This property is listed in conjunction with Tennessee-licensed real estate broker Kabat Real Estate Solutions. (Lizz Kabat, TN License #258073)

OFFERING MEMORANDUM

PRESERVE WEST CAPITAL

KABAT Real Estate Solutions
Right Locations. Successful Businesses.

HomeGoods & Rack Room Shoes

Cleveland, TN | Chattanooga MSA

www.preservewestcapital.com

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Disclaimer

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

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

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

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

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PROPERTY HIGHLIGHTS

- 2-Tenant Property 100% Leased to National Tenants on Long Term Leases
- Homegoods Experienced 13% Same Store Sales Growth in 2020 Despite COVID-19 Pandemic
  - Net Sales of $19.4 Billion and $891.2 Million in Profit for 2020 Fiscal Year
- Scheduled Rental Escalations in All Leases
- Brand New 2019 Construction
  - Prominent Location in Established Retail Corridor with a Large Regional Draw
  - Outparcel to Bradley Square Mall Anchored by Belk & AMC Theaters
- Nearby Anchor Tenants Include Walmart Supercenter, Target, ALDI, Food Lion, Hobby Lobby, Publix, & More
- Excellent Access and Visibility Adjacent to Junction of Paul Huff Parkway & Lee Highway
  - Combined AADT of 59,774
  - Less than 1 Mile from I-75 Arterial Junction – 48,398 AADT
- Infill Location Robust Demographics in Surrounding Area
  - Total Daytime Population of 70,634 within 5 Mile Radius
  - Average Household Income of $74,514 within 3 Miles of Site
- Approximately 3 Miles from Lee University & Cleveland State Community College
  - Student Population of 9,100 within 5 Mile Radius
- 3 Miles from Tennova Healthcare Cleveland Medical Center
  - Staff of 1,157
- Established Economic Base in Manufacturing and Healthcare
  - 13 Fortune 500 Companies Operating in City
  - Major Employers Include Whirlpool, Coca Cola, Mars, Inc., Duracell & More
- Approximately 30 Miles from Chattanooga
- No State Income Tax in Tennessee

The Investment

The subject property offers an investor the opportunity to acquire a fully-leased two-tenant portion of a retail center featuring national credit tenants on long-term leases. With excellent access and visibility along the Paul Huff Parkway retail corridor adjacent to Lee Highway and I-75, scheduled rental escalations, and robust demographics in the surrounding area, an investor will capitalize on scheduled increases in income and asset appreciation with this property.

Location

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

Lot Size

Approximately 4.073 acres or 177,420 square feet.

Improvements

Construction was completed in 2019 of a 28,000 square foot retail building demised into 2 retail suites.

Homegoods | 22,000 square feet
Rack Room Shoes | 6,000 square feet

Parking

There is ample parking available on site.

FINANCIAL ANALYSIS

PRICE

$3,729,000

6.75% CAP Rate

Projected Gross Revenue

	YEAR 1	YEAR 10
Scheduled Base Rental Revenue	$278,000	$312,250
Expense Reimbursement Revenue	$113,384	$140,846
Effective Gross Revenue	$391,384	$453,096

Annual Expenses

Common Area Maintenance	$48,720	$63,569
Insurance	$14,560	$18,997
Taxes	$64,680	$77,299
Management @ 3%	$11,742	$13,593
Total Operating Expenses	$139,702	$173,458

