

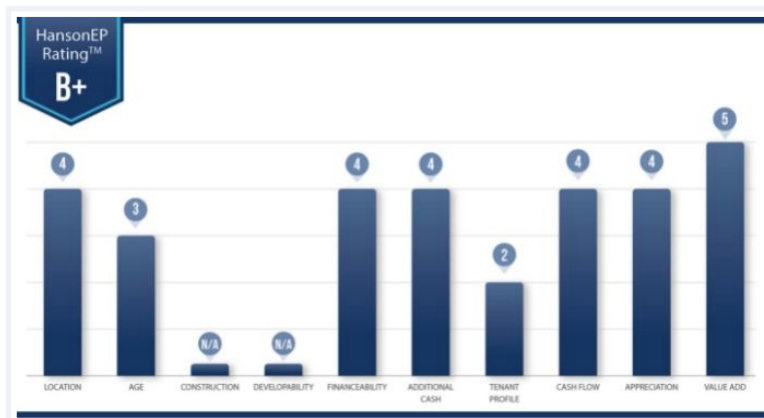
29th Drive Multi-Tenant Industrial

2901 N 29th Dr.
Phoenix, Arizona

Learn more

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Opportunity Summary



Hi there, have a question? Text us here.

This investment is a 8.51-acre heavy industrial zoned parcel with a +/-273,183 SF multi-tenant building split into suites housing 18 tenants. We are purchasing this property at an incredible basis of just below \$59/SF.

All suites have significantly below market rents. The average lease rate in the building is \$.34/SF/month gross. We see the opportunity to reposition the property by bringing rents to market on suites with leases turning over and then exit for a significant profit. The tenant demand for infill industrial properties with smaller suites greatly exceeds available supply in the Phoenix metro, and there is limited new inventory being developed within this submarket due to lack of available developable land. We anticipate strong interest in lease up and renewals at the market rental rates.

The supply/demand imbalance coupled with the significantly below market rents make this property a tremendous investment opportunity for us and our partners.

