

FOR SALE

I-205 BUSINESS COMPLEX

10000 BLOCK OF SE STARK ST
PORTLAND, OR



KIDDER.COM



THE OPPORTUNITY

The I-205 Business Complex is a multi-building, multi-tenant property with a mix of industrial, flex, office/service, and retail tenants. Its east Portland location is very central and accessible for the Portland/Vancouver metro region, within two blocks of a major Interstate 205 interchange. This location is also within the Gateway Regional Center, the City of Portland's only designated regional center and is targeted to receive a significant share of the city's growth.

The property is anchored by two larger, long-term tenants, Automotive-Industrial Marketing Corporation (AIMCO) and Mor Furniture for Less (Mor Furniture). These companies (or related entity) have occupied 95% of the project for more than 25 years, with leases for most of this space extending into 2028 and beyond. Two smaller office/service tenants occupy the balance of the project, located within a multi-tenant office/service pad building fronting SE Stark Street.

The I-205 Business Complex has a long history of effectively full occupancy providing a strong, diverse, and reliable income stream. Existing contract rents are well below current market rents, providing the potential for dramatic income and value upside over time.

FINANCIAL HIGHLIGHTS

| | |
|--------------------------|--|
| OCCUPANCY | 100% |
| TENANTS | AIMCO/AcraDyne, Mor Furniture, Confi Administration Services, Davenport Tax Services/Payright Payroll Services |
| LEASE EXPENSE STRUCTURES | Varies from triple net to modified gross |
| AVG CONTRACT RENT | \$8.82/SF/Year |
| ANNUAL CONTRACT RENT | \$707,127 |
| IN-PLACE NOI | \$609,578 |
| OFFERED SALE PRICE | \$8,700,000 (\$108.48 per SF) |
| CAPITALIZATION RATE | 7.0% |



\$8.7M SALE PRICE **\$108** PRICE/SF **7.00%** CAP RATE

| | |
|--------------------------|---|
| ADDRESS | 10003-10005 SE Stark St; 10015 SE Stark St; 10000 SE Pine St; & 9952 SE Oak St Portland, OR 97216 |
| BUILDING SIZES | Office/Service (10003-10005 SE Stark): 4,350 SF Retail (10015 SE Stark): 24,170 SF Warehouse/Flex (9952 SE Oak): 7,593 SF Warehouse/Office (10000 SE Pine): 42,792 SF Flex/Gym (10000 SE Pine): 1,296 SF Total: 80,201 SF |
| SITE AREA | 3.15 acres |
| YEAR BUILT | Early 1960's to 1990's |
| PROPERTY TYPE | Multi-tenant business complex |
| ZONING | General Employment 1 (EG1) |
| # OF TENANTS/SPACE SIZES | Four (1,380 SF to 42,792 SF) |

INVESTMENT HIGHLIGHTS

Central regional location within 2 blocks of Interstate 205 access

Located within City of Portland designated Gateway Regional Center

100% leased to multiple tenants and uses creating a favorable diverse income stream

95% of the tenancy has occupied the property for at least 25 years

Existing contract rent averages approximately 25% below market with the largest tenant near 40% below market

Opportunity for initial steady income stream with mid-to-long term income/value upside

Priced far below replacement cost

Population over 420,000 within five miles and 1.18 million within 10 miles

Within ¼-mile of Marketplace 205 and Plaza 205, with major tenants Target, Big Lots, Home Depot, 24-Hour Fitness and 99 Ranch Supermarket



