



JOHN D MILLER

COMMERCIAL

REAL ESTATE SERVICES INC

SINGLE TENANT NET LEASED INVESTMENT

OFFICE BUILDING

75 KALLOF PLACE, SEDONA

OFFERED AT \$2,125,000

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John D. Miller, Broker

The information contained herein has been obtained from sources deemed reliable, however, its accuracy is not guaranteed.

Any prospective purchaser should independently verify any information upon which they would base a purchase decision.

EXCLUSIVELY OFFERED BY:

**JOHN D. MILLER
BROKER**

**JOHN D. MILLER REAL ESTATE SERVICES, INC.
THE OLD MARKETPLACE
1370 W HWY 89A SUITE 17
SEDONA, ARIZONA 86336**

**DIRECT: (928) 254-0303
FAX: (866) 880-7602**



JOHN@JOHNDMILLER.COM

WWW.JOHNDMILLER.COM

EXECUTIVE SUMMARY

| | |
|-----------------------|---|
| PROPERTY LOCATION: | 75 Kallof Place—West Sedona |
| PROPERTY BRIEF: | This Class "A" two level office building was extensively renovated in 2006. The tenant, Shephard Wesntizer Engineering, has occupied the building since 2006. There is also additional land area sufficient to build up to 7,000 square feet of either office or lodging space. |
| PROPERTY TYPE: | Two-story professional office building. |
| PRICE: | \$2,125,000 |
| TERMS: | Cash. Pro forma assumes new financing of 75% of the purchase price at 4.9%, 20 year amortization, due in 10 years. |
| NET OPERATING INCOME: | \$219,552 (9.05% cap rate) |
| LEGAL DESCRIPTION: | Provided in escrow |
| COUNTY: | Yavapai |
| TAX IDENTIFICATION: | 408-26-032 |
| LAND AREA: | 1.06 total acres. .76 acres improved and .30 acres for future expansion. |
| ZONING: | Lodging. |
| BUILDING SIZE: | 9,148 sq. ft. existing with the opportunity to construct addition improvements. |
| OCCUPANCY RATE: | 100% (owner will reduce occupied space to accommodate another user/tenant.) |



Back patio area.



Reception Area

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CONTACT

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Reception area.

TITLE COMPANY

Lydia Reynolds
 Pioneer Title Agency
 1370 West Hwy 89A
 Suite 10
 Sedona, AZ 86336
 (928) 203 -9190 office
 (928) 203 - 9186 fax
 Lydia.reynolds@ptaaz.com

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EXECUTIVE SUMMARY (CONT'D)

UTILITIES AVAILABLE: Sewer - City of Sedona
Water - Oak Creek Water Company
Electric - APS
Gas - Unisource

OTHER INFORMATION: Title report with Schedule B materials
ALTA survey
As-built architectural plans
Environmental report
Seller property disclosure statement

LEASING / MANAGEMENT: Tenant managed.

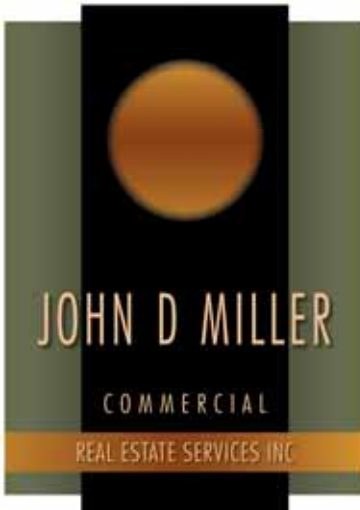
RESOURCE CONTACTS:

Escrow Agent: Lydia Reynolds—Pioneer Title Company
(928) 203-9190
Lydia.Reynolds@PioneerTitleAgency.com

Builder / Contractor: Phil W. Morris
The Morris Company
(928) 300-5946
themorrisco@gmail.com

Engineer: John Wesnitzer—Shephard Wesnitzer
(928) 300-0197
jwesnitzer@swiaz.com

City of Sedona: Nick Gioello - Senior Planner
(928) 203-5100



CONTACT

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Typical office



Typical office.

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Conference room.



