

HOWARD JOHNSON

Hotel and Conference Center
Orange County, CA

NAICapital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



222 WEST HOUSTON AVENUE

CONFIDENTIAL OFFERING MEMORANDUM

FULLERTON, CA 92832

Confidentiality Agreement

This is a Confidential Offering Memorandum intended solely for your own limited use and benefit in considering whether you desire to express any further interest in participating in the acquisition of the Howard Johnson at 222 West Houston Avenue, Fullerton, California (the “Property”). The Owner has retained NAI Capital (“NAI”) as the exclusive sales broker to sell the Property. No other agent or broker is authorized to offer the Property unless and until that agent or broker has executed a written agreement with NAI and that agreement has been executed by their interested purchaser.

This confidential memorandum contains brief, selected information pertaining to the business and affairs of the Property and has been prepared by NAI. Although this confidential memorandum has been reviewed by representatives of the Owner, it does not purport to be all-inclusive or to contain all of the information which a prospective purchaser may desire. Neither the Owner nor NAI, nor any of their partners, officers, employees or agents have independently verified the information contained herein and they are not responsible for any errors or inaccuracies in the information. No representation or warranty, express or implied, is made as to the accuracy or completeness of this confidential memorandum or any of its contents, or any other written or oral communication transmitted to a prospective purchaser in the course of its evaluation of the proposed sale of the Property. There is no representation as to the environmental condition of the Property.

You agree that the memorandum and its contents are confidential, that you will hold and treat it in confidence and that you will not disclose this memorandum or its contents to any other firm or entity without prior written authorization. Photocopying or other duplication is prohibited. You will use this confidential memorandum only for the purpose of evaluating the possible acquisition of the Property. All prospective purchasers agree that they will conduct their own independent investigation of those matters which they deem appropriate in order to evaluate this offering.

Owner and NAI expressly reserve the right at their sole discretion to reject any or all proposals, offers, or expressions of interest in the Property and to terminate discussions with any party at any time with or without notice.

This confidential memorandum shall not be deemed a representation of the state of affairs of the Property or imply that there has been no change in the business or affairs of the Property since the date of preparation of this memorandum. The Property is submitted for sale subject to the right to make changes in any of the terms without notice.

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FULLERTON, CA 92832**

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Property Description

NAI Capital, Inc. is pleased to offer exclusively for sale the fee-simple interest in the 201-room Howard Johnson Inn Hotel and Conference Center. This is an interior corridor, upper-midscale hotel with over 20,000 SF of conference space and a restaurant with a liquor license. The buildings consisted of one (1) single story building with lobby/restaurant/shops/banquet/meeting spaces and two (2) four-story buildings with guest rooms. New upgrades in 2018 include but are not limited to: wall paper, flooring, lighting, plumbing, meeting rooms upgrades, parking lot, landscaping and new shuttle buses.

This is a great opportunity for an operator to build up the business and create additional value to the property. The property is unencumbered by Management and the brand license expires beginning of 2019. The current owner self-manages the asset and have not implemented all the strategies that a professional management company would utilize to achieve a maximum return.

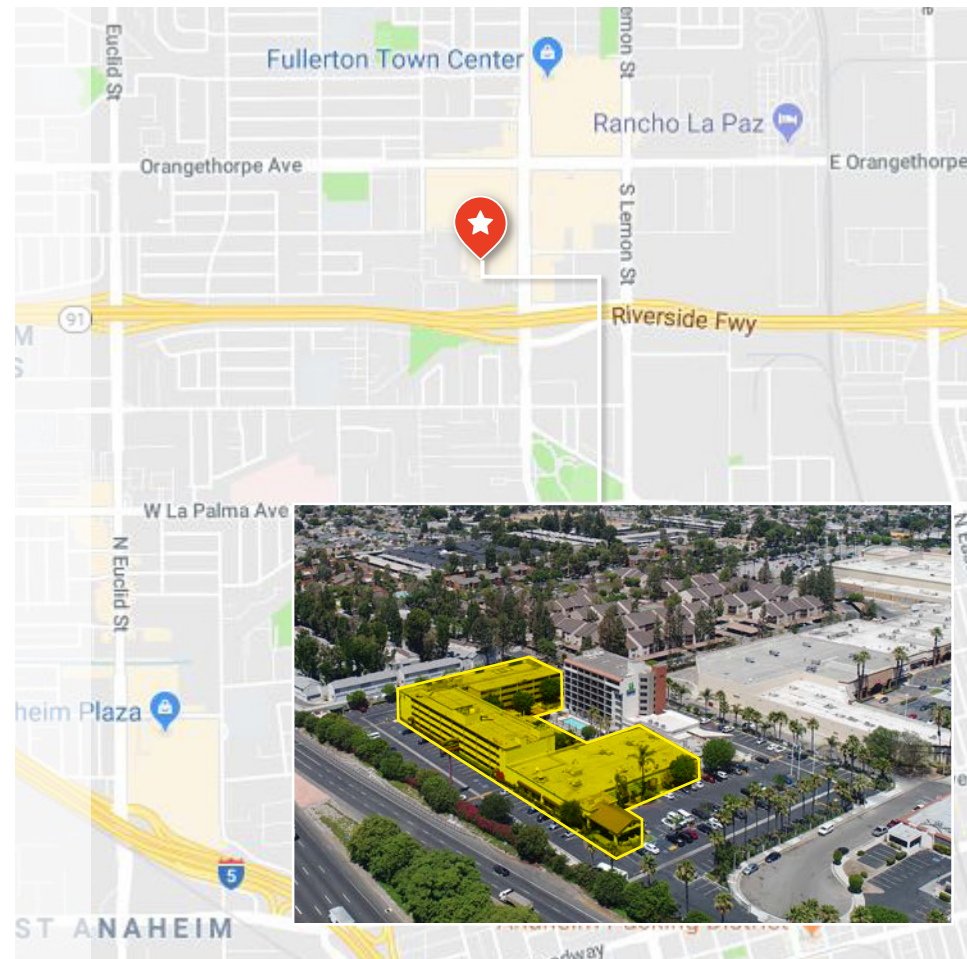
The adjacent 100-room Holiday Inn Express can be purchase with this opportunity. A lot split is in progress to enable the two hotels to be sold separately.