Minimum Investment \$50,000

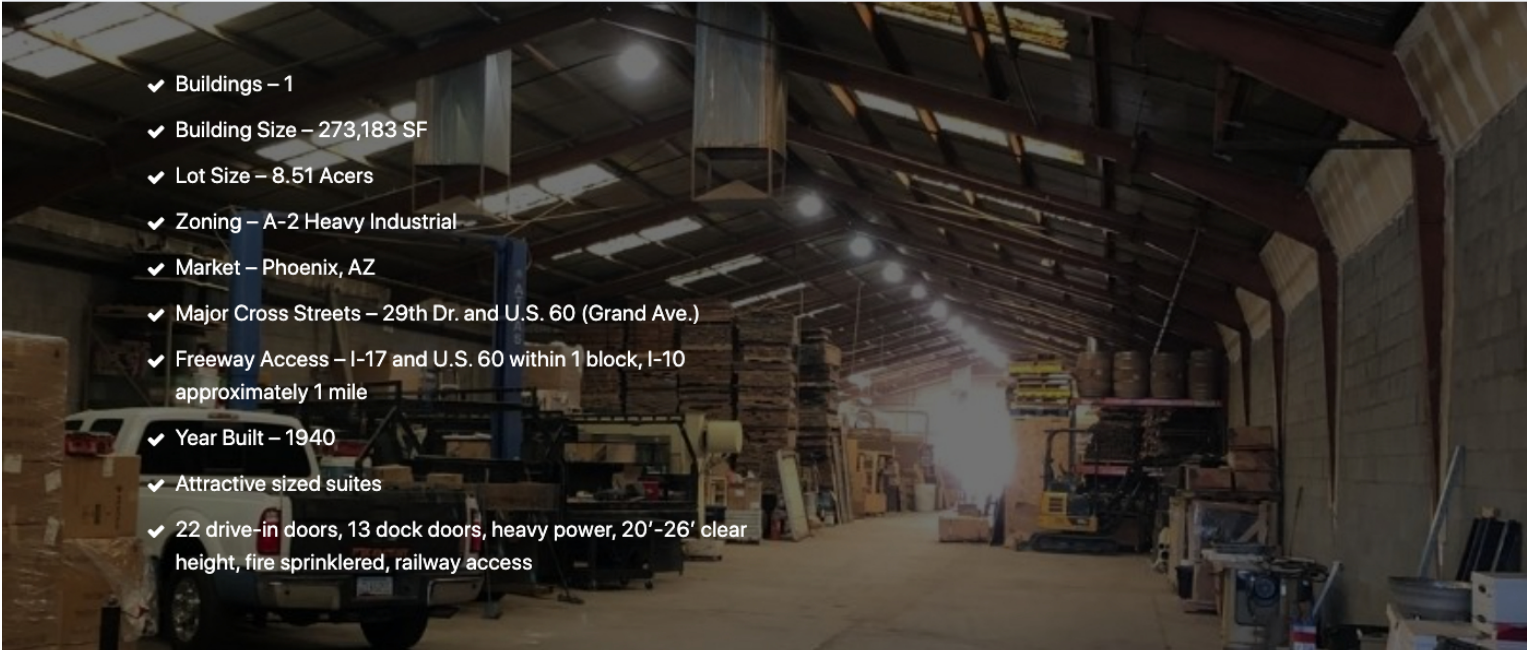
Key Information

Purchase Price:	\$16.0 Million
TI/Leasing Budget:	\$525,000
Equity Required:	\$7.3 Million
Close of Escrow:	3.28.2022
Zoning:	A-2 Heavy Industrial
IRR:	19.21%
Year 1 Cash on Cash Return:	0%
Year 1 Return w/ Debt Pay Down:	0%
Purchase Cap Rate/Stabilized Cap Rate:	3.4%/7.6%
Est. Loan Term:	5 YR, IO, 25-YR Amort.
LTV:	65%
Estimated Loan Rate:	5.00%

Estimated Loan Rate:	5.07%
Deal Time:	1 Year

Get Started

Property Details



- ✓ Buildings – 1
- ✓ Building Size – 273,183 SF
- ✓ Lot Size – 8.51 Acres
- ✓ Zoning – A-2 Heavy Industrial
- ✓ Market – Phoenix, AZ
- ✓ Major Cross Streets – 29th Dr. and U.S. 60 (Grand Ave.)
- ✓ Freeway Access – I-17 and U.S. 60 within 1 block, I-10 approximately 1 mile
- ✓ Year Built – 1940
- ✓ Attractive sized suites
- ✓ 22 drive-in doors, 13 dock doors, heavy power, 20’-26’ clear height, fire sprinklered, railway access

Business Plan

29th Drive Multi-Tenant Industrial

2901 N 29th Dr. Phoenix, AZ

We are purchasing this property at an incredible basis, just below \$59/SF. We are seeing comparable properties in this area trading well in excess of \$90/SF. In addition to purchasing at a strong basis, the existing tenants all have significantly below market rents. The average lease rate in the building is \$.34/SF/month gross. We are seeing gross leases in the area being signed well in excess of \$.60/SF/month.

10 of the 18 leases in place roll within the first 12 months of owning the building. This presents an opportunity to bring approximately 53% of the building to market rents, stabilizing the property and generating significant positive cashflow after year 1. We have budgeted \$525,000 for leasing fees and tenant infill work. Although, there should be limited infill work required in order to lease these suites at the rate we are underwriting to, given that the rate is competitive for the space in it’s existing condition. We have also accounted for an excessive amount of vacancy across all of the suites with turnover in order to ensure our underwriting is conservative, although we anticipate a significant number of existing tenants deciding to stay at the property with the increased lease rate given limited alternative options for new space.



anticipate a significant number of existing tenants according to stay at the property with the increased lease rate given limited alternative options for new space in the area combined with costs associated with moving.

We see the opportunity to reposition the property by bringing rents to market on suites with leases turning over and then exit for a significant profit.