Typical Office

PRO FORMA

JOHN D. MILLER REAL ESTATE

75 Kallof Place Office Building

Sedona, Arizona

| | | | |
|---------------|-------------|---|-----------|
| Total Price: | \$2,125,000 | | |
| New Loan: | \$1,593,750 | @ | 5.60% |
| Second Lien: | | | 20 years |
| Total Debt: | \$1,593,750 | | 8.32K |
| Down Payment: | \$531,250 | (| 25% down) |

| | | | |
|---------------------|------------------------------|---|------------------------|
| Building Size: | 9,148 sq. ft. | (| \$232.29 / sq. ft.) |
| Constructed in: | 2006 | (| 19.81% site coverage) |
| Land Area: | 1.06 acres | (| \$46.02 / sq.ft. land) |
| Parking: | 56 spaces | (| 1 space / 163 sq. ft.) |
| Base Rental Income: | \$16,117.00 per month, or | | \$193,404 per year |
| Other Income: | \$2,466.58 per month, or | | \$29,599 per year |
| Vacancy Factor: | 0% (currently 100% occupied) | | |
| Operating Expenses: | \$2,466.58 per month, or | | \$29,599 per year |
| Debt Service: | \$11,053.41 per month, or | | \$132,641 per year |

STABILIZED PRO FORMA

| | | |
|--------------------------------|------------------|---------------------------------------|
| Annual Rental Income: | \$193,404 | |
| \$1.76 /mo. \$21.14 /yr. | | |
| Other Income: | 29,599 | 13.27% of gross income |
| \$0.27 /mo. \$3.24 /yr. | ----- | |
| Scheduled Gross Income: | \$223,003 | 9.53 times gross income |
| \$2.03 /mo. \$24.38 /yr. | | |
| Less Vacancy Factor: | 0 | 0.00% vacancy factor |
| | ----- | |
| Effective Gross Income: | \$223,003 | |
| Less Operating Expenses: | (29,599) | 15.30% of gross income |
| \$0.27 /mo. \$3.24 /yr. | ----- | |
| Net Operating Income: | \$193,404 | 9.10% capitalization rate |
| \$1.76 /mo. \$21.14 /yr. | | |
| Less Debt Service: | (132,641) | 8.32 K debt constant |
| 1.46 debt coverage ratio | ----- | |
| Pretax Cash Flow: | \$60,763 | 11.44% pretax return on equity |

Notes:

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RENT ROLL & EXPENSES

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RENT ROLL

| Floor | Tenant Name | Size | Rent P.S.F. | Base Rent | NNN Expenses | Lease Expires | Lease Commenced |
|----------------|---------------------|--------------|----------------|-----------------|-----------------|------------------|--------------------|
| 1st | Shephard Wesnitzer | 4,358 | \$1.50 | \$6,537 | \$937 | 12/31/2014 | 1/1/2006 |
| 2nd | Available for Lease | 4,790 | \$2.00 | \$9,580 | \$1,529 | | |
| Totals: | | 9,148 | \$1.76 | \$16,117 | \$2,467 | | |

Notes: 1st floor tenant has two options to renew the lease for three years each.
 NNN proration is a blend of prorata rent and prorata square footage.
 NNN proration does not include insurance costs.