Property Highlights

- 201 Rooms
- 113,176 Total SF
- 21,140 SF Conference/Banquet Area
- Restaurant with Liquor License
- New Renovations in 2018
- Unencumbered by Management
- Brand Expiration Soon

Financial Summary

Price	\$27,000,000
Rooms	201
Price Per Room	\$134,328.36
Cap Rate (2019 Projected)	5.74%
Occupancy	59.80%
ADR	\$83.88
RevPAR	\$50.12
Net Operating Income	\$1,548,686



Property Details

Name	Howard Johnson
Address	222 West Houston Avenue
City, State Zip	Fullerton, CA 92832
Rooms	201
Year Built/Renovated	1974/2018
Building SF	113,176 SF
Lot SF*	2.5 Acres
# of Stories	4
Corridor	Interior
Parking*	188 Surface Spaces
APN*	073-052-18 073-052-19 073-052-25 073-040-43 073-040-44 073-040-45
Zoning	G-C (General Commercial)
Management	Unencumbered
Labor	Non-Union

*To Be Further Defined At Closing



Room Amenities

- Flat Screen
- Premium TV Channels
- Microwave
- Coffee Maker
- Hair Dryer
- Refrigerator
- In-Room Safe
- In-Room Climate Control
- Free Wi-Fi
- Shower/Tub

Property Amenities

- 24-Hour Front Desk
- Outdoor Pool with Sundeck and Cabana
- Free Self-Parking
- Free Breakfast Buffet
- Business Center
- Elevator
- Ice Machines
- Souvenir/Gift Shop
- Conference/Banquet Rooms
- Shuttle Service
- RV Parking