Market Analysis

Metro Phoenix at a Glance

Market 5-Year Rent Growth Projections Over the National Average			
Market	5-Year Rent Growth	Market	5-Year Rent Growth
1 Phoenix	37.2%	13 Los Angeles County	29.2%
2 Inland Empire	32.1%	14 Sacramento	28.4%
3 Dallas-Fort Worth	32.0%	15 Indianapolis	28.2%
4 Atlanta	31.9%	16 Salt Lake City	27.0%
5 Baltimore	31.7%	17 Philadelphia	26.3%
6 Seattle	31.5%	18 Tampa Bay	25.3%
7 New York City	31.1%	19 Detroit	25.0%
8 Northern New Jersey	31.1%	20 San Jose	24.3%
9 Central Valley, CA	30.8%	21 Central New Jersey	24.0%
10 Orange County	30.4%	22 Boston	23.5%
11 Oakland	30.0%	23 Columbus	23.3%
12 San Francisco Peninsula	29.5%	24 San Diego	23.3%

* Compares Q4 2020 asking rents with Q4 2025 projections.

Other markets with over 20% rent growth projections: El Paso, PA I-78/81 Corridor, Austin, Miami, Charleston, Louisville, Chicago.

Greater Phoenix's population is increasing at an average annual rate of 2.0% with 480,300 new residents arriving over the last five years. This trajectory will likely continue with an additional 490,030 residents, or a 9.8% increase, added to the Phoenix metro area for a total population of over 5.51 million by 2024. The underlying macroeconomic fundamentals and trends support record industrial construction in the Phoenix metro.

The Phoenix market continues to outpace other metros on market fundamentals – job growth, population, and affordability. These fundamentals will continue to draw users from outside of the metro as well as market expansions with nearly 12 million users currently looking for space in the Phoenix market. CBRE recently released a report showing rent growth projections over the next five years, and the Phoenix metro is anticipated to experience 37.2% rent growth in the Industrial sector.

Net Absorption of Industrial

A record-breaking start to 2021 continued in the second quarter for the Phoenix Industrial market. A reported net absorption of 6.3M SF was the highest recorded since 2013. In Q2 of 2021, 3.2M SF of industrial product delivered in the Phoenix market consisting of 13 buildings. Out of all construction deliveries in the quarter, 81.2% were committed to at the time of delivery. The pace of deliveries is keeping up with the rapid net absorption across the Valley. Currently, 20.9M SF of industrial space is underway across the Phoenix market totaling 79 buildings. Construction is heavily concentrated in the Southwest Valley due to the availability and affordability of land as well as freeway access. This market area accounts for 15.1M SF, or 72.2% of product under construction.

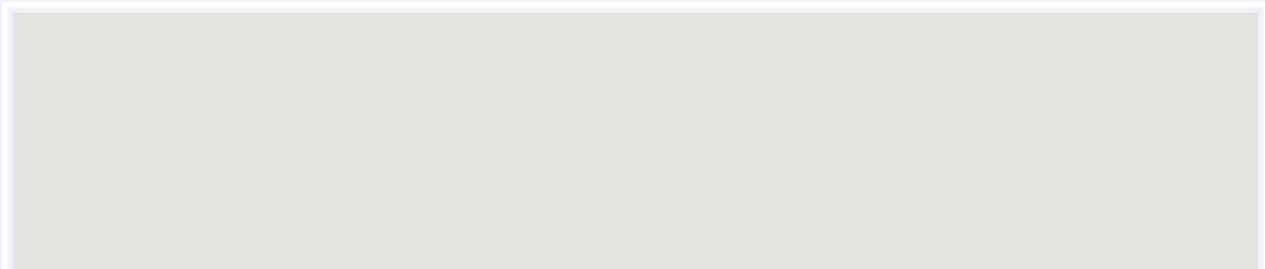
Industrial Vacancy

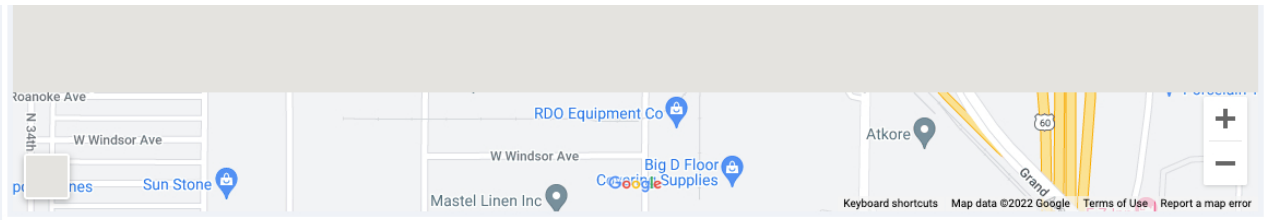
Vacancy dropped to 4.7%, the lowest recorded in the Phoenix area to date. Strong market fundamentals and out-of-state users continue to push the industrial sector to levels not previously seen.

