

The Truax Annex Building



TRUAX
DEVELOPMENT

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- For additional information regarding Truax Annex, Truax Development or other Truax projects, please contact Bernard L. Truax, II, at (951) 294-5870 or by email at bltruax@truaxmgt.com.

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Executive Summary

- Truax Development brings a revitalized vision to Old Town Temecula California, honoring its historic western past and embracing its vibrant future.
- Truax Annex is a mixed-used commercial property featuring:
 - Four luxury condominiums, approximately 2,000 SF each with private rooftop patios on the fourth floor
 - Class A office space on the second and third floors (Approximately 12,300 SF each); with construction options that can accommodate outdoor patio space, if desired
 - First floor retail space of 12,300 SF
- Spanning four floors with two levels of subterranean automated parking, the Truax Annex' total square footage is approximately 72,300
- One hundred sixteen parking spaces will be available in a subterranean garage; one reserved for each condominium unit with the remainder available for lease or hourly parking.
- The building will feature paseo walkways connecting it to the Truax Hotel, Truax Coach House (500 stall automated parking garage), Truax Building and Truax Marketplace.
- The Truax Annex will be a Class A Commercial Building.
- Total project cost is estimated to be \$25,400,000
- Construction is expected to begin in 2020.
- Completion is scheduled for 2021.



Borrower/Sponsor/Developer

- The Borrower/Sponsor for Truax Annex is the project's Limited Liability Corporation, LLC: Second Street Annex I, LLC, developing, building and operating Truax Annex.
- Ranch Development, Inc. (RDI) is the project developer.
- Ranch Development, Inc, Truax Development, Truax Management Group, Inc., and The Truax Group, Inc. are all part of the Truax Family of Companies and provide representation, development managements, owner's administrative management and construction management services to Second Street Annex I, LLC.



TRUAX
Family of Companies

The Truax Annex Building



*Second Street Looking North
South Elevation*

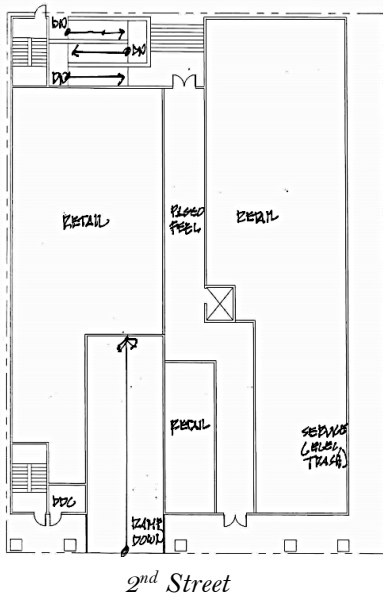
The Truax Annex Building



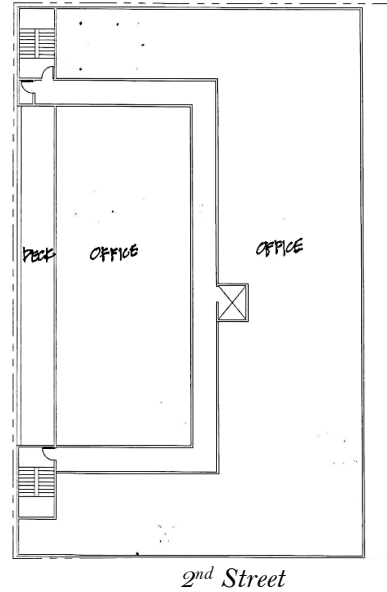
*Paseo Walkway Looking South
North Elevation*

