chapala & cota

Two newly constructed creative/high-tech office buildings on a highly trafficked intersection in downtown Santa Barbara

NNN-leased to SONOS and subleased to honey

530 Chapala St & 25 West Cota St | 18,792 sf | Santa Barbara, CA

The information contained herein has been obtained from the owner of the property or from other sources deemed reliable. We have no reason to doubt its accuracy, but we do not guarantee it.

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PROPERTY SUMMARY

This unique offering consists of two interconnected, newly constructed* buildings on separate parcels, at the busy corner of Cota and Chapala Streets in the heart of downtown Santa Barbara. The asset has recently undergone a$1.7 million, state-of-the-art buildout and is NNN-leased to Sonos (NASDAQ: SONO), and subleased to Honey Science (which was recently purchased by Paypal for $4 billion — see page 7 for details). Features include high ceilings, open floor plans, distinctive architecture, and a large rooftop patio with expansive views of the ocean, city and mountains. Each structure maintains its own building systems and APN. Formerly "Dal Pozzo Tires" and "The Hendry's Building", both Spanish Revival and Contemporary Industrial architecture have been incorporated to pay homage to the rich history of these buildings.

PRICE: $14,350,000 (4.21% CAP)

Address:	530 Chapala St & 25 W Cota St, Santa Barbara
Size:	18,792 SF
Occupancy:	100%
Master Tenant:	Sonos (NASDAQ: SONO)
Subtenant:	Honey Science Corp (PayPal announced a $4 billion acquisition of Honey)
NOI:	Approximately $604,146
Lease Terms:	NNN Lease, see page 5 for details
Site Area:	19,167 SF (APNs: 037-171-01 and 037-171-11)
Frontage:	100± ft along Chapala St, 200± ft along Cota St and 100± ft along Fig Ave
Floors:	Two floors on Chapala and three floors on Cota
Year built:	2016 & 2017
Elevator:	25 W Cota St is elevator served
Zoning:	M-C
Parking:	15 spaces total, 4 covered. Parking spaces available for rent in city-owned lots and several private lots nearby
Existing Debt:	CLA

* While structurally and for all practical purposes these are newly constructed buildings, some elements of the original buildings were retained for their historic and esthetic value.

CHECK OUT THE NEW VIDEO TOUR!

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THE OPPORTUNITY

TROPHY INVESTMENT PROPERTY CENTRAL TO DOWNTOWN

Chapala & Cota is adjacent to the Hotel Santa Barbara, one block from the Paseo Nuevo regional mall, and central to a downtown core brimming with world-renowned shopping, dining and arts, which is the natural focal point for the area's 6.1 million annual visitors. Santa Barbara also has a lauded pedigree as a tech haven, drawing on the highly-educated local population, while attracting top talent worldwide to work in one of the nation's most sought-after coastal cities. More than 70 tech companies have locations or headquarters downtown.

NEW, MODERN CONSTRUCTION

The newly constructed buildings feature distinctive architecture, natural light throughout, tech-friendly infrastructure, and on-site parking. Offering one of the few rooftop patios in town, the expansive views showcase both islands and mountains in the same frame. Walking distance from every downtown amenity, this investment is positioned to command strong rental income for the foreseeable future.

LONG-TERM LEASE TO A SOLID TENANT

The subject property is 100% NNN-leased to Sonos, publicly-traded on the NASDAQ under the ticker symbol SONO, through 2025. In addition, the sublessee, Honey Science, was just purchased by PayPal for $4 billion.

Santa Barbara's office market is marked by perennially low office vacancy; the average quarterly office vacancy rate over the past 10 years is 5.2%.

HIGH BARRIERS TO ENTRY

Due to geographic constraints and a stringent government approval process, development in the market is very limited. There has only been a total of approximately 270,000 SF of new office space delivered in the past 12 years, and there are currently only two sites approved for office development in the Santa Barbara area.

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LEASE SUMMARY

Tenant	Sonos, Inc.
Landlord Responsibilities	Landlord is responsible for the structural elements of the Property and, during the initial term only, the Landlord is responsible for capital improvements (parking lot re-surfacing, roof replacement, HVAC replacement)
Initial Lease Term	8 Years
Remaining Term	Approx. 6 years
Lease Commencement	October 27, 2017
Rent Commencement Date	October 27, 2017
Lease Expiration Date	October 27, 2025
Lease Type	NNN Master Lease
Current Rent	Approx. $604,146 ($2.68 NNN psf)
Primary Term Increase Schedule	2.5% increase annually
Options to Extend [1]	Three (3) Five (5) Year options
Option Rent	Option rent of each extension period shall be 95% of the Fair Market Rent
Option Increase Schedule	2.5% increase annually

[1] Options have not been assigned and are personal to the Master Lessee.