Room Breakdown

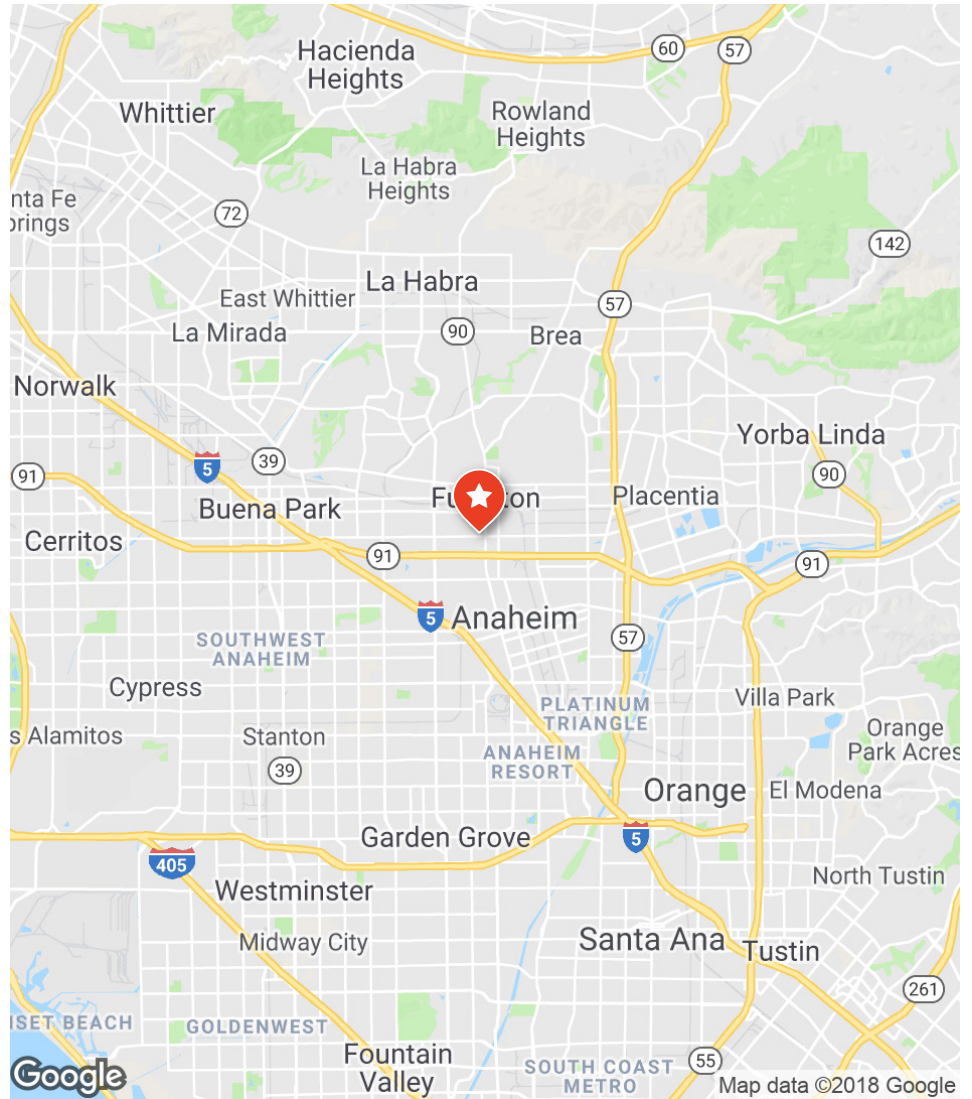
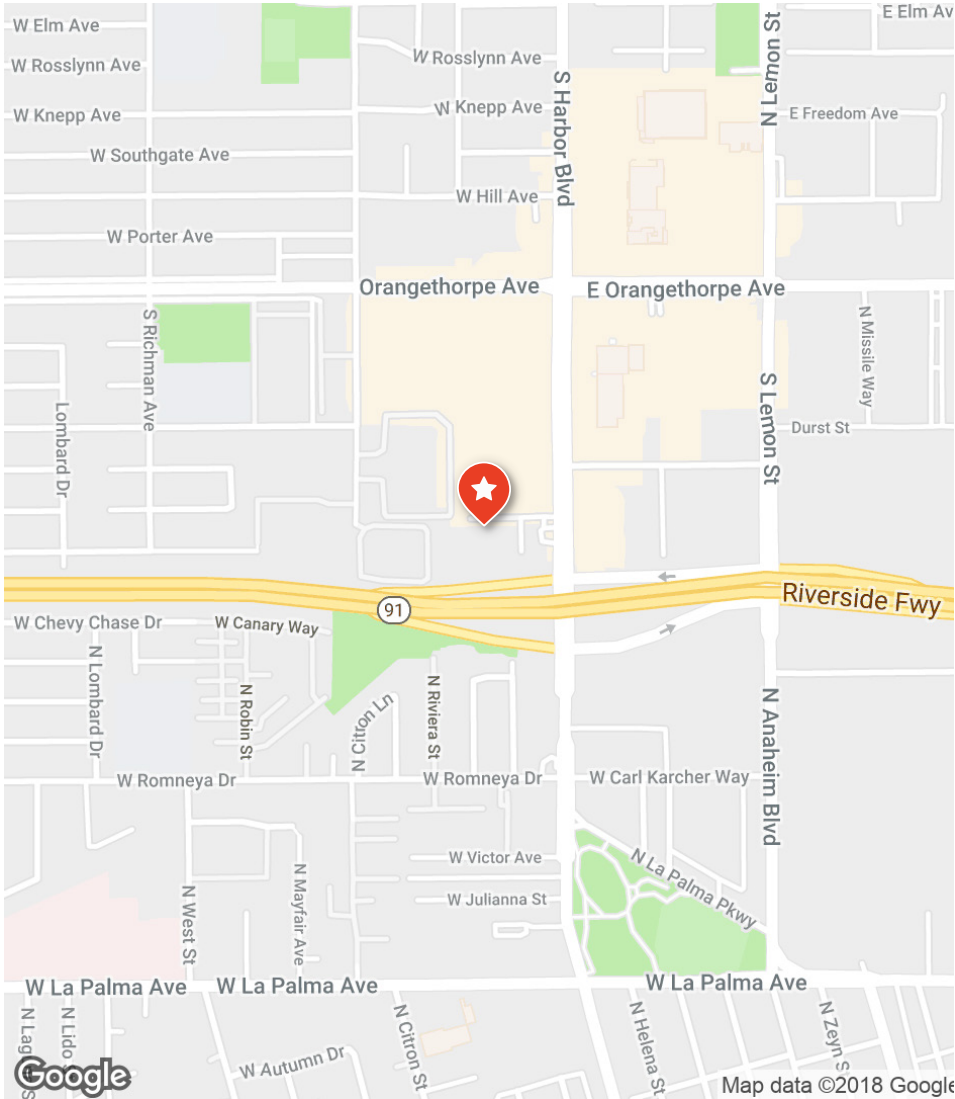
- **King Rooms**
King Standard Room 34
- **Double Rooms**
Double Double 167
- **Total** 201