PROPERTY OVERVIEW



SE PINE ST

AIMCO

MOR
FURNITURE

SE OAK ST

ACRADYNE

OFFICE/
SERVICE

SE 102ND AVE

SE 99TH AVE

SE STARK ST

25,501+ VPD

22,995+ VPD

22,259+ VPD

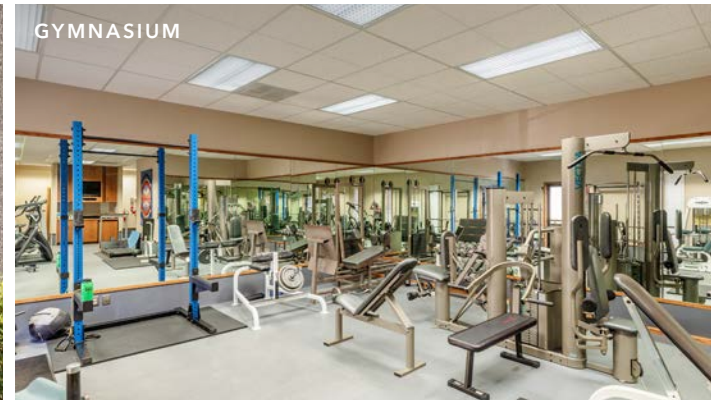
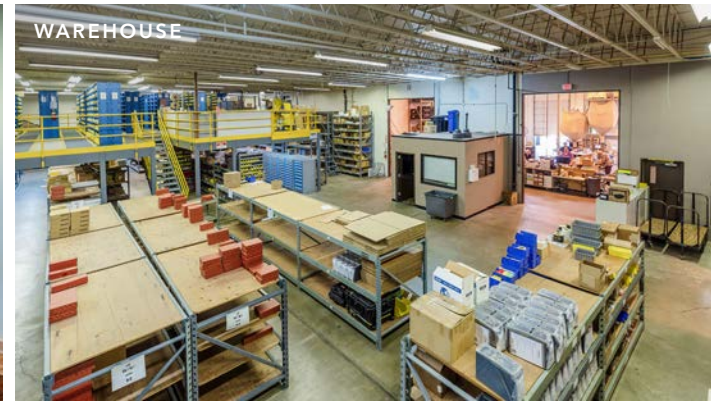
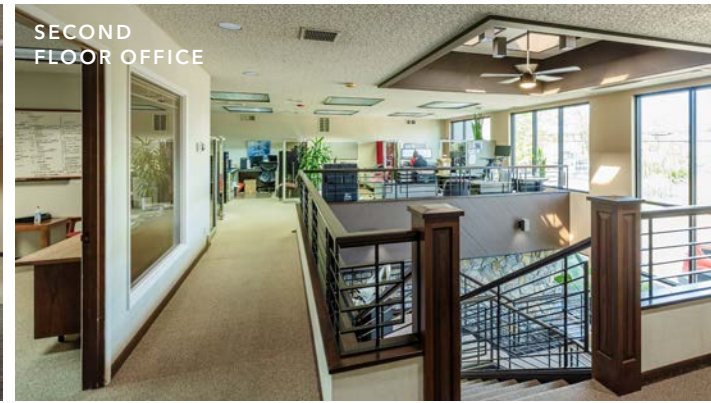
SE WASHINGTON ST

KIDDER MATHEWS

FOR SALE ■ I-205 BUSINESS COMPLEX 4



PROPERTY OVERVIEW



PROPERTY OVERVIEW



LOCATION

I-205 Business Complex is located in the Gateway area of East Portland. This area is characterized by its primary regional location, within seven miles of the Portland CBD to the west, City of Gresham to the east, Clackamas area to the south, and Vancouver, WA to the North. Interstate 205 and Interstate 84 both run adjacent to the neighborhood, with the I-205/Stark Street freeway interchange being only two blocks west of the property. Over 420,000 people live within five miles and 1.18 million within 10 miles.