EXPENSE BREAKDOWN

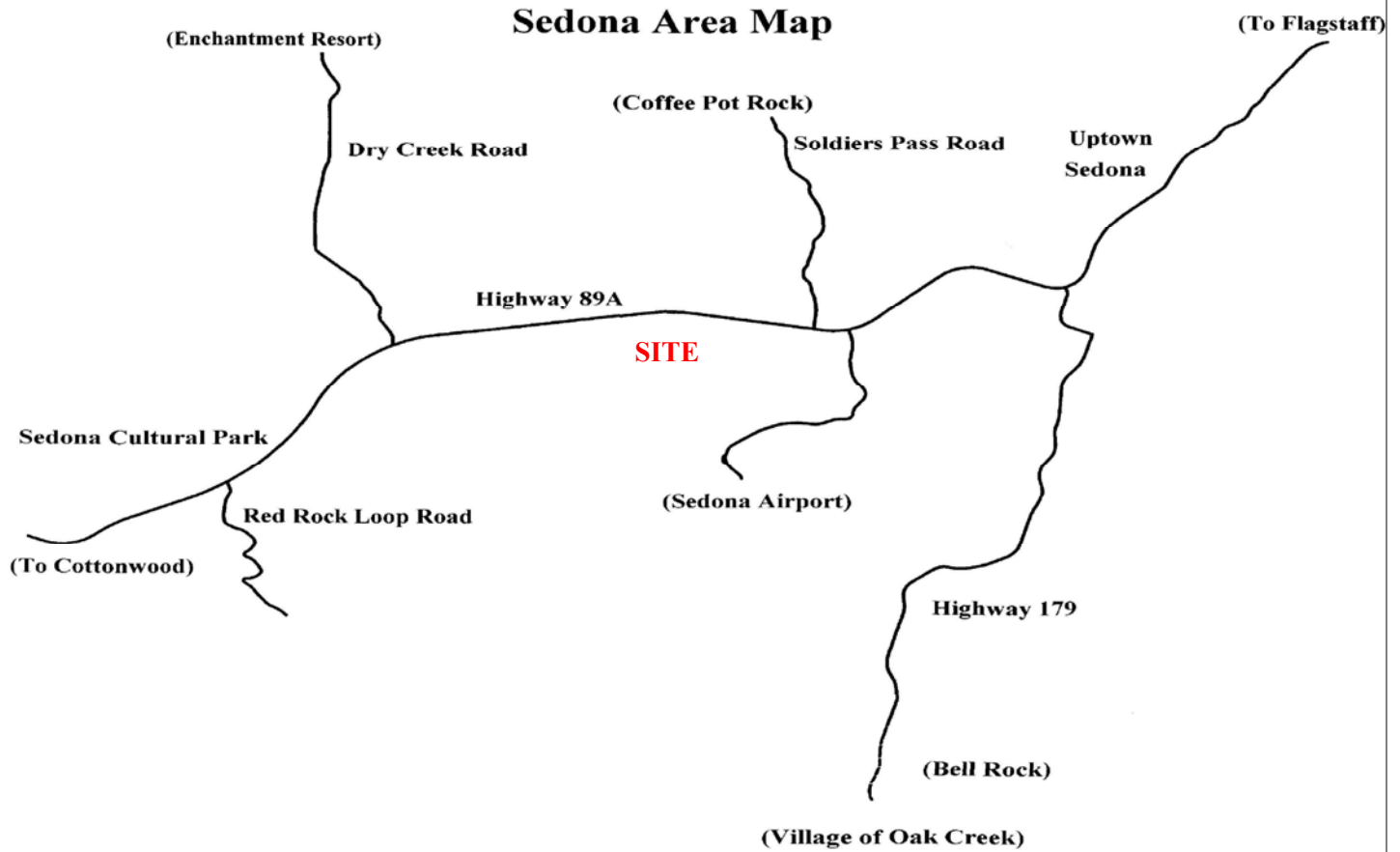
| <u>Expense Item</u> | <u>Monthly</u> | <u>Annual</u> | <u>Notes</u> |
|-----------------------|----------------|-----------------|-----------------------------|
| Management | \$0 | \$0 | |
| Electric | \$0 | \$0 | No common area electricity. |
| Landscaping | \$400 | \$4,800 | |
| Insurance | \$210 | \$2,518 | |
| Pest Control | \$0 | \$0 | Tenant pays directly. |
| Maintenance & Repairs | \$517 | \$6,200 | |
| Property Taxes | \$1,340 | \$16,081 | |
| Security | \$0 | \$0 | Tenant pays directly. |
| Sewer | \$0 | \$0 | Tenant pays directly. |
| Trash | \$0 | \$0 | Tenant pays directly. |
| Water | \$0 | \$0 | Tenant pays directly. |
| Totals: | \$2,467 | \$29,599 | |