Conceptual Floor Plate Designs

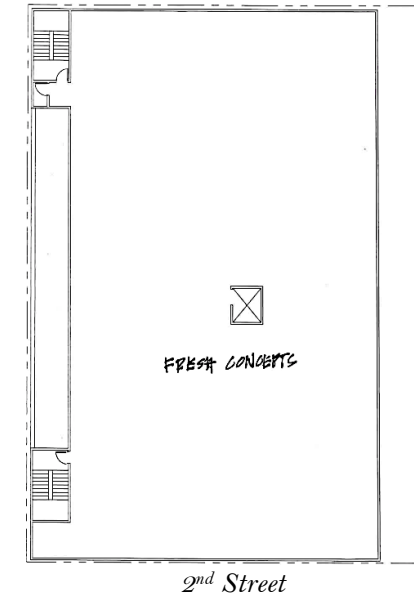
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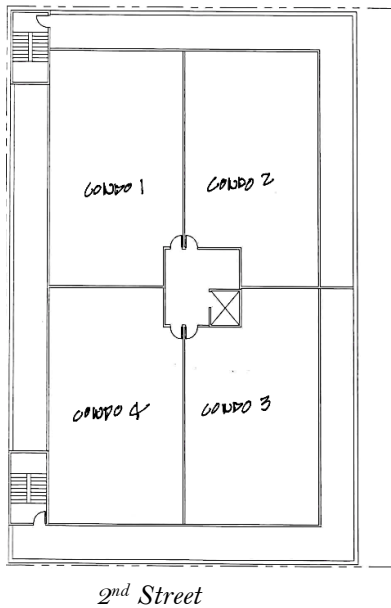
First Floor



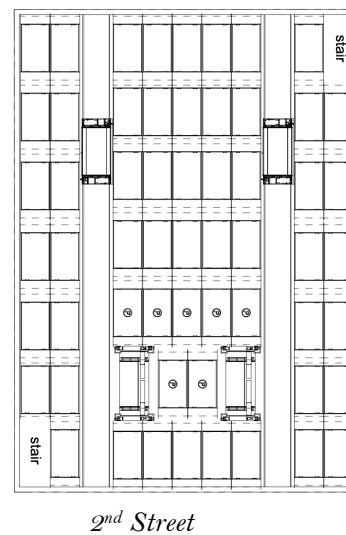
Second Floor



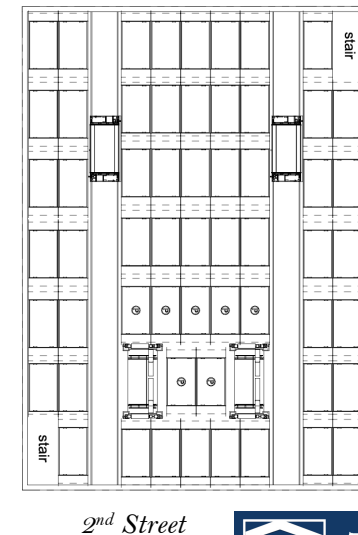
Third Floor



Fourth Floor



Subterranean Parking
Level One



Subterranean Parking
Level Two

The Opportunity



*Front Street Looking East
West Elevation*



*Paseo Walkway Looking West
East Elevation*

- The proposed Truax Annex with subterranean automated parking garage will be approximately 72,300 sf.
- Four luxury condominiums with roof-top patios will occupy the fourth floor.
- The second and third floors will be Class A office space.
- Included is a subterranean automated parking garage with one hundred sixteen spaces; each condominium will be allocated one and the remainder available for lease or hourly/daily fees.
- Food-related and lifestyle retail shops will occupy the first floor.
- The building site is approximately 1/3 acre and was purchased in 2017.
- An executed 5-year lease for 12,300 sf., \$2.91/SF at occupancy has been secured.
- Based on our proforma, the asset will be stabilized in the second full year of operation with a DSCR of 1.5x and have a capitalized income value of \$33.3 Million using a cap rate of 6%.

