



# CAPITOL AREA EAST END COMPLEX

1430 N STREET  
1501, 1500, 1615, AND  
1616 CAPITOL AVENUE  
SACRAMENTO, CA 95814

## **GOLDEN STATE PORTFOLIO OFFERING MEMORANDUM**

11 office properties • 7.3 million square feet  
20 year sale/leaseback portfolio  
3 California core metro markets

Capital Markets Institutional Group





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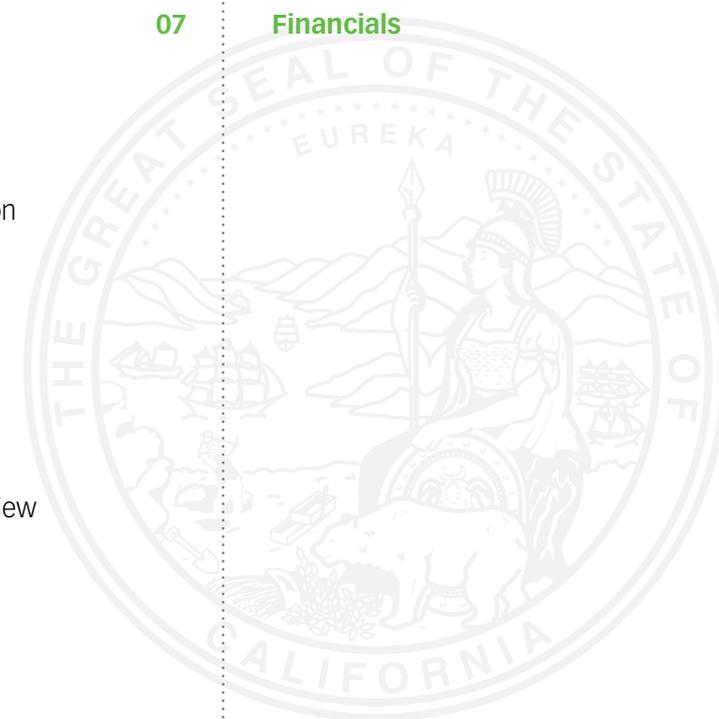
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For more information about the Golden State Portfolio,  
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[www.cbre.com/goldenstateportfolio](http://www.cbre.com/goldenstateportfolio)





# EXECUTIVE SUMMARY

## The Offering

CB Richard Ellis, as exclusive advisor to the State of California, is privileged to present the opportunity to acquire a 100% fee simple interest in the Capitol Area East End Complex, a five-building Class A campus situated at the east end of Capitol Park in the heart of Sacramento, California (the "Property"). The building addresses, sizes and configurations are set forth below.

All five are Class A office buildings, and all are LEED® certified – Platinum for 1430 N Street and Gold for the other four buildings. Parking for 1,611 cars is provided by a combination of a single level of subterranean parking and a five-story parking garages located north of 1615 Capitol, with the entrance off of 17th Street. All five buildings were constructed in 2002 and 2003.

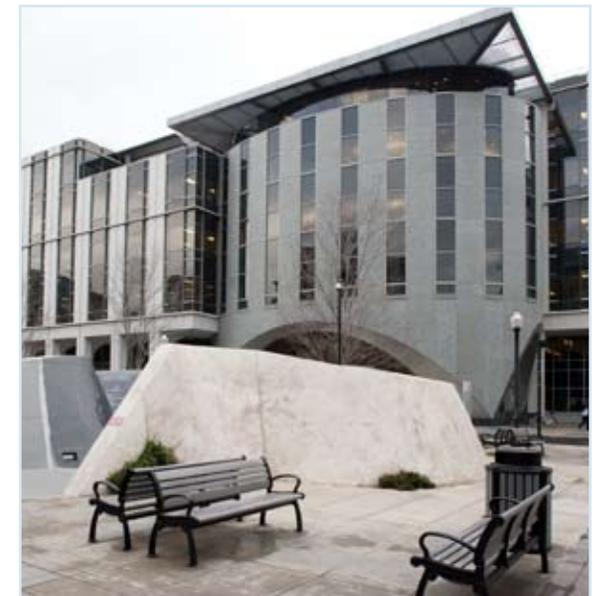
The property is 100% leased, of which 99.9% is leased to the State of California for a firm term of 20 years, and may be acquired separately or as part of an 11-property sale/leaseback portfolio (the "Golden State Portfolio") comprising approximately 7.3 million square feet located in the San Francisco Bay Area, Los Angeles and Sacramento.

This is a rare opportunity to acquire high-quality, Class A office property that offers a reliable 20-year income stream in a substantially built-out submarket with high barriers to entry.

Address	Stories	Rentable Square Feet	Parking	LEED Certification
1430 N Street	6	353,126	212	LEED Platinum
1500 Capitol Ave.	6	187,001	161	LEED Gold
1501 Capitol Ave.	6+basement	460,874	206	LEED Gold
1615 Capitol Ave.	7	234,844	89	LEED Gold
1616 Capitol Ave.	7	238,860	125	LEED Gold
Total Rentable Area		1,474,705		
1214 17th Street (parking garage)	5+basement		818	
Total parking			1,611	

## Offering Summary

<b>Property Name:</b>	Capitol Area East End Complex
<b>Address:</b>	Various, see table to left Sacramento, CA 95814
<b>Rentable Square Footage:</b>	± 1,474,705
<b>Number of Buildings:</b>	5 plus parking structure
<b>Year Built:</b>	2002-2003
<b>Number of Stories:</b>	6 and 7
<b>Parking:</b>	± 1,611 stalls (1.09 per 1,000 rsf)
<b>LEED Certification:</b>	LEED Platinum (1 bldg), Gold (4 bldgs)
<b>State of California Lease Term:</b>	20 years firm



## Investment Highlights

### • Long Term Credit Tenancy

The Property is 100% leased, of which 99.9% is leased to the State of California for 20 years firm, providing an investor with stable and secure cash flows and built-in rent escalations that enhance yields during the lease term. The State of California has an investment grade credit rating of "A-" by Standard & Poor's. The lease will commence at the close of escrow.

### • Trophy Office Property

The Capitol Area East End Complex is the largest office construction project ever undertaken by the State, and has changed both the look and dynamic of downtown Sacramento. The buildings were designed to meet the specific needs of the agencies that occupy them, and are tantamount to multiple "build-to-suit" office projects combined into one campus. In restricting the height of the buildings, the intent was to respect the presence of, and avoid overshadowing, the nearby State Capitol. The architecture of the five buildings is well integrated, and a consummate blend of energy and functional efficiency. The Capitol building itself is clearly visible at the other end of Capitol Park, and its highly-visible presence is an understated testament to the importance of this landmark office property.

### • Exceptional Downtown Sacramento Location

The Property is situated on the north and south sides of Capitol Avenue, and at 1430 N Street, diagonally southwest across the street from the 1500 building. The complex is walking distance to the Capitol and to the many offices buildings occupied by consultants and firms which routinely do business with the State. Access to Highway 50, Interstate 5, and the Capital City Freeway is straightforward via 15th, L, and 16th Streets. Regional Transit operates regular bus routes along both 15th and 16th Streets, and the light rail station at 15th and Q Streets is only three blocks to the south.

### • On-Site Parking and Amenities

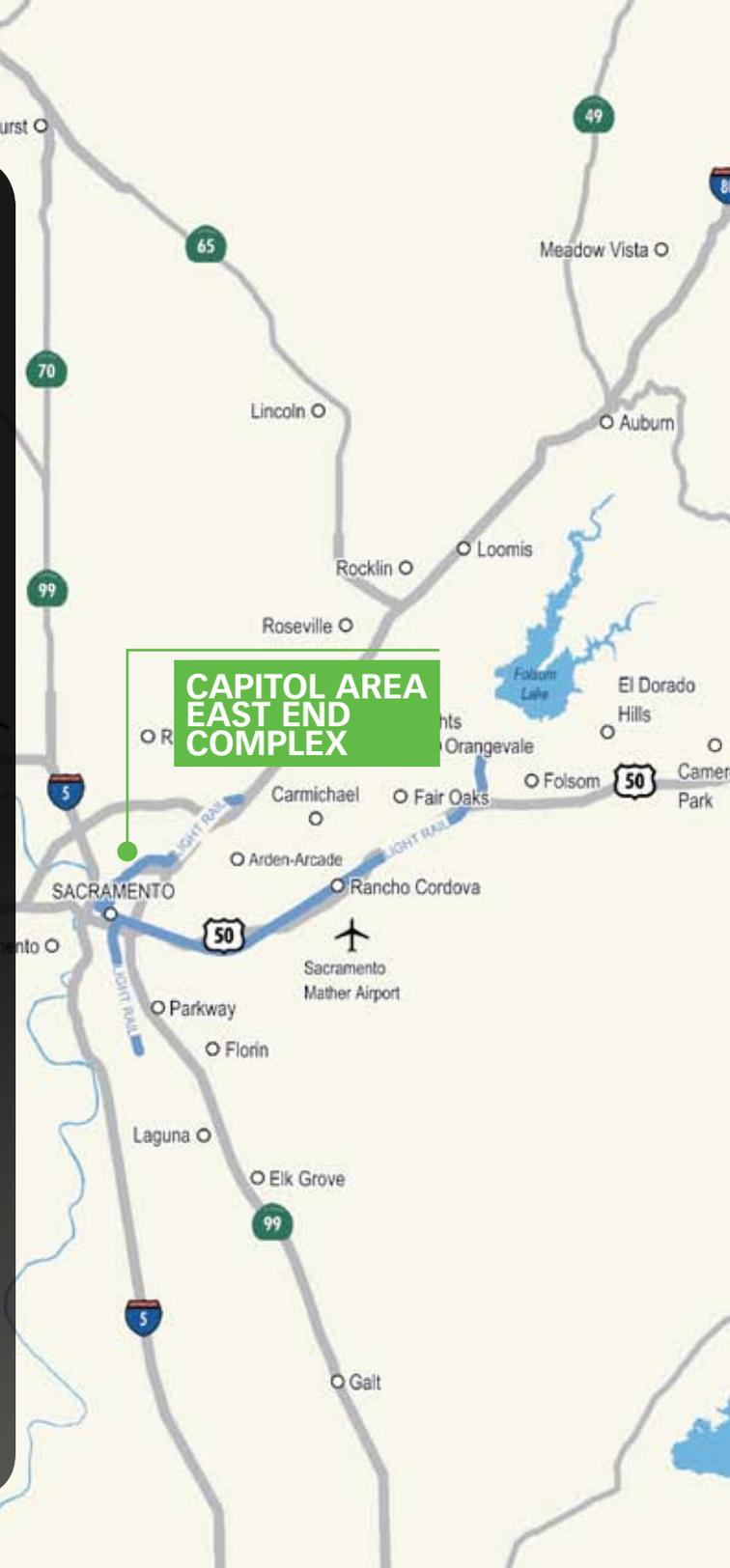
The individual buildings' subterranean parking and five-story parking structure can accommodate 1,611 cars. Each building has its own coffee shop/snack bar, and buildings 1500 and 1615 have leasable restaurant spaces. In addition, building 1500 has ground level retail space available, and a 300-seat auditorium with a raised stage.

### • Revitalized Downtown

Over the last decade new office buildings like the subject have increased Downtown's daytime population, while numerous successful residential development have increased its 24/7 population. New restaurants, art galleries and other retail openings have become commonplace downtown, and nearby dining opportunities are numerous and, in many cases, of extraordinary quality. Every month the center of the city fills with people who travel downtown for Second Saturday, an open house event organized in the late '90s by the downtown area's art galleries. For many Sacramento residents, Second Saturday provides a rationale for coming downtown to enjoy the outstanding food, wine, and entertainment that have turned the Central City's nightlife into such a rich and varied experience.

### • High Value Opportunity

This sale/leaseback opportunity provides an investor the ability to purchase a Class A trophy asset in a revitalized core downtown location with significant barriers to entry.





## Property Overview

The Capitol Area East End Complex consists of five separate mid-rise office buildings located near the east end of Capitol Park in Sacramento, California. In the aggregate, the buildings encompass nearly 1.5 million rentable square feet, with parking provisions for 1,611 vehicles in a combination of subterranean and above-ground parking structures. Altogether, the East End Complex occupies five full city blocks of downtown Sacramento.

All the buildings were completed in 2002 and 2003, and while architecturally integrated, no two buildings are the same. Some of the amenities included within the complex are a landscaped rooftop patio, a daycare center, a 300-seat auditorium with rear projection room and raised stage, lighted art displays, amphitheater with water feature, landscaped courtyard, and a data center with raised floor subsystem.

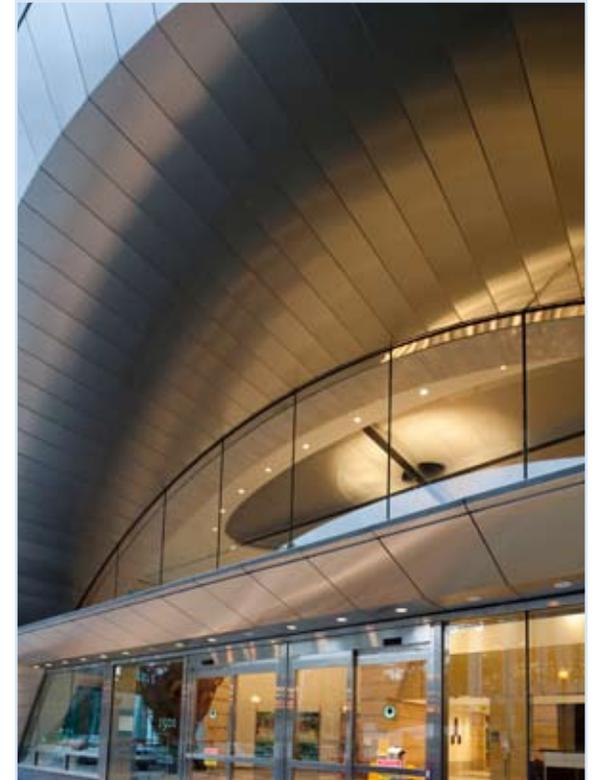
Situated within sight of California's Capitol, the East End Complex enjoys what could aptly be described as a "power location". It is walking distance to all legislative offices and to the offices of lobbyists and consultants who are a regular part of day to day business around the Capitol. Access to freeways is quick and easy using 15th or 16th Streets, or L Street to I-5. In addition, the complex is surrounded by restaurants ranging from budget to world-class, as well as several hotels. Sacramento International Airport is a 15-minute taxi ride via L Street and then north on I-5.