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AREA MAPS

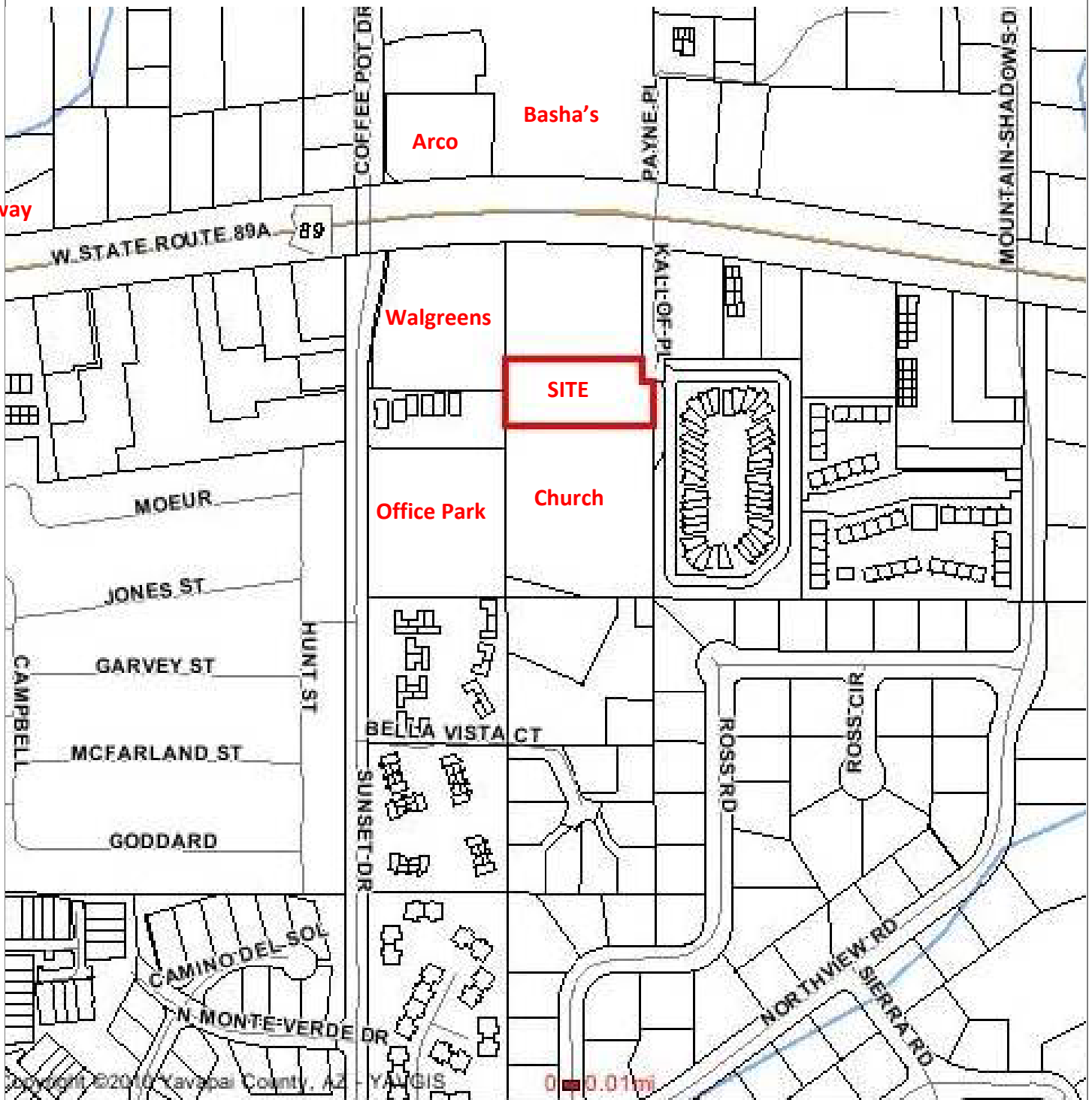
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Sedona Area Map