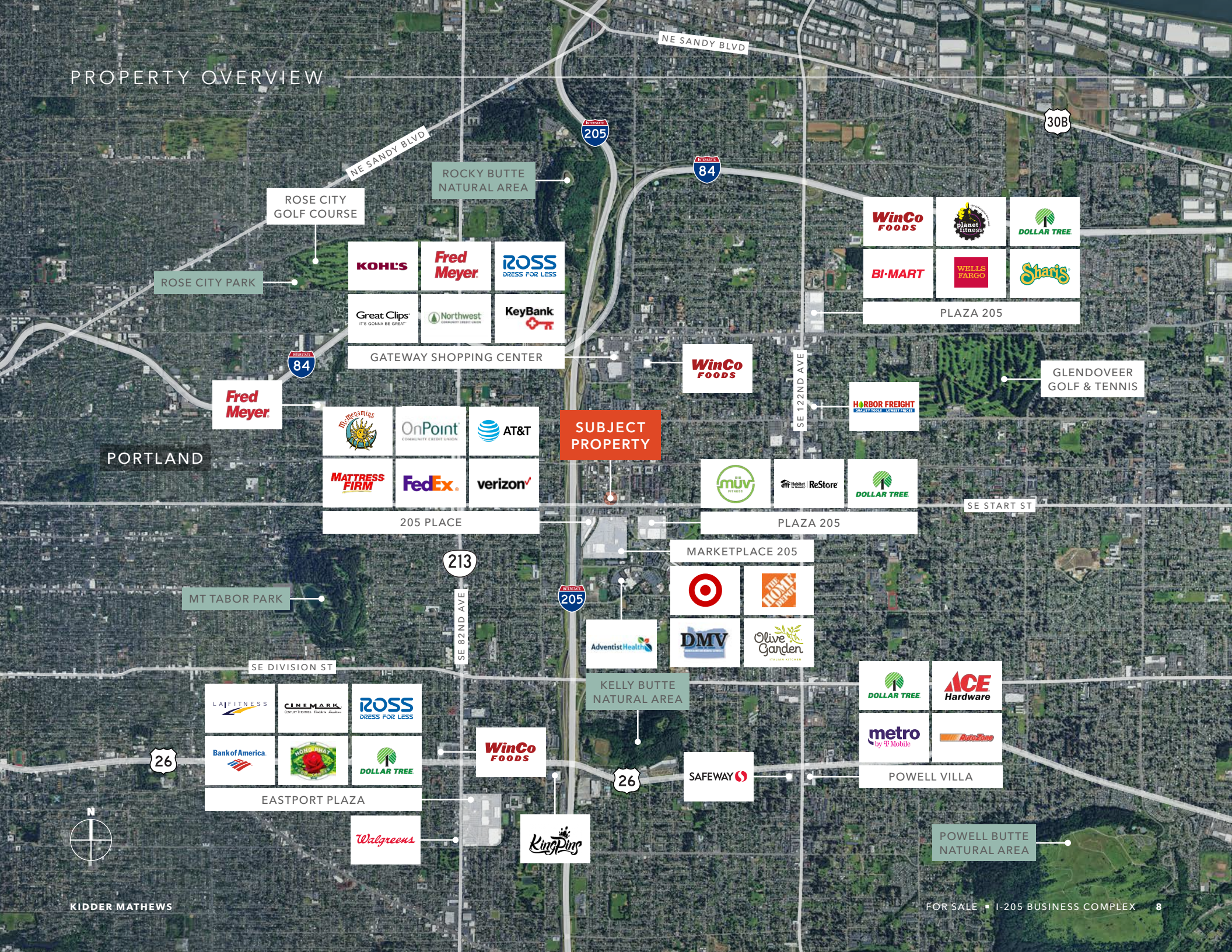
In addition to the extensive freeway and highway infrastructure, the area is heavily served by mass transit, including MAX light rail and TriMet bus service. Tri-Met bus lines 15 and 20 both run within 1 block of the property. The property is also located within one-half mile of two MAX Light rail stations and less than one-mile from the Gateway Transit Center which provides direct connections to MAX light rail lines throughout the region.

Consistent with its central regional location, large retailers in the area include Kohl's, Ross, and Fred Meyer within the Gateway Shopping Center less than one mile north of the property, and Home Depot, Big Lots, 24-Hour Fitness and 99 Ranch Supermarket less than one-half mile south. Adventist Health has a 300+ bed hospital, less than one mile south.

The immediate neighborhood is anchored by the one-way couplet of SE Stark Street flowing west and SE Washington Street flowing east from I-205 to SE 108th Avenue. This is a commercial corridor with extensive restaurants, bank branches, professional services and convenience retail, along with the larger retailers previously mentioned. Over 22,000 vehicles travel in each direction of this couplet daily, with the SE Stark Street traffic adjacent to the property.