## Location Overview

Sacramento, the capital of California, is located in the north-central part of the state, approximately 85 miles northeast of San Francisco. In addition to its own special attractions, Sacramento is conveniently located two hours or less from the cultural and recreational activities that are found in abundance in both the Bay Area and in the Sierra Nevada Mountains. Lake Tahoe offers skiing in the winter; boating, swimming, golf, camping, and hiking in the summer. And year-round, the hotels and resorts offer gaming, fine dining, and entertainment. The Bay Area features world class dining, art, museums, and a multitude of performance and cultural opportunities.

Sacramento boasts a highly-developed transportation system, consisting of interstate freeways, an international airport, a transcontinental railway system - even a deep water port. Its location at the juncture of I-5 and I-80 makes possible one-day freight delivery anywhere within California and as far east as Salt Lake City.

Regional Transit (or RT) is the primary system of public transit in the Sacramento Region. The RT system is composed of an electricity-driven light rail system, and a complementary system of 256 buses, all powered by compressed natural gas. Currently there are slightly more than 37 miles of light rail track, and there are plans underway to extend these lines northeast to Placer County. Long-range plans call for extending these lines even farther to Elk Grove in the south, through North Natomas, and eventually to Sacramento International Airport. Ridership has grown steadily over the last decade, and presently the system is serving more than 32,000,000 passengers annually.



## Recent Developments

For the last decade, downtown Sacramento has been experiencing a dramatic revitalization of its urban living environment. New residential developments have increased the number of people living downtown, and that demographic shift has been accompanied by an even more rapid growth in dining, entertainment, and cultural venues. Some of the new downtown restaurants are remarkable for their quality, and as new art galleries and other interesting retail establishments have opened, the energy and excitement have been obvious. For example, an event called “Second Saturday” was started about 15 years ago as an open house by a handful of art galleries, and has now evolved into a monthly event that draws literally thousands of people downtown. Historic buildings are being turned into modern hotels, mixed-use developments, theaters, and restaurants. In a relatively short time, Sacramento has gone from

being a sleepy little town by the Sacramento and American Rivers to a place that even big-city dwellers find of considerable interest.

## The Opportunity

The Capitol Area East End Complex offers investors an opportunity to acquire institutional-quality real estate that is leased for 20 years to an investment-grade tenant – the State of California. The Property features an irreplaceable location at the edge of Capitol Park, and occupies five full city blocks. It is a landmark in downtown Sacramento, and offers unsurpassed convenience for both the State employees who work there and for the many firms that do business with the State on a routine basis. It is surrounded and served by restaurants, private offices, public transportation, freeways, and enjoys an unobstructed view of the Capitol building of the nation’s most populous state.

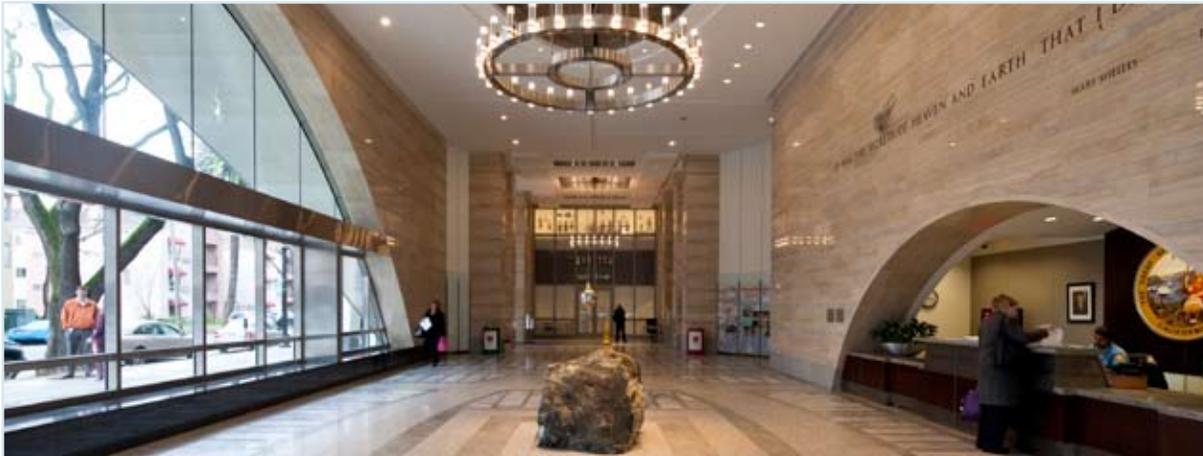
## LEED Certified

The LEED® (Leadership in Energy and Environmental Design) Green Building Rating System is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. Developed by the U.S. Green Building Council, LEED provides building owners and operators a concise framework for identifying and implementing practical and measurable green building design, construction, operating and maintenance solutions.

Befitting California’s legacy as the nation’s leader in “green” legislation and technology, 92% of the Golden State Portfolio is LEED certified (including two pending buildings). The benefits of LEED are many and have the potential to provide superior investment performance.

Studies have shown that LEED projects:

- Obtain higher rents
- Offer productivity gains with fewer employee sick days
- Provide employers with a recruitment tool for new employees and a strong retention rate for existing employees
- “Green” buildings generally have lower operating costs and enjoy a more favorable public image



## Marketing Process/Key Dates

- 2/26/10 – 4/14/10** Offering Period
- 2/26/10 – 10:00 AM** Initial Flyer/Brochure release and Website Launch
- 3/2/10 – 4/14/10** Potential buyers that sign the registration agreement will:
- Obtain access to the electronic marketplace for the buyer selected property or properties to review the offering memorandum(s), BOMA studies, preliminary title report(s), 3<sup>rd</sup> party leases and ALTA survey(s) for the applicable property or properties; and
  - Be invited to property tours that will be conducted on announced dates.
- 4/14/10** The deadline for potential buyers' initial offer submittal
- 4/19/10 – 4/23/10** State evaluation of all initial offers\*
- 4/23/10 – 5/6/10** At the State's discretion, potential buyers within the competitive range will be invited to participate in additional offer rounds.
- 4/23/10 – 5/20/10** Potential buyers within the competitive range will be invited to participate in a Best and Final round. During the Best and Final round, invited potential buyers will be provided a copy of the respective draft purchase and sale agreement for review and comment, proposed draft lease agreement(s) and confidential due diligence information which includes 3<sup>rd</sup> party property condition reports and building plans and specifications. The State may conduct buyer qualification interviews. Comments on the purchase and sale agreement must be provided with the offer.
- 5/24/10 – 5/28/10** State evaluation of all best and final offers\*
- 5/28/10** Anticipated date of the selection of the buyer(s)
- Buyer(s) selection will be based on the following criteria:
- Offered Price;
  - Buyer's Financial Capabilities including potential need for debt as a condition of close;
  - Buyer Due Diligence and Closing Timing;
  - Buyer's Terms and Conditions;
  - Buyer's past performance; and
  - Aggregate Proceeds Analysis (Individual Sales, Partial Portfolio, Portfolio)

\* Buyers that tender offers on multiple assets are required to specify their pricing for each asset or the offer will be rejected. Any property complex that consists of more than one building, e.g. the Capitol Area East End Complex, the Franchise Tax Board Complex, the San Francisco Civic Center, and the California Emergency Management Agency shall be considered a single asset for the purposes of this paragraph.

# PROPERTY SUMMARY

## Property:

1430 N Street  
1501, 1500, 1615, and 1616 Capitol Avenue  
Sacramento, California 95814

## LEED® Certification:



1430 N Street: LEED Platinum  
1500 Capitol Avenue: LEED Gold  
1501 Capitol Avenue: LEED Gold  
1615 Capitol Avenue: LEED Gold  
1616 Capitol Avenue: LEED Gold

## Year Built:

1430 N Street: 2002  
1501, 1500, 1615, and 1616 Capitol Avenue: 2003

## Number of Structures:

1430 N Street: One, 6-story office building  
1501, 1500, 1615, and 1616 Capitol Avenue: Four, 6- to 7-story office buildings

## Parcel Numbers:

006-0225-002-0000  
006-0225-003-0000  
006-0225-004-0000  
006-0225-005-0000  
006-0172-019-0000  
006-0174-017-0000

## Total Rentable Area:

Building	Rentable Area	Floors
1430 N Street	353,126	6+ Parking and Mechanical Penthouse
1500 Capitol Avenue	187,001	6
1501 Capitol Avenue	460,874	6+ Basement
1615 Capitol Avenue	234,844	7
1616 Capitol Avenue	238,860	7
<b>TOTAL</b>	<b>1,474,705</b>	

## Site Area:

1430 N Street: ±2.062 acres  
1500 and 1501 Capitol Avenue: ±4.439 acres  
1615, and 1616 Capitol Avenue: ±4.445 acres

## Zoning:

### 1430 N Street:

R-5 (Multi-Family Zone)

This multi-family residential zone borders the central business district and is not entirely a residential zone. It may include institutional, office, and commercial uses subject to special permit review.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

C-3-SPD (Central Business District Zone Special Planning). This zone is intended for the most intense retail, commercial and office developments in the city.

## Floors:

1430 N Street: 6 + Parking and Mechanical Penthouse  
1500 Capitol Avenue: 6  
1501 Capitol Avenue: 6 + Basement  
1615 Capitol Avenue: 7  
1616 Capitol Avenue: 7

## Site Location:

Adjacent properties consist of a combination of similar low-rise office buildings and retail.

## Site Access:

### 1430 N Street:

The main building entry is accessed from N Street, a public two-way street. The parking garage entry is accessed from 14th Street, a public two-way street. Two-way drive lanes are provided between parking rows within the parking garage.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

Entry to the parking garage is from 17th Street, a public local two-way street. Entry to the parking garages for Buildings 1616 and 1500 are located off the alley adjacent to the buildings' south elevations. Entry to the parking garage for Building 1501 is from 16th Street. Two-way drive lanes are provided between parking rows within the parking garage.

## Signage:

Building signage consists of acrylic monument-style signage with vinyl lettering and address numerals.



**Elevators:**

**1430 N Street:**

There are six Kone gear-traction passenger elevators and one Kone gear traction freight elevator in the building.

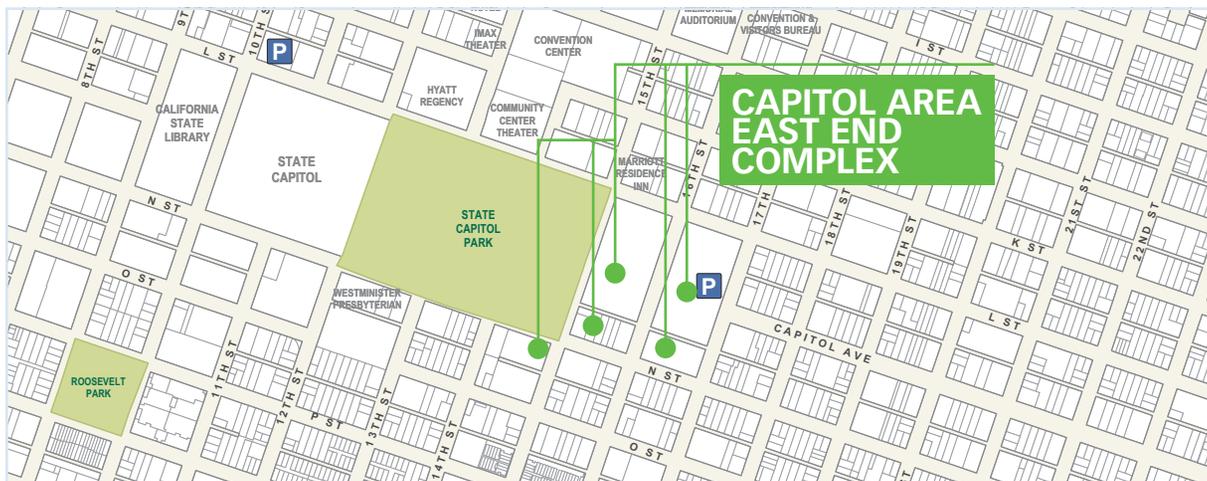
Elev. No.	Type	Capacity	Floors Served
1,2,4,5	Passenger	4,000 lbs/ 26 persons	1 – 6
3	Passenger	4,000 lbs/ 26 persons	B – 6
6	Passenger	4,000 lbs/ 26 persons	B – 1
7	Freight	4,500 lbs/ 30 persons	1 – 6

**1500, 1501, 1615, and 1616 Capitol Avenue:**

The garage building has a hydraulic Thyssen elevator; the office buildings are served by a total of 25 gear-traction type Thyssen elevators.

Elev. No.	Type	Capacity	Floors Served
<b>Building 1500</b>			
1, 2, 3, 4	Passenger	3,500 lbs/ 23 persons	P - 6
	Freight	4,500 lbs/ 30 persons	P - 6
<b>Building 1501</b>			
1, 2, 3, 4, 5, 6	Passenger	4,000 lbs/ 25 persons	P - 6
	Freight	4,500 lbs/ 30 persons	P - 6

Elev. No.	Type	Capacity	Floors Served
<b>Building 1615</b>			
1, 2, 3, 4	Passenger	3,500 lbs/ 23 persons	P - 6
	Freight	4,500 lbs/ 30 persons	P - 7
<b>Building 1616</b>			
1, 2, 3, 4, 5	Passenger	3,500 lbs/ 23 persons	P - 7
	Freight	4,500 lbs/ 30 persons	P - 7
<b>Parking Structure</b>			
1, 2	Passenger	3,500 lbs/ 23 persons	P - 5
<b>Parking Structure</b>			
	Passenger	3,500 lbs/ 23 persons	P - 5





**Parking:**

**1430 N Street:**

Access-controlled basement parking is provided. Parking surfaces are a brushed concrete. Drive lanes are two-way and parking spaces are perpendicular to the drive lanes. Access to the garage is controlled by a security guard during business hours. An overhead coiling grill and gates are operable via callbox to 24-hour security within the building during non-business hours.

There are a total of 212 garage parking spaces at the property. All parking is reserved for staff. The parking ratio for this building is 0.60 spaces per 1,000 square feet.

**1500, 1501, 1615, and 1616 Capitol Avenue:**

There are a total of 1,399 parking spaces in the single-level below-grade parking garages and an above-grade parking structure adjacent to Building 1616. A concrete service tunnel connects the Building 1501 and 1616 below-grade parking levels. All buildings are provided with bike lockup stations and electric vehicle parking.

The parking ratio for the complex of five buildings is ± 1.09 spaces per 1,000 square feet of entire rentable square feet.

**Paving, Curbs and Sidewalks:**

**1430 N Street:**

**Paving:** Not applicable.

**Curbs:** Sidewalk curbs are concrete and integral with the street gutter. On-site perimeter edges of pavement and landscape have cast concrete curbs.

**Sidewalks:** Sidewalks are generally concrete with a broom finish. The walkway immediately in front of main entry is stone.