PLAT MAP

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Safeway

Arco

Basha's

Walgreens

SITE

Office Park

Church

MOEUR

JONES ST

GARVEY ST

MCFARLAND ST

GODDARD

CAMINO DEL SOL

N MONTE-VERDE DR

SUNSET DR

BELLA VISTA CT

ROSS RD

ROSS CIR

NORTHVIEW RD

SIERRA RD

COFFEE POT DR

PAYNE PL

KALE OF PL

MOUNTAIN SHADOWS DR

W. STATE ROUTE 89A 89

0 0.01mi

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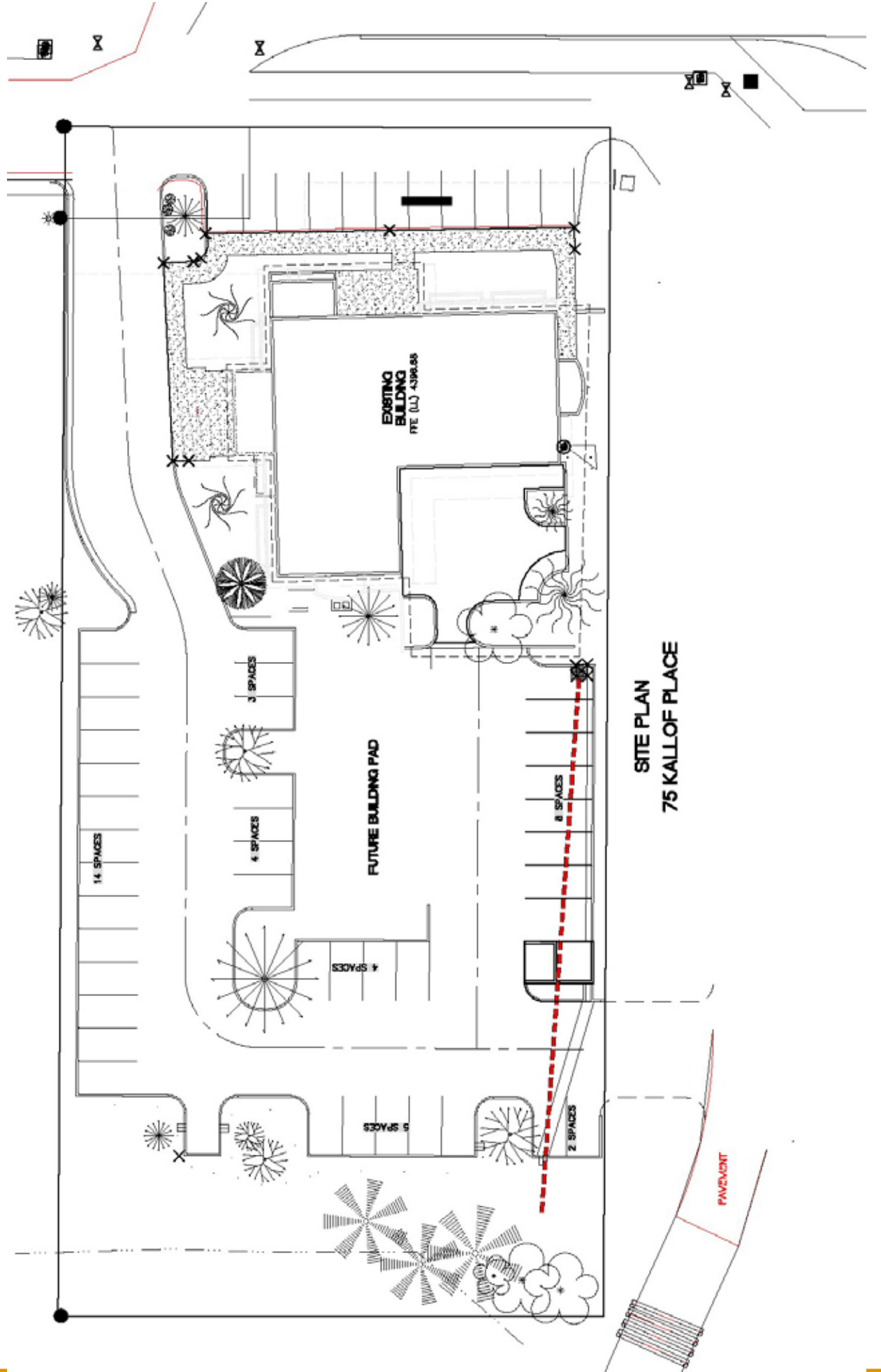
AERIAL MAP