PROPERTY OVERVIEW



ROSE CITY GOLF COURSE

ROCKY BUTTE NATURAL AREA

ROSE CITY PARK

| | | |
|------------------------------------|------------------------------------|-------------------------------|
| KOHL'S | Fred Meyer | ROSS DRESS FOR LESS |
| Great Clips IT'S GONNA BE GREAT | Northwest COMMUNITY CREDIT BANK | KeyBank |

GATEWAY SHOPPING CENTER

| | | |
|--------------------|-----------------------|--------------------|
| WinCo FOODS | Planet Fitness | DOLLAR TREE |
| BI-MART | WELLS FARGO | Shari's |

PLAZA 205

Fred Meyer

| | | |
|----------------------|--|-----------------|
| Mechanics | OnPoint COMMUNITY & BSBY UNION | AT&T |
| MATTRESS FIRM | FedEx | verizon |

205 PLACE

SUBJECT PROPERTY

WinCo FOODS

HARBOR FREIGHT
TOOLS • EQUIP. • PAINTS

GLENDOVER GOLF & TENNIS

PORTLAND

| | | |
|-----------------------|----------------|--------------------|
| müv FITNESS | ReStore | DOLLAR TREE |
|-----------------------|----------------|--------------------|

PLAZA 205

SE START ST

MT TABOR PARK

| | |
|---------------|-----------------------|
| Target | THE HOME DEPOT |
|---------------|-----------------------|

MARKETPLACE 205

SE DIVISION ST

| | | |
|------------------------|------------|--|
| AdventistHealth | DMV | Olive Garden ITALIAN KITCHEN |
|------------------------|------------|--|

KELLY BUTTE NATURAL AREA

| | | |
|------------------------|--|-------------------------------|
| LAI FITNESS | CINEMARK Century Theatres, Knapex, Audimax | ROSS DRESS FOR LESS |
| Bank of America | HONG HAT RESTAURANT | DOLLAR TREE |

EASTPORT PLAZA

WinCo FOODS

SAFeway

| | |
|-----------------------------|---------------------|
| DOLLAR TREE | ACE Hardware |
| metro by T-Mobile | AutoZone |

