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OFFERING MEMORANDUM

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Freddy's Anchored Retail Property
Cleveland, TN



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Disclaimer

Preserve West Capital ("Broker") has been retained on an exclusive basis to market the property described herein ("Property"). Broker has been authorized by the Seller of the Property ("Seller") to prepare and distribute the enclosed information ("Material") for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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PROPERTY HIGHLIGHTS



- 100% Leased to National and Regional Tenants
 - Anchored by Freddy's and OrangeTheory
 - Rare Annual Rental Escalations for OrangeTheory
- Brand New 2019 Construction with Drive Thru Component for Freddy's
- Strategic Tenant Mix Featuring Internet-Resistant Food & Service Uses
- Excellent Access and Visibility Adjacent to I-75 Junction
 - Combined AADT of 64,840
 - Paul Huff Parkway Serves as Main Corridor to I-75 in Cleveland
- Robust Demographics in Surrounding Area
 - Total Daytime Population of 70,619 within 5 Miles of Site
 - Average Household Income of \$72,411 within 3 Mile Radius
- Prominent Retail Location Neighboring Numerous Major Shopping Centers
 - Nearby Anchor Tenants include Walmart Supercenter, Target, Publix, ALDI, & More
- Approximately 1 Mile from Cleveland State Community College & 3 Miles from Lee University
 - Student Population of 9,100 within 5 Mile Radius
- 3 Miles from Tennova Healthcare Cleveland Medical Center
 - Staff of 1,157
- Established Economic Base in Manufacturing and Healthcare
 - 13 Fortune 500 Companies Operating in City
 - Major Employers Include Whirlpool, Coca Cola, Mars, Inc., Duracell & More
- Approximately 30 Miles from Chattanooga



Location

The property is located at 640 Paul Huff Parkway, Building 300 in Cleveland, Tennessee.

Lot Size

Approximately 1.12 acres or 48,787 square feet.

Improvements

Construction was completed in 2019 of a 8,912 square foot retail building demised into three retail suites.

Freddy's | 3,040 square feet

Lady Jane's | 1,400 square feet

Tropical Smoothie Cafe | 1,672 square feet

OrangeTheory | 2,800 square feet

Parking

There are 245 parking spaces available throughout the center.



PRICE

\$4,800,000

6.40% CAP Rate

Projected Gross Revenue

	YEAR 1	YEAR 10
Scheduled Base Rental Revenue	\$298,471	\$350,658
Expense Reimbursement Revenue	\$55,268	\$68,282
Total Potential Gross Revenue	\$353,739	\$418,940
Effective Gross Revenue	\$353,739	\$415,940

Annual Expenses

Common Area Maintenance	\$16,309	\$21,279
Insurance	\$6,684	\$8,721
Taxes	\$11,140	\$13,313
Management @ 3.5% of EGR	\$12,381	\$14,663
Total Operating Expenses	\$46,514	\$57,976

Net Operating Income

Return

	YEAR 1	YEAR 10
Net Operating Income	\$307,225	\$360,964
Return	6.40%	7.52%

Note

The net income is an estimate and does not provide for all potential costs and expenses (i.e. maintenance, repair, etc.) that may be required of the owner. Any reserves set forth herein are merely estimates and not based on any experience, physical inspection, or prior knowledge. All prospective purchasers are strongly advised to make an independent investigation to determine their estimate of costs and expenses prior to entering into an agreement to purchase.