**1500, 1501, 1615, and 1616 Capitol Avenue:**

**Paving:** Garage entry ramps are broom finished concrete. The top level of the parking structure is coated with a nonslip elastomeric traffic coating.

**Curbs:** Sidewalk curbs are concrete and integral with the street gutter. On-site perimeter edges of pavement and landscape have cast concrete curbs.

**Sidewalks:** Sidewalks are generally formed concrete with a brushed finish. Sidewalks immediately in front of main entries are stone.

**Site Lighting:**

**1430 N Street:**

Office area lighting is generally pendant-mounted fluorescent fixtures with T-8 lamps and electronic ballasts. Exit lights are generator-backed and are generally LED edge-lit illuminated fixtures located at exits and indicate the path of egress. Emergency lighting is provided by generator-backed fixtures. Lighting fixtures in the parking garage are HID.

**1500, 1501, 1615, and 1616 Capitol Avenue:**

Office area lighting is generally pendant-mounted fluorescent fixtures with T-8 lamps and electronic ballasts. Exit lights are generator-backed and are generally LED edge-lit illuminated fixtures located at exits and indicate the path of egress. Emergency lighting is provided by generator-backed fixtures. Lighting fixtures in the parking garage are HID and fluorescent.



## Roof:

### 1430 N Street:

The main roof is the 2002 original and consists of a single-ply membrane, type not specified, manufactured by Firestone set over rigid insulation over concrete fill on the metal structural deck. Reinforced walk pads are provided at the perimeter of the roof. Lower level decks are similarly finished with the exception of the floor 5 deck, which has a combination of rock ballast, or concrete pavers set on pedestals covering the single-ply membrane.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

The roofs on all office buildings are the 2003 originals and consist of an elastomeric fluid-applied membrane bonded directly to the structural concrete deck which is sloped for drainage. Sight screens for mechanical penthouses are solar panels that are attached to a galvanized metal frame suspended off of galvanized metal structural tube supports.

## Exterior Finishes and Components:

### 1430 N Street:

The building is classified as Type I-FR construction with principal Group B (office) occupancy. The primary entry is elliptical-shaped and finished with flamed olive grey stone with an arched stainless steel soffit. The two primary elevations are finished with tinted and spandrel glass and columns accentuated with off-white stone resting on polished olive grey stone bases. Prefinished white metal wraps the back sides of the primary elevation columns forming flying buttresses at the

raised stucco soffits. Side and rear elevations of the building is finished with a combination of painted precast panels formed to simulate a stacked brick appearance, glass fiber reinforced panels and both tinted vision and spandrel glass. Mechanical penthouse walls are prefinished metal panels with rubber gaskets between panels, attached to a galvanized metal stud frame. Exterior finishes are set over a "vapor barrier" which is set, in turn, on either metal stud framing or concrete masonry.

The lobby has stone flooring with carpeted walk-off mats at entries and a built-in security desk. Ceilings are painted stucco and have recessed down lighting. Upper level elevator lobbies and corridor finishes include commercial-grade carpet, gypsum board walls, and dropdown acoustical tile ceilings. Finishes in the common area restrooms generally include ceramic tile at the floors and walls with solid stone counters. Office areas typically have wall-to-wall carpeting and painted gypsum board walls. Ceilings are lay-in acoustical tile set in a metal grid suspension system with fluorescent light fixtures.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

The buildings were constructed under the 1997 Uniform Building Code and are classified as Construction Type I, Occupancy B (office). Primary entries of the four office buildings are barrel-shaped and finished with flamed verde oliva stone with stainless steel soffits and canopies. The remainder of the front elevations are finished with tinted and

spandrel glass and columns accentuated with flame finished pearl stone resting on polished verde oliva bases. Prefinished white metal wraps the backsides of the primary elevation columns forming flying buttresses at the raised stucco soffits. Side and rear elevations of the office buildings are finished with a combination of painted precast panels formed to simulate a stacked brick appearance, glass fiber reinforced panels, and both tinted vision and spandrel glass. Mechanical penthouse walls are traditional three-coat cement plaster with integral finish. The ground level and two stair towers of the parking garage structure are finished with painted precast panels formed to simulate a stacked brick appearance with precast concrete panels formed in horizontal bands set at parking deck levels. Semi-circular stainless steel panels flame cut in repetitive patterns provide accent to the ground level elevations of the parking structure. Exterior finishes are set over an "air and water barrier" which is set, in turn, on either metal stud framing or concrete masonry.

Lobbies have stone flooring with recessed carpeted walk-off mats at entries. Ceilings are painted stucco and have recessed down lighting. A built-in security desk is located in each lobby. Upper level elevator lobby and corridor finishes include commercial-grade carpet, gypsum board walls, and dropdown acoustical tile ceilings. Finishes in the common area restrooms generally include ceramic tile at the floors and stone tile on the walls. Office areas typically have wall-to-wall carpeting and painted gypsum board walls. Ceilings are lay-in acoustical tile set in a metal grid suspension system with fluorescent light fixtures.



### Exterior Doors and Frames:

#### 1430 N Street:

Main entry doors are horizontal sliding stainless steel with tinted, single pane, tempered glazing. The doors are actuated either by overhead sensors or accessible actuator buttons. Secondary entrance doors are factory finished storefront with tinted, single-pane, tempered glazing, set using friction-fit gaskets. Service doors are typically hollow metal doors and frames with a painted finish.

#### 1500, 1501, 1615, and 1616 Capitol Avenue:

Main entry doors are horizontal sliding stainless steel with tinted, single-pane, tempered glazing. The doors are actuated either by overhead sensors or accessible actuator buttons. Secondary entrance doors are factory-finished storefront grade with tinted, single-pane, tempered glazing, set in matching glazed storefront frames. Service doors are typically hollow metal doors with a painted finish. The service tunnel is equipped with overhead coiling metal doors with factory-painted finish at both ends of the service tunnel.

### Office Area:

#### 1430 N Street:

Office areas typically have wall-to-wall carpeting and painted gypsum board walls. Doors are generally wood with a clear finish and lever-style hardware in painted metal frames. Ceilings have lay-in acoustical tile set in a metal grid suspension system and fluorescent light fixtures.

#### 1500, 1501, 1615, and 1616 Capitol Avenue:

Office areas typically have wall-to-wall carpeting and painted gypsum board walls. Doors are generally wood with a clear finish or painted hollow metal with lever-style hardware and painted metal frames. Ceilings have lay-in acoustical tile ceiling set in a metal grid suspension system and fluorescent light fixtures. Vinyl composition tile is installed at break areas.

### Interior Lighting:

#### 1430 N Street:

Office area lighting is generally fluorescent fixtures with T-8 lamps and electronic ballasts. Exit lights are generator-backed illuminated fixtures located at exits and indicate the path of egress. Emergency lighting is provided by generator-backed fixtures.

#### 1500, 1501, 1615, and 1616 Capitol Avenue:

Office area lighting is generally pendant-mounted fluorescent fixtures with T-8 lamps and electronic ballasts. Exit lights are generator-backed and are generally LED edge-lit illuminated fixtures located at exits and indicate the path of egress. Emergency lighting is provided by generator-backed fixtures. Lighting fixtures in the parking garage are HID and fluorescent.

### Interior Doors:

#### 1430 N Street:

Doors in the office areas are generally wood with a clear finish and lever-style hardware in painted metal frames. Common area doors are typically wood with a clear finish.

#### 1500, 1501, 1615, and 1616 Capitol Avenue:

Office area doors are generally wood with a clear finish or painted hollow metal with lever-style hardware and painted metal frames. Common area doors are typically wood with a clear finish or painted hollow metal.

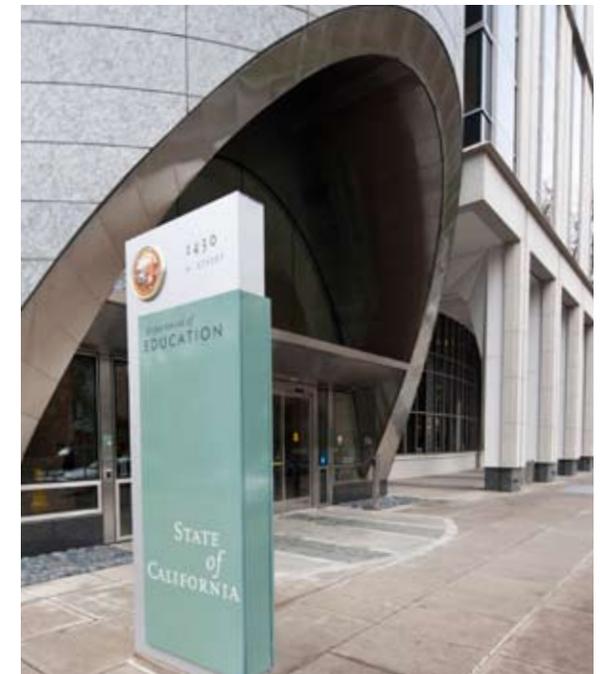
### Loading Docks:

#### 1430 N Street:

The building has a loading dock that is accessed from 15th Street. Loading docks have an overhead coiling grill, two self-leveling docks, and a trash compactor. A passenger load/unload zone is located at the main entry.

#### 1500, 1501, 1615, and 1616 Capitol Avenue:

Loading docks are located in Buildings 1501 and 1616. The loading dock in Building 1501 is accessed via a ramp from 16th Street. The loading dock in Building 1616 is accessed by a ramp off of 17th Street. Loading dock entries typically have overhead coiling grills and self-leveling docks. A trash compactor is also located at each dock. Each building has a passenger load/unload zone at the main entry.



## HVAC/Heating System:

### 1430 N Street:

Cooling is generally provided by three, 325-ton Carrier water-cooled centrifugal chillers that use R-134A refrigerant. Two 58-ton Trane water-cooled self-contained air-handling units serve the first floor. Heat from the chillers and water-cooled air handling units are rejected by four BAC cooling towers, each with VFD fan control. Three built-up air handling units located in the roof penthouse serve variable air volume (VAV) under-floor air distribution systems on floors two through six. The three built-up air handling units consist of two supply fans with VFD control and built-up cooling coil banks. The two Trane water-cooled self-contained air handling units serve VAV boxes in the ceiling plenum on the first floor. Two 6,695-mbh input capacity Clever-Brooks gas-fired forced-draft boilers produce heating hot water that is circulated to heating coils in VAV boxes. Heating water pumps have VFD control.

The data center is served by two  $\pm$  10-ton Liebert chilled water computer room air conditioning units.

Outside air for the office areas is supplied through the air handling units. Typical floor restrooms are exhausted by roof-mounted fans. The underground parking garage is vented by fans controlled by carbon monoxide sensors.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

Heating and cooling are provided to the four office buildings from the chillers and boilers in the central plant. The cooling is provided by three, 325-ton diesel-engine-driven screw chillers manufactured by Tecogen Inc. and two, 1,275-ton York variable speed electric centrifugal chillers. Chilled water is distributed by a primary/secondary system. Each building's base building air distribution systems consist of two or four Mammoth roof-mounted air handling units that range from 187 to 248 tons total cooling capacity. Heating water is produced by two Clever-Brooks flexible-tube, gas-fired, forced-draft boilers each with 9,000,000 Btu/hr input capacity (based on equipment schedules on drawings) and is circulated by variable speed pumps to coils in outside air pretreatment units and to coils in the variable air volume boxes in the air distribution systems. Outside air pretreatment units have evaporative cooling. Heat from the chillers is rejected through six, 500-ton stainless steel cooling towers. The data center in Building 1615 is cooled by eight Stultz chilled water computer room air-conditioning units, and the auditorium in Building 1500 has a roof-mounted McQuay unit with 51 tons total cooling capacity. Elevator equipment rooms are cooled by packaged rooftop units.

Outside air for the office areas is supplied through the air handling units. Typical floor restrooms are exhausted by roof-mounted fans. The underground parking garage is vented by fans controlled by carbon monoxide sensors.

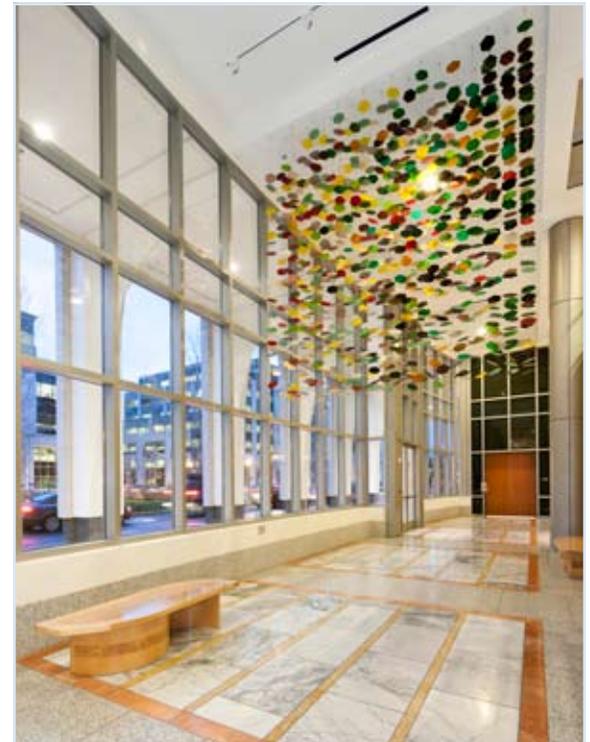
## Energy Management System:

### 1430 N Street:

Automatic temperature controls are provided by a Yamas direct digital controls (DDC) system. The front end computer is located in the security office and is currently under contract for a software upgrade and workstation replacement.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

Automatic temperature controls are provided by a Honeywell "Excel Building Integrator" direct digital controls (DDC) system. A workstation is located in each building and each has the capability of controlling any of the four buildings.





## Plumbing System:

### 1430 N Street:

**Water Service:** A domestic water service with meter and backflow preventer serves the building. A triplex booster pumping system is provided to pressurize the system.

**Water Heaters:** Domestic hot water for the building is produced by a gas-fired boiler and stored in a tank of approximately 750 gallons. At the time of this site visit, the boiler was in the process of being replaced. The replacement boiler is a new Lochinvar boiler with 650-mbh input capacity.

**Plumbing Waste & Vent Lines:** Where observed, sanitary waste and vent piping is cast iron.

**Fixtures:** Restroom facilities typically have floor-mounted water closets and wall-mounted urinals and countertop-mounted lavatories.

**Natural Gas:** The building is served by one natural gas service with separate meters for the retail tenants.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

**Water Service:** There are two domestic water services, one for Buildings 1616 and 1615 and one for buildings 1500 and 1501, each with backflow prevent and meter. The service for Buildings 1615 and 1616 serve the central plant. Each service has a triplex booster pump system and irrigation pump system.