POWELL VILLA



Walgreens

King Pins

POWELL BUTTE NATURAL AREA

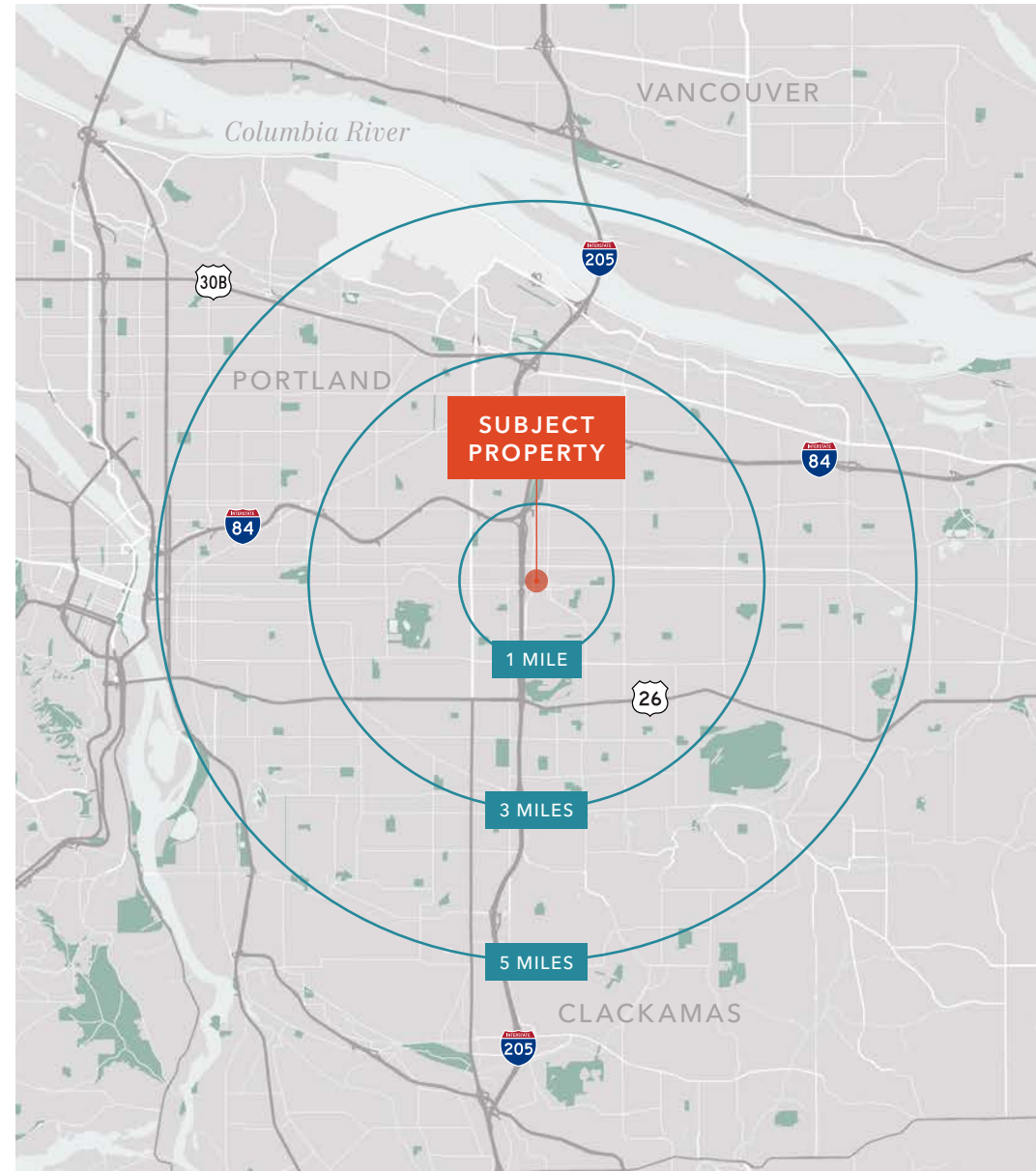
DEMOGRAPHICS

 *Population*

| | 1 Mile | 3 Miles | 5 Miles |
|----------------|--------|---------|---------|
| 2010 CENSUS | 19,303 | 188,803 | 409,205 |
| 2020 CENSUS | 21,169 | 202,947 | 444,439 |
| 2024 ESTIMATED | 20,321 | 193,534 | 427,157 |
| 2029 PROJECTED | 19,585 | 184,978 | 411,741 |

 *Household Income*

| | 1 Mile | 3 Miles | 5 Miles |
|-----------------------|----------|-----------|-----------|
| 2024 MEDIAN | \$71,810 | \$82,999 | \$90,392 |
| 2029 MEDIAN PROJECTED | \$73,167 | \$84,900 | \$92,533 |
| 2024 AVERAGE | \$91,788 | \$109,018 | \$117,245 |
| 2029 AVG PROJECTED | \$94,450 | \$112,960 | \$121,919 |



FINANCIAL ANALYSIS

OVERVIEW

I-205 Business Complex is 100% occupied by four tenants. Approximately 95% of the project has been leased to the same two tenants (or related entities) for over 25 years. The largest lease (AIMCO) is on a triple net expense basis. The other leases are varying modified gross expense structures with each tenant paying increases in real estate taxes over the base year. The following is a summary of the income, expenses, and projected net operating income for the property.

INCOME

Current lease rates represent a broad range from \$5.96/SF/Year to \$19.22/SF/Year, with an average of \$8.82/SF. The broad range in rents is reflective of the broad variance in property/use type. The AIMCO/AcraDyne industrial building leases are at \$5.96/SF/Year, or \$.497/SF/Month. This contract lease rate is dramatically below current market rent levels in the \$.75/SF/Month range for the AIMCO Building and \$1.00/SF/Month for the AcraDyne Building. These low contract rents are a product of historical related party lease agreements.

Current contract rent for the Mor Furniture retail building is \$13.16/SF/Year modified gross. Market rent is estimated in the \$14.00/SF/Year NNN range, which is more

than 20% higher on a NNN equivalent basis. The two smaller tenant office leases average \$18.65/SF/Year modified gross. This is slightly below the estimated market rent of \$16.00/SF NNN equivalent.

Overall, existing contract rents are estimated to be approximately 25% below current market rents.

The gross contractual rental income for the 12-months beginning January 1, 2025 is \$707,126 (annualizes month-to-month Davenport Lease). Reimbursable expense income is estimated at approximately \$216,690, resulting in total potential gross income of \$923,816.