FINANCIAL ANALYSIS

CASH FLOW PROJECTION



	Year 1 Sep-2020 Aug-2021	Year 2 Sep-2021 Aug-2022	Year 3 Sep-2022 Aug-2023	Year 4 Sep-2023 Aug-2024	Year 5 Sep-2024 Aug-2025	Year 6 Sep-2025 Aug-2026	Year 7 Sep-2026 Aug-2027	Year 8 Sep-2027 Aug-2028	Year 9 Sep-2028 Aug-2029	Year 10 Sep-2029 Aug-2030
Net Rentable Area - Sq. Ft.	8,912									
Base Rental Revenue PSF/mo.	\$2.79	\$2.81	\$2.83	\$2.85	\$2.99	\$3.07	\$3.10	\$3.12	\$3.14	\$3.28
Total Operating Expenses PSF/yr.	\$5.22	\$5.33	\$5.45	\$5.57	\$5.75	\$5.91	\$6.04	\$6.17	\$6.31	\$6.51
Absorption & Turnover Vacancy %	-	-	-	-	-	-	-	-	-	-
General Vacancy %	-	-	-	-	-	-	-	-	-	-
Potential Gross Revenue										
Base Rental Revenue	298,471	300,638	302,848	305,102	319,978	328,760	331,152	333,592	336,081	350,658
Absorption & Turnover Vacancy	-	-	-	-	-	-	-	-	-	-
Scheduled Base Rental Revenue	298,471	300,638	302,848	305,102	319,978	328,760	331,152	333,592	336,081	350,658
Expense Reimbursement Revenue	55,268	56,363	57,487	58,639	60,630	62,311	63,560	64,841	66,156	68,282
Total Potential Gross Revenue	353,739	357,001	360,335	363,741	380,608	391,071	394,712	398,433	402,237	418,940
General Vacancy	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenue	353,739	357,001	360,335	363,741	380,608	391,071	394,712	398,433	402,237	418,940
Operating Expenses										
CAM - \$1.83	16,309	16,798	17,302	17,821	18,356	18,907	19,474	20,058	20,660	21,279
Insurance - \$0.75	6,684	6,885	7,091	7,304	7,523	7,749	7,981	8,220	8,467	8,721
Taxes - \$1.25	11,140	11,363	11,590	11,822	12,058	12,299	12,545	12,796	13,052	13,313
Management @ 3.5%	12,381	12,495	12,612	12,731	13,321	13,687	13,815	13,945	14,078	14,663
Total Operating Expenses	46,514	47,541	48,595	49,678	51,258	52,642	53,815	55,019	56,257	57,976
NET OPERATING INCOME	307,225	309,460	311,740	314,063	329,350	338,429	340,897	343,414	345,980	360,964
Leasing & Capital Costs										
Tenant Improvements	-	-	-	-	-	-	-	-	-	-
Leasing Commissions	-	-	-	-	-	-	-	-	-	-
Total Leasing & Capital Costs	-	-	-	-	-	-	-	-	-	-
Cash Flow Before Debt Service	307,225	309,460	311,740	314,063	329,350	338,429	340,897	343,414	345,980	360,964



General Assumptions

Analysis Date	September 2020
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Total Rentable Area	8,912 SF
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Total Area for CAM Reimbursement Calculations	8,912 SF
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General Inflation per Annum	3%
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General Expense Growth per Annum	3%
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Real Estate Tax Growth per Annum	2%
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Management Fee	3.5% of EGR
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RENT ROLL



Tenant	Sq. Ft.	Monthly Rent PSF	Annual Rent PSF	Current Annual Rent	Term	Rent Commence Date	Lease Expiration Date	Rental Increase Date(s)	Rental Increase Amount(s)	Options	Lease Structure
Freddy's Frozen Custard & Steakburgers	3,040	\$2.33	\$28.00	\$85,120	10 yrs	10/29/19*	10/31/2029	11/1/2024	\$93,632	6 @ 5 yrs Option 1: \$102,995 Option 2: \$113,295 Option 3: \$124,624 Option 4: \$137,087 Option 5: \$150,795 Option 6: \$165,875	NNN with tenant responsible for all taxes, insurance, and proportionate share of common area maintenance, including parking lot resurfacing and management fee. Tenant is responsible for an administrative fee equal to 2.5% of gross rents and CAM costs for the center.
Lady Jane's	1,400	\$2.92	\$35.00	\$49,000	10 yrs & 4 mos	10/29/19*	2/28/2030	11/1/2024	\$53,900	1 @ 5 yrs Option 1: \$59,290	NNN with tenant responsible for all taxes, insurance, and proportionate share of common area maintenance, including parking lot resurfacing and management fee. Tenant is responsible for an administrative fee equal to 2.5% of gross rents and CAM costs for the center. Increases in controllable CAM costs are capped at 5% annually on a non-cumulative basis.
Tropical Smoothie Cafe	1,672	\$2.79	\$33.50	\$56,012	5 yrs	6/1/2020	5/31/2025	none	none	3 @ 5 yrs Option 1: \$61,613 Option 2: \$67,766 Option 3: \$74,554	NNN with tenant responsible for all taxes, insurance, and proportionate share of common area maintenance, including parking lot resurfacing and management fee. Tenant is responsible for an administrative fee equal to 4% of gross rents and CAM costs for the center.
OrangeTheory Fitness	2,800	\$3.21	\$38.50	\$107,800	12 yrs	2/27/2020	2/28/2032	3/1/2021 3/1/2022 3/1/2023 3/1/2024 3/1/2025 3/1/2026 3/1/2027 3/1/2028 3/1/2029 3/1/2030 3/1/2031	\$109,956 \$112,155 \$114,398 \$116,686 \$119,020 \$121,400 \$123,828 \$126,305 \$128,830 \$131,408 \$134,036	2 @ 5 yrs Option 1 (Year 1): \$136,717 Option 1 (Year 2): \$139,451 Option 1 (Year 3): \$142,240 Option 1 (Year 4): \$145,085 Option 1 (Year 5): \$147,085 Option 2 (Year 1): \$147,987 Option 2 (Year 2): \$150,946 Option 2 (Year 3): \$153,965 Option 2 (Year 4): \$157,045 Option 2 (Year 5): \$160,185	NNN with tenant responsible for all taxes, insurance, and proportionate share of common area maintenance, including parking lot resurfacing and management fee. Tenant is responsible for an administrative fee equal to 2.5% of gross rents and CAM costs for the center.
Leased	8,912	100%									
Vacant	0	0%									
TOTAL	8,912	100%									