TENANT IMPROVEMENTS

Honey Science, in conjunction with the landlord, are currently executing approximately $1.7 million in tenant improvements at the property, not including furniture, fixtures, equipment and data/AV.

The upgrades will transform the subject property into a modern, trendy office interior perfect for tech/ creative use. These improvements include an efficient layout of ample open area, small breakout rooms phone booth, private offices and conference rooms as well as multiple employee amenities and areas for entertaining clients and potential customers.

Any outstanding seller obligations related to leasing will be a credit to the purchaser at close of escrow.

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MASTER LESSEE

SONOS

Sonos began with four friends living in Santa Barbara in the early 2000s sharing a vision: To allow any song to be played in any room of a house. For fifteen years, Sonos, Inc. has pursued its goal of reinventing and reinvigorating the home audio experience. Since the prototype of their first product in 2004, the company has steadily released new speakers and devices designed to simplify and enhance sound systems.

Sonos announced in 2016 that the Apple Store would carry its products in addition to native functionality with Amazon's Alexa platform.

Sonos, Inc. is now a publicly traded company and delivers high-quality audio to over 60 countries, through thousands of retailers.

Company Overview

Industry: Consumer electronics
NASDAQ: SONO
Market Cap: $1.6B
Founded: 2002
Headquarters: Santa Barbara

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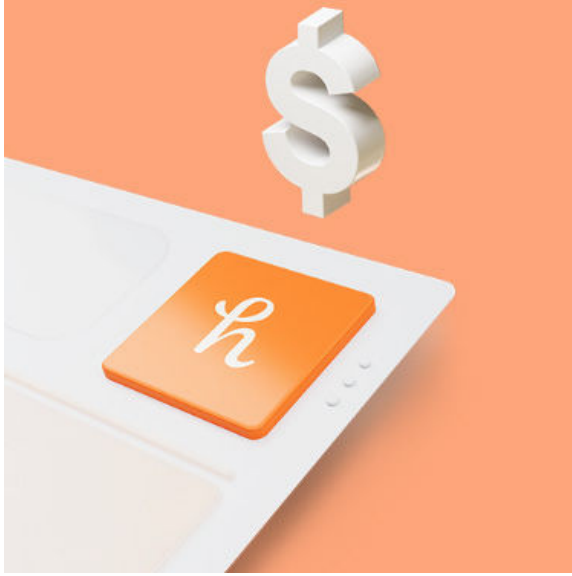
TENANT SUMMARY

honey

SUBLESSEE



Company Overview

Industry: E-Commerce
Founded: 2012
Headquarters: Los Angeles
Parent: PayPal ($4B acquisition)

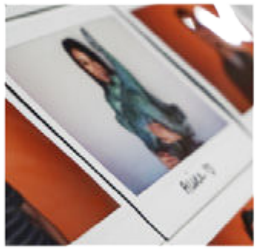
Honey was founded in 2012 by entrepreneurs George Ruan and Ryan Hudson in Los Angeles, CA. The start-up has grown to 17 million users, attracting the attention of PayPal, which announced a $4 billion purchase agreement in November, 2019.

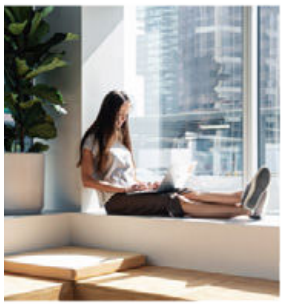
With offices in London, Los Angeles, Boulder, New York City, Chicago, San Francisco, and Romania, Honey continues to expand, including moving to new 130,000 SF headquarters in Los Angeles. Their new Santa Barbara office at the subject property will be aligned with a growing number of tech companies seeking out space in this area.

Honey lists over 300 employees and is hiring for 63 more positions.

SAVING TIME AND MONEY

Honey is a free browser extension with an app version in beta. As users shop online, Honey detects savings opportunities automatically and applies relevant coupon codes at checkout. Honey also helps customers by showing a price history for items on Amazon, as well as a "droplist" that watches selected products and sends notifications when they drop below a chosen price.





A GROWTH TRAJECTORY

Honey serves 17 million users worldwide while they shop over 30,000 retailers. The company reports a 1.4% weekly growth rate for unique web visitors. This global success led to the $4 billion acquisition by PayPal, which will surely transform Honey from a successful startup into a major player in the e-commerce ecosystem.

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TENANT IN THE NEWS

PARENT COMPANY

PayPal

honey

A GIGANTIC ACQUISITION

In a deal heralded as the largest tech transaction in the history of Los Angeles, PayPal announced its **$4 billion** purchase of Honey Science in November 2019.

This acquisition catapults Honey into the top echelon of internet commerce, while simultaneously validating its business model and providing greater resources to underwrite its financial obligations.

It's hard to imagine a better sublessee for a creative office asset.