OPERATING EXPENSES

Historical expense information was reviewed for the property. These historical expenses, actual property taxes, actual insurance expense, and market standards have been utilized to estimate operating expenses for the property. The estimated annual expenses total \$314,238, or \$3.92/SF.

NET OPERATING INCOME

Based upon the above income and expense projections, the estimated net operating income for the property for the 12-months beginning January 1, 2025 equals \$609,578.



FINANCIAL HIGHLIGHTS

For 12-months beginning Jan 1, 2025

| INCOME | Per SF | In-Place |
|--|-----------------|--------------------|
| Rental Income | | |
| Confi Administration Services | \$17.40 | \$24,012 |
| Davenport Tax Services/ Payright Payroll Services | \$19.22 | \$57,096 |
| Mor Furniture for Less | \$13.16 | \$318,000 |
| AIMCO Building & Gym | \$5.96 | \$262,764 |
| AcraDyne Building | \$5.96 | \$45,254 |
| Total Potential Rental Income | \$8.82 | \$707,126 |
| Confi - Base Year Tax Pass-Through | | \$392 |
| Davenport - Base Year Tax Pass-Through | | \$1,202 |
| Mor - Base Year Tax Pass-Through | | \$12,506 |
| AIMCO - Prorata NNN Expenses | \$3.92 | \$172,825 |
| AcraDyne - Prorata NNN Expenses | \$3.92 | \$29,765 |
| Total Reimbursable Expense Income | | \$216,690 |
| Total Potential Gross Income | | \$923,816 |
| EXPENSES | | |
| Property Management | (4%) | (\$36,953) |
| Property Taxes | (\$1.47) | (\$117,548) |
| Insurance | (\$0.24) | (\$19,537) |
| Utilities | (\$0.03) | (\$2,100) |
| Outside Vendors | (\$1.07) | (\$85,600) |
| Repairs & Maintenance | (\$0.34) | (\$27,500) |
| Major Repairs & Maintenance | (\$0.31) | (\$25,000) |
| Total Operating Expenses | (\$3.92) | (\$314,238) |
| Net Operating Income | | \$609,578 |

\$8,700,000

SALE PRICE

7%

CAP RATE

\$108.48

PRICE PER SF



PORTLAND/VANCOUVER METRO INDUSTRIAL MARKET

The Portland/Vancouver Metro industrial market (Multnomah, Washington, Clackamas & Clark Counties) as tracked by Costar consists of approximately 227 million SF. Prior to the past year, this market had been very strong for a decade, with a cyclical low vacancy of 2.8% reported for Q3 2023 and averaging 3.83% the past 10 years. The Q3 2024 vacancy has increased to 5.7%, reflecting the combination of a slowing leasing market and new construction delivery. However, much of this vacancy is concentrated in a handful of submarkets that have seen a heavy volume of new construction.

New construction delivery has averaged 2.68 million SF annually for the past five years, with the past 12 months being consistent at 2.58 million. No new industrial construction was delivered in the I-205 Business Complex submarket since Q4 2022, and none is currently under construction.

The average market asking rent is currently \$11.34/SF/Year, or \$0.95/SF. Annual asking rent growth over the past 12 months is reported at 5.4%. This has moderated a bit from the past 5-year annual average of 5.9%, but is strong, nonetheless.

Overall, the Portland/Vancouver Metro industrial market has been very strong the past several years and while there are signs

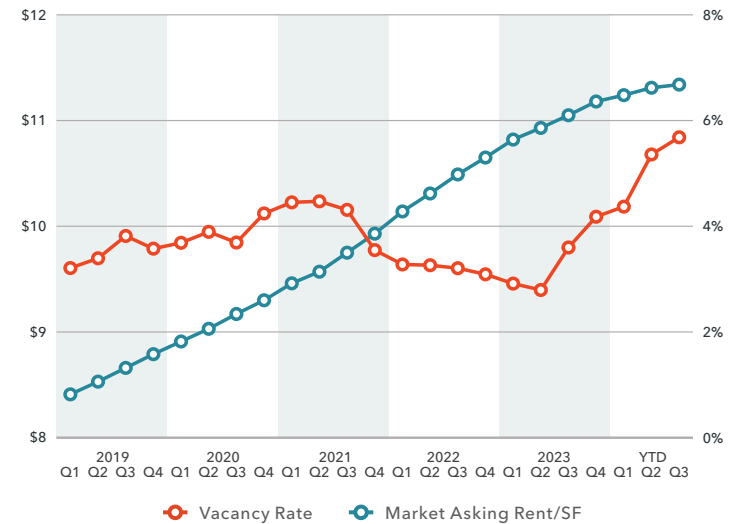
of demand moderating, conditions remain very favorable; particularly in specific submarkets. With the existence of the metro area Urban Growth Boundary and associated lack of available land for new development, the industrial market is particularly well positioned over the long run.