Location

- Truax Annex Building will be located in the heart of Old Town Temecula, near to City Hall and the Civic Center.
- Temecula Valley is home to
 - Wine Country with over 50 wineries in operation and more coming.
 - Pechanga Resort and Casino, Galway Downs, numerous golf courses and a wide array of outdoor activities boast over 3 million visitors and spend over **\$1.2 Billion**, annually.
- Old Town Temecula is a pedestrian-friendly, historic, twelve block neighborhood popular for arts, entertainment, shopping and dining experiences.
- The Truax Building, currently the only Class A Building in Old Town Temecula, is 100% occupied.



Regional Demographics

Our regional market includes the cities of Temecula, Murrieta, Menifee, Lake Elsinore, Wildomar, Canyon Lake and unincorporated areas of Riverside County.

| | | | |
|-----------------|-----------------------|---------------------------------------|--------------------|
| Temecula Valley | Population 523,592 | Median Household Income; \$74,669 | Average Age - 36 |
| Temecula | Population 127,239 | Median Household Income; \$87,115 | Average Age - 36 |
| Murrieta | Population 127,708 | Median Household Income; \$80,373 | Average Age - 39 |
| Menifee | Population 91,595 | Median Household Income; \$60,808 | Average Age - 37.4 |
| Lake Elsinore | Population 66,411 | Median Household Income; \$66,032 | Average Age - 30.2 |
| Wildomar | Population 36,932 | Median Household Income; \$67,510 | Average Age - 34.5 |
| Canyon Lake | Population 11,712 | Median Household Income; \$104,619 | Average Age - 40.4 |

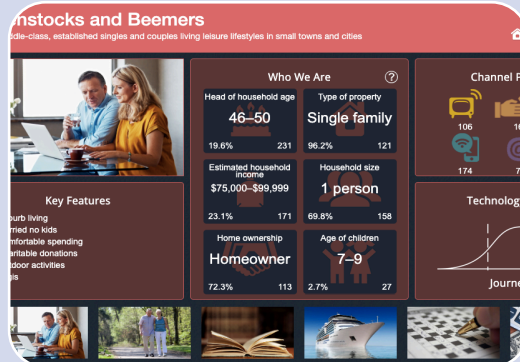


Regional Demographic Comparison



| Demographics | Southwest Riverside | CA | U.S. |
|----------------------------------|---------------------------|-------------------------------|-------------|
| Population (Pop) | 523,592 1.3% of CA Pop | 39,489,707 12.1% of US Pop | 326,573,141 |
| Pop Growth (2000 to 2010) | 81% | 10% | 10% |
| Households (HH) | 165,852 1.2% of CA HHs | 13,456,058 11% of US HHs | 123,611,353 |
| HH Growth (2000 to 2010) | 72% | 9% | 11% |
| Population <19 | 29% | 26% | 25% |
| Median Income | \$74,669 | \$68,739 | \$58,754 |
| AvgHH Income | \$96,493 | \$102,133 | \$84,609 |
| Unemployment | 5.1% | 5.4% | 4.8% |
| Home Ownership | 69% | 54% | 64% |
| College Degreed | 32% | 37% | 36% |

Residential Psychographic* Overview 92590



Birkenstock & Beemers - 25%

- Age 50-60
- Educated
- Above average income
- Prefer traditional media channels



Digital Dependents - 8%

- Age 20-39
- Some college
- Entry level positions or blue collar
- Prefer digital media channels



Steadfast Conventionalist - 7%

- Age 40-s & 50's
- First generation Americans
- Blue collar and manual labor
- Prefer Spanish television and radio channels

* = Psychographic information explains why they buy, their communication preferences and their interests.