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SITE PLAN

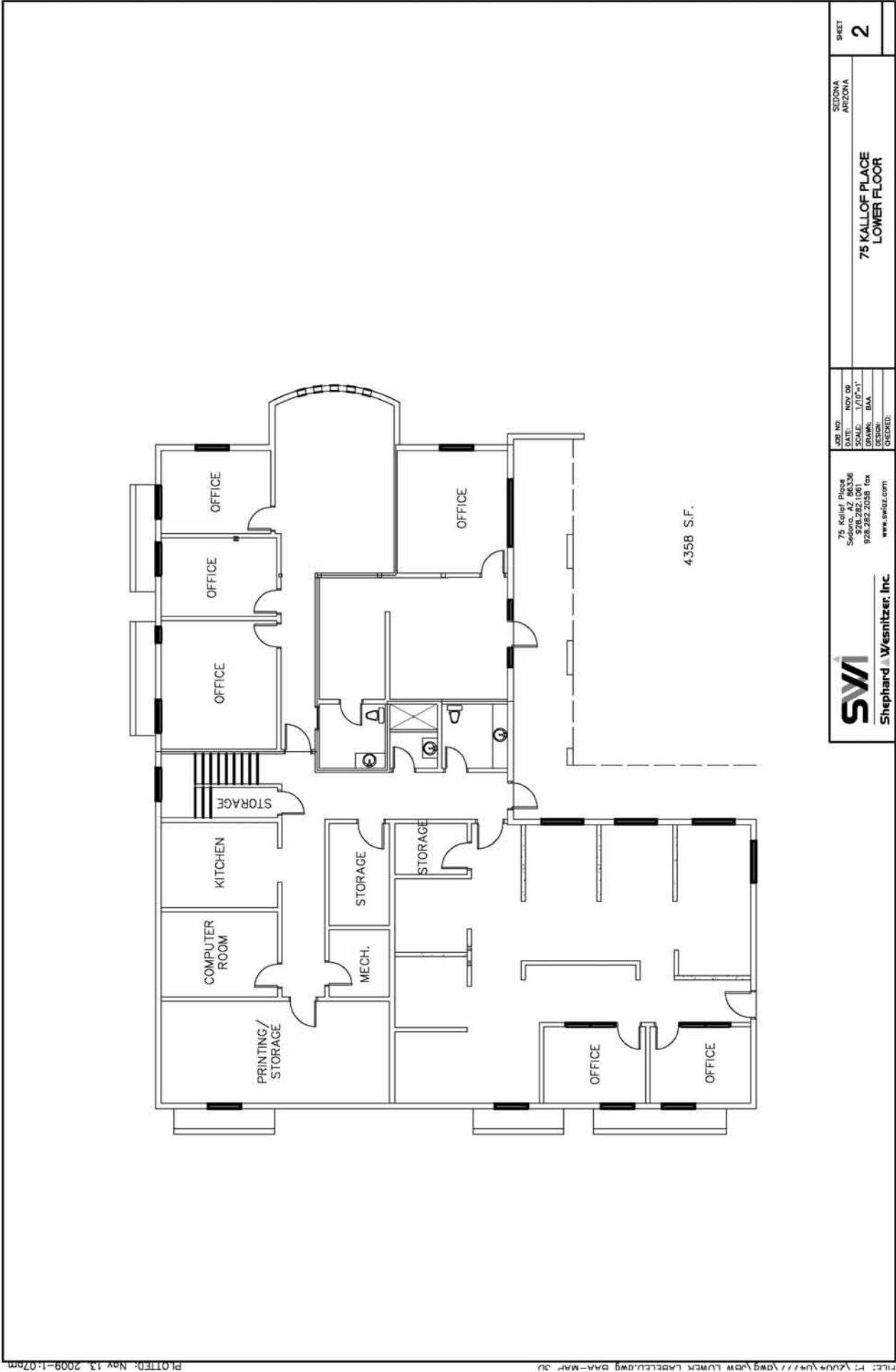
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SITE PLAN
75 KALLOF PLACE

BUILDING PLANS— 1ST FLOOR

JOHN D. MILLER REAL ESTATE



4358 S.F.

SWI
Shepherd Wesnitzer Inc.