	YEAR 1	YEAR 10
Net Operating Income	$251,682	$279,638
Return	6.75%	7.50%

Note

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

	Year 1 Jul-2021 Jun-2022	Year 2 Jul-2022 Jun-2023	Year 3 Jul-2023 Jun-2024	Year 4 Jul-2024 Jun-2025	Year 5 Jul-2025 Jun-2026	Year 6 Jul-2026 Jun-2027	Year 7 Jul-2027 Jun-2028	Year 8 Jul-2028 Jun-2029	Year 9 Jul-2029 Jun-2030	Year 10 Jul-2030 Jun-2031
Net Rentable Area - Sq. Ft.	**28,000**									
Base Rental Revenue PSF/month	$0.83	$0.83	$0.83	$0.83	$0.85	$0.88	$0.90	$0.90	$0.90	$0.93
Total Operating Expenses PSF/year	$4.99	$5.11	$5.23	$5.35	$5.48	$5.62	$5.77	$5.90	$6.04	$6.19
Absorption & Turnover Vacancy %	-	-	-	-	-	-	-	-	-	-
Vacancy Allowance %	-	-	-	-	-	-	-	-	-	-
Rental Revenue										
Potential Base Rent	278,000	278,000	278,000	278,000	286,250	295,250	304,000	304,000	304,000	312,250
Absorption & Turnover Vacancy	-	-	-	-	-	-	-	-	-	-
Total Rental Revenue	278,000	278,000	278,000	278,000	286,250	295,250	304,000	304,000	304,000	312,250
Total Expense Recoveries	113,384	116,139	118,963	121,859	124,828	127,873	130,995	134,197	137,480	140,846
Potential Gross Revenue	391,384	394,139	396,963	399,859	411,078	423,123	434,995	438,197	441,480	453,096
Vacancy Allowance	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenue	391,384	394,139	396,963	399,859	411,078	423,123	434,995	438,197	441,480	453,096
Operating Expenses										
CAM - $1.74	48,720	50,182	51,687	53,238	54,835	56,480	58,174	59,919	61,717	63,569
Insurance - $0.52	14,560	14,997	15,447	15,910	16,387	16,879	17,385	17,907	18,444	18,997
Taxes - $2.31	64,680	65,974	67,293	68,639	70,012	71,412	72,840	74,297	75,783	77,299
Management @ 3%	11,742	11,824	11,909	11,996	12,332	12,694	13,050	13,146	13,244	13,593
Total Operating Expenses	139,702	142,977	146,336	149,783	153,566	157,465	161,449	165,269	169,188	173,458
NET OPERATING INCOME	**251,682**	**251,162**	**250,627**	**250,076**	**257,512**	**265,658**	**273,546**	**272,928**	**272,292**	**279,638**

General Assumptions

Analysis Date	July 2021
Total Rentable Area	28,000 SF
Total Area for CAM Reimbursement Calculations	28,000 SF
General Inflation per Annum	3%
General Expense Growth per Annum	3%
Real Estate Tax Growth per Annum	2%
Management Fee	3%

RENT ROLL

Tenant	Sq. Ft.	Monthly Rent PSF	Annual Rent PSF	Current Annual Rent	Term	Rent Commence. Date	Lease Expiration Date	Rental Increase Date(s)	Rental Increase Amount(s)	Options	Lease Structure	End-of-Term Assumption
Homegoods	22,000	$0.67	$8.00	$176,000	10 yrs	9/29/2020	9/30/2030	10/1/2025	$187,000	4 @ 5 yrs Option 1: $198,000 Option 2: $209,000 Option 3: $220,000 Option 4: $231,000	NN with tenant responsible for all taxes, and interior maintenance of the tenant's space, excluding amortized costs of HVAC repairs or replacements in excess of $5,000 based on lease term remaining. Tenant shall reimburse $1.50 per square foot for CAM costs in the first lease year, increasing by 3% annually thereafter.	Option
Rack Room Shoes	6,000	$1.42	$17.00	$102,000	7 yrs	9/19/2019	1/31/2027	none	none	2 @ 5 yrs Option 1: $117,000 Option 2: $123,000	NN with tenant responsible for all taxes, insurance, and proprotionate share of common area maintenance, excluding management fee. Tenant is responsible for an administrative fee equal to 10% of CAM costs. Increases in controllable CAM costs shall be capped at 3% annually on a noncumulative basis, however, CAM costs shall be reset to tenant's actual proportionate share in year 6.	Option