Photos



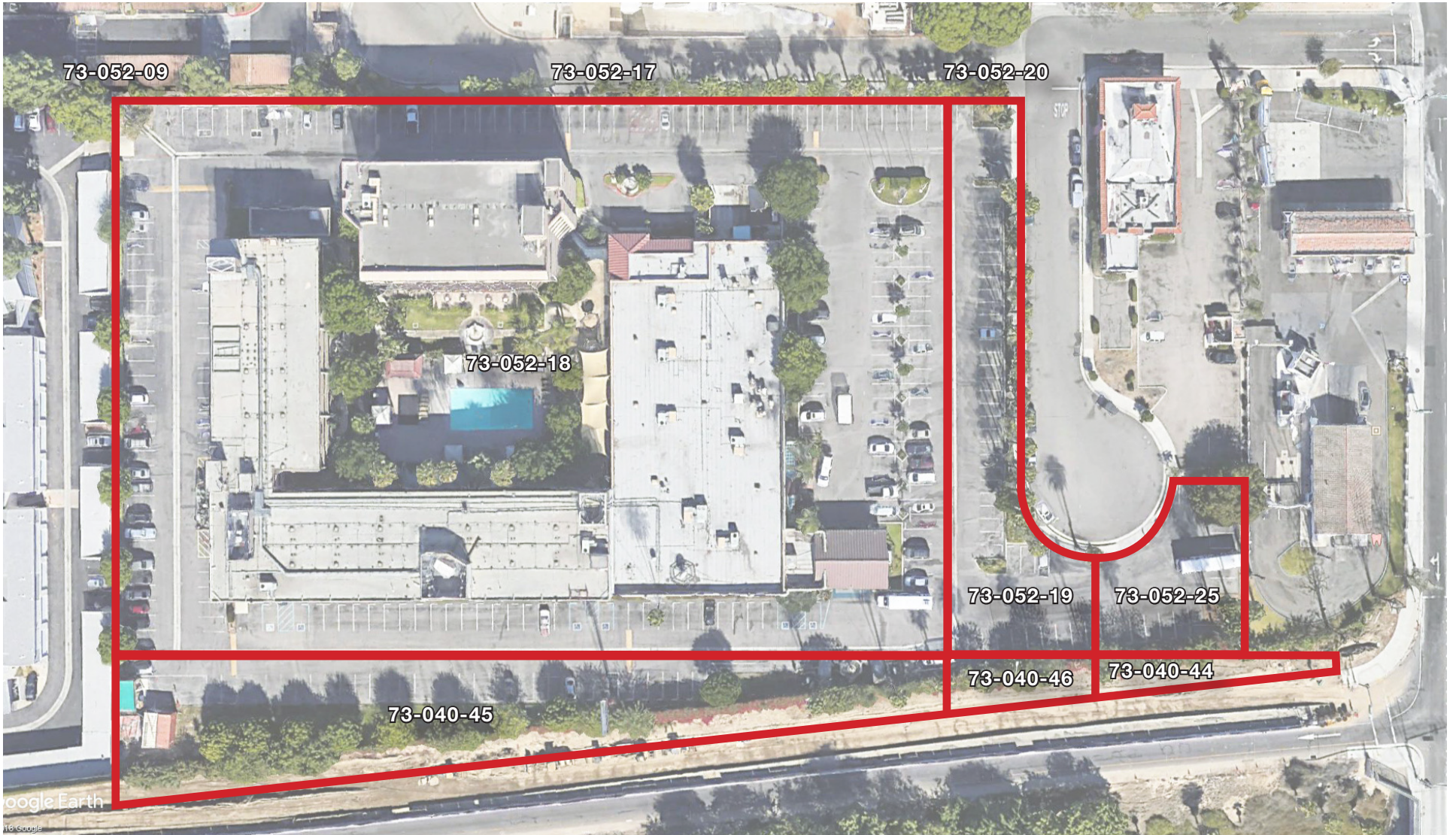
Location Maps



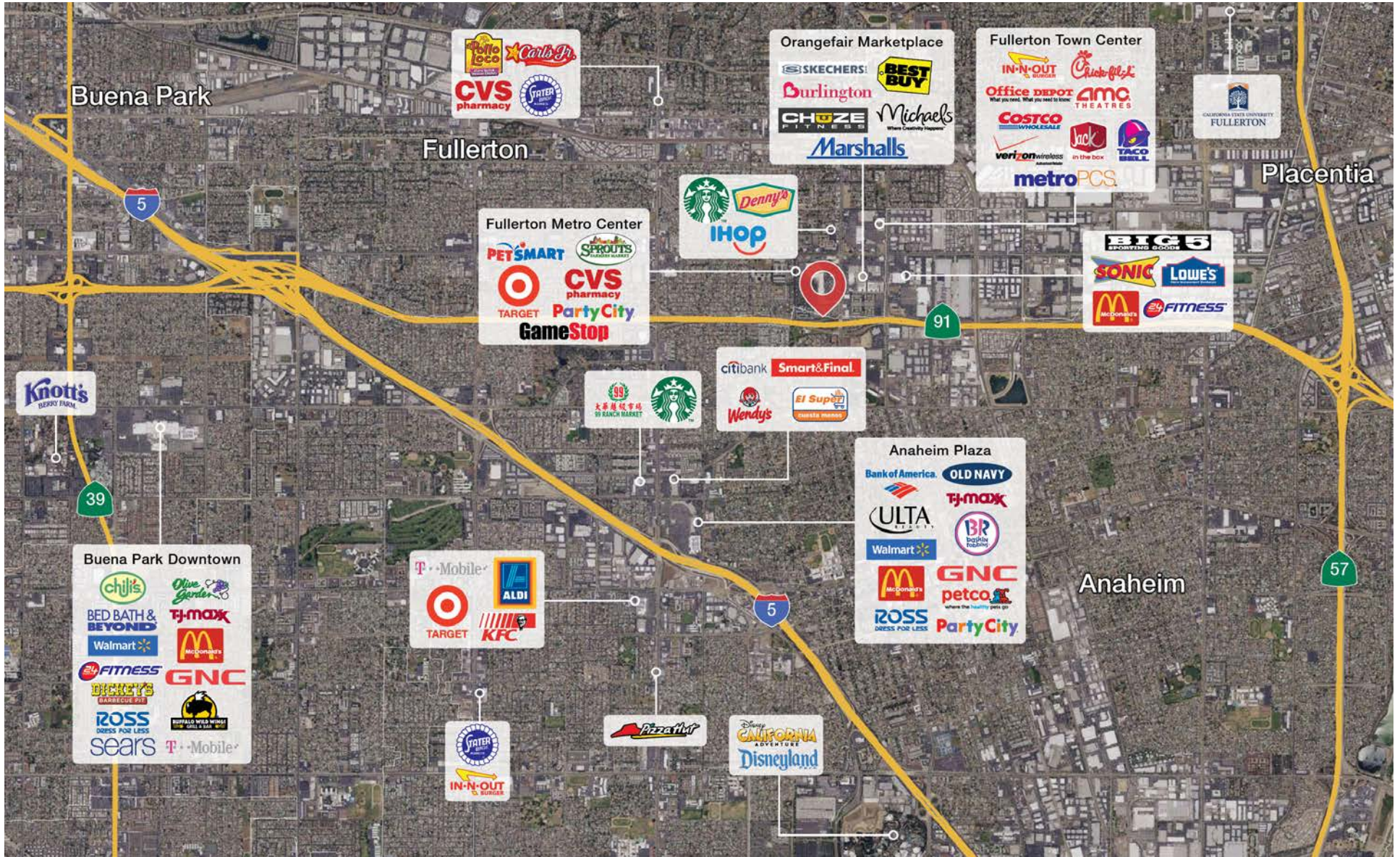
Aerial



Parcel Plan



Retailer Map



Retailer Map



Competitive Set Occupancy, ADR & RevPAR

DECEMBER 2017

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	49.0	69.1	71.0	75.34	82.31	91.5	36.95	56.86	65.0
Year To Date	67.8	75.6	89.7	77.35	87.11	88.8	52.42	65.84	79.6
Running 3 Month	57.2	72.0	79.4	72.81	84.26	86.4	41.63	60.64	68.6
Running 12 Month	67.8	75.6	89.7	77.35	87.11	88.8	52.42	65.84	79.6

JUNE 2018

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	74.6	80.2	93.0	89.41	84.01	106.4	66.70	67.39	99.0
Year To Date	59.8	73.4	81.4	83.88	86.37	97.1	50.12	63.38	79.1
Running 3 Month	63.5	74.6	85.2	85.14	82.88	102.7	54.08	61.79	87.5
Running 12 Month	60.0	73.5	81.6	81.41	87.53	93.0	48.84	64.34	75.9

Name	City	Rooms	Open Year
Howard Johnson - Subject	Fullerton	201	1974
Studio 6	Anaheim	119	1984
Travelodge	Fullerton	45	1973
The Hotel Fullerton	Fullerton	250	1967
Best Western Plus	Placentia	100	1989
Days Inn & Suites	Fullerton	123	1986
Quality Inn	Placentia	131	1990
Total		969	