Company Overview

NASDAQ: PYPL
Market Cap: $124.58 billion
Industry: E-Commerce
Founded: 1998
Headquarters: San Jose, CA
Active Users: 277 million

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TECHTOPIA

techtopia

Dubbed "Techtopia" by CNBC, Santa Barbara is loaded with internet companies and start-ups, many of which have spun out of UCSB research teams. Technology companies have become an increasingly significant presence in downtown Santa Barbara. Amazon, Sonos, Invoca, Honey Science, and LogicMonitor have all established large "creative" offices fronting or within a block of State Street. The emerging tech scene is also attracting founders and entrepreneurs from Los Angeles and San Francisco. This surge of tech employees along the State Street corridor adds dynamism and economic vitality to the downtown area. Entities such as SAAS companies, lifestyle brands, and medical tech thrive as Santa Barbara continues to foster new innovation and venture development.

Green Hills Software Inc.

honey

amazon

SONOS

WELL

70+

tech companies in downtown Santa Barbara

Tapjoy

PayJunction

LogicMonitor

INVOCA

Educated, tech-inclined employee pool

The area's computer science pedigree was founded decades ago when UCSB was one of four sites selected to develop the Department of Defense's ARPAnet, the predecessor of the world wide web.

Boasting six nobel laureates on faculty and ranked eighth in the world for its impact on the sciences,* UCSB is integral to the Santa Barbara community and its largest employer. UCSB offers a unique Technology Management Program (TMP) certificate, and many graduates with STEM degrees stay to work in the area.

The quantum bump

In 2019, UCSB was awarded a $25 million National Science Foundation grant to create the nation's first "quantum foundry" to research quantum technology. Soon after, Google's research lab near the university reached the elusive "quantum supremacy," the ability of a quantum processor to perform a complex computation much, much faster than any existing supercomputer. Google engineering director Hartmut Neven called this "the beginning of a new journey." This breakthrough has further solidified Santa Barbara as a vital hub of research and technology.

* Ranked #8 of 750 universities worldwide in 2014 by the Centre for Science and Technology Studies of Leiden University.

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NEIGHBORHOOD

STATE STREET & DOWNTOWN

At the heart of Santa Barbara lies State Street, dense with countless options for food and drink, shopping, and entertainment. Stretching the entire length of downtown and eventually turning into Stearns Wharf, State Street serves as the retail hub and most sought-after tourist attraction in the city. Within three blocks of the subject property, hip new cocktail bars have recently sprouted, like Modern Times and Shaker Mill.

THE FUNK ZONE

Generally defined by State Street to the west, Highway 101 to the north, Garden Street to the east, and the ocean to the south, the Funk Zone has historically been an industrial area. As time has passed and manufacturing waned, it has become a haven for the city's artists and artisans. This unique history, combined with its prime location adjacent to both the beach and State Street, has recently attracted an influx of investment and new tenants including wine tasting rooms, restaurants, tech companies, and art galleries.

THE URBAN WINE TRAIL

With 35,000 tourists on average every day, the area has become a thriving hub for this world-renowned wine region. Santa Barbara's Urban Wine Trail brings heavy traffic – by train, bike and foot – into the Funk Zone and Laguna District where patrons can choose from over 15 wineries within 3 blocks of the subject property.

THE SANTA BARBARA ALE TRAIL

Santa Barbara's breweries have made a name for themselves in their own right — now referred to as the "Ale Trail," the blooming hot spots are consistently and creatively providing hand-crafted brews and adding another layer to this vibrant pocket of Santa Barbara that overlaps with the subject property.

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AREA OVERVIEW

The subject property is surrounded by promising new growth as well as firmly established heavyweights like Paseo Nuevo and the Funk Zone. The **Chapala Corridor** is home to a growing number of tech companies as well, undoubtedly drawn to the many conveniences and luxuries of the area.

Developments | **Tech tenants** | **Points of interest**

	Development	Address	Commercial	Residential
1	414 Chapala St	414 Chapala St	2 for lease	21 rental
2	Sevilla	401 Chapala St	6 for sale	46 for sale
3	Mixed-use dev.	515 Chapala St	1 for sale	6 for sale
4	El Andaluz	531 Chapala St	2 for sale	7 for sale
5	Paseo Chapala	721-739 Chapala St	9 for sale	29 for sale
6	Public Market	38 W Victoria St	2 condos and 20k sf market	37 for sale
7	Anacapa & Ortega	634 Anacapa St	2 for lease	30 rental