Visitor Psychographic Overview



Silver Sophisticates

- Ages 66-75
- Empty Nesters
- Experienced Travelers
- Prefer email, direct mail



Progressive Potpourri

- Ages 51-65
- Empty nesters or kids <18
- Active
- Mobile, Direct Mail and Social



Cosmopolitan Achievers

- Ages 36-45
- Kids 13-18
- Healthy lifestyle
- TV, Mobile, Email and Social



Aging of Aquarius

- Ages 51-65
- Empty Nesters
- Upscale Housing
- Social Media, Email and Direct Mail

Commercial Real Estate Market Analysis

- The Temecula Valley and the southwest Riverside County have historically outperformed California and the Nation's economic performance.

| | | | | | | |
|---|--|--|---|---|---|---|
| INVENTORY SF 8.4 M <small>+0.2%</small> Prior Period 8.4 M | UNDER CONSTRUCTION SF 7.9 K <small>-64.2%</small> Prior Period 22.1 K | 12 MO NET ABSORPTION SF 55.2 K <small>-51.0%</small> Prior Period 113 K | VACANCY RATE 4.6% <small>-0.4%</small> Prior Period 5.0% | MARKET RENT/SF \$27.66 <small>+3.9%</small> Prior Period \$26.63 | MARKET SALE PRICE/SF \$280 <small>+2.0%</small> Prior Period \$274 | MARKET CAP RATE 6.0% <small>0%</small> Prior Period 6.0% |
|---|--|--|---|---|---|---|