Income & Expenses

	2017												2019					
	2017	%	Jan 18	%	Feb 18	%	Mar 18	%	Apr 18	%	May 18	%	Jun 18	%	YTD	%	Projected	%
Revenue																		
Rooms	3,947,817	90%	190,344	92%	269,096	97%	374,876	96%	307,919	94%	279,123	92%	402,174	95%	1,823,531	95%	4,500,000	88%
Food & Beverage	344,407	8%	12,122	6%	2,395	1%	11,591	3%	17,170	5%	20,874	7%	18,711	4%	82,863	4%	500,000	10%
Other Income	72,496	2%	4,286	2%	4,505	2%	4,019	1%	3,062	1%	3,874	1%	3,358	1%	23,104	1%	100,000	2%
Total Revenue	4,364,720	100%	206,752	100%	275,996	100%	390,486	100%	328,152	100%	303,871	100%	424,242	100%	1,929,498	100%	5,100,000	100%
Cost of Goods Sold																		
Rooms Costs	135,083	3%	4,526	2%	3,486	1%	4,619	1%	4,162	1%	8,629	3%	6,111	1%	31,534	2%	63,068	1%
Food & Beverage Cost	451,380	10%	25,369	12%	24,036	9%	33,124	8%	31,448	10%	32,468	11%	23,384	6%	169,829	9%	339,658	7%
Total Cost of Goods Sold	586,463	13%	29,895	14%	27,522	10%	37,744	10%	35,610	11%	41,097	14%	29,495	7%	201,363	10%	402,726	8%
Undistributed Operating Expenses																		
Bank Charges	102,973	2%	2,717	1%	9,897	4%	4,266	1%	9,790	3%	8,806	3%	7,122	2%	42,597	2%	85,194	2%
Payroll Expenses	1,469,956	34%	100,435	49%	101,006	37%	156,920	40%	104,686	32%	105,162	35%	108,903	26%	677,112	35%	1,354,224	27%
Franchise Fee	217,803	5%	11,000	5%	13,253	5%	19,230	5%	27,359	8%	27,158	9%	16,269	4%	114,269	6%	330,000.00	6%
Administrative & General	625,976	14%	4,121	2%	26,430	10%	23,260	6%	31,196	10%	30,184	10%	18,126	4%	133,318	7%	266,635	5%
Information & Telecom	87,696	2%	3,477	2%	10,136	4%	5,093	1%	5,118	2%	8,287	3%	1,740	0%	33,851	2%	67,702	1%
Management Fee	67,000	2%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	204,000	4%
Sales & Marketing	4,941	0%	-	0%	47	0%	-	0%	-	0%	-	0%	208	0%	255	0%	150,000	3%
Property Operations & Maintenance	372,063	9%	6,817	3%	5,639	2%	8,297	2%	14,799	5%	14,224	5%	18,378	4%	68,154	4%	136,309	3%
Utilities	192,792	4%	15,432	7%	14,779	5%	15,994	4%	14,854	5%	12,678	4%	14,884	4%	88,622	5%	177,243	3%
Total Undistributed Operating Expenses	3,141,200	72%	143,998	70%	181,186	66%	233,060	60%	207,804	63%	206,499	68%	185,631	44%	1,158,178	60%	2,771,308	54%
Fixed Charges																		
Insurance	75,000	2%	6,250	3%	6,250	2%	6,250	2%	6,250	2%	6,250	2%	6,250	1%	37,500	2%	75,000	1%
Property Taxes (New Estimated Tax)	302,279	7%	25,190	12%	25,190	9%	25,190	6%	25,190	8%	25,190	8%	25,190	6%	25,190	1%	302,280	6%
Total Fixed Charges	377,279	9%	31,440	15%	31,440	11%	31,440	8%	31,440	10%	31,440	10%	31,440	7%	62,690	3%	377,280	7%
Net Operating Income	259,778	6%	1,418	1%	35,847	13%	88,243	23%	53,298	16%	24,835	8%	177,677	42%	507,267	26%	1,548,686	30%



Demographics

Fullerton

ORANGE COUNTY, CA

SUMMARY

Fullerton lies within Orange County in Southern California. The city borders Buena Park to the west, La Habra to the North, Yorba Linda to the east, and Anaheim to the south. Fullerton's proximity to theme parks, such as Disneyland and Knott's Berry Farm, The Gardens Casino, and the Pacific Ocean make the city a mecca for tourism.

Visitors have plenty of attractions to keep them busy in Fullerton as well as the surrounding areas. Downtown Fullerton features an eclectic mix of boutique retail, fine dining, the Fullerton Museum, the Leo Fender Gallery, a weekly Farmers' Market, and seasonal family-friendly events. The city's rich history of public art shines in galleries and murals. The Fullerton Arboretum welcomes nature lovers from all over the world with lovely gardens and a celebration of local agricultural heritage.