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COMPARABLE SALES

SUBJECT

530 CHAPALA ST & 25 W COTA ST

Subject

Bldg Size	Land Size	Price PSF	Cap rate
18,792 SF	19,167 SF	$764	4.21%

Comps average

Bldg Size	Land Size	Price PSF	Cap rate
14,322 SF	22,181 SF	$755	4.29%

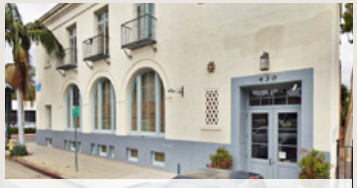
COMPS

8 W VICTORIA ST, SANTA BARBARA

Price: $3,895,000
Deal Date: 7/27/16
CAP rate: 4.50%
Tenant: Sotheby's STNL
Building Size: 3,980 SF
Land size: Condo

3793 STATE ST, SANTA BARBARA

Price: $4,250,000
Deal Date: 8/13/19
CAP rate: 4.80%
Tenant: Fidelity STNL
Building Size: 4,477 SF
Land size: Condo



430 CHAPALA ST, SANTA BARBARA

Price: $4,250,000
Deal Date: 8/27/19
CAP rate: 4.72%
Tenant: Pentland STNL
Building Size: 8,683 SF
Land size: 3,049 SF

112 E VICTORIA ST, SANTA BARBARA

Price: $6,300,000
Deal Date: 10/11/19
CAP rate: 4.18%
Tenant: Regional Law Firm STNL
Building Size: 12,746 SF
Land size: 25,425 SF

834 STATE ST, SANTA BARBARA

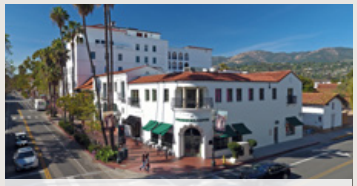
Price: $7,100,000
Deal Date: 4/29/19
CAP rate: 2.96%
Tenant: Bank of America STNL
Building Size: 23,373 SF
Land size: 29,185 SF

1101 COAST VILLAGE ROAD, MONTECITO

Price: $7,700,000
Deal Date: 3/2/18
CAP rate: 4.70%
Tenant: Compass-anchored
Building Size: 5,250 SF
Land size: 10,454 SF

324-336 N MILPAS ST, SANTA BARBARA

Price: $8,200,000
Deal Date: 2/23/16
CAP rate: 3.89%
Tenant: CVS STNL
Building Size: 11,468 SF
Land size: 40,511 SF



800 STATE ST, SANTA BARBARA

Price: $8,625,000
Deal Date: 8/29/17
CAP rate: 4.50%
Tenant: Starbucks-anchored
Building Size: 7,956 SF
Land size: 9,583 SF

3025 DE LA VINA ST, SANTA BARBARA

Price: $12,500,000
Deal Date: 1/13/17
CAP rate: 4.40%
Tenant: Trader Joe's STNL
Building Size: 18,472 SF
Land size: 47,916 SF

1001 STATE ST, SANTA BARBARA

Price: $18,500,000
Deal Date: 3/1/18
CAP rate: 4.23%
Tenant: Saks Off 5th STNL
Building Size: 48,564 SF
Land size: 11,326 SF