**Water Heaters:** Domestic hot water is produced by a heat exchanger in a 500-gallon storage tank.

**Plumbing Waste & Vent Lines:** Sanitary waste and vent piping is cast iron.

**Fixtures:** Restroom facilities typically have floor-mounted water closets, wall-mounted urinals, and counter-mounted lavatory sinks.

**Natural Gas:** Two natural gas services are provided at the central plant; one for the boilers in the central plant, and one for the retail areas.

## Electrical System:

### 1430 N Street:

**Description of Service:** The building is served by two 277/480-volt, 3-phase, 4-wire feeds from the local utility; each serves a 4,000-amp main switchboard (MSB).

Based on the total capacity of the two MSBs and 475,128 square feet of building area, the resulting capacity is 11.2 watts per square foot, which is adequate for an office use. There is an 800-amp, 277/480-volt switchboard for retail use that appears to be service from one of the 4,000-amp MSBs.

**Electrical Distribution:** The building has three electrical rooms per floor with breaker panels for lighting and convenience outlets.

**Emergency Power:** A 500-kW diesel-driven emergency generator with 400-gallon base storage tank provides backup to the building's fire and life safety systems and the data center. A 225-kVa UPS system supports the data center. Generators are exercised monthly and load tested annually with a load bank.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

**Description of Service:** Buildings 1615 and 1616 have three 277/480-volt, 3-phase, 4-wire services; two to 4,000-amp main switchboards and one to a 3,000-amp main switchboard. Buildings 1500 and

1501 are served by three 3,000-amp 277/480-volt, 3-phase, 4-wire main switchboards. The central plant and parking structure are fed from the switchboards in Buildings 1616 and 1615.

**Electrical Distribution:** Power from the main switchboards is distributed to electrical rooms throughout the building where step down transformers produce 120/208-volt power for tenant use.

**Emergency Power:** There are two Stewart-Stevens diesel-driven emergency generators; one, 1,250-kW generator for the fire and life safety systems for each building and one, 600-kW generator for the data center. Diesel fuel is stored in a 4,000-gallon tank in the garage. Generators are exercised weekly and load tested with a load bank annually.



## Fire/Life Safety System:

### 1430 N Street:

The building is a Type I, FR rated structure that is currently occupied by a single tenant. The building is sprinklered with a light hazard type wet system. Exit corridors are typically single story with fire rated gypsum board walls. Corridor doors and frames are solid core wood in hollow metal frames labeled 3/4 hour. Glazed openings into the corridors were typically fit with wired safety glazing.

Water for the fire sprinkler systems is supplied by one 8" connection with backflow preventer. The building and garage are protected by full coverage automatic wet-pipe fire sprinkler systems with an outside fire department connection.

A Cerberus model MXL addressable fire alarm panel monitors flow and tamper switches in the sprinkler system, smoke detectors in corridors and office areas, and monitors pull stations at exits. The fire alarm system activates ADA horn/strobes located throughout the building. The fire alarm system is monitored off-site by Jantek.

Handheld fire extinguishers are located throughout the building, and fire extinguisher annual inspection tags are current.

Fire hydrants are located at the public right-of-way along the surrounding streets around the buildings.

### 1500, 1501, 1615, and 1616 Capitol Avenue:

The building appears to be Type I, FR rated structure that is currently occupied by a single tenant. The building is sprinklered with a light hazard type wet system. Exit corridors are typically single story with fire rated gypsum board walls. Doors and frames are solid core wood in hollow metal frames labeled

3/4 hour. Glazed openings into the corridors were typically fit with wired safety glazing.

Each office building, below-grade garage, and central plant have an automatic fire sprinkler system. The parking structure has a fire hose system. Buildings 1616 and 1615 have two fire pumps; one is a 1,500-gpm diesel-driven pump and one is a 1,500-gpm electrically-driven pump with a 250-hp motor. There is a 500-gallon fuel tank in the fire pump room to support the diesel fire pump. Buildings 1500 and 1501 have two, 1,500-gpm fire pumps each with a 200-hp motor. Each building has fire department connections located close to the street.

Each building has a Honeywell addressable fire alarm panel to monitor flow and tamper switches in the sprinkler system, smoke detectors, and to monitor pull stations. Buildings 1616 and 1615 are high-rise buildings and have firefighters' communication systems. The fire alarm system activates horn/strobe devices located throughout the buildings. The fire alarm devices in the parking structure are monitored by the fire alarm systems in Building 1615. The fire alarm systems are monitored on site by the owner and off-site by Jantek.



Handheld fire extinguishers are located throughout the buildings and garages.

Fire hydrants are located at the public right-of-way along the surrounding streets around the buildings.