Demographics & Employment

Population*	1 Mile	3 Miles	5 Miles
Total Population	25,103	231,842	607,114
Median Age	35.6	34.6	35.7
Median Age (Male)	34.5	33.5	34.5
Median Age (Female)	36.8	35.6	36.9

Household & Income*	1 Mile	3 Miles	5 Miles
Total Households	8,779	69,034	186,505
Avg. Household Size	2.8	3.3	3.2
Avg. Household Income	\$91,633	\$95,461	\$97,070
Median Home Value	\$562,989	\$583,037	\$565,929

Education & Attainment*	1 Mile	3 Miles	5 Miles
Adults Age 25+	16,992	149,972	402,708
Some College	20.7%	19.7%	21.1%
Bachelor's Degree Only	19.8%	20.4%	20.9%
Graduate Degree	10.5%	10.1%	9.5%

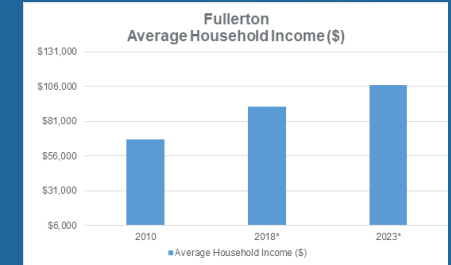
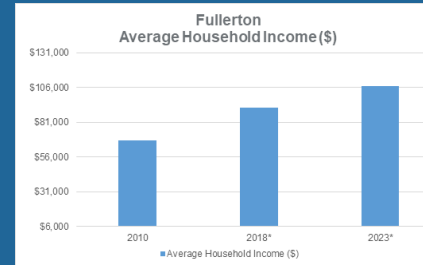
Daytime Population*	1 Mile	3 Miles	5 Miles
Total Businesses	1,737	9,939	26,438
Total Employees	15,904	100,765	422,683
Company Headquarters	5	53	143
Daytime Pop. Age 16+	23,642	168,548	600,334



Principal Employers

Rank	Employer	Employees
1	California State University, Fullerton	3,450
2	St. Jude Medical Center	1,963
3	Raytheon Systems Co.	1,320
4	Albertsons Regional Office	950
5	Alcoa Fastening Systems	750
6	City of Fullerton	713
7	St. Jude Heritage Health	604
8	Kimberly-Clark	440
9	Vista Paint Corporation	440
10	Morningside of Fullerton	403

Source: City of Fullerton CAFR 2017



141,604
POPULATION



\$105,559
AVERAGE HH INCOME



40.4%
BACHELOR'S DEGREE

Disneyland Resort Generates \$5.7 Billion for Southern California Economy

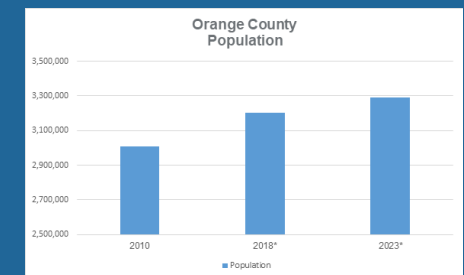
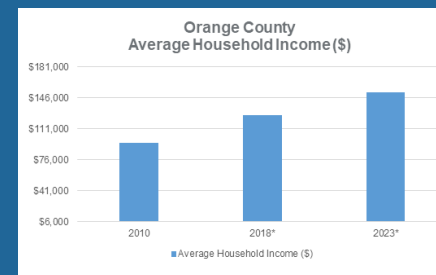
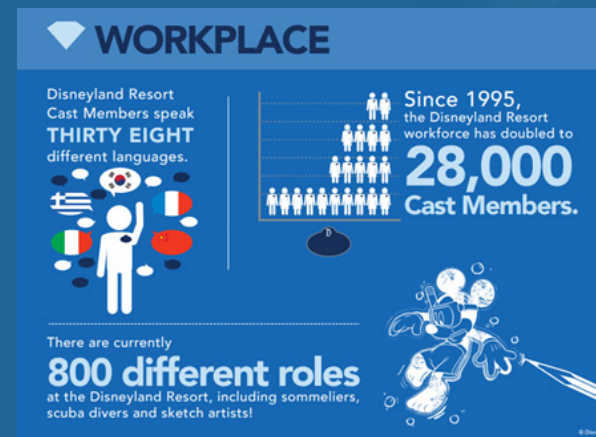
Since announcing the five-year expansion of Disney California Adventure Park, the Disneyland Resort has generated \$19 billion in economic activity for Southern California, and nearly 75% of that was distributed in Orange County. During the same period, the Disneyland Resort grew its workforce by 15%, adding 3,000 new jobs to support its expansion, plus 1,700 construction jobs per year since 2008.

An independent study concluded that the Disneyland Resort generates \$5.7 billion annually for the Southern California economy. The study was conducted by Arduin, Laffer & Moore Econometrics (ALME), which also concluded that the Disneyland Resort contributes more than \$370 million in state and local taxes.