Lessee: RKS Ventures, Inc.

No. of Locations: 54+

Website: www.freddysusa.com

Freddy's Frozen Custard & Steakburgers

Teriyaki Madness serves Japanese-inspired Asian-fusion cuisine, including chicken and beef teriyaki, noodles, tofu, rice, side dishes, and more. The company is rapidly expanding, having opened more than 50 new locations in the first two quarters of 2019, active franchise agreements for more than 150 nations in the U.S. and Mexico, and plans to expand to more than 500 locations by 2026. Average unit volume for the chain exceeds \$1.13 million, offering franchisees the opportunity to realize substantial profits and strong earnings potential. In 2018, the company experienced same store sales growth of approximately 12%.



Lessee: JM Cleveland LLC

Guarantor: Honors Holdings LLC

No. of Locations: 1,100+

Website: www.orangetheoryfitness.com

OrangeTheory Fitness

OrangeTheory Fitness is a privately owned fitness franchise offering group personal training workouts based on high intensity interval training that blend cardiovascular and strength training. The brand has awarded more than 1,600 franchises worldwide, with more than 1,100 locations operating in 49 U.S. states and 11 countries, including the U.S., Canada, UK, Australia, Mexico, Dominican Republic, Colombia, Japan, Israel, Peru, and Chile. Orangetheory Fitness is franchised by Ultimate Fitness Group, successful franchisers of Massage Envy and European Wax Center. In 2019, the company was ranked #25 in Entrepreneur Magazine's Franchise 500 list.

Honors Holdings LLC is a major Orange Theory Franchisee with units in the U.S. and the U.K.



Lessee: Lady Jane's Chattanooga-Cleveland TN, LLC

Guarantor: Lady Jane's Holding Company

No. of Locations: 400+

Lady Jane's

Lady Jane's Haircuts for Men offers haircuts, hair treatments, and hair color and highlighting for men in a sports-themed environment at more than 100 locations across 21 states.



No. of Locations: 850+

Website: www.tropicalsmoothiecafe.com

Tropical Smoothie Cafe

Tropical Smoothie Cafe is a restaurant franchise based in the United States. In addition to smoothies, the company is a full cafe that offers sandwiches, wraps, salads, flat breads, and introduced bowls to their food line in 2016. Tropical Smoothie began as a smoothie shop in 1993, with its franchised store opening in 1997 in Tallahassee, Florida. Since then, the company has grown to currently operate more than 500 locations nationwide. As consumers increasingly focus on healthier food options, Tropical Smoothie Cafe is well positioned for strong growth within the fast-casual dining sector.