## Utilities:

### 1430 N Street:

**Water:** City of Sacramento  
Department of Utilities

**Sanitary/Sewer:** City of Sacramento  
Department of Utilities

**Electric:** Sacramento Metropolitan  
Utility District (SMUD)

**Gas:** Pacific Gas & Electric (PG&E)

**Telephone:** AT&T

### 1500, 1501, 1615, and 1616 Capitol Avenue:

**Water:** City of Sacramento  
Department of Utilities

**Sanitary/Sewer:** City of Sacramento  
Department of Utilities

**Electric:** Sacramento Metropolitan  
Utility District (SMUD)

**Gas:** Pacific Gas & Electric (PG&E)

**Telephone:** AT&T



Site Plan



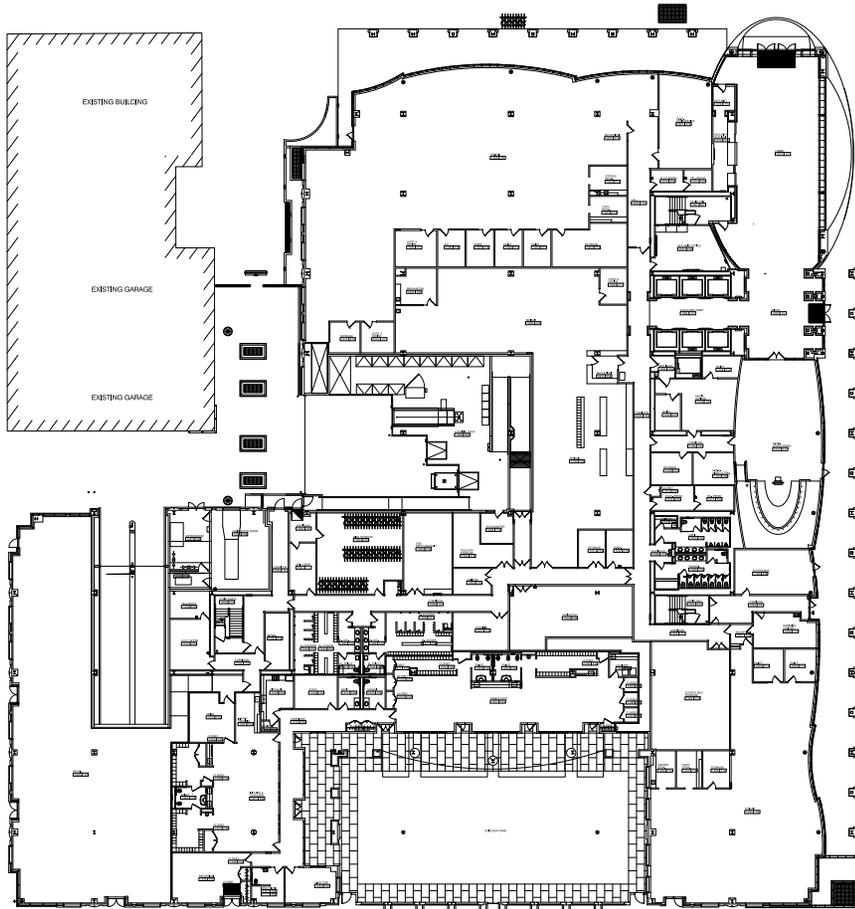


## Representative Floor Plans

### Capitol Area East End Complex

1430 Capitol Avenue  
Sacramento, California 95814

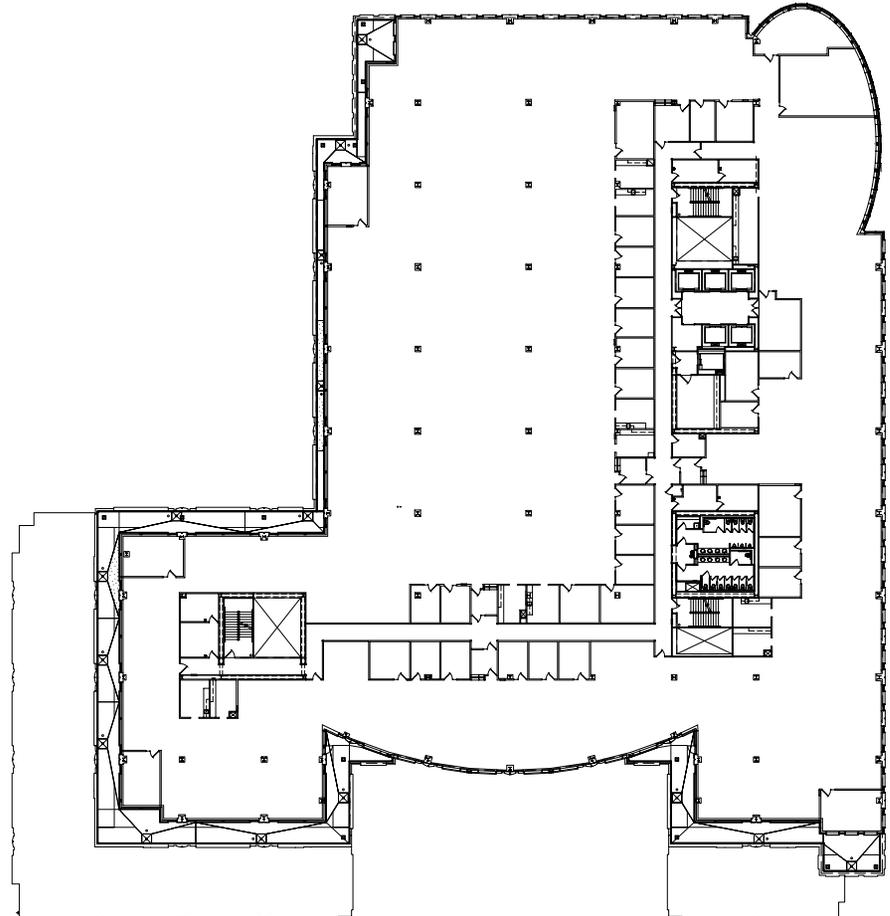
#### Floor 1



### Capitol Area East End Complex

1430 Capitol Avenue  
Sacramento, California 95814

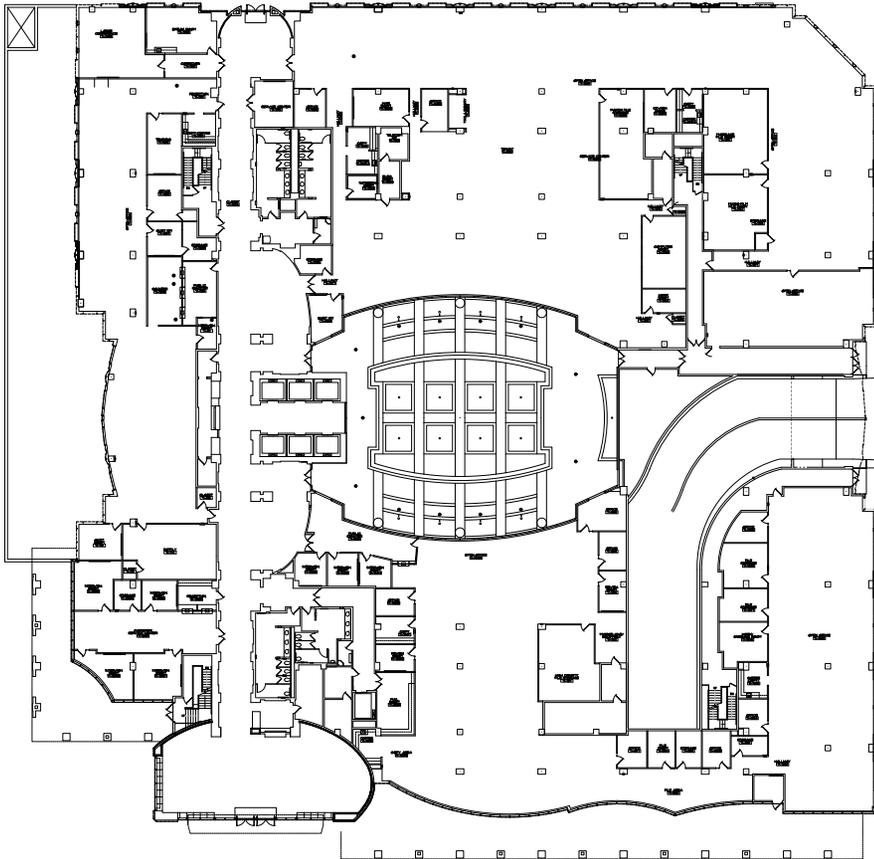
#### Floor 4



**Capitol Area East End Complex**

1501 Capitol Avenue  
Sacramento, California 95814

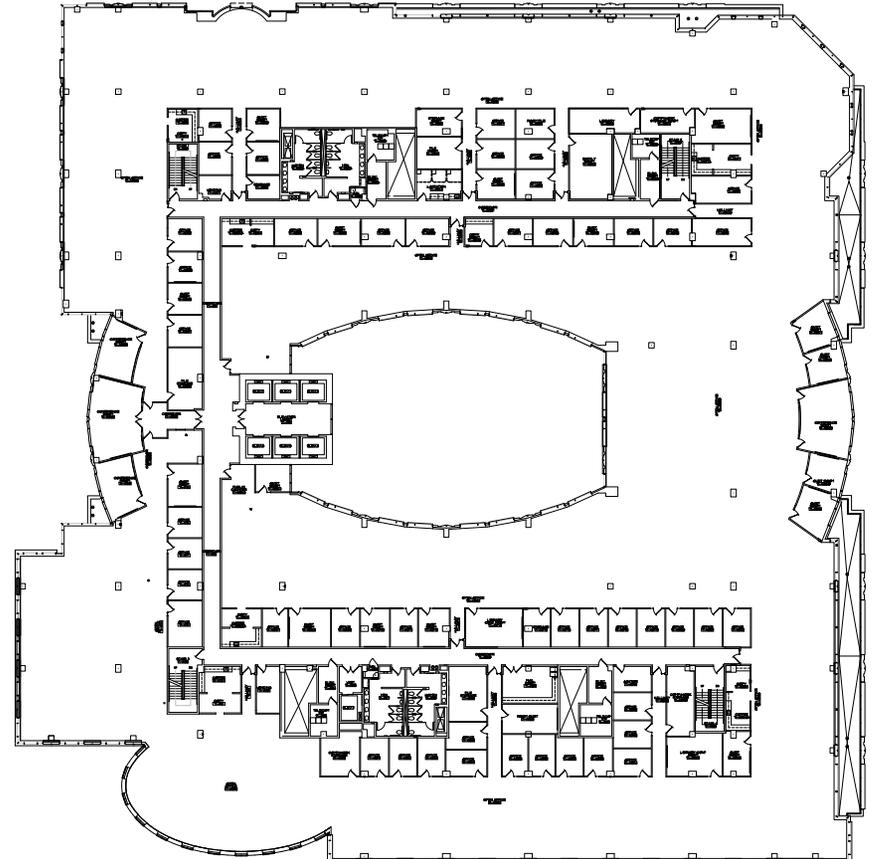
Floor 1



**Capitol Area East End Complex**

1501 Capitol Avenue  
Sacramento, California 95814

Floor 4

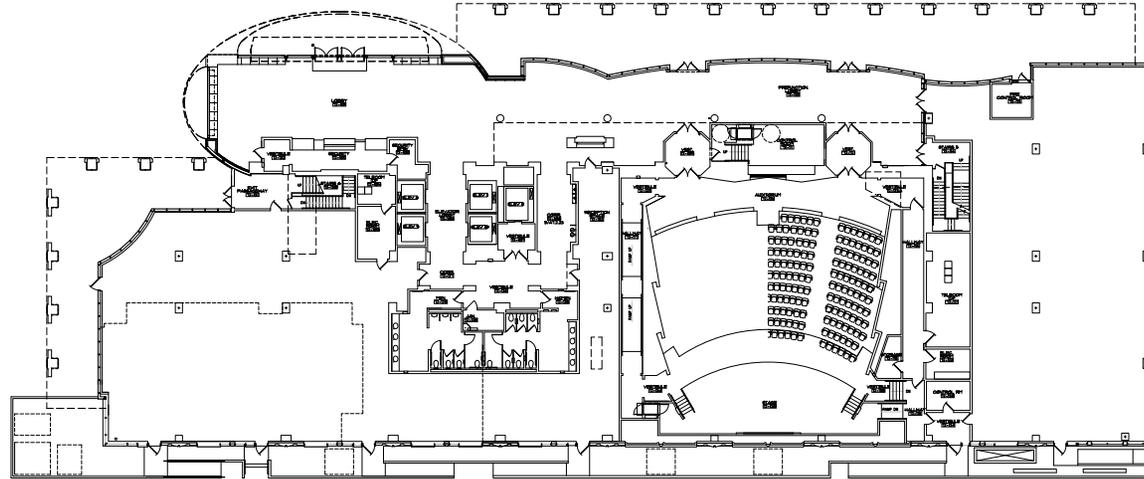




**Capitol Area East End Complex**

1500 Capitol Avenue  
Sacramento, California 95814

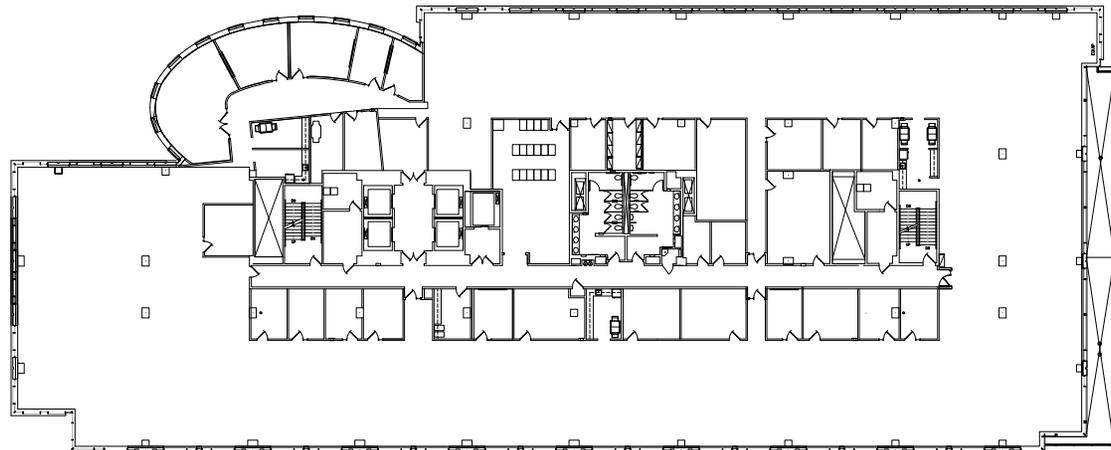
**Floor 1**



**Capitol Area East End Complex**

1500 Capitol Avenue  
Sacramento, California 95814

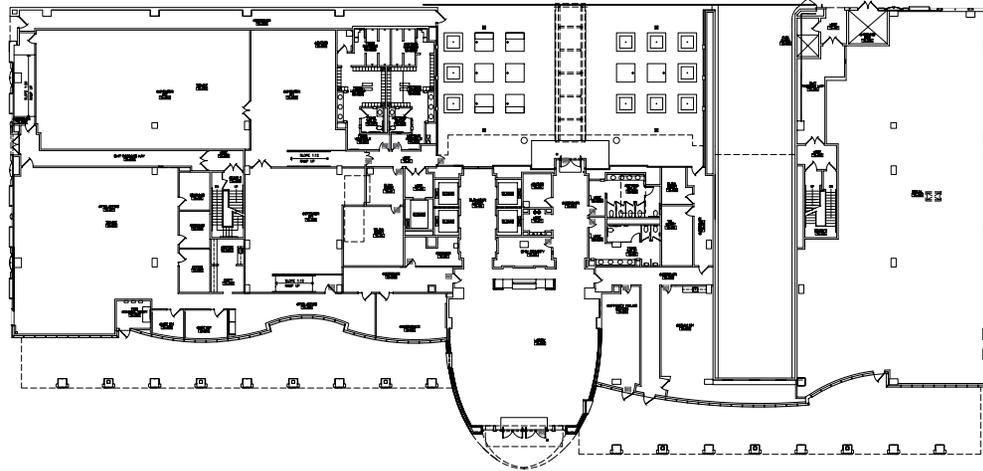
**Floor 4**



**Capitol Area East End Complex**

1615 Capitol Avenue  
Sacramento, California 95814

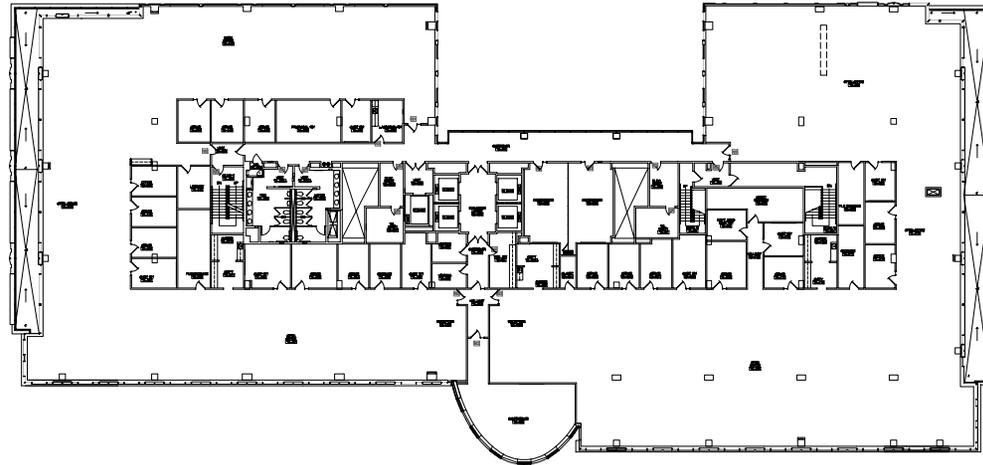
**Floor 1**



**Capitol Area East End Complex**

1615 Capitol Avenue  
Sacramento, California 95814

**Floor 4**

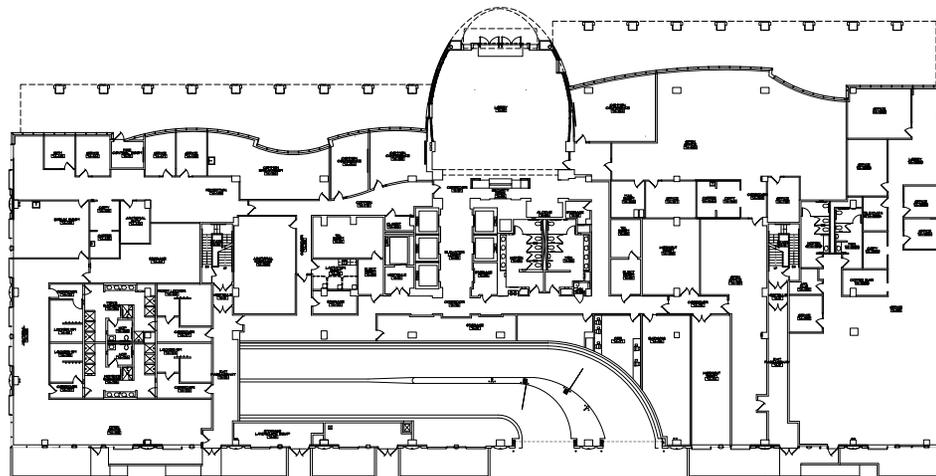




**Capitol Area East End Complex**

1616 Capitol Avenue  
Sacramento, California 95814

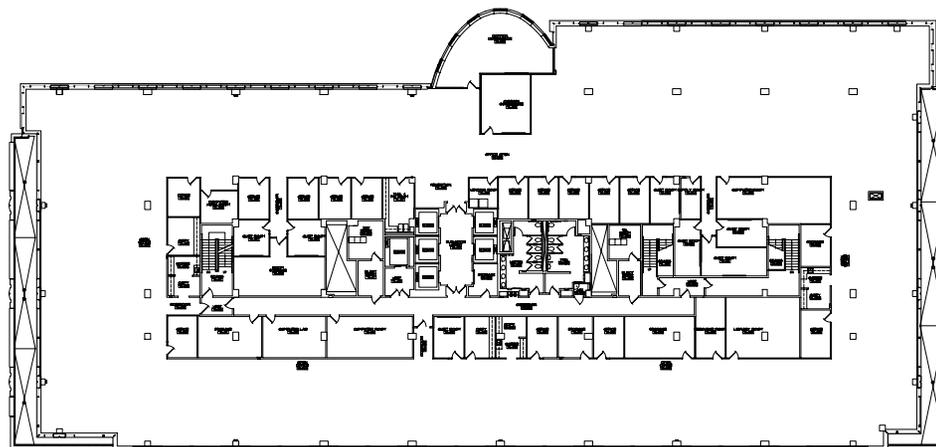
**Floor 1**



**Capitol Area East End Complex**

1616 Capitol Avenue  
Sacramento, California 95814

**Floor 4**





**CAPITOL AREA  
EAST END  
COMPLEX**



# SACRAMENTO REGIONAL OVERVIEW

Sacramento, the capital of California, is located in the north-central part of the state, approximately 85 miles northeast of San Francisco. The official Sacramento MSA (Metropolitan Statistical Area) includes the counties of Sacramento, Placer, and El Dorado. Unofficially, the greater Sacramento metroplex also encompasses the counties of Yolo, Sutter, and Yuba. For the last two decades the Sacramento region has been characterized by rapid growth in population, jobs, residential and commercial construction, and household incomes. The greater Sacramento area has established itself as an attractive business location for new, expanding, and relocating enterprises in California. It is regularly mentioned in lists of the country’s most desirable places to live, and has enjoyed a national reputation for its stable, recession-resistant economy and steady, well-managed growth. Although the soft economy and recent housing downturn have created an uncharacteristic level of unemployment, Sacramento’s economy rests on a large foundation of stable, government employment which ensures that any economic hiccups are likely to be temporary.

## Sacramento’s Economy: Population and Employment

### Population

The population of the Sacramento MSA has surpassed two million people, and by the middle of this decade should be approaching 2.5 million. Since 1980 Sacramento’s population has been growing faster than that of the state as a whole, as shown in the following table, and is projected to continue to do so.

	1980	1990	2000	2009 Estimated	2014 Projected
<b>Sacramento Population</b>	1,235,267	1,603,745	1,936,006	2,143,806	2,366,541
<b>Growth %</b>	-	29.8%	20.7%	10.7%	10.4%
<b>California Population</b>	23,667,910	29,760,021	33,871,648	37,075,982	40,145,714
<b>Growth %</b>	-	25.7%	13.8%	9.5%	8.3%

U.S. Census data

## Employment

Following two decades of unprecedented growth, the Sacramento Region is feeling the effects of the recession and has seen a significant increase in unemployment over the last 18 months. The change is due in large part to the housing bubble and loss of many housing-related construction and supply jobs. Nonetheless, Sacramento's large base of government jobs creates a measure of economic stability, and Sacramento's 12.2% unemployment rate is slightly below California's reported 12.4% rate in December 2009.

Sacramento has historically shown itself to be recession-resistant, and as the recovery begins it is likely that Sacramento will resume its customary pattern of growth.

Some of the reasons for the local economy's resilience include:

- Sacramento is the center of State Government which administers to California's general population which, as a group, is projected to increase by more than three million people between 2009 and 2014.
- The Region continues to develop a high-technology complex which is attracting new firms, many of which are migrating from the Bay Area.
- The Region is a major node of distribution, serving the West, Rocky Mountain, and Midwest markets. Both I-80 (east/west) and I-5 (north/south) run through Sacramento.

- Sacramento is a regional retail and service center for surrounding counties, many of which have experienced rapid growth of their own over the last two decades.
- Sacramento historically has provided a low-cost housing alternative to major metropolitan areas such as Los Angeles, San Diego, and the Bay Area. There has been substantial migration within California to the Sacramento region, and with housing values at their lowest point since 2001, this trend is likely to continue.
- The overall quality of life, including affordable real estate and housing, makes it easier for companies to attract and retain employees in Sacramento.

State Government continues to be a dominant industry, employing 106,800 people, including those employed at California State University and the University of California at Davis. Overall, government entities-Federal, State, and Local - have 234,200 people on their payrolls and account for roughly 28.1% of Sacramento's total employment. The relative stability of government jobs tends to offset cutbacks that occur in some industrial and service sectors during general economic slowdowns.

The region's strong underlying fundamentals tend to dampen volatility in the local economy and help make Sacramento a good place to live and to do business.