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FLOOR PLANS

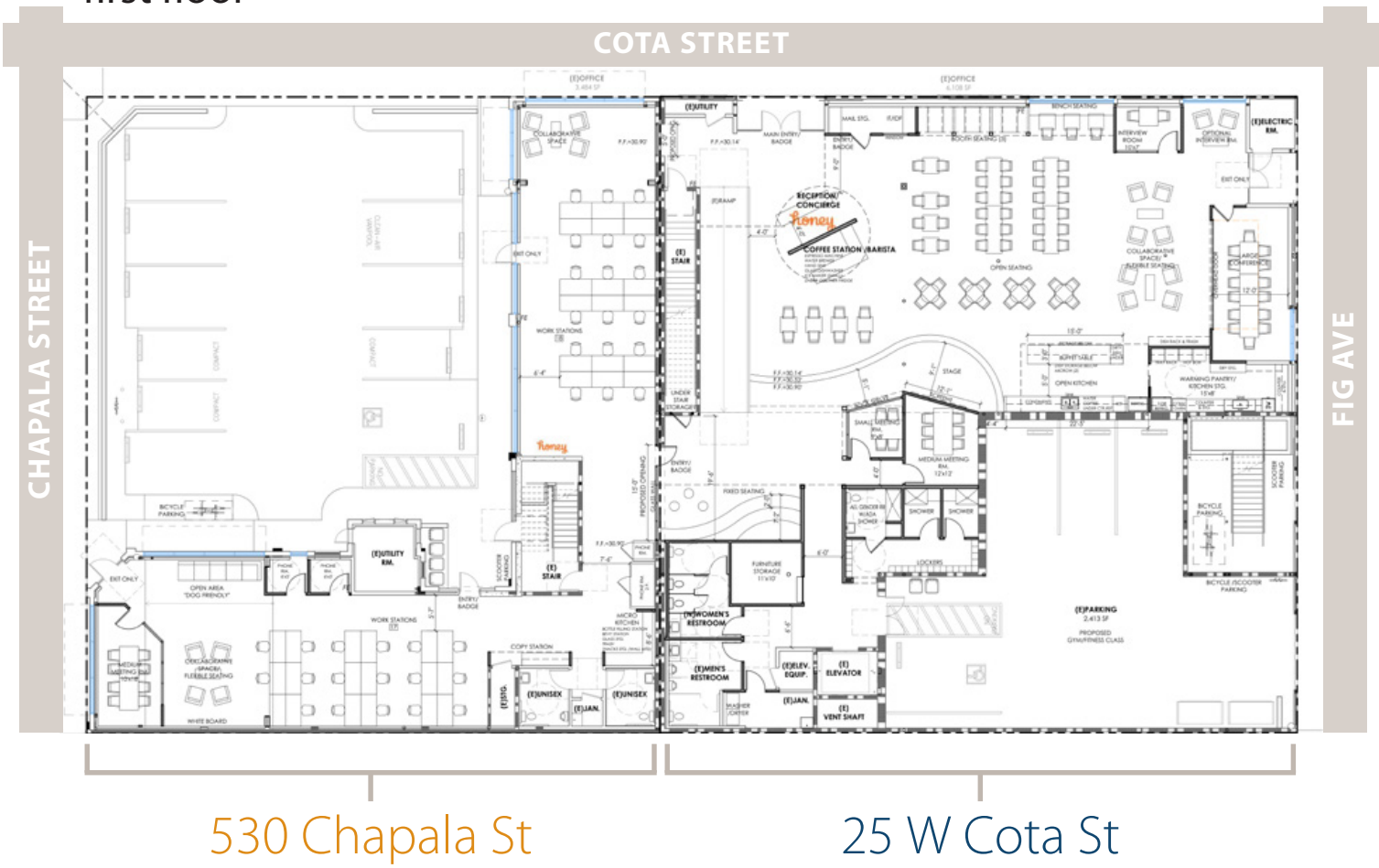
530 Chapala St, 1st floor

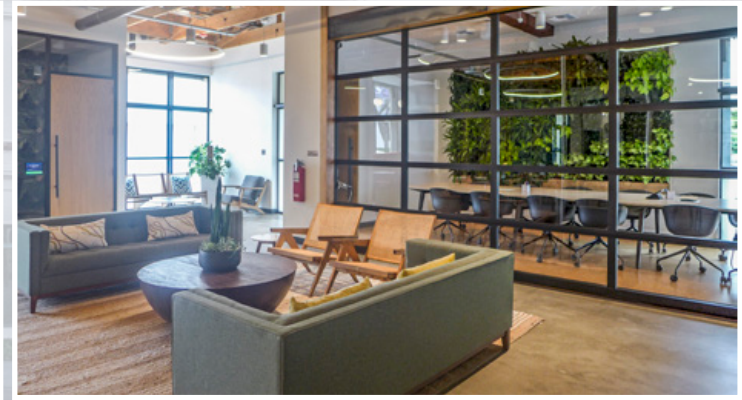
High-profile creative office space with plentiful natural light and high ceilings, consisting of open office, multiple collaborative spaces, coffee bar and 11 parking spots (including ADA space).

25 W Cota St, 1st floor

First-class office and entertaining spaces with multiple conference rooms, all-hands area, locker room, showers and main kitchen area. Several large rolling barn doors can open to let in natural light. Also included are four parking spaces (including ADA space) accessible from Fig Avenue and an elevator serving all three floors.