I-205 CORRIDOR SUBMARKET

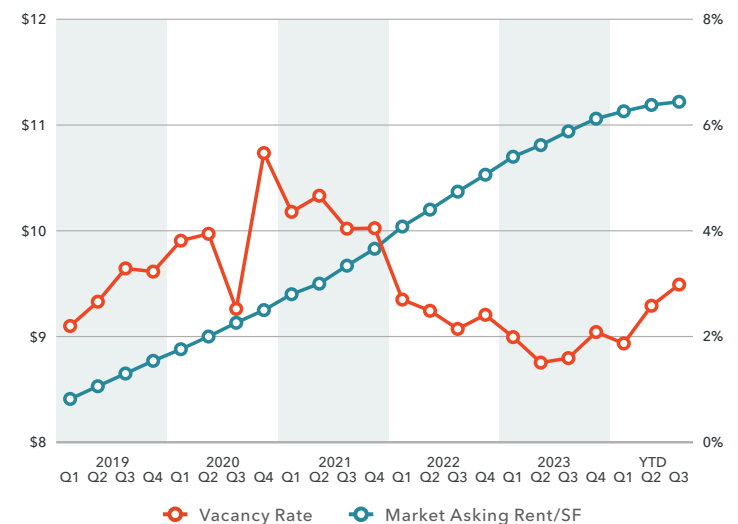
I-205 Business Complex is located within the I-205 Corridor industrial submarket, centered along I-205 in the east Portland metro area. Costar tracks three submarkets within this area including Gateway, Mall 205, and Clackamas/Milwaukie. This combined submarket contains 28.8 million SF of space with a Q3 2024 vacancy reported at just 2.98%. While leasing activity has slowed in the past year, the current vacancy remains slightly below the past 10-year average of 3.2%. No new industrial space has been delivered in the past 18 months and none is currently under construction in this submarket with minimal vacant land available.

The current average asking rents are \$11.22/SF/Year, or \$.94/SF/Month with annual asking rent growth averaging 5.4% over the past year, and 5.6% over the past decade. The average industrial building sale price is \$168/SF.

METRO VACANCY & MARKET RENT/SF



I-205 SUBMARKET VACANCY & MARKET RENT/SF



PORTLAND/VANCOUVER METRO RETAIL MARKET

The Portland/Vancouver Metro retail market (Multnomah, Washington, Clackamas and Clark Counties) as tracked by Costar consists of approximately 120 million SF. This market has been very strong since rebounding from a short spike in vacancy experienced after the initial on-set of Covid 19. The Q3 2024 vacancy is reported at 4.0%, has ranged between 3.52% and 4.02% for the past three years, and averaged 3.8% over the past decade. Over 300,000 SF of net absorption has occurred in the past 12 months. Average market retail asking rents are \$24.36/SF/Year Q3 2024.

GATEWAY/MALL 205 SUBMARKET

I-205 Business Complex is located on the border between the Gateway and Mall 205 submarkets as tracked by Costar. This submarket contains 10.9 million SF in close to 1,600 buildings. The Q3 2024 vacancy is reported at 5.3% and has averaged 3.94% over the past ten years. The submarket has an average market asking rent of \$21.94/SF. Nominal new developments have occurred over the past several years, reflecting the in-fill character of the neighborhood. The largest retail center in the submarket is located within one-quarter mile of I-205 Business Complex. This is the 310,000 SF Marketplace 205 anchored by Target and Home Depot.



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