75 Kallot Place
 Sedona, AZ 86336
 928.282.1061
 928.282.2038 fax
 www.swi102.com

JOB NO. NOV 09
 DATE: 1/10/11
 SCALE: BMA
 DRAWN: BMA
 CHECKED:

75 KALLOF PLACE
 LOWER FLOOR

SEDONA
 ARIZONA
 SHEET
 2

SEDONA AREA PHOTOS



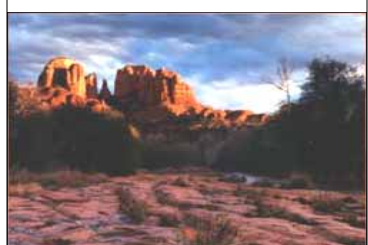
Coffee Pot Rock, Sedona



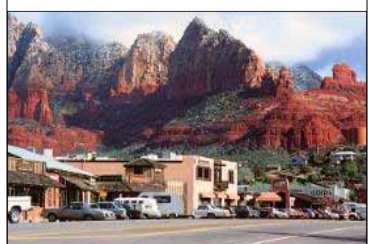
Snoopy Rock, Sedona



Red Rock Crossing, Sedona



Cathedral Rock, Sedona



Uptown Sedona



Sedona Sunset

AREA DESCRIPTION

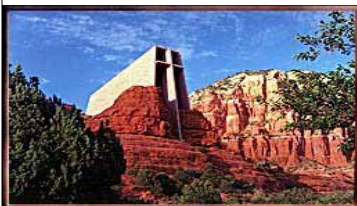
Sedona is located in the breathtaking Red Rock country of Northern Arizona, at the base of the Coconino National Forest (the largest forest of Ponderosa Pines in the World).



Thousands of years ago, the Sedona area was submerged below an inland sea channel. The erosion of the water channel caused a canyon to form out of the red colored sandstone, which was at the seabed. As the sea recessed, the Sedona area emerged at the base of what is now called the Oak Creek Canyon, and is surrounded by the remains of the red sandstone mountains which originally held the inland sea channel. The result is a magnificently scenic wooded area, which attracts **over 4,000,000 tourists per year** (1.5 times the population of the largest city in Arizona, Phoenix/Scottsdale).

Situated at an elevation of approximately 4,500 feet, it enjoys four relatively mild seasons that accommodate the many activities this area offers. While it benefits from its proximity to the wonder of the Grand Canyon (100 miles to the North), the winter recreation in nearby Flagstaff (approximately 35 miles to the North) and the shopping and cultural activities in Scottsdale (120 miles to the South), Sedona has become a vacation destination in its own right.

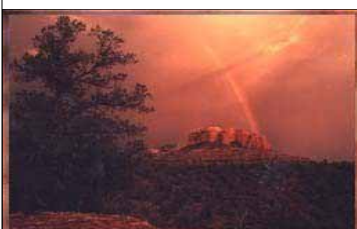
SEDONA AREA PHOTOS



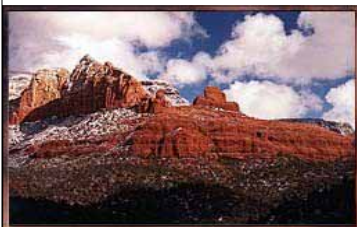
Chapel Rock, Sedona



Sedona Sunset



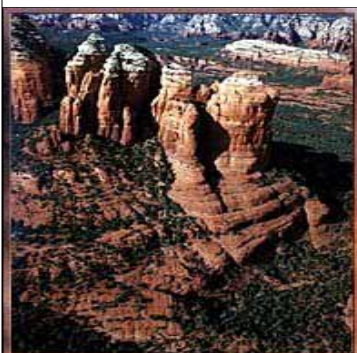
Sedona Rainbow



Steamboat Rock, Sedona



Sedona Winter



Coffee Pot Rock, Sedona

AREA DESCRIPTION (CONT'D)

The influx of an affluent population from other parts of the United States has given Sedona a nationally known image as a year-round tourist area, second home and affluent retirement area. Recent years have provided Sedona with a level of visibility that is rapidly spreading worldwide. Sedona's dramatic red rock setting has been written about in the New York Times, Los Angeles Times, Wall Street Journal, USA Weekend, Forbes, Lifestyles of the Rich and Famous, Good Morning America and Life Magazine, just to name a few.

According to a recent study by a local survey firm, Arizona residents account for only 30 percent of Sedona area visitors. California is the second most significant source of visitors, accounting for approximately 20 percent, while the Midwest, Northeast and Southern regions of the U.S., along with other Western states, each account for an additional 10 percent of visitors. Foreign countries account for the balance of Sedona's visitors.