Disneyland Orange County's largest employer

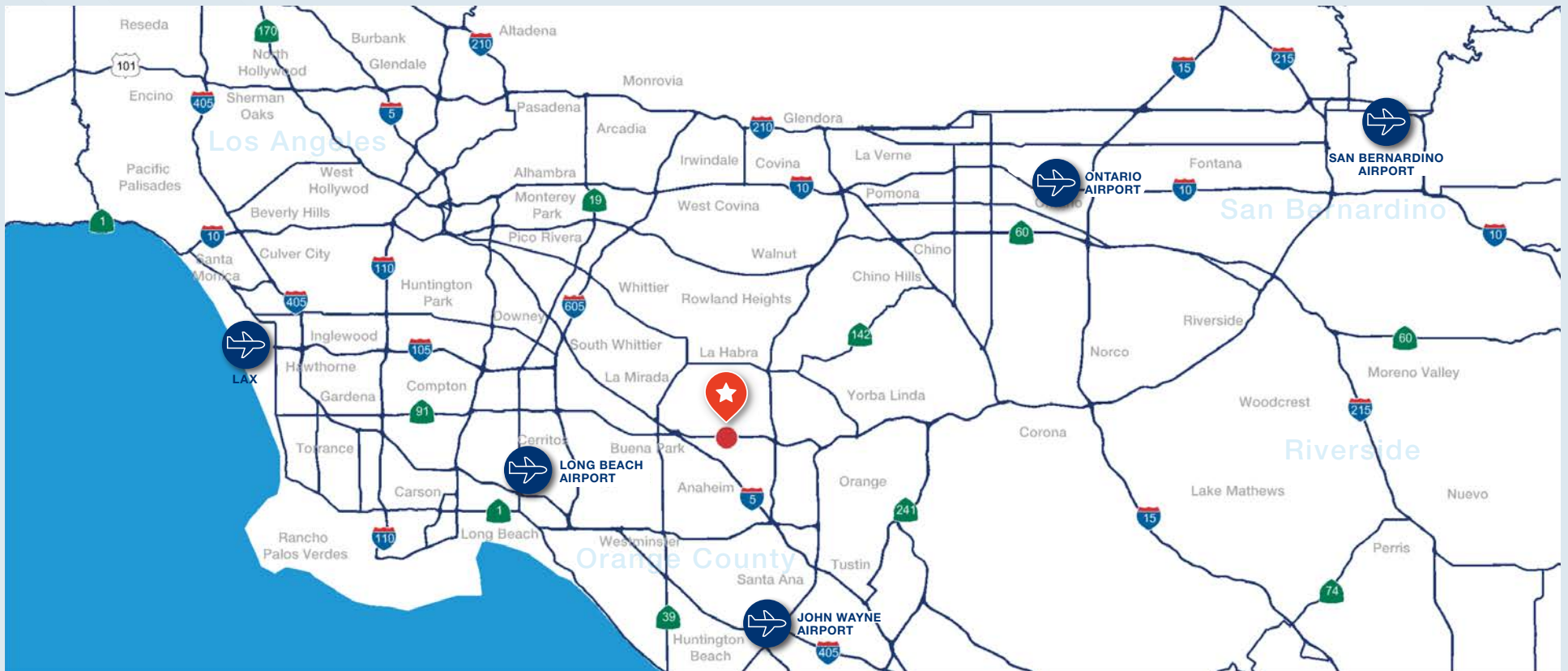
As Orange County's largest employer with 28,000 cast members, the Disneyland Resort has been an economic engine for Southern California for 60 years, drives 80 percent of hotel occupancy in Anaheim, and accounts for one-third of all Anaheim Transient Occupancy Tax revenue.



Orange County Transportation

Orange County is served by several major freeways and highways that make it easily accessible for tourists. The Interstate 5 and 405 Freeways connect Orange County to Los Angeles County, while the Interstate 5 continues onto San Diego County. Orange County is also connected to the Inland Empire through State Route 57, which connects the county to San Bernardino County near Pomona, and State Route 91, which connects to Riverside County near Corona. Internally, Orange County is served by major state routes, including the Garden Grove Freeway (SR 22), the Costa Mesa Freeway (SR 55), the San Joaquin Transportation Corridor (SR 73), and the Eastern Transportation Corridor, which links several freeways, including SR 261, 133, and 241.

Air travelers utilize John Wayne Airport as well as nearby Long Beach Airport for regional and international flights. Additionally, Orange County offers several public transportation options. Metrolink manages three commuter rail lines through Orange County, including the Orange County Line, which connects Orange County from San Clemente to Union Station in Downtown Los Angeles. Other major railways include the Metrolink 91 Line, which parallels State Route 91 to Perris in the Inland Empire, and the Inland Empire-Orange County Line, which connects from Oceanside to San Bernardino. Many Orange County cities also operate bus lines for local commuting.



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