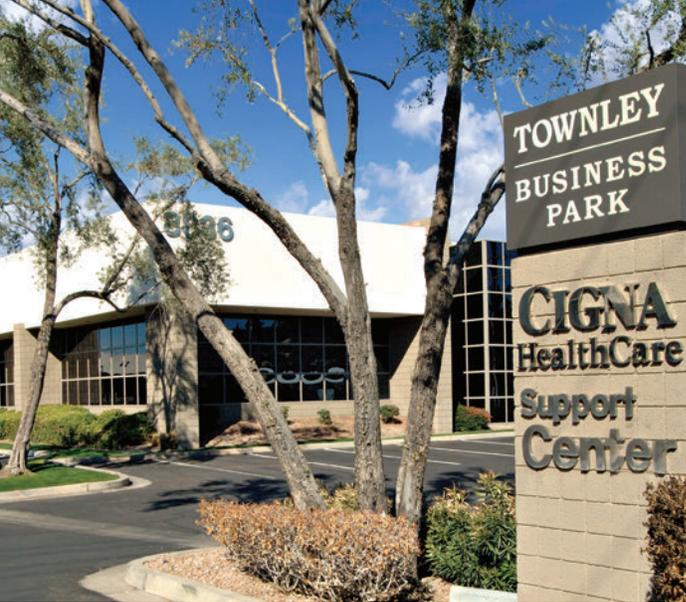
- The second quarter saw another increase in the full service asking lease rates, rising to an average of \$25.60 per square foot. This is \$0.33 higher than the average in the first quarter, \$25.27 per square foot, and \$2.92 higher than the average one year ago, \$22.68 per square foot.
- Net absorption rose slightly from 379,014 square feet in the first quarter of 2007 to 383,100 square feet in the second quarter.

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

- According to the Arizona Department of Economic Security, the Arizona unemployment rate dropped in the second quarter of 2007 to 3.6 percent from 4.1 percent at the end of the first quarter.
- Employment is forecasted to grow 3.5 percent/66,000 jobs in 2007 and 1.9 percent/36,500 jobs in 2008.

1. CB Richard Ellis, "Phoenix Office MarketView" 2Q, 2007





### TIC Offering

- Offering Size: \$9,160,000
- Price Per 1% Ownership: \$91,600 equity and \$99,000 assumed debt
- Minimum Investment per SPE: 3.00% = \$274,800 equity and \$297,000 assumed debt for a total purchase price of \$571,800
- Suitability: Accredited Investors Only

### LLC Offering

- Offering Size: \$458,000
- 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.

### Property Strengths

- Healthcare related tenants occupy over 51 percent of the property.
- Credit rated tenants occupy over 44 percent of the property.
- The property is located in the growing Northwest Phoenix office submarket.
- The property provides significant upside potential due to 80 percent occupancy and below market rents.
- The property has convenient access to Interstate 17, less than 10 miles from downtown Phoenix.

### 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 six 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.**
- **The property is largely dependent on a single tenant, Cigna HealthCare of Arizona, Inc. occupies 43,586 square feet of office space, or approximately 36 percent of the property.**
- **Unless extended by the tenants, the leases representing approximately 74 percent of the property will expire within the next five calendar years. In addition, leases representing approximately 38.74 percent of the property contain early termination options.**
- **A majority of the tenants at the property are largely dependent on the healthcare industry, an adverse change in regulations or a downturn in the healthcare industry could adversely affect the cash flow generated by the property.**
- **Ownership of the property involves certain improvement obligations that could negatively affect cash flow and the ultimate value of the property if the property manager decided to develop the vacant parcel during the expected six-year holding period.**

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

\$274,800 Investment Per SPE

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
6.50%	7.00%	7.18%	7.28%	7.44%	8.62%

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

\$25,000 Investment

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
6.50%	7.00%	7.18%	7.28%	7.44%	8.62%

#### Projected Annualized Returns

Terminal Cap Rate	TIC Return	LLC Return
7.25%	16.61%	15.24%
7.50%	15.17%	14.02%
7.75%	13.83%	12.88%
8.00%	12.57%	11.81%
8.25%	11.39%	10.80%

Terminal Cap Rate Sensitivity

- 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 Townley Business Park, LLC PPM dated October 30, 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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