first floor





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FLOOR PLANS

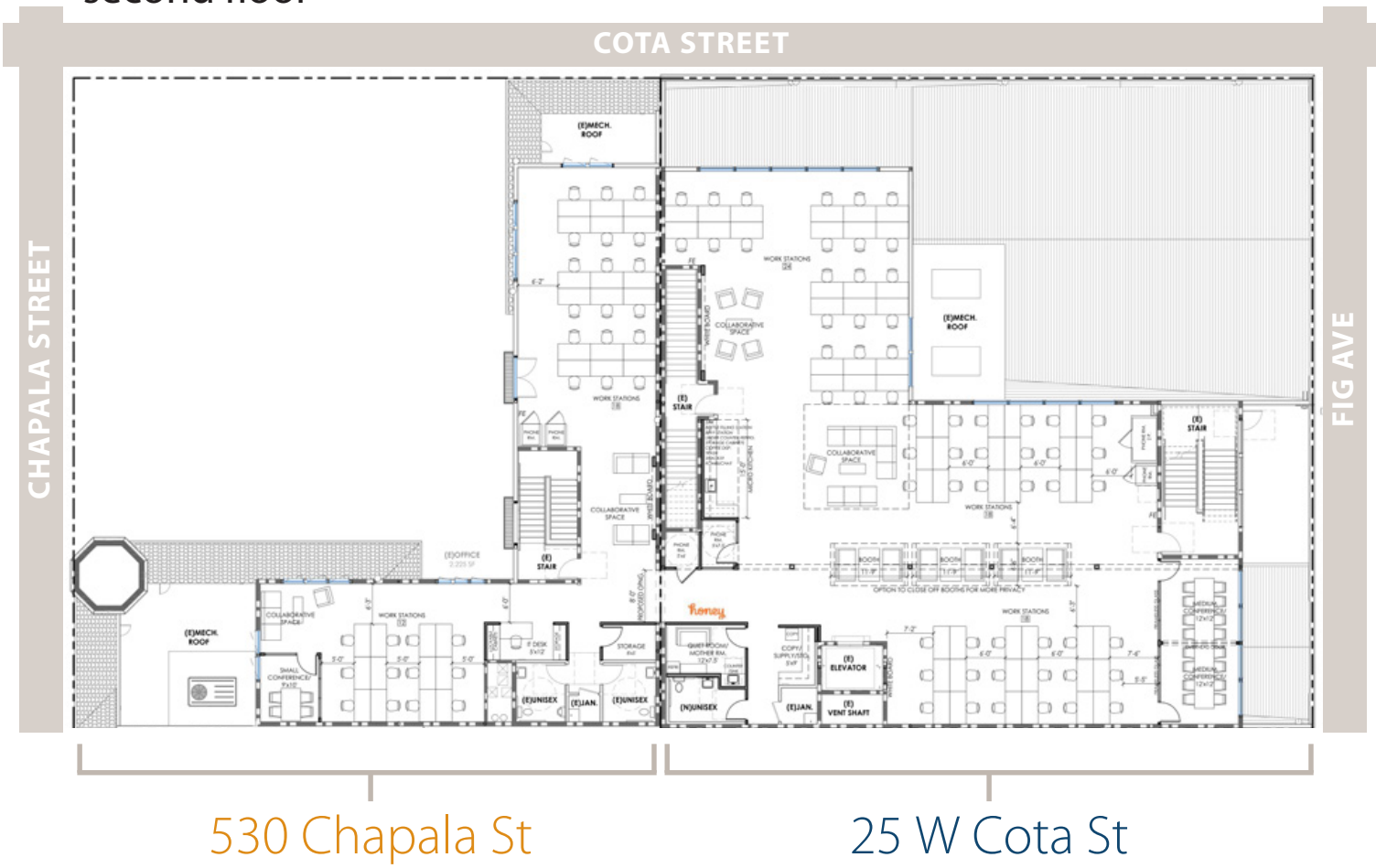
530 Chapala St, 2nd floor

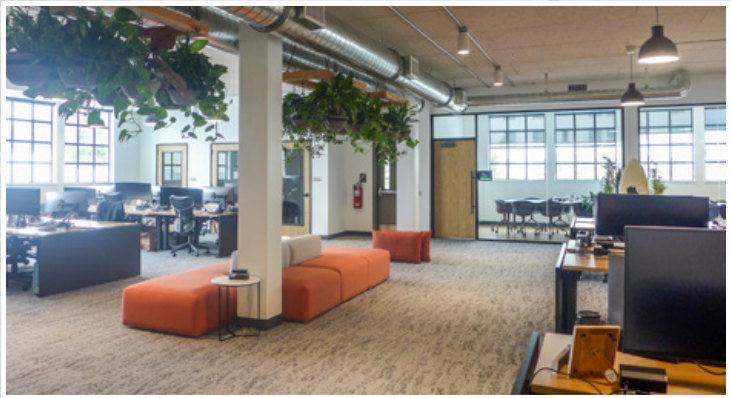
Open-concept office with multiple casual collaboration spaces, small conference room and exceptionally high ceilings for a second floor space.

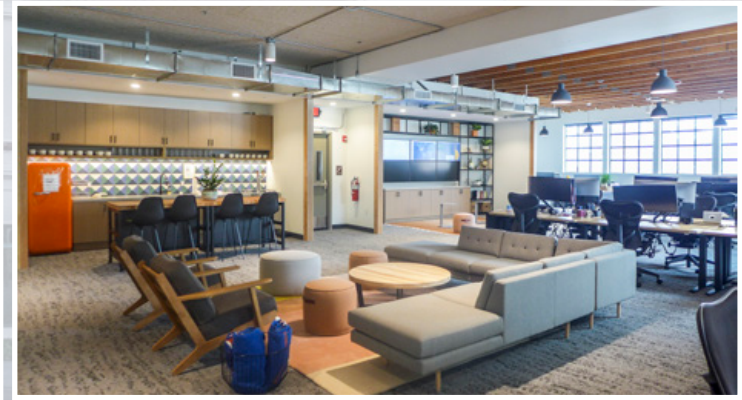
25 W Cota St, 2nd floor

Bright, expansive creative office with large convertible conference room, kitchen, phone booths, and plentiful open bullpen space.