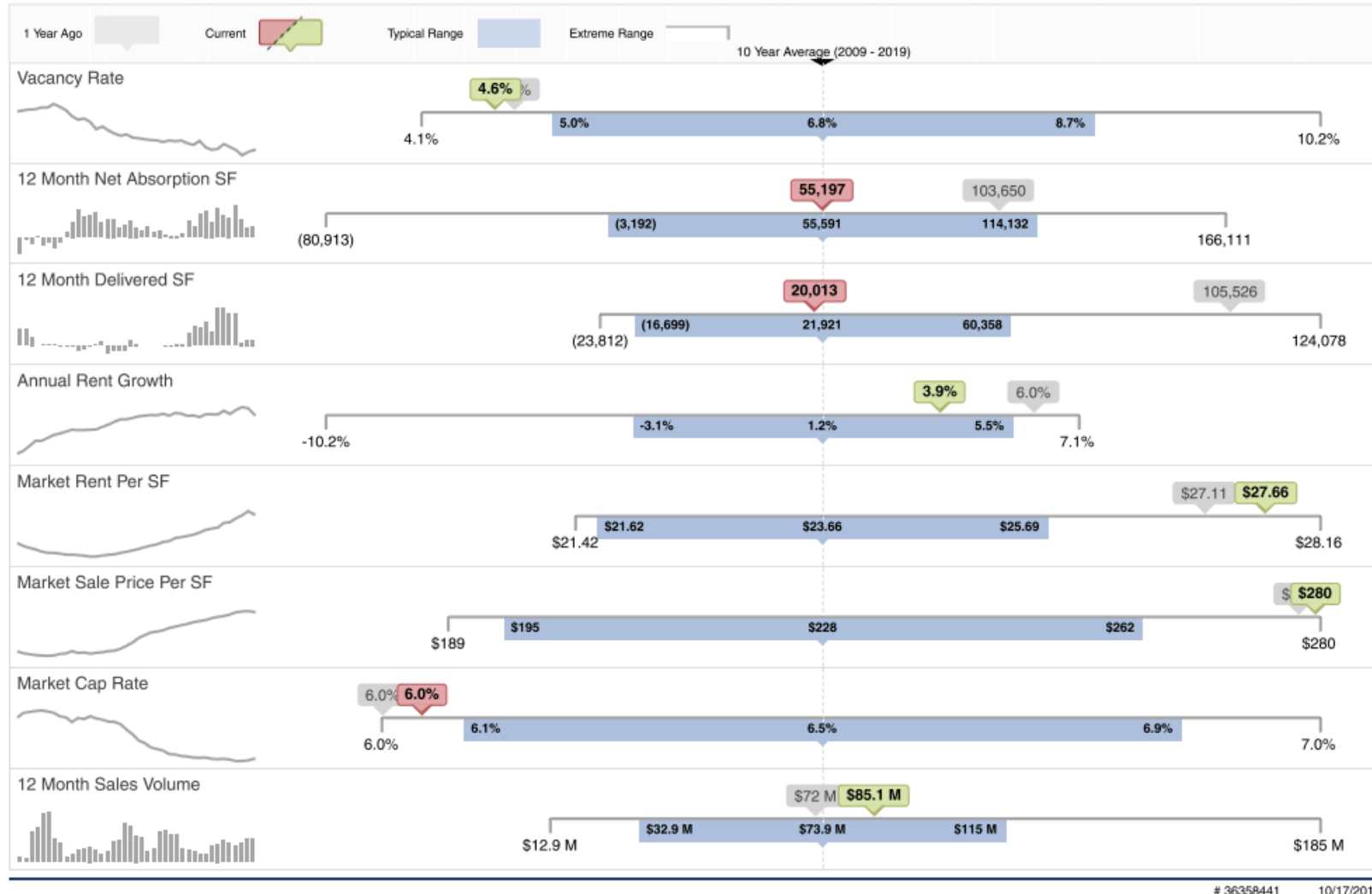
Key Metrics

| Availability | | Inventory | |
|-----------------------------------|----------------|---------------------------------|---------|
| Vacant SF | 383 K ↓ | Existing Buildings | 527 ↑ |
| Sublet SF | 11.4 K ↑ | Under Construction Avg SF | 7.9 K ↓ |
| Availability Rate | 7.6% ↑ | 12 Mo Demolished SF | 0 ↓ |
| Available SF | 634 K ↑ | 12 Mo Occupancy % at Delivery | 59.6% ↑ |
| Available Asking Rent/SF | \$26.71 ↑ | 12 Mo Construction Starts SF | 5.8 K ↓ |
| Occupancy Rate | 95.4% ↑ | 12 Mo Delivered SF | 20 K ↓ |
| Percent Leased Rate | 95.5% ↓ | 12 Mo Avg Delivered SF | 10 K ↓ |
| Sales Past Year | | Demand | |
| Asking Price Per SF | \$352 ↓ | 12 Mo Net Absorp % of Inventory | 0.7% ↓ |
| Sale to Asking Price Differential | -4.2% ↑ | 12 Mo Leased SF | 263 K ↓ |
| Sales Volume | \$87.5 M ↑ | Months on Market | 8.1 ↓ |
| Properties Sold | 33 ↓ | Months to Lease | 5.5 ↓ |
| Months to Sale | 7.8 ↓ | Months Vacant | 6.1 ↓ |
| For Sale Listings | 4 ↓ | 24 Mo Lease Renewal Rate | 75.5% |
| Total For Sale SF | 51.4 K ↓ | Population Growth 5 Yrs | 7.0% |