Leased	28,000	100%
Vacant	0	0%
TOTAL	28,000	100%

Lessee: Homegoods, Inc.
Stock Symbol: NYSE: TJX
No. of Locations: 821+
Website: homegoods.com

Homegoods

Homegoods, Inc. is the leading off-price retailer of name brand furniture, linens, cooking products, art, seasonal decorations, and other home accessories in the U.S.. The brand's 821 stores offer an eclectic assortment of home fashions, furniture, rugs, lighting, and more. Since the first Homegoods location opened in 1992, the chain has seen substantial growth. Comparable same store sales have increased steadily over recent years, and are expected to continue to grow at a moderate rate; in 2020, same store sales for U.S. Homegoods locations increased 13%.

Homegoods is a subsidiary of The TJX Companies, Inc. In the fiscal year ended January 30, 2021, Homegoods reported net US sales of $19.4 billion and $891.2 million in profit. The TJX Companies, Inc. is rated A by S&P and A2 by Moody's. For the fiscal year ended January 30, 2021, the company reported revenue of $32.14 billion, net income of $90.5 million, and total stockholder's equity of $5.83 billion.

Lessee: Rack Room Shoes, Inc.
No. of Locations: 450+
Website: rackroomshoes.com

Rack Room Shoes

Rack Room Shoes offers a wide selection of nationally recognized footwear brands and an assortment of exclusive private brands at their more than 450 locations in 34 states. The company strives to be the family footwear retailer of choice by consistently providing quality products, great styles, great prices, and a sincere respect and appreciation for the customer.