second floor







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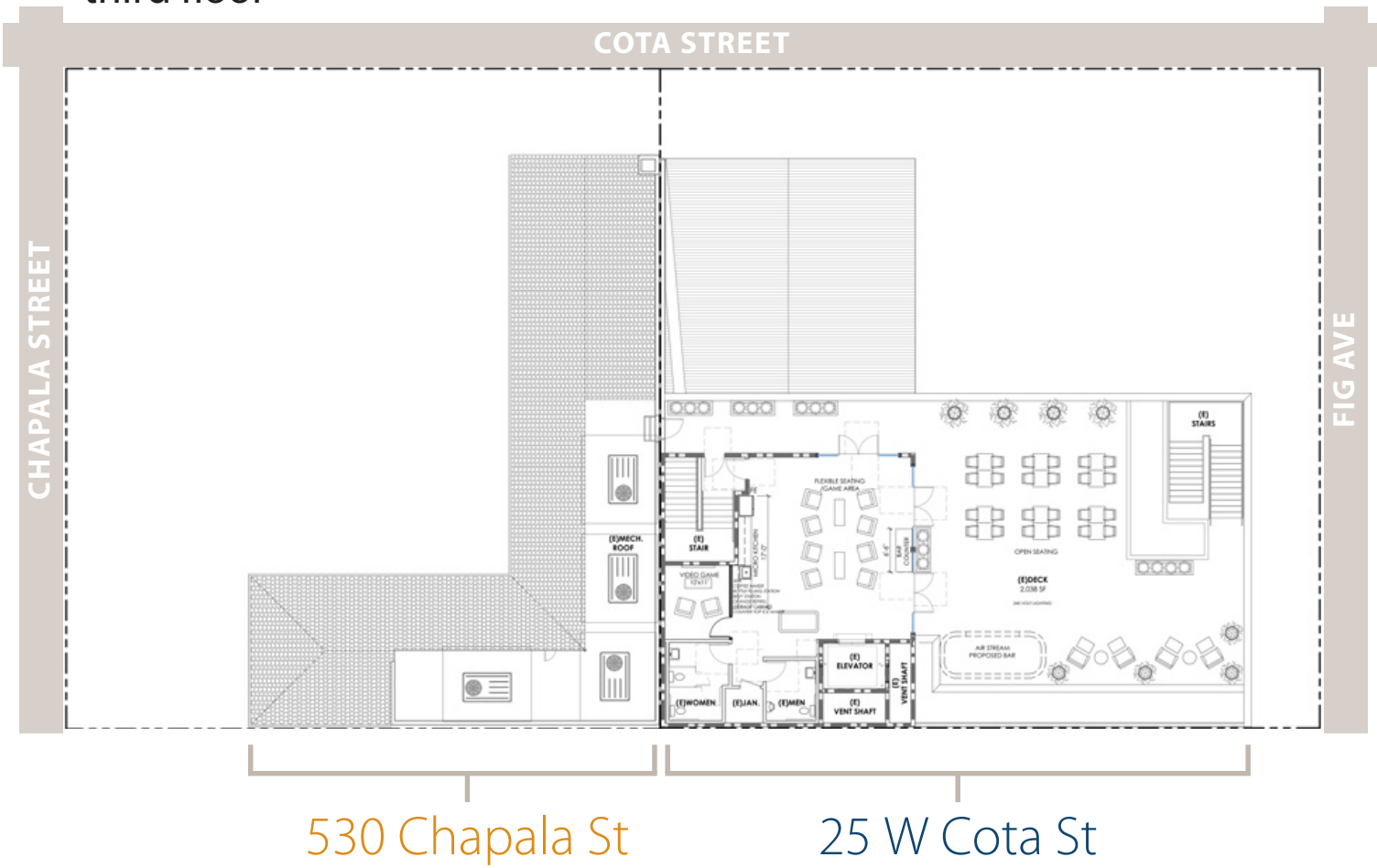
FLOOR PLANS

25 W Cota St, 3rd floor

Flexible entertaining space with open seating, galley kitchen and one of the largest rooftop patios on any office buildings in downtown Santa Barbara with a peek at the ocean and grand mountain views.

third floor



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ATTRACTIONS

Tucked between the Santa Ynez Mountains and the Pacific Ocean, **Santa Barbara** offers much more than its renowned beaches and cuisine. The "American Riviera" is a diverse playground for a wide array of sights and activities enjoyed by residents and visitors alike.