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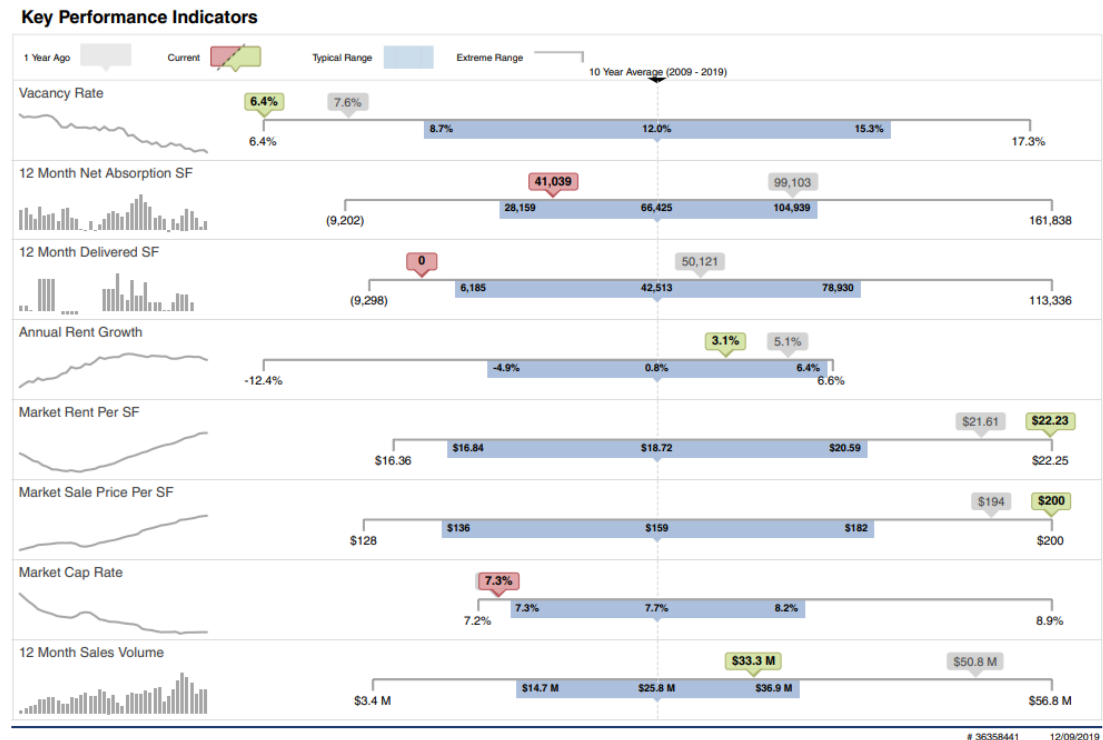
Commercial Real Estate Market Analysis

Key Performance Indicators



Key Performance Indicators*

- The Temecula Valley and the southwest Riverside County have historically outperformed California and the Nation's economic performance.
- Retail Vacancy Rate: 4.9%
- Ideal Retail Mix:
 - 30% Retail
 - 70% Food, Entertainment, Lifestyle experiences