SITE PLAN



AERIAL

EAST VIEW

BRADLEY SQUARE MALL



Ernest L Ross
Elementary

Donald P Yates
Primary School

Paul Huff Pkwy (22,900 AADT)

HICKORY GROVE SHOPPING MALL



DURACELL
Corporate Office

Tinsley Park
& Recreation
Center

MOUSE CREEK CROSSING



AERIAL

WEST VIEW

CLEVELAND TOWNE CENTER



INTERSTATE
75 (41,940 AADT)



MOUSE CREEK CROSSING



Peerless Rd

Paul Huff Pkwy (22,900 AADT)

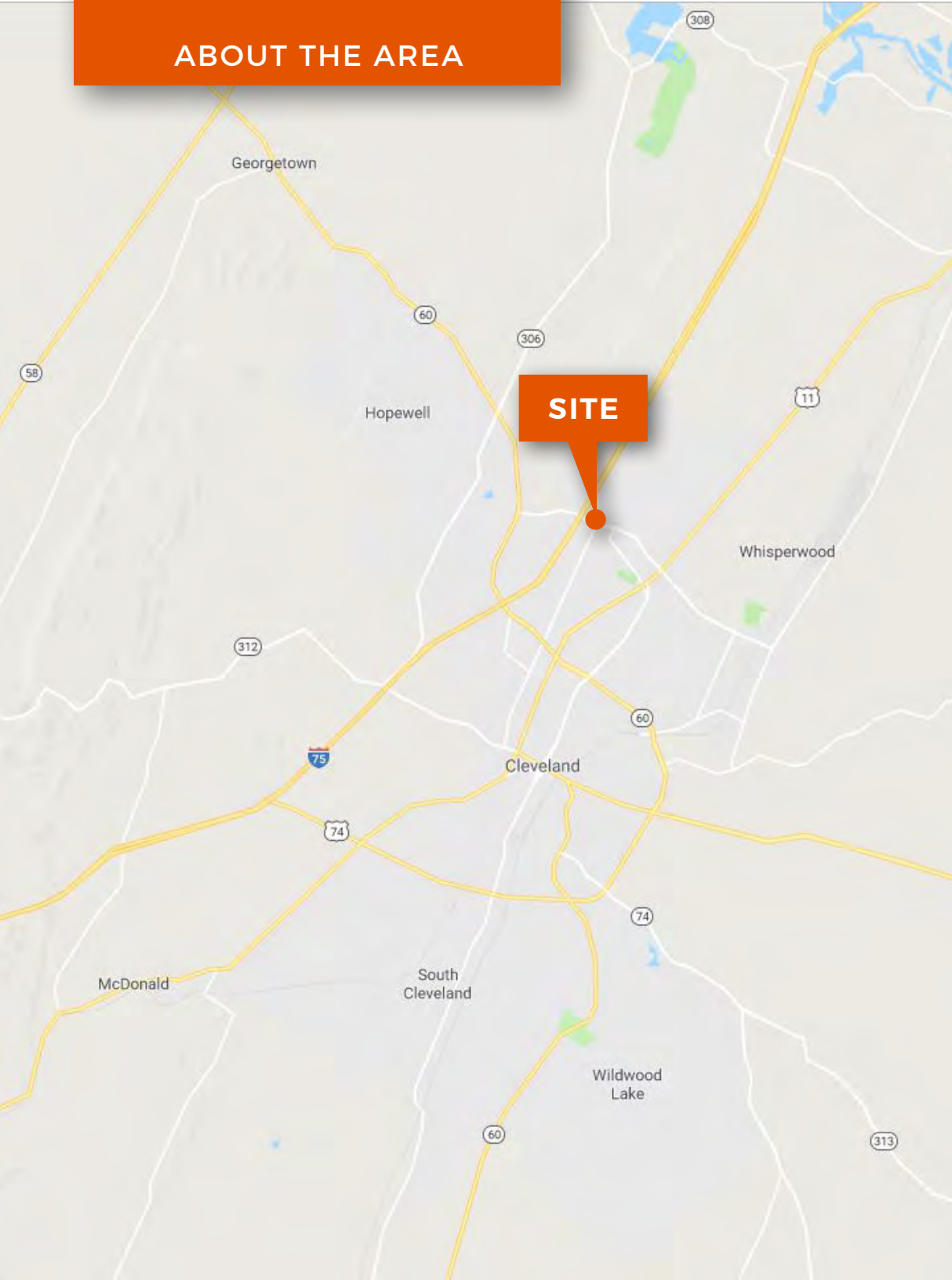
ABOUT THE AREA

The map displays the Chattanooga, Tennessee region. A red dot labeled **SITE** is positioned near Cleveland, TN, at the intersection of US-41 and US-64. Major highways shown include I-75, I-24, and US-41. Other labeled locations include Chattanooga, Dalton, and various smaller towns and forests in the area.