Some of these fundamental strengths include:

- A diverse economy built on a solid, permanent foundation of government employment;
- A large, well-educated labor pool;
- Good transportation, communication, and educational infrastructure;
- Reasonable commercial rents and other costs of doing business;
- Affordable housing;
- Available land for development, and
- Access to a wide variety of recreational opportunities.

In the years ahead, California's employment growth will occur primarily in the Services, Trade, and Government sectors. Much of Sacramento's job and employment growth will be driven by migration from other metropolitan centers within California. Sacramento offers an affordable housing market and attractive quality of life, factors which continue to attract people from other parts of California and from around the country.



Historic Captain  
Spirit of  
Sacramento  
1851-1861

## Living in Sacramento

The Sacramento area is noted for its geologic stability, a feature which has become increasingly important and attractive to companies for which business continuity is a major consideration. Because of the vulnerability of their computer operations, seismic stability was a key factor for companies such as Intel, Hewlett Packard, and NEC deciding to locate major operations in the Sacramento region.

## Transportation

The Sacramento area boasts a highly developed transportation system, consisting of interstate freeways, an international airport, a transcontinental railway system, and, surprisingly, even a deep water port. Sacramento's location at the juncture of I-5 and I-80 makes possible one-day freight delivery anywhere within California and as far east as Salt Lake City.

## Highways

The Sacramento region is well served by a network of more than 800 miles of state-maintained roads, highways, and interstate freeways. Its location at the key intersection of Interstates 5 and 80 makes Sacramento a natural hub for distribution of shipped goods throughout the western United States.

## Airports

The Sacramento County Department of Airports operates three airports – Sacramento International, Sacramento Executive, a private sector and corporate fixed operating base, and Mather Airport. Sacramento International is located 10 minutes northwest of downtown, and is served by 12 major carriers offering direct or connecting flights to every major U.S. city and points abroad. Mather Airport, located on the site of the former Mather Air Force Base, has been converted to a cargo hub, and is served by all of the major cargo carriers.

## Rail Service

Sacramento and railroads just go together, and have throughout history. The Central Pacific Railroad was started in Sacramento in 1861 by Leland Stanford, Charles Crocker, Mark Hopkins and Collis Huntington. Sacramento is served primarily by the Union Pacific Railroad, which in 1996 merged with the Southern Pacific Railroad. The merger created access to the Burlington Northern Santa Fe lines. Union Pacific's major freight classification facility is located in Roseville, approximately 20 miles northeast of Sacramento.

## Public Transit

Regional Transit (or RT) is the primary system of public transit in the Sacramento Region. The RT system is composed of an electricity-driven light rail system, and a complementary system of 256 buses, all powered by compressed natural gas. Currently there are slightly more than 37 miles of light rail track, and there are plans underway to extend these lines northeast to Placer County. Long-range plans call for extending these lines even farther to Elk Grove in the south, through North Natomas, and eventually to Sacramento International Airport. Ridership has grown steadily over the last decade, and presently the system is serving more than 32,000,000 passengers annually.



## Sacramento Real Estate Market

The Sacramento regional office market consists of 52.6 million square feet of space. In addition to the Central Business District, 16 distinct suburban submarkets supply office facilities to private companies and government agencies that do not require immediate or frequent access to the companies, law firms, consultants, and government agencies or government-related entities that tenant much of the CBD. Much of the office space downtown is located in high rise office buildings with limited parking, an economic consequence of the relatively high cost of land in the CBD.

By contrast, the Highway 50 Corridor submarket, with 11.9 million square feet of office space, is characterized by mid-rise construction and large floor plates, a configuration preferred by banks, financial services firms, high-tech companies, and government users. These tenants also appreciate the absence of monthly parking fees and the ease of ingress and egress associated with surface parking.

California's growth and Sacramento's strategic importance as the state capital, have attracted investment and ownership by some of the country's leading office property owners. Some of the well-known companies that have already invested in Sacramento's office market include Hines, CIM Group, Sterling Equities, USAA Real Estate Company, UrbanAmerica, LP, Capital & Counties USA, Inc., Westfield Group, Deloitte Development LLC, J.P. Morgan Asset Management, Government Properties Income Trust, Bentley Forbes, RREEF America L.L.C., TA Associates Realty, and many others.

Since 2003, nearly 10 million square feet of new office space has been constructed in the Greater Sacramento market. Until 2008, growth in population and jobs kept the vacancy rate from ever exceeding 15%. As the economy began to soften in late 2007,

construction outpaced demand, and vacancy began to climb. At present, overall vacancy is at about 21% and is expected to stay at this level through 2010. CBD vacancy is much lower, only 9% if government-owned buildings are included (CoStar data) and 13.7% if government buildings are excluded (CBRE data). New speculative construction has ceased, so vacancy is not expected to climb much above current levels.

Rents have seen some softening lately. Asking rent for class A space throughout the region peaked at \$30.31 in late 2007, and now averages \$26.89. In the CBD the roll-off in rents has been less pronounced, having fallen from a peak average of \$35.64 in late 2007 to \$34.37 in January 2010, a decrease of only 3.7%. These are averages, meaning that some properties are still achieving rents in excess of these numbers.

Some of the larger recent lease transactions, both downtown and along the Highway 50 Corridor, include:

Address	Tenant	Sq. Ft.
400 R Street	CalPERS	120,000
621 Capitol Mall	Judicial Council of California	60,924
980 9th Street	California Department of Managed Care	52,261
400 Capitol Mall	Kronick, Moskovitz et al.	41,484
621 Capitol Mall	State Board of Equalization	80,000
10911 White Rock Road	Apple, Inc.	35,271
500 Capitol Mall	Hanson Bridgett	35,000
980 9th Street	SSB Realty, LLC	34,562
10000 Goethe Rd.	State of California	117,988
11010 White Rock Road	First American Title Co.	54,337
10470 Old Placerville Road	Sutter Health	87,000
3075 Prospect Park Dr.	County of Sacramento	54,677
11000 White Rock Road	Wachovia Bank	53,742





In the short term, it is likely that vacancy will hold steady, or perhaps increase slightly, before increasing employment starts to drive new leasing activity next year. Despite the recession, however, California will continue to experience net population growth for the foreseeable future, and, in Sacramento at least, that means there will continue to be growth in government employment and commensurate demand for office space.



An aerial photograph of a city center featuring several large, modern, multi-story office buildings with glass facades and flat roofs. The buildings are arranged in a cluster. A green callout box with white text is positioned in the upper right quadrant of the image, pointing to the central building. The surrounding area includes trees, streets, and other smaller buildings. The overall scene is a dense urban environment.

**CAPITOL AREA  
EAST END  
COMPLEX**

# MARKET ANALYSIS

The Capitol Area East End Complex consists of five separate office buildings located near the east end of Capitol Park in Sacramento, California. In the aggregate, the buildings encompass nearly 1.5 million rentable square feet (see detail below), with parking provisions for 1,611 vehicles in a combination of subterranean and above-ground parking structures. The buildings and configurations are as follows:

Address	Stories	Sq. Ft.	Parking
1430 N Street	6	353,126	212
1500 Capitol Ave.	6	187,001	161
1501 Capitol Ave.	6+ Basement	460,874	206
1615 Capitol Ave.	7	234,844	89
1616 Capitol Ave.	7	238,860	125
<b>Total rentable area</b>		<b>1,474,705</b>	
1214 17th Street (parking)	5+ Basement		818
<b>Total parking</b>			<b>1,611</b>

The State of California will have an initial annual leaseback rent of \$33.60/sf modified gross (\$2.80/sf monthly) for the property for twenty years. This figure is well below rents achieved for comparable class A buildings, especially when one takes into account the 20 year primary term of the Tenant’s lease, the creditworthiness of its prospective income stream, and the mission-critical nature of the complex. The scale of the project, its Capitol-close location, and campus-like site plan would be virtually impossible to replace, while market rents, let alone rents which are clearly below market, would not support the costs of new construction even if one were one to contemplate a replication of the subject.

All five buildings were completed in 2002 and 2003. Although architecturally integrated, no two buildings are the same. Some of the amenities included within the complex are a landscaped rooftop patio, a daycare center, a 300-seat auditorium with rear projection room and raised stage, lighted art displays, amphitheater with water feature, landscaped courtyard, and a data center with raised floor subsystem.

1430 N Street contains subterranean parking for 212 vehicles. Buildings 1500 and 1501 share a single level of below-grade parking, as do buildings 1615 and 1616. In addition, there is a five-story parking structure adjacent to 1615 which is connected to the single level of below-grade parking for 1615 and 1616. All these facilities together will accommodate a total of 1,611 vehicles, a ratio of 1.09 spaces per 1,000 rentable square feet.

Situated within sight of California’s Capitol, the Capitol Area East End Complex enjoys what could aptly be described as a “power location”. It is walking distance to all legislative offices and to the offices of lobbyists and consultants who are a regular part of day to day business around the Capitol. Access to freeways is quick and easy using 15th or 16th Streets, or L Street to I-5. In addition, the complex is surrounded by restaurants ranging from budget to world-class, as well as several hotels. Sacramento International Airport is a 15-minute taxi ride via L Street and then north on I-5.

## Downtown Sacramento Office Market

Sacramento’s Downtown office market consists of 11.2 million square feet, of which roughly 55% is class A space. This number does not include government-owned buildings which would bring the total to about 18 million square feet (CoStar data).

Over the last 10 years, nearly every Downtown office project undertaken, public or private, has been substantially leased by the time it was completed. The Capitol Area East End Complex, with 1.5 million square feet, is the largest single-phase office construction project in State history. Well before it was completed, all its space was fully subscribed and a need for additional State space became apparent. At 10th and I Streets, the California Environmental Protection Agency Building was completed in late 2000, and its 935,000 square feet were fully and immediately occupied by that agency. The State of California Public Employees Retirement System constructed

a 550,000 square foot annex to its 450,000 square foot headquarters between 3rd and 5th Streets on 'Q' Street, and has fully occupied that space. CalSTRS did the same with its new 400,000 square foot headquarters across the river in West Sacramento in 2009.

In addition to government buildings, 2 million square feet of private office space has been added to the CBD since 2000. As the State's need for additional space has outpaced its construction program, even private office projects often attract government tenants. The State occupies almost 100% of the iconic Ziggurat Building in West Sacramento, likewise 300 Capitol Mall, and has a significant presence in many other Sacramento office buildings. For example, the new U.S. Bank Plaza at 621 Capitol Mall has leased nearly 61,000 square feet to the Judicial Council of California and 80,000 square feet to the State Board of Equalization.

In Sacramento, government occupancy dampens the impact of economic downturns. While private sector growth is generally tied to profits and the overall economy, government's need for space is more directly tied to growth in population and the number of citizens the government must serve.

**Rents:** CoStar shows the average asking rent for downtown class A space at \$34.37. Within the CBD, newer Class A space, such as 621 Capitol Mall, is leasing at rates ranging from \$36.00 to \$42.00 per square foot, serviced, depending on floor location. Similar rents are being quoted at 500 Capitol Mall and the venerable Wells Fargo Center at 400 Capitol Mall.

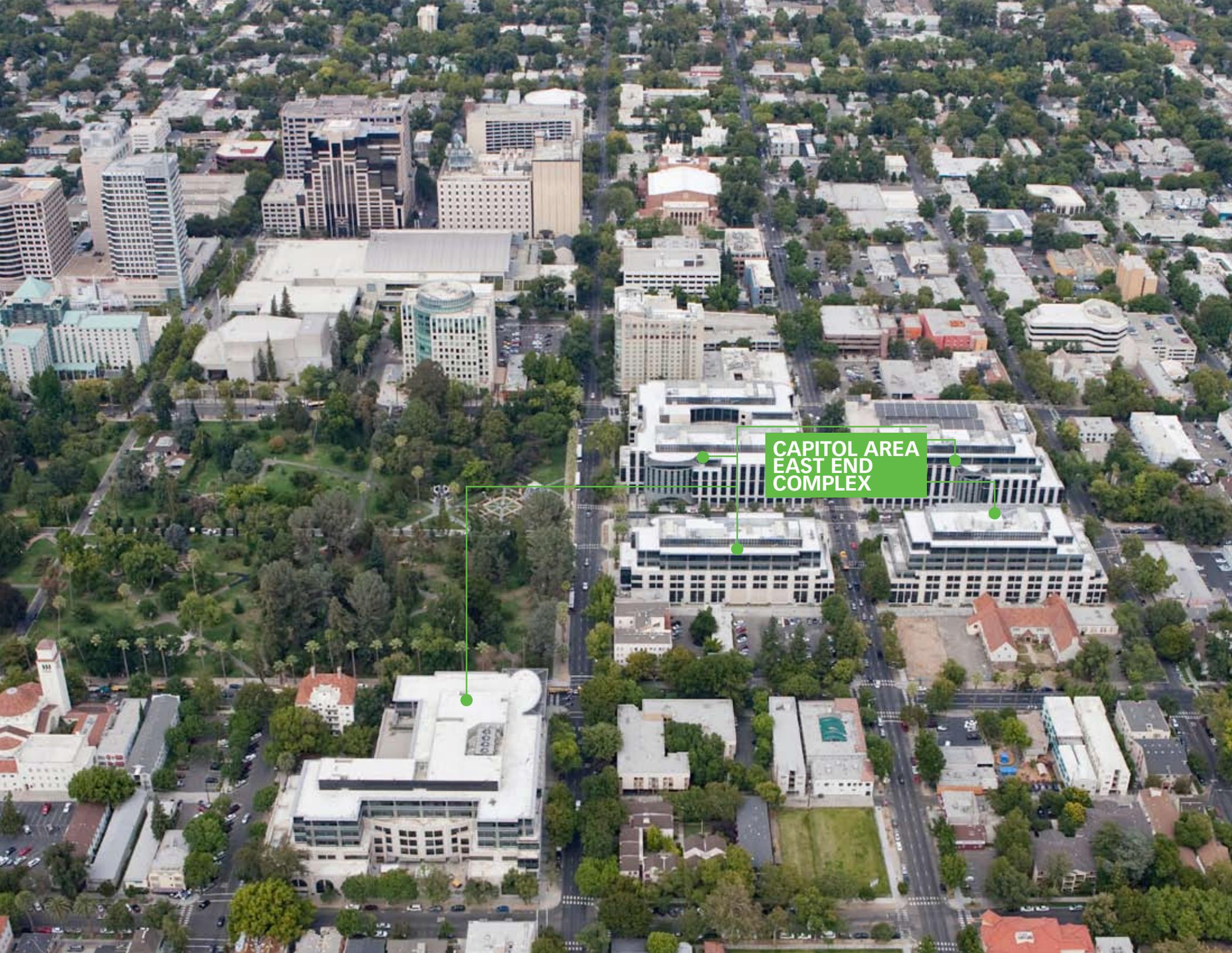
**Vacancy:** Co-Star shows class A downtown vacancy at 9%, and 8% for all classes of space. CoStar's database includes government buildings which are fully occupied and typically do not offer

space for lease. CBRE tracks non-government buildings larger than 10,000 square feet, and is reporting vacancy for all classes of space at 13.7% in the fourth quarter of 2009.