RETAIL

PASEO NUEVO

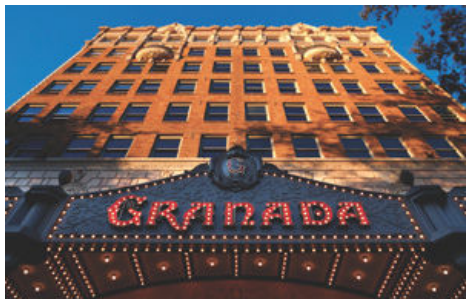
An outdoor shopping mall anchored by Nordstrom, American Eagle, Victoria's Secret, and Gap as well as a number of local and regional retailers. Stunning Spanish architecture, convenient underground parking, and a wide selection of eateries.

THE PUBLIC MARKET

Contemporary urban marketplace offering locally and regionally sourced food, wine, and beer, nestled in the thriving performing and cultural arts district of downtown Santa Barbara.

STATE STREET

At the heart of Santa Barbara lies State Street, dense with countless options for food and drink, shopping, and entertainment. Stretching the entire length of downtown and eventually turning into Stearns Wharf, State Street serves as the retail hub and most sought-after tourist attraction in the city.



ENTERTAINMENT

SANTA BARBARA BOWL

The Santa Barbara Bowl is a 4,562-seat amphitheater carved into the hillside, hosting about 30 concerts per season.

THE ARLINGTON THEATRE

The Arlington Theatre is the largest movie theater and principal performing arts venue in Santa Barbara. In addition to regular screenings, it is home to many events associated with the annual Santa Barbara International Film Festival. Located on State Street, the Arlington was built in 1931 on the former site of the Arlington Hotel.

THE GRANADA THEATRE

The Granada Theatre recently underwent a monumental restoration and nearly eighty-four years after first opening its doors, this legendary entertainment palace has returned to life as the crown jewel of Santa Barbara's historic cultural district.

HOTELS

HOTEL CALIFORNIAN

Featuring Spanish Colonial Revival architecture, the Hotel Californian is the new center of the Santa Barbara waterfront. This 121-room seaside destination features a rooftop pool and event deck providing panoramic views of the coastline and mountains.

ROSEWOOD MIRAMAR

Residential exclusivity inspires the resort's 124 rooms and 37 suites. Scattered across 16 acres of rolling lawns and lush landscaping, the spacious, thoughtfully furnished luxury accommodations are the epitome of modern beach living.

THE BILTMORE, FOUR SEASONS

Tucked between the Pacific Ocean and the Santa Ynez Mountains sits this iconic hideaway on the American Rivieria, where celebrities come to play. Set within 22 lush acres, the Spanish Colonial villas and bungalows invoke casual 1930s glamour.

EDUCATION

UNIVERSITY OF CALIFORNIA, S.B.

UCSB is a public institution founded in 1909. It has a total undergraduate enrollment of 24,346, its setting is suburban, and the campus size is 989 acres. Boasting six nobel laureates on faculty, UCSB is integral to the Goleta community and its largest employer.

WESTMONT

Founded in 1937, Westmont is an interdenominational Christian liberal arts college in Montecito, Santa Barbara's closest neighbor. The Templeton Foundation has recognized Westmont as one of the nation's top 100 colleges committed to character development.

SANTA BARBARA CITY COLLEGE

Santa Barbara City College is a comprehensive community college serving the south coast of Santa Barbara County, established in 1909.

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chapala & cota AGREEMENT

This confidential Offering Memorandum ("Memorandum") is being delivered subject to the terms of the Confidentiality Agreement signed by you ("Confidentiality Agreement") and constitutes part of the confidential property information ("Confidential Information"). It is being given to you for the sole purpose of evaluating the possible acquisition of 530 Chapala St & 25 W Cota St, Santa Barbara, California ("Property") and is not to be used for any other purpose or made available to any other party without the prior written consent of Owner. Hayes Commercial Group ("HCG") has been engaged by the owner of the property to market it for sale. Information concerning the property described herein has been obtained from sources other than HCG, and neither Owner nor HCG, nor their respective equity holders, shareholders, officers, employees and agents makes any representations or warranties, express or implied, as to the accuracy or completeness of such information. Any and all reference to age, square footage, income, expenses and any other property-specific information is approximate. Any opinions, assumptions, or estimates contained herein are projections only and used for illustrative purposes and may be based on assumptions or due diligence criteria different from that used by a purchaser, and HCG, its partners, shareholders, officers, employees and agents disclaim any liability that may be based upon or related to the information contained herein. Due to the foregoing and since the Property will be sold on an "As Is, Where Is" basis; a prospective purchaser must make its own independent investigations, projections, and conclusions regarding the acquisition of the Property without reliance on this Memorandum or any other Confidential Information. Although additional Confidential Information, which may include engineering, environmental, or other reports, may be provided to qualified parties as marketing proceeds, prospective purchasers should seek advice from their own attorneys, accountants, engineering, environmental, and other experts. The information contained herein is subject to change.

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