Cleveland (population 44,483) is the seat Bradley County and a principal city of the Cleveland, TN Metropolitan Statistical Area (population 123,625) The city is located approximately 30 miles east of Chattanooga and is part of the Chattanooga-Cleveland-Dalton Combined Statistical Area (population 966,466).

The city benefits from an established economic base in manufacturing, healthcare, financial services, and tourism. Cleveland is Tennessee's 14th largest city by population, but 5th largest in terms of industrial output; major employers include Whirlpool, Coca-Cola, Mars, Inc., Procter & Gamble, Duracell, Peyton's Southeastern, Arch Chemicals, Advanced Photographic Solutions, Cleveland Chair Company, Renfro Foods, Flowers Bakery, Olin Corporation, Georgia Pacific, Rubbermaid, Exel, Inc., Jackson Furniture, Cleveland Chair Company, Eaton Corporation, Olin Corporation, Bayer, Schering-Plough, Lonza, Wacker, Mueller Company, and Polartec. The city is home to more than 150 manufacturing firms, 13 Fortune 500 companies, and the corporate headquarters of Life Care Centers of America, the largest privately held nursing facility company in the U.S., Check Into Cash, Inc., the largest privately held payday loan company nationwide, and Hardwick clothes, the oldest tailor-made clothing manufacturer in the U.S..

ABOUT THE AREA



Site Information

The subject property is ideally located with excellent access and visibility along at the junction of Peerless Road and Paul Huff Parkway (22,900 AADT) near its junction with I-75 (41,940 AADT) and approximately 1 mile from its junction with US-11 (31,630 AADT). The site benefits from robust demographics with a total daytime population of 70,619 within 5 miles of the site. Average household income within 3 miles of the site exceeds \$72,410, and the annual growth rate within that radius is 1.20%.

The property benefits from a prominent retail location within a robust retail corridor neighboring numerous shopping centers and major retail tenants. Shopping centers neighboring the site include Cleveland Towne Center, anchored by Target; Mouse Creek Crossing, with tenants including Publix and National Tire and Battery; The Shops at Cleveland, anchored by Home Depot; Hickory Grove, featuring ALDI, Lowe's, and Petco; Bradley Square Mall, anchored by AMC Theaters, Belk, and TJ Maxx; Bradley Commons, with tenants including Food Lion, Hobby Lobby, and Dollar Tree; and Cleveland Corners, featuring Big Lots and Tuesday Morning. Other major tenants in the surrounding area include Walmart Supercenter, Walgreens, CVS, The Home Depot, Food City, and more.

In addition, the property is located approximately 1 mile from Cleveland State Community College, with a student body of approximately 3,700, and approximately 3.5 miles from Lee University, with approximately 5,400 students enrolled and a staff of more than 800. The site is located approximately 3 miles from Tennova Healthcare's Cleveland Medical Center, a 183-bed hospital and with a staff of 1,157. Other major employers in the surrounding area include Mars Chocolate, located approximately 1.5 miles from the property, with a staff of approximately 575. The property additionally neighbors Ernest L. Ross Elementary School and Donald P. Yates primary school, drawing additional traffic from students, parents, and teachers proximal to the site.



640 Paul Huff Pkwy | Cleveland, TN 37312



2019 POPULATION
63,855



AVERAGE HOME VALUE
\$234,434



AVG. HOUSEHOLD INCOME
\$72,411

Population Summary	1 Mile	3 Miles	5 Miles
2010 Total Population	3,779	30,020	57,751
2019 Total Population	4,243	34,376	63,855
2024 Total Population	4,488	36,492	67,023
2019-2024 Annual Rate	1.13%	1.20%	0.97%
2019 Total Daytime Population	8,761	42,841	70,619
Average Household Income			
2019	\$65,449	\$72,411	\$69,077
2024	\$73,453	\$82,193	\$79,087
Average Home Value			
2019	\$193,606	\$234,434	\$231,438
2024	\$217,615	\$266,174	\$267,330

Top Employers in Cleveland

of Employees

Whirlpool/Maytag	1,435
Bradley County Schools	1,200
Tennova	1,154
Amazon	1,101
Peyton's Southeastern	1,100
Jackson Furniture	852
Wacker Polysilicon	682
Cleveland City Schools	664
Walmart	640
Bradley County Government	620



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