Location

29th Drive Multi-Tenant Industrial

2901 N 29th Dr. Phoenix, AZ





Why 29th Drive Makes Sense

- Infill location
- Close to major highways
- Significantly under market rents
- Attractive sized suites
- Heavy industrial zoning

Returns Overview

Summary of Projected Member Cash Flows and Returns

	1	Return \$	Return %
Beginning Member Capital Account Balance	\$7,250,000.00		
Member Cashflow	\$ (137,347.33)	\$ (137,347.33)	
Cash on Cash Return	0.00%		
Average Cash on Cash Return to Date	0.00%		
Net Proceeds/Profits from Refinance or Sale	\$1,544,015.63	\$1,544,015.63	
Member Portion of Principal Pay Down	\$ -	\$ -	
Cash on Cash w/ Principal Pay Down	0.00%		
Average Cash on Cash + Principal Paydown to Date	0.00%		
Return of Member Capital	\$7,250,000.00		
Ending Member Capital Account Balance	\$ -		
Total Return on Investment		\$1,406,668.30	19.40%
Average Annual Return			19.40%
IRR			19.21%
Average Cash on Cash Return			0.00%

Underwriting Scenarios

We conservatively underwrite all of our projects in an attempt to under promise and overdeliver. We also compare our conservative underwriting to three different scenarios. The first scenario, the 20-Year Avg. Growth model, incorporates the average annual rent growth and cap rate compression that has occurred over the last 20 years in Metro Phoenix for each year of the investment period.

The second scenario, the Last Year Growth model, incorporates the average annual rent growth and cap rate compression that has occurred over the last year in Metro Phoenix for each year of the investment period. The third and final scenario, the Great Recession model, demonstrates how the asset would have performed if the Great Recession started the day after we closed and continued its downward trend during the investment period, which includes cap rate expansion, decrease in market rental rates, and 12 months of vacancy.

Summary of Various Scenario Projected Returns

	As Underwritten	20-Year Avg. Growth	Last Year Growth	Great Recession
Purchase Price	\$16,000,000.00	\$16,000,000.00	\$16,000,000.00	\$16,000,000.00
Beginning Member Capital Account Balance	\$7,250,000.00	\$7,250,000.00	\$7,250,000.00	\$7,250,000.00
Member Cashflow	-\$137,347.33	-\$137,347.33	-\$137,347.33	-\$657,347.33
Average Cash on Cash Return	-1.89%	-1.89%	-1.89%	-9.07%
Sale Price	\$21,029,487.75	\$21,213,956.94	\$21,258,712.13	\$19,790,434.46
Member Net Proceeds/Profits from Sale	\$1,544,015.63	\$1,643,472.18	\$1,665,849.77	\$729,873.04
Total Return on Investment (\$)	\$1,406,668	\$1,506,125	\$1,528,502	\$72,526
Total Return on Investment (%)	19.40%	20.77%	21.08%	1.00%
Average Annual Return	19.40%	20.77%	21.08%	1.00%
IRR	19.21%	32.13%	32.75%	

Underwriting Assumptions

Replacement Rental Rate:	\$.55/SF/Month Gross
Suite Vacancy at Turnover:	4 months
Exit Cap Rate:	5.75
Sale \$/SF:	\$76.98
Deal Time Horizon:	1 Year

Partnership Structure

Distributions and Fees

- ✓ Monthly distributions of operating profits
- ✓ 2% acquisition fee
- ✓ 1% asset management fee
- ✓ 1% disposition fee

Class A Partner

- ✓ Simple annualized preferred return of 7% only. No participation in profits beyond preferred 7% return.