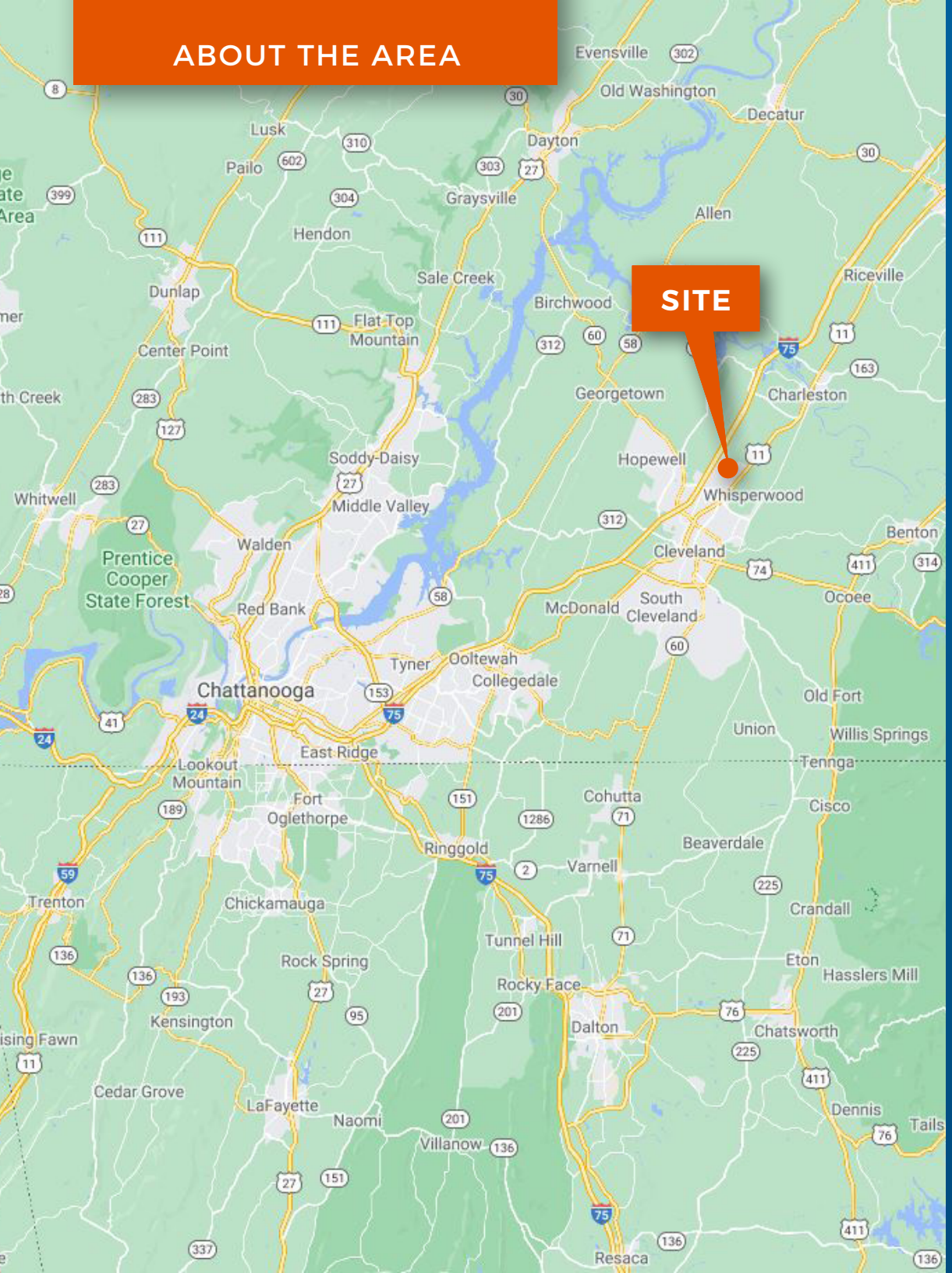
SITE PLAN

T.J.maxx
21,000 SF
ULTA BEAUTY
10,009 SF
PETSMART
19,318 SF
five BELOW
8,560 SF
RACK ROOM SHOES
6,000 SF
HomeGoods
22,000 SF

