

Opportunity Zones – A New Gold Rush?

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October 2019

The logo for Colliers International, featuring the word 'Colliers' in a large, white, serif font above the word 'INTERNATIONAL' in a smaller, white, sans-serif font. The logo is set against a dark blue background with a thin red and yellow horizontal line at the bottom.

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PRESENTATION

- 1) Key elements to consider with respect to Commercial Real Estate investment and Opportunity Zones
- 2) Financial Example
- 3) Impacts of Opportunity Zone investment on CRE investors
- 4) Opportunity Zones throughout the State of Hawaii



KEY ELEMENTS TO OPPORTUNITY ZONE INVESTMENT

- If held, buyer receives a step-up in taxable basis increases of 10% after five years and by 15% after seven years.
- After 10 years, investors permanently eliminate capital gains from the appreciation of their opportunity zone investment.
- The new law clarifies that there is no gain deferral available with respect to any sale or exchange made after December 31, 2026, and there is no exclusion available for investments in qualified opportunity zones made after December 31, 2026.



FINANCIAL EXAMPLE

NOT IN OPPORTUNITY ZONE

- Sell business with \$10M in capital gain
- Invest in standard investment over 10 years w/ 8% annual return
- \$12M total net returns

IN OPPORTUNITY ZONE

- \$18M total net returns



IMPACT ON CRE INVESTORS

“A bad project isn’t made good by the tax incentive. It does make a good project better.”

Abran C. Villegas – Arizonam Bank & Trust

- Not as advantageous for CRE investors but is advantageous for other asset classes
- Investor has 180 days to invest in Opportunity Zone.
- Ideal if 1031 exchange buyer misses 45 day identification window.
- Must invest 50% of the BUILDING VALUE into the property,
- Market is pricing in 3-4% increase in IRR over a 10-year hold (To account for market risk)

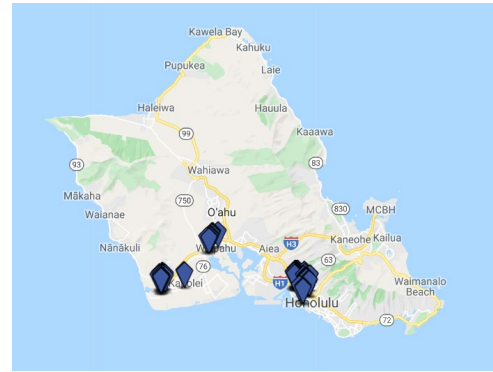


OPPORTUNITY ZONE – RESULTS

01/01/2018 – 09/30/2019

Oahu's Current Listings – 42
75 Sales Comparables

Current Selected Transactions



	<p>Sold August 2019 · \$4.5M (\$3... ✓ Investment · Part of a 2 Property Sale</p> <p>91-0608 Komohana St Kapolei, HI 96707 · Kapolei Business ... 2.79 AC (121,663 SF) Industrial Land</p> <p>★★★★☆ MORE</p>
	<p>Sold August 2019 · \$1.9M (\$3... ✓ Investment</p> <p>1146 Smith St Honolulu, HI 96817 5,420 SF Storefront Retail · Built 1981 1031 Exchange</p> <p>★★★★☆ MORE</p>
	<p>Sold July 2019 · \$3.8M (\$696/... ✓ Owner User</p> <p>925 Akepo Ln Honolulu, HI 96817 5,507 SF Warehouse</p> <p>★★★★☆ MORE</p>

	<p>Sold July 2019 ✓ Investment · Part of a 3 Property Sale</p> <p>500 Kuwili St Honolulu, HI 96817 · Kuwili Center 197,868 SF Service · Built 1959</p> <p>★★★★☆ MORE</p>
	<p>Sold June 2019 · \$1.1M (\$191... ✓ Investment · Part of a 2 Property Sale</p> <p>1723 Kalani St Honolulu, HI 96819 · Multi-Property Sale 6 Units · Apartments · Built 1964</p> <p>★★★★☆ MORE</p>
	<p>Sold May 2019 · \$27.5M (\$50... ✓ Owner User</p> <p>925 Dillingham Blvd Honolulu, HI 96817 54,696 SF Office · Built 1985 Purchase By Tenant</p> <p>★★★★☆ MORE</p>