**Downtown Booming:** In addition to two class A office towers delivered downtown in the last 18 months, literally dozens of redevelopment and renovation projects have resulted in the opening of new restaurants, art galleries, theaters, and residences in the downtown area. According to the Downtown Partnership Association numerous additional downtown revitalization projects are expected to be completed within the next five years. They include residential buildings, new retail shopping outlets and improved community event facilities and cultural attractions.

### Downtown Sacramento Office Market Trends

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Total Space</b>	9,178,000	9,251,000	9,420,000	9,826,000	9,826,000	10,511,000	10,371,000	10,212,000	10,576,000	11,191,000
<b>Sq. Ft. Vacant</b>	482,000	429,162	687,144	1,176,000	1,358,000	1,353,000	1,199,000	1,067,000	1,244,000	1,533,415
<b>Vacancy Pct.</b>	5.3%	4.6%	7.3%	12.0%	13.8%	12.9%	11.6%	10.4%	11.8%	13.7%
<b>Total Occupied</b>	8,696,000	8,821,838	8,732,856	8,650,000	8,468,000	9,158,000	9,172,000	9,145,000	9,332,000	9,657,585
<b>Net Absorption</b>	274,000	125,838	(88,982)	(82,856)	(182,000)	(10,292)	18,758	56,655	129,628	282,071



**CAPITOL AREA  
EAST END  
COMPLEX**



Big Sur

# STATE OF CALIFORNIA OVERVIEW

The State of California is a critical economic engine for both the United States and the world. Exemplifying a diverse economy that accounts for approximately 13% of the total Gross Domestic Product (GDP) of the United States, California would rank among the top ten nations globally if it were an independent country with an estimated GDP of \$1.8 trillion in 2008. As the most populous state in the US with approximately 37 million residents, California is forecast to continue to enjoy future population growth above the national average in

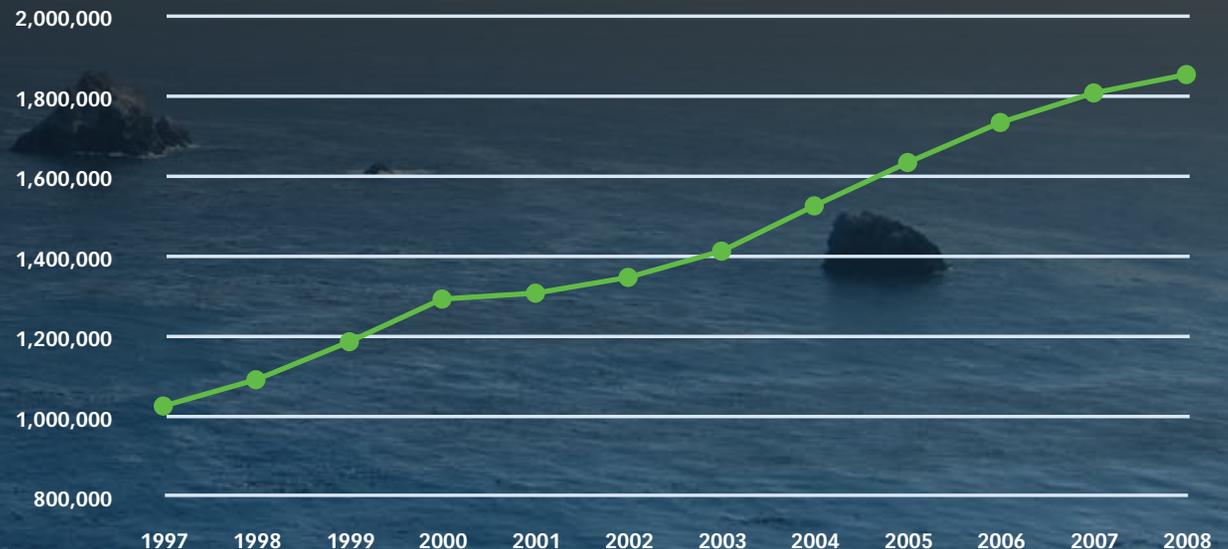
part due to its temperate climate, excellent quality of life, diverse population, world-renowned cities and its position as the gateway to the Pacific Rim. Additionally, California prides itself on striving to be the "greenest" and most eco-friendly states in the country. California's desirable quality of life, vast coast lines and massive valleys, diverse educated work force and uniquely entrepreneurial spirit position it to continue as the nation's most dominant economy.

- Largest state population of ±37 million
- One of the top 10 largest economies in the world
- \$1.8 trillion State GDP
- 3<sup>rd</sup> largest state by area
- Lowest in per capita energy usage
- 2<sup>nd</sup> in hydroelectric power potential
- 3<sup>rd</sup> in crude oil production
- Most major professional sports league franchises (19)

## Economy

California's economy has long been an influential force within the United States and the world. With a gross domestic product of approximately 13% of the overall U.S. total, the largest of any state, the gross state product for California was approximately \$1.8 trillion at year-end 2008. California exported \$144 billion worth of goods in 2008, increasing from \$134 billion in 2007 and \$127 billion in 2006. Computers and electronic products are California's top exports, accounting for 42 percent of all the state's exports, according to California Chamber of Commerce trade statistics. California exported to 226 foreign markets in 2008, contributing to a positive annual rate growth of 15 percent. California enjoys the enviable position of being the United State's gateway to the Pacific Rim. California's trade and international commerce account for nearly ¼ of the State's GDP.

## GDP of California from 1997-2008

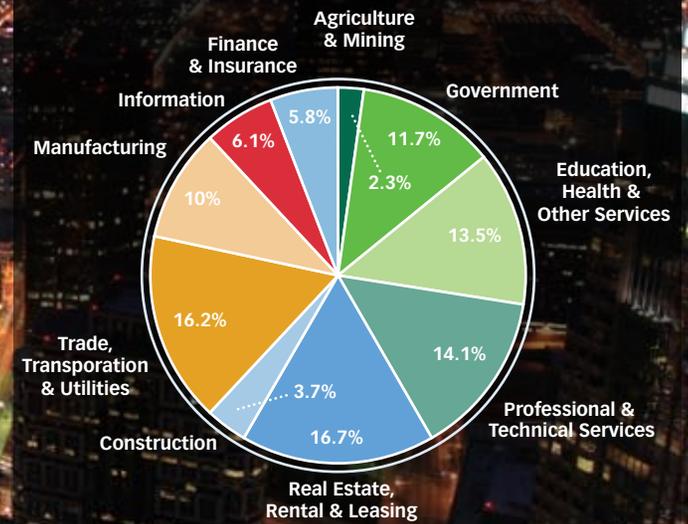




Downtown Los Angeles

According to the Bureau of Economic Analysis, the five largest job sectors in the State are real estate, rental and leasing; trade, transportation and utilities; professional and technical services; education, health and other services; and government. Additionally, California had a total personal income (TPI) of \$1.6B in 2008, a two percent increase from 2007, which ranks 1st in the United States.

### GDP of California 2008





## Tourism & Entertainment

California is one of the most visited states in the United States. Two of the top international ports of entry to the US were Los Angeles (ranked 3rd) and San Francisco (ranked 6th), accounting for approximately 14.5% of tourism through November 2009. According to the California Travel and Tourism Commission, approximately 14 million persons visited the state of California in the year 2008 and spent \$97.6 billion throughout the state. The State also has the largest market share of domestic travel of all 50 states, 11.3% in 2008.

Los Angeles has long been a favorite tourist city due to the glamour of Hollywood, fame of movie stars and the gorgeous Pacific beaches that charm many guests. Additionally, San Francisco has also held a soft spot in the hearts of tourists, as one of the most beautiful cities in the world. With its distinctive hills and streets, stunning bay views and the Golden Gate Bridge, San Francisco attracts travelers from all corners of the globe.

Tourists also travel to California for athletic events. The state hosted the 1960 Winter Olympics, the 1932 and 1984 Summer Olympics in Los Angeles, in addition to the 1994 FIFA World Cup. Additionally, California has nineteen major professional sports league franchises, far more than any other state. The San Francisco Bay Area has seven major league teams spread over three cities, San Francisco, Oakland and San Jose. The Greater Los Angeles Area is home to ten major league franchises, while Sacramento and San Diego add two major league teams to the State's total.



Napa Valley



Hollywood



Golden Gate Bridge



Pebble Beach



California Redwoods



Yosemite National Park

## Geography

The State of California is located on the West Coast of the United States. California is bordered by Oregon to the north, Nevada to the northeast, Arizona to the southeast, the Mexican state of Baja California to the south, and the Pacific Ocean to the west. The Los-Angeles-Riverside-Orange MSA ranks as the second largest consolidated metropolitan area in the United States, and San Francisco-Oakland-San Jose MSA as the fourth. With eight of the nation's fifty most populous cities, California is home to the nation's second and sixth largest census statistical areas respectively.

California is the third-largest U.S. state by land area, after Alaska and Texas. The State's geography is vast and ranges from the Pacific coast to the Sierra Nevada mountain range in the east, to the Mojave desert in the southeast and the redwood, pine and fir forests of the northwest. Approximately 45% of California is covered by forests and contains more forestland than any other state except Alaska. The Central Valley, running approximately 400 miles from north to south, is one of the most productive agricultural areas in the world.



Torrey Pines Gliderport, San Diego

# LEASE ABSTRACT

**Tenant:** State of California

**Premises:** Capital Area East End Complex  
1430 N Street  
1500 Capital Ave  
1501 Capital Ave  
1615 Capital Ave  
1616 Capital Ave  
Sacramento, CA

**Net Rentable Area:** 1,473,205 square feet

**Commencement Date:** The Lease Term shall commence at close of escrow

**Lease Term:** Lease Term shall be twenty (20) years (240 months)

**Rent:** Rent shall be paid by the State in arrears on the last day of each month during the Lease Term as follows:

Years	SF	\$/Month	\$/SF/Month*	\$/Year	\$/SF/Year*
<b>Years 1 to 5</b>	1,473,205	\$4,124,974	\$2.80	\$49,499,688	\$33.60
<b>Years 6 to 10</b>	1,473,205	\$4,537,471	\$3.08	\$54,449,657	\$36.96
<b>Years 11 to 15</b>	1,473,205	\$4,991,219	\$3.39	\$59,894,622	\$40.66
<b>Years 15 to 20</b>	1,473,205	\$5,490,340	\$3.73	\$65,884,085	\$44.72

Note: Escalations in Base Rent detailed in the above Rent schedule are calculated on the basis of a 10% increase on the fifth (5<sup>th</sup>) anniversary of the commencement date and on each fifth (5<sup>th</sup>) anniversary thereafter.

\*Rounded to two decimal places

**Gas/Electricity:** In addition to Rent, the State shall pay directly the cost of gas and electricity.

**Parking:** One thousand three hundred ninety nine (1,611) parking spaces. State shall have the exclusive right (but not the obligation) to use all parking at a charge of \$100 per stall per month, payable in arrears. The parking rate shall increase by ten percent (10%) on the fifth (5<sup>th</sup>) anniversary of the Commencement Date and on each fifth (5<sup>th</sup>) anniversary thereafter.

**Services, Utilities and Supplies:** Lessor, at Lessor’s sole cost and expense, with the exception of payment for gas and electricity, shall provide the full range of services, utilities, and supplies to the entirety of the State’s premises (including but not limited to): sewer, trash disposal, water, elevator service, janitorial services, security services and property management services all of which shall be in similar levels and quantities as those provided under other Full Service leases in comparable quality office buildings in the same market area.

**Repair and Maintenance and Capital Repairs and Replacements:**

Lessor shall maintain the entire leased premises (including occupied space) and the building and property of which they are a part (to include site, landscape and parking areas and structures) in good repair and tenable condition during the entire Lease Term. Such maintenance and repairs and replacements shall include but not be limited to: ongoing maintenance of designated special equipment, annual testing and maintenance of all fire extinguishers, replacing inoperative lighting, repairing floor covering as necessary and replacing all building system components (including roof) as and when required.

**CPI Escalator Operating Expense:**

On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase or decrease by one-twelfth ( $1/12^{\text{th}}$ ) of an amount that will be determined by multiplying the base amount of \$9,905,505 by the percentage that the applicable CPI index for the preceding 12 months increased over or decreased under the same index, for the month of June, 2010, which shall be the base period.

**Property Tax Expense Escalator:**

On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase by one-twelfth ( $1/12^{\text{th}}$ ) of an amount determined by multiplying the annual property tax expense for the preceding twelve (12) months by the actual percent increase capped at 2%. Initial property tax expense shall be based on the initial purchase price, and will not reflect future changes in value due to subsequent sales.

**Painting and Carpet:**

Lessor agrees at Lessor's sole cost and expense to repaint all interior painted surfaces upon or after the sixtieth ( $60^{\text{th}}$ ) month of the Lease Term and every sixty (60) months thereafter. Further, Lessor shall replace all carpet and floor covering upon or after the one hundred twentieth ( $120^{\text{th}}$ ) month of the Lease Term and every one hundred twenty (120) months thereafter.

**Assignment and Subletting:**

No assignment of Lease without prior written consent of the Lessor, which shall not be unreasonably withheld; State may sublet the premises, or any portion thereof.

**Insurance:**

Lessor shall furnish to the State a certificate of insurance as evidence of insurance as fully set forth in the Lease paragraph 33 and briefly to include: (1) Commercial General Liability of not less than \$1,000,000 combined per occurrence and \$10,000,000 General Aggregate with State as additional insured; (2) commercial property insurance for full replacement cost (max deductible \$100,000) to include business income coverage equal to 24 months Rent and with State as additional insured; (3) Automobile Liability with State as additional insured; (4) Workers Compensation Insurance with Waiver of Subrogation in favor of State; (5) Employee Dishonesty blanket insurance with limit of not less than \$1,000,000 and with State named as loss payee; and (6) for demolition and construction activities, Pollution Liability coverage of not less than \$3,000,000 per occurrence and Builder's Risk/Installation Floater covering labor, materials and equipment.

**Property Taxes:**

The State, as part of its rent, shall pay any property taxes assessed against the leased premises as a result of the sale of same from the State to a subsequent purchaser. In the event that an obligation to pay property taxes does not exist, the State shall be provided with an annual credit against its Rent equal to the amount of the taxes not assessed.