* CoStar Office Space Report, Temecula, December 9, 2019

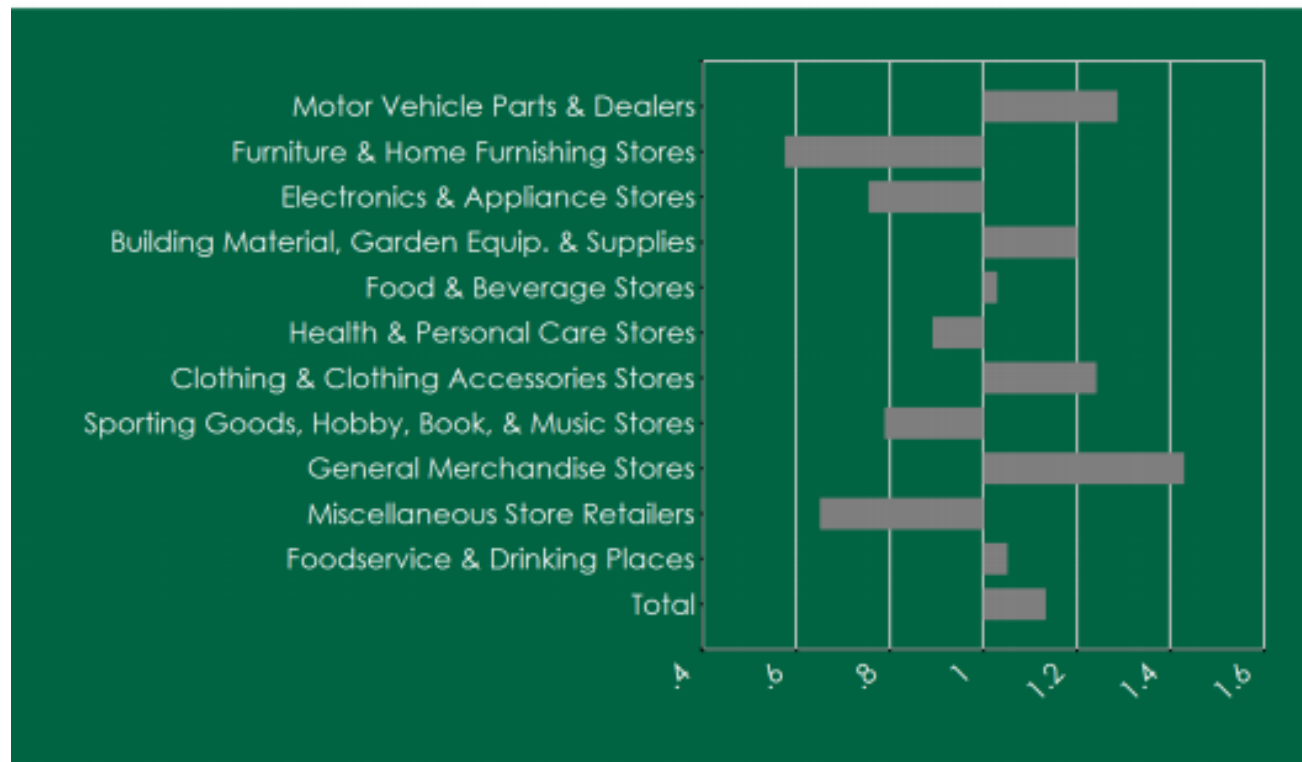
Retail Leakage/Surplus Analysis*

| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---|----------------------|----------------------|-----------------|
| Motor Vehicle Parts & Dealers | 797,407,643 | 1,026,136,790 | 1.3 |
| Furniture & Home Furnishing Stores | 102,082,021 | 58,703,607 | 0.6 |
| Electronics & Appliance Stores | 75,846,589 | 57,217,875 | 0.8 |
| Building Material, Garden Equip. & Supplies | 283,651,565 | 340,394,710 | 1.2 |
| Food & Beverage Stores | 578,243,111 | 595,243,578 | 1.0 |
| Health & Personal Care Stores | 243,441,284 | 216,884,550 | 0.9 |
| Clothing & Clothing Accessories Stores | 227,854,138 | 282,937,680 | 1.2 |
| Sporting Goods, Hobby, Book, & Music Stores | 81,165,315 | 63,981,940 | 0.8 |
| General Merchandise Stores | 556,310,195 | 794,927,523 | 1.4 |
| Miscellaneous Store Retailers | 99,828,624 | 64,932,840 | 0.7 |
| Foodservice & Drinking Places | 603,908,476 | 634,908,491 | 1.1 |
| Total | 3,649,738,961 | 4,136,269,585 | 1.1 |

The quantitative comparison of retail leakage and surplus in the major store types shown in the table above provides an initial measure of market opportunities. Combining this analysis with the knowledge of the local retail situation will take the process of identifying retail possibilities one step further.

* Buxton 2019 Retail Trade Assessment, Temecula

Retail Leakage/Surplus Analysis*



1.0 - equilibrium, meaning that demand and sales are in balance.

.80 - demand exceeds sales by 20%, meaning that consumers are leaving the area being analyzed.

1.2 - sales exceeds demand by 20%, meaning that consumers are coming from outside the area being analyzed.

* Buxton 2019 Retail Trade Assessment, Temecula

Business Strategies

Working with key regional stakeholders, such as the City of Temecula, Southwest Riverside Economic Development Coalition, Southern California Association of Realtors, Temecula Chamber of Commerce and Visit Temecula, the following strategies have been identified:

- Create tenant programming to maximize occupancy.
- Identify key employers that are relocating and desire Class A space.
- Maintain up to date psychographics and retail analytics every two years for key data on retail strengths, weaknesses, opportunities, threats and trends.
- Work with select residential real estate brokers to identify potential luxury condominium buyers.
- Actively engage with Riverside County and the City of Temecula for economic trends.
- Utilize in-house property management and leasing services for efficiency and cost effectiveness .



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