OPPORTUNITY ZONE – RESULTS

01/01/2018 – 09/30/2019

Kauai's Current Listings – None
1 Sales Comparable



Current Selected Transaction



1/4

Sold July 2018 · \$720K (\$489... ✓)
Investment · 290 Days on Market

3075-3099 Poipu Rd
Koloa, HI 96756
1.47 AC (64,033 SF) Commercial Land

★★★★★ MORE

OPPORTUNITY ZONE – RESULTS

01/01/2018 – 09/30/2019

Maui's Current Listings – 11
17 Sales Comparables



Current Selected Transactions



Sold Sep 2019 · \$1.6M (\$69/SF) ✓
Owner User

Hana Hwy & Dairy Rd
Kahului, HI 96732 · Lot S-87
0.53 AC (22,869 SF) Commercial Land



[MORE](#)

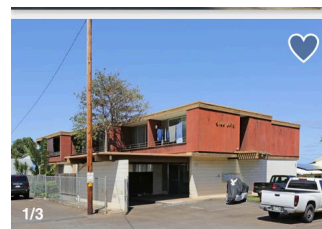


Sold August 2019 · \$1M (\$15... ✓
Investment

1727 Wili Pa Loop
Wailuku, HI 96793
6,474 SF Office · Built 1992



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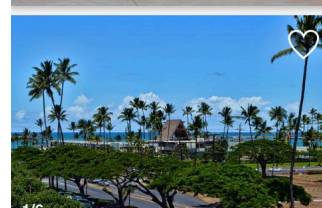


Sold July 2019 · \$1.3M (\$108... ✓
Investment

1878 Loke St
Wailuku, HI 96793
12 Units · Apartments · Built 1972



[MORE](#)



Sold May 2019 · \$27.5M (\$18... ✓
Investment · Part of a 2 Prop

130 W Kaahumanu Ave
Kahului, HI 96732 · Maui Beach Hotel
147 Rooms · Hotel · Built 1968
Bulk/Portfolio Sale



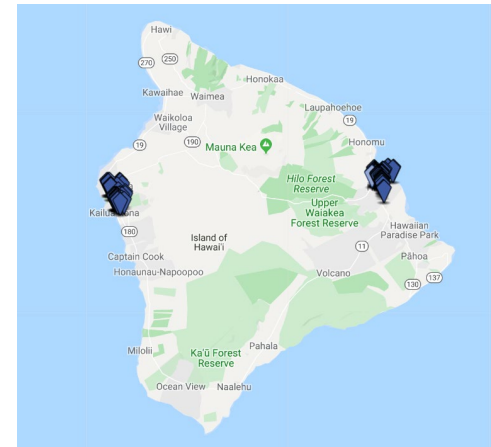
[MORE](#)

OPPORTUNITY ZONE – RESULTS

01/01/2018 – 09/30/2019

Big Island's Current Listings – 60
51 Sales Comparables

Current Selected Transactions



Sold Sep 2019 · \$724.8K (\$81/SF) ✓
Investment · Part of a 2 Property Sale
255-271 Keawe St
Hilo, HI 96720 · Multi-Property Sale
8,929 SF Storefront Retail/Residential
Built 1941
★★★★★

+ VIEW MORE



Sold August 2019 · \$1.1M (\$826/SF) ✓
Owner User
192 Kinoole St
Hilo, HI 96720 · Chevron Service Station
1,782 SF Service Station · Built 1969
★★★★★

+ VIEW MORE



Sold August 2019 · \$1.6M (\$341/SF) ✓
8% Cap Rate
11 Silva St
Hilo, HI 96720
4,540 SF Retail · Built 1968
★★★★★

+ VIEW MORE



Sold July 2019 · \$900K (\$128.6K/Unit) ✓
7% Cap Rate · 84 Days on Market
75-5757 Kalawa St
Kailua Kona, HI 96740 · Lokelani Apartments
7 Units · Apartments · Built 1971
1031 Exchange
★★★★★

+ VIEW MORE



ANECDOTAL EVIDENCE FROM OUR CLIENTS

1. The large Opportunity Zone funds have big fees for the promoters.
There is no control like Tenant In Common (TIC) Entities
2. Where does the money come from to pay your capital gains tax in 2026?
Most funds are not withholding
3. Initial yield can be 150 – 200 basis points lower in an Opportunity Zone.
Example: Preferred return reduced from 8 – 6% to investors because of tax incentives
4. Properties in the Opportunity Zone with a long term lease in-place?
Doesn't work

THANK YOU



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