Approximately 60 percent of visitors arrive in Sedona by car, while an additional 25 percent arrive in Arizona, first by plane, and then travel to Sedona by car. Overall, tourists named sightseeing and art galleries as the primary reasons for visiting the Sedona area and approximately 40 percent of the visitors travel to Sedona more than once per year. Next to scenery, the weather is a major factor for Sedona's popularity as the average daily maximum temperature is 74.7 degrees (F) and only 17.15 inches of precipitation annually. It should be noted that the average snow, sleet and hail equates to 8.8 inches.

The appeal of Sedona and the surrounding area has resulted in significant population growth. From 1990 to 2000, the year-round population base increased more than 43%. Not only has the population base of Sedona and the Village of Oak Creek expanded rapidly, it has done so while maintaining an affluent retirement orientation. Moreover, Sedona maintains a per capita income approximately 50% above the Arizona average. The retirement orientation is also evident, as the median age of Sedona and the Village of Oak Creek residents is 54.9 and 50.0 years respectively, substantially above the state average of 32.2 years.

You may visit the following web addresses for detailed information on Sedona:

The City of Sedona

<http://www.city.sedona.net/>

The Sedona Chamber of Commerce

<http://www.sedonachamber.com/>

<http://www.visitsedona.com/>

Sedona On-Line

<http://www.sedona.net/>

COMPANY BIO

John D. Miller Real Estate Services, Inc. is a professional, full-service real estate company offering expertise in commercial real estate brokerage and development, business opportunity brokerage, land brokerage, general real estate consultation, regulatory and zoning consultation, commercial property management, and commercial leasing. John D. Miller established the firm in 1989 after nine successful years in the Texas commercial real estate market. John D. Miller Real Estate Services, Inc., is owned and operated with the philosophy that real estate service should be:

Professional - Conducted with integrity and in accordance with the Code of Ethics and Standards of Practice established by the Arizona Department of Real Estate and our local Association of Realtors.

Competent - Conveying a current and accurate knowledge of the local and national real estate markets, current events, and laws and regulations that affect real estate transactions.

Personal - Taking into account each person's individual needs while resolving those issues in an assertive, yet friendly and caring manner.

JOHN D. MILLER

After graduating from the University of Texas at Austin with a degree in Finance and Business Administration, John was selected from 500 applicants to participate in the CB Richard Ellis 2-year national training program.

The program was a pilot effort to intensively train new commercial real estate brokers in property management and leasing, mortgage brokerage, equity brokerage, development, appraisal services, construction, and institutional liaison services.

After graduating from the program and during his first year in commercial brokerage, he received national recognition as the highest first year producer for the southern United States. John later participated in opening CB Commercial's San Antonio and Austin offices.

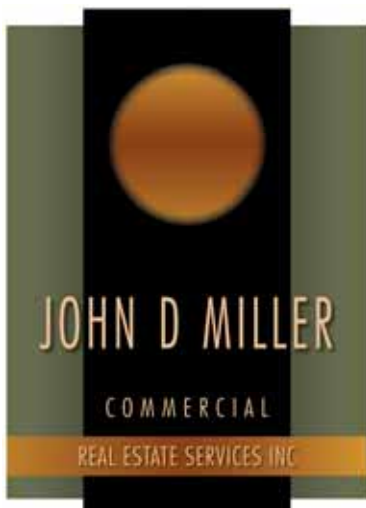
After nine years in the Texas market and over \$90,000,000 in sales, he relocated to Sedona in June of 1988.

Since moving to Sedona, he has transacted over \$120,000,000 in commercial brokerage business and has been involved in the development of commercial projects with an aggregate value of over \$45,000,000. John also is responsible for the legal, financial, and political aspects of our development activities.

He is founder of the Sedona Private Property Owners Association, which is involved in the protection of Sedona private property owners' rights.

VAL STRAHL

Val Strahl has been in Sedona and the Verde Valley since 1993. She received her Arizona real estate license in 1996 and her broker's license in 2003. Since 2005, she's also been a Licensed and Certified Residential Appraiser. She is now providing services for commercial leasing and commercial property management for our company.



John D. Miller, Broker



Val Strahl, Associate Broker

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