Class B Partner

- ✓ Equity partner with 70/30 split of profits. General Partner will

receive a 30% carried interest in the net profits, with the remaining 70% of net profits to be distributed to the Limited Partners

- ✓ Waterfall structure as follows:
- ✓ 0-15% IRR to LP – 70/30 split
- ✓ 15-20% IRR to LP – 60/40 split
- ✓ 20%+ IRR to LP – 50/50 split

Company Overview

29th Drive Multi-Tenant Industrial

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Hanson Capital Group is a team of commercial real estate experts with a combined 50+ years of experience in the industry, offering a unique approach to investing in commercial real estate. We manage over \$75mm in equity and oversee over \$200mm in assets. We specialize in value-add industrial and multifamily product types as well as horizontal multifamily development, opportunistically shifting our focus from one specialty to another to capitalize on market inefficiencies as they present themselves. This diversified approach to investing provides the flexibility necessary to navigate complex and evolving market conditions and cycles, and affords us with the ability to stay several steps ahead of trends and potential headwinds.

We are on the path to building a portfolio of industrial investment product that will be securitized or sold to either an institution or REIT in \$50-\$100mm tranches. We have developed a proprietary system for sourcing and securing off-market industrial investment product (including establishing programmatic broker agreements to ensure that we are the broker's first call on deals that meet our investment criteria) which provides unprecedented access to deal flow. Our primary focus is on the Phoenix and Dallas-Fort Worth metropolitan statistical areas which have become the shining stars in industrial real estate.

In 2021, we launched Hanson Capital Industrial Fund I, which is a \$100M private equity fund dedicated exclusively to acquiring industrial investment product. Our affiliate, HC Industrial Fund I GP, LLC acts as the general partner and has full discretionary authority to deploy the capital raised into the fund as opportunities present themselves, which allows the fund to act quickly and provide assurance of closing, which further enhances our ability to secure the very best opportunities.

In addition, as an affiliate of Hanson Capital, LLC, a state licensed bank that originates hard money and bridge loans and which manages in excess of \$40mm, we are uniquely prepared to work with our lending partners to secure the very best terms and to make their review and underwriting process as easy as possible.

Lastly, our organization's core principals are to always remain relationship minded and not transactional, and always do what we say we will do. With this focus, we look to develop strategic alliances that produce mutually beneficial results for all involved for years to come.



Sponsor Overview

29th Drive Multi-Tenant Industrial

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Originally from Lake Oswego, Oregon, Chris settled in Scottsdale, Arizona after graduating from the University of Arizona in 2005. Chris originally spent 3 years in the mortgage business before recognizing an opportunity in real estate during the Great Recession. Chris entered the real estate market as an individual investor before forming Hanson Capital Group, LLC as an auction bidding service provider for many of the industry's most recognizable institutions. Hanson Capital Group was credited with having acquired over 1,500 single family homes out of foreclosure on his own behalf and assisting these institutions in under 6 years.

While Chris was acquiring single family homes on behalf of institutions, he discovered that he could dramatically increase bidding business through the facilitation of acquisition funding, and in 2010 Chris established Hanson Capital, LLC as a state licensed mortgage bank. Hanson Capital continues to operate today as a hard money and bridge debt provider and is licensed in multiple states across the country. Hanson Capital is responsible for well over \$500mm in transactions since its inception and maintains an average portfolio of \$40mm in equity.

Although Chris, through his affiliated entities, continues to opportunistically acquire portfolios of single-family homes on behalf of institutions, Chris' primary focus has been on value-add multifamily, value-add industrial investment product, and horizontal multifamily since 2016. Chris' affiliated entities manage over \$75mm in equity and oversee a portfolio of over \$200mm in assets.

In 2021, Chris received the Phoenix Business Journal's 40 under 40 award. The annual award program recognizes leaders in the region who are making major strides in their careers while leaving positive impacts on communities in the region. In addition, Chris and his affiliated companies have been recognized and featured by Business Insider, Fox News, People and CNBC to name a few.



Ready to invest?

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Hanson Capital handles everything for you step by step, making your investment completely passive. We find the deal. We underwrite the deal thoroughly to ensure it provides safe and suitable returns.




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Saturday & Sunday: Closed

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