AERIAL

SOUTH VIEW

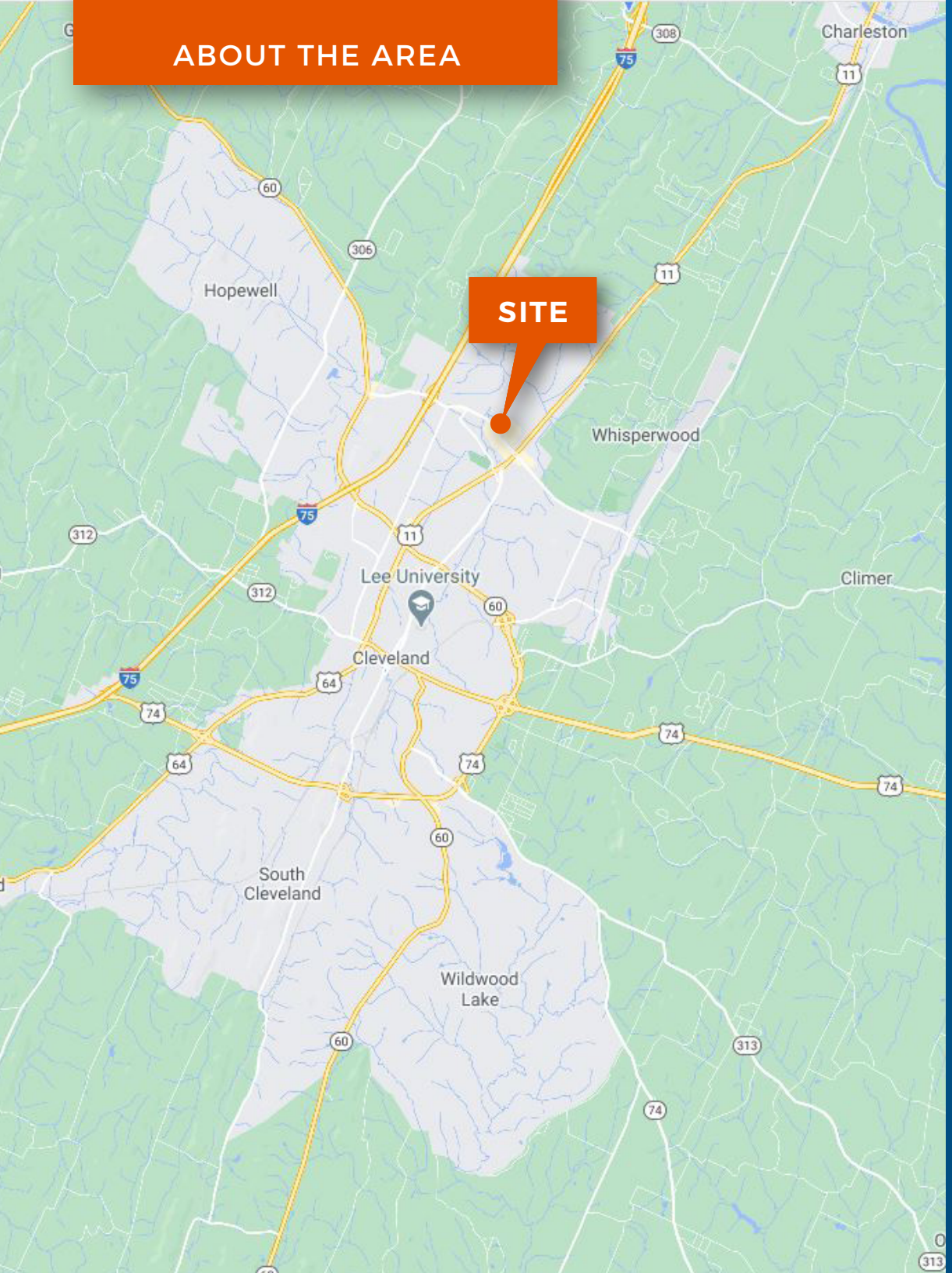
ABOUT THE AREA



General Overview

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

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



Site Information

The subject property is ideally located within an established retail corridor with excellent access and visibility. It is an outparcel to Bradley Square Mall adjacent to the intersection of Paul Huff Parkway (28,627 AADT) and Lee Highway (31,147 AADT) and less than one mile from the I-75 arterial (48,398 AADT). The site benefits from robust demographics with a total daytime population of 70,634 within a 5 mile radius. Average household income within 3 miles of the site is $74,514.

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

In addition, the property is located approximately 3 miles from Cleveland State Community College, with a student body of approximately 3,700, and Lee University, with approximately 5,400 students enrolled and a staff of more than 500. The site is also located approximately 3 miles from Tennova Healthcare's Cleveland Medical Center, a 183-bed hospital and with a staff of 1,157. Other major employers in the surrounding area include Mars Chocolate, located approximately 2.5 miles from the property, with a staff of approximately 575. The property additionally neighbors Ernest L. Ross Elementary School and Donald P. Yates primary school, drawing additional traffic from students, parents, and teachers proximal to the site.

300 Paul Huff Pkwy | Cleveland, TN 37312

2020 POPULATION
66,231

AVG. HOME VALUE
$225,871

AVG. HOUSEHOLD INCOME
$74,514

Population Summary	1 Mile	3 Miles	5 Miles
2010 Total Population	4,057	32,732	59,275
2020 Total Population	4,450	37,517	66,231
2025 Total Population	4,673	39,676	69,507
2020-2025 Annual Rate	0.98%	1.13%	0.97%
2020 Total Daytime Population	7,461	44,369	70,634
Average Household Income			
2020	$65,093	$74,514	$72,697
2025	$67,911	$80,451	$79,118
Average Home Value			
2020	$188,289	$225,871	$223,784
2025	$200,135	$244,017	$242,982

Top Employers in Cleveland	# of Employees
Whirlpool/Maytag	1,503
Bradley County Schools	1,200
Tennova	1,157
Peyton's Southeastern	1,100
Jackson Furniture Industries	1,090
City of Cleveland	1,004
Wal-Mart	850
Bradley County Government	620
Mars Chocolate	575
Lee University	501

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