**Right of First Refusal:**

At any time that is ninety (90) days or more prior to the then scheduled lease termination date, if Lessor receives bona fide offer from unaffiliated third party to purchase Lessor's interest in Property, State shall have up to thirty (30) days from receipt of Lessor's written notice of receipt of such offer to respond in writing advising Lessor of State's election to acquire Lessor's interest in Property under same terms and conditions as those set forth in such third party offer.

**Option to Renew Lease:**

State shall have the option to extend the term of this Lease for six (6) additional terms of five years each, on the same terms, conditions and covenants as are set forth in this Lease, with the exception of Basic Rent and CPI escalator operating expenses. State shall provide written notice of its intention to extend this Lease at least twenty four (24) months prior to the expiration of the then applicable term of its Lease. Rent during the then applicable renewal term shall be set on the basis of the same schedule of ten percent (10%) increases at the end of each five years that applied to the Initial Term, thus the monthly Rent during the applicable renewal term shall be equivalent to one hundred and ten percent (110%) of the monthly Rent payable during the immediately preceding year of the Lease. Further, the amount of the base amount for the CPI Escalator Operating expenses shall be equivalent to the amount applicable to the immediately preceding twelve month period (the last twelve months of the immediately preceding lease term) and increased or decreased by the percentage in the applicable CPI Index and the base period shall be the first twelve (12) months of the applicable renewal term. The parties shall enter into a brief lease amendment incorporating the applicable rent and the revised CPI escalator operating expense provision.

**Onsite Management:**

Lessor agrees to furnish the services of an onsite professional property management company at Lessor's sole cost and expense. Said duties shall be more particularly described in exhibits to the lease attached thereto.

**Operating Lease:**

The Lease is intended to be treated as an Operating Lease on behalf of the State, under current FASB/GASB rules governing Operating Lease standards (i.e. FAS 13, FAS 66 and FAS 98). Bidders will be responsible for demonstrating that their purchase offers will comply with these standards.





# FINANCIALS

Included in the following section is the Financial Analysis to assist investors in their underwriting:

- Cash Flow Assumptions
- Expense Detail
- Rent Roll
- Cash Flow Projections

## Cash Flow Assumptions

For purposes of our analysis the cash flow period begins July 1, 2010 and has been prepared using ARGUS v14. A copy of the ARGUS file is available on the website.

### Year One Rents:

	Annual	Type of Lease	Total RSF	% Total
<b>State of California</b>	\$33.60	Modified Gross	1,473,205	99.90%
<b>Property Management Office</b>	\$33.60	Modified Gross	1,500	0.10%

### Market Rent Growth:

3% - Fiscal Year Ending June Inflation

### Expense Recoveries:

Modified Gross – Electricity and Gas are paid directly by the State of California.

### Lease Term:

20 years initial term with six (6), five (5) year options to renew

### Rent Increase Over Term:

10% Every 5 Years on base rent

	Annual Rent	\$/SF/Year*
Current	\$49,499,688	\$33.60
July 2015	\$54,449,657	\$36.96
July 2020	\$59,894,622	\$40.66
July 2025	\$65,884,085	\$44.72

\*Rounded to two decimal places

### Capital Reserves:

\$0.15 PSF, per year

### General Vacancy Loss:

0.0%

### Consumer Price Index (CPI):

3%

### Operating Expense Growth Rate:

3%

### Property Tax Growth Rate:

2%

**Property Tax Millage Rate:**

1.1035%

Note: Buyer is responsible for adjusting property taxes bases upon offer price. All inflation is Fiscal Year ending in June.

**Revenues**

**Expense Reimbursement Revenue:**

State of California shall pay increases for operating expenses and property taxes annually. On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase or decrease by one-twelfth (1/12<sup>th</sup>) of an amount that will be determined by multiplying the base amount of \$9,905,505 by the percentage that the applicable CPI index for the preceding 12 months increased over or decreased under the same index, for the month of June, 2010, which shall be the base period.

Management Office pays no reimbursements.

**Parking Revenue:**

The structure provides for a total of 1,611 parking spaces. Current market rates are \$100 per space per month. It is assumed parking is 100% variable based on occupancy, and the parking rate shall increase by ten percent (10%) on the fifth (5<sup>th</sup>) anniversary of the Commencement Date and on each fifth (5<sup>th</sup>) anniversary thereafter.

**Expenses**

Note: Year One Operating Budgets have been developed by CB Richard Ellis' Asset Services based upon building inspections, operating cost history from similar assets managed in the subject markets, operating expense data published by industry associations and competitive bids from selected third party vendors and is conformed to the State of California detailed specifications in the lease.

**Insurance Calculation:**

Property Insurance (including earthquake coverage) = \$.26 per each \$100 of hard cost building value (building replacement hard cost value (less land)/100 then multiplied by .26)

Liability (Office) = \$.03 per building square feet

Umbrella = 60% of the Liability premium

This above quote is based on the CBRE large pool discount, includes earthquake coverage up to the first \$100 million within the pool, and requires CBRE Asset Services to manage the property.

**Management Fee Expense:**

\$192,000.

Please note that the Management Fee the Year One budget is based upon a portfolio sale and will vary on a one-off sale basis, and requires CBRE Asset Services to manage the property.

**Refurbishment Allowances:**

Landlord shall be responsible to repaint interior premises every five (5) years and carpet every ten (10) years for the State of California.



## Rent Roll

as of 7/1/2010

Suite	Tenant Name	Square Feet	% of Property	Lease Term		Rental Rates					Recovery Type	Comments/Options
				Begin	End	Begin	Monthly	PSF	Annually	PSF		
100	State of California	1,473,205	99.90%	Jul-2010	Jun-2030	Current	\$4,124,974	\$2.80	\$49,499,688	\$33.60	See Abstract	Tenant has six (6) 5-year options to renew at 10% increases over prior rent.
						Jul-2015	\$4,537,471	\$3.08	\$54,449,657	\$36.96		
						Jul-2020	\$4,991,219	\$3.39	\$59,894,622	\$40.66		
						Jul-2025	\$5,490,340	\$3.73	\$65,884,085	\$44.72		
Mgt	Management Office	1,500	0.10%	Jul-2010	Jun-2030	Current	\$4,200	\$2.80	\$50,400	\$33.60	None	-
						Jul-2015	\$4,620	\$3.08	\$55,440	\$36.96		
						Jul-2020	\$5,082	\$3.39	\$60,984	\$40.66		
						Jul-2025	\$5,590	\$3.73	\$67,082	\$44.72		
<b>Totals / Averages</b>		<b>1,474,705</b>					<b>\$4,129,174</b>	<b>\$2.80</b>	<b>\$49,550,088</b>	<b>\$33.60</b>		
Occupied sq. ft.		1,474,705	100.0%									
Vacant sq. ft.		0	0.0%									
<b>Total sq. ft.</b>		<b>1,474,705</b>	<b>100.0%</b>									

## Cash Flow Projections

Fiscal Year Ending - June 30

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Physical Occupancy		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Overall Economic Occupancy <sup>[1]</sup>		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Operating Expenses PSF Per Year		\$10.81	\$11.09	\$11.38	\$11.68	\$11.99	\$12.30	\$12.63	\$12.96	\$13.30	\$13.65	\$14.01
<b>Revenues</b>	FY 2011 \$/SF/YR <sup>[2]</sup>											
Scheduled Base Rent												
Gross Potential Rent	\$33.60	\$49,550,088	\$49,550,088	\$49,550,088	\$49,550,088	\$49,550,088	\$54,505,097	\$54,505,097	\$54,505,097	\$54,505,097	\$54,505,097	\$59,955,606
Absorption & Turnover Vacancy	0.00	0	0	0	0	0	0	0	0	0	0	0
Base Rent Abatements	0.00	0	0	0	0	0	0	0	0	0	0	0
<b>Total Scheduled Base Rent</b>	<b>33.60</b>	<b>49,550,088</b>	<b>49,550,088</b>	<b>49,550,088</b>	<b>49,550,088</b>	<b>49,550,088</b>	<b>54,505,097</b>	<b>54,505,097</b>	<b>54,505,097</b>	<b>54,505,097</b>	<b>54,505,097</b>	<b>59,955,606</b>
Expense Reimbursements	0.00	0	0	0	0	0	0	0	0	0	0	0
Parking Revenue	1.31	1,933,200	1,933,200	1,933,200	1,933,200	1,933,200	2,126,520	2,126,520	2,126,520	2,126,520	2,126,520	2,339,172
State of CA Expense Increases	0.00	0	417,422	846,162	1,286,534	1,738,862	2,203,482	2,680,734	3,170,973	3,674,562	4,191,873	4,723,292
<b>Total Gross Revenue</b>	<b>34.91</b>	<b>51,483,288</b>	<b>51,900,710</b>	<b>52,329,450</b>	<b>52,769,822</b>	<b>53,222,150</b>	<b>58,835,099</b>	<b>59,312,351</b>	<b>59,802,590</b>	<b>60,306,179</b>	<b>60,823,490</b>	<b>67,018,070</b>
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
<b>Effective Gross Revenue</b>	<b>34.91</b>	<b>51,483,288</b>	<b>51,900,710</b>	<b>52,329,450</b>	<b>52,769,822</b>	<b>53,222,150</b>	<b>58,835,099</b>	<b>59,312,351</b>	<b>59,802,590</b>	<b>60,306,179</b>	<b>60,823,490</b>	<b>67,018,070</b>
<b>Operating Expenses</b>												
Security	(1.06)	(1,562,689)	(1,609,570)	(1,657,857)	(1,707,592)	(1,758,820)	(1,811,585)	(1,865,932)	(1,921,910)	(1,979,568)	(2,038,955)	(2,100,123)
Cleaning	(1.93)	(2,853,034)	(2,938,625)	(3,026,784)	(3,117,587)	(3,211,115)	(3,307,448)	(3,406,672)	(3,508,872)	(3,614,138)	(3,722,562)	(3,834,239)
Repairs & Maintenance	(1.82)	(2,682,236)	(2,762,703)	(2,845,584)	(2,930,952)	(3,018,880)	(3,109,447)	(3,202,730)	(3,298,812)	(3,397,776)	(3,499,710)	(3,604,701)
Utilities	(0.06)	(95,820)	(98,695)	(101,655)	(104,705)	(107,846)	(111,082)	(114,414)	(117,847)	(121,382)	(125,023)	(128,774)
Management Fee	(0.13)	(192,000)	(197,760)	(203,693)	(209,804)	(216,098)	(222,581)	(229,258)	(236,136)	(243,220)	(250,516)	(258,032)
Onsite Office Expense	(0.06)	(85,100)	(87,653)	(90,283)	(92,991)	(95,781)	(98,654)	(101,614)	(104,662)	(107,802)	(111,036)	(114,367)
Admin (Excl Mgt Fee)	(0.31)	(462,720)	(476,602)	(490,900)	(505,627)	(520,795)	(536,419)	(552,512)	(569,087)	(586,160)	(603,745)	(621,857)
Lot & Landscaping	(0.05)	(68,592)	(70,650)	(72,769)	(74,952)	(77,201)	(79,517)	(81,902)	(84,360)	(86,890)	(89,497)	(92,182)
Parking	(0.06)	(88,260)	(90,908)	(93,635)	(96,444)	(99,337)	(102,318)	(105,387)	(108,549)	(111,805)	(115,159)	(118,614)
Real Estate Taxes	(4.09)	(6,034,206)	(6,154,890)	(6,277,988)	(6,403,548)	(6,531,619)	(6,662,251)	(6,795,496)	(6,931,406)	(7,070,034)	(7,211,435)	(7,355,663)
Insurance	(1.23)	(1,815,054)	(1,869,506)	(1,925,591)	(1,983,359)	(2,042,859)	(2,104,145)	(2,167,269)	(2,232,287)	(2,299,256)	(2,368,234)	(2,439,281)
<b>Total Operating Expenses</b>	<b>(10.81)</b>	<b>(15,939,711)</b>	<b>(16,357,562)</b>	<b>(16,786,739)</b>	<b>(17,227,561)</b>	<b>(17,680,351)</b>	<b>(18,145,447)</b>	<b>(18,623,186)</b>	<b>(19,113,928)</b>	<b>(19,618,031)</b>	<b>(20,135,872)</b>	<b>(20,667,833)</b>
<b>Net Operating Income</b>	<b>24.10</b>	<b>35,543,577</b>	<b>35,543,148</b>	<b>35,542,711</b>	<b>35,542,261</b>	<b>35,541,799</b>	<b>40,689,652</b>	<b>40,689,165</b>	<b>40,688,662</b>	<b>40,688,148</b>	<b>40,687,618</b>	<b>46,350,237</b>
<b>Capital Costs</b>												
Tenant Improvements	0.00	0	0	0	0	0	0	0	0	0	0	0
Leasing Commissions	0.00	0	0	0	0	0	0	0	0	0	0	0
Capital Reserves	(0.15)	(221,206)	(227,842)	(234,677)	(241,717)	(248,969)	(256,438)	(264,131)	(272,055)	(280,217)	(288,623)	(297,282)
State of CA - Paint & Carpet <sup>[3]</sup>	0.00	0	0	0	0	0	(2,946,410)	0	0	0	0	(5,892,820)
<b>Total Capital Costs</b>	<b>(0.15)</b>	<b>(221,206)</b>	<b>(227,842)</b>	<b>(234,677)</b>	<b>(241,717)</b>	<b>(248,969)</b>	<b>(3,202,848)</b>	<b>(264,131)</b>	<b>(272,055)</b>	<b>(280,217)</b>	<b>(288,623)</b>	<b>(6,190,102)</b>
<b>Operating Cash Flow</b>	<b>\$23.95</b>	<b>\$35,322,371</b>	<b>\$35,315,306</b>	<b>\$35,308,034</b>	<b>\$35,300,544</b>	<b>\$35,292,830</b>	<b>\$37,486,804</b>	<b>\$40,425,034</b>	<b>\$40,416,607</b>	<b>\$40,407,931</b>	<b>\$40,398,995</b>	<b>\$40,160,135</b>

[1] This figure takes into account vacancy/credit loss, absorption vacancy, turnover vacancy, and base rent abatements.

[2] Based on 1,474,705 square feet.

[3] State of California to have premises re-painted every 5 years (estimated to be \$2 PSF) and re-carpeted every 10 years (estimated to be \$2 PSF).





# CAPITOL AREA EAST END COMPLEX

1430 N STREET  
1501, 1500, 1615, AND  
1616 CAPITOL AVENUE  
SACRAMENTO, CA 95814

## GOLDEN STATE PORTFOLIO OFFERING MEMORANDUM

11 office properties • 7.3 million square feet  
20 year sale/leaseback portfolio  
3 California core metro markets

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