



FILE PHOTO

OFFERING MEMORANDUM



CVS Pharmacy Ground Lease

Merced, CA

www.preservewestcapital.com



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Disclaimer

Michael Maffia (“Broker”) has been retained on an exclusive basis to market the property described herein (“Property”). Broker has been authorized by the Seller of the Property (“Seller”) to prepare and distribute the enclosed information (“Material”) for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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PROPERTY HIGHLIGHTS



Property Highlights

- 25 Year Corporate Absolute Net Ground Lease to CVS (NYSE:CVS)
 - Drive-Thru Location
 - 12% Rent Increase in Option
 - Guaranteed by Investment Grade Tenant - Rated "BBB" by S&P
 - Ranked 7th in Fortune 500
- Relocation from Successful Existing Store in the Market
- 24 Hour Location
- Located Along Main Thoroughfare - Olive Avenue
 - Combined Traffic Count of 60,728 Vehicles Per Day
- Strong Visibility and Access in Front of Merced Mall
 - Only Enclosed Regional Mall within 43-Mile Radius
 - Anchored by Target, JCPenney, and Kohl's with more than 70 Retail Tenants
- Located within Close Proximity to Newly Built University of California, Merced Campus





Location

The property is located near the northwest corner of Olive Avenue and M Street in Merced, California.

Lot Size

Approximately 1.4 acres, or 60,984 square feet.

Improvements

Construction scheduled for completion November 2017 of an approximately 12,900 square foot retail building for **CVS**.

The improvements are being built and will be owned by the tenant. Upon expiration or termination of the lease, title to all such improvements shall become vested in the Landlord. The improvements are not for sale.

Parking

There is ample parking with 43 spaces available on site and additional parking throughout the shopping center.

Ground Lease

Leased for 25 years from an anticipated rent commencement date of November 2017 to **Longs Drug Stores California, LLC** at an initial annual rent of \$275,000. There are five (5) five-year options to extend the lease. Annual rent increases 12% at the start of the first option period and 6% at each subsequent option period. The lease is net with tenant responsible for all taxes, insurance, and maintenance.

The lease is guaranteed by **CVS Health Corporation (NYSE:CVS)**.

PRICE

\$5,789,000

4.75% Return

Net Operating Income

Years	Annual Rent	Return
1-25	\$275,000	4.75%
26-30 (Option 1)	\$308,000	5.32%
31-35 (Option 2)	\$326,480	5.64%
36-40 (Option 3)	\$346,069	5.98%
41-45 (Option 4)	\$366,833	6.34%
46-50 (Option 5)	\$388,843	6.72%

Financing

This property will be delivered free and clear of permanent financing.



CVS is rated “BBB” by S&P.

CVS pharmacy

Long’s Drug Stores California, LLC operates retail pharmacy and drug stores in California, Hawaii, Nevada, Washington, Colorado, and Oregon under the CVS and Longs Drugs brands. Long’s Drug Stores California, LLC is a wholly owned subsidiary of CVS Health Corporation.

CVS Health Corporation (NYSE: CVS), the parent company of the lease entity and guarantor of the lease is a retail pharmacy and drugstore company that operates more than 9,600 drugstore locations within the U.S, serving 5 million customers daily. The company additionally operates more than 1,100 walk in MinuteClinic locations, serving more than 34 million patients. CVS has strong annual rent per square foot compared with its major competitors, totaling more than \$840 versus a sector average of \$680 per square foot.

Over the last fifteen years, aggressive acquisitions have dramatically expanded the brand’s footprint. In 2006, CVS acquired 700 freestanding drugstore locations from Albertsons for \$2.93 billion. In 2008, the company acquired Long’s Drug Corp. for \$2.9 billion, acquiring an additional 521 stores in California, Arizona, Hawaii, and Nevada. In addition, in 2015, the company acquired Target Corporations 1,672 in-store pharmacy operations across 47 states for \$1.9 billion.

In 2016, the company ranked seventh among the Fortune 500 and 18th on the Fortune Global 500 list. The company is rated BBB by S&P. For 2016, CVS Health Corporation reported \$177.5 billion in revenue, net income of \$5.137 billion, and total stockholder equity of \$36.8 billion.

For more information about CVS, visit www.cvs.com.

SITE PLAN



← Access to Merced Mall

FAIRFIELD DR

CVS/pharmacy

12,900 SF

← DRIVE THRU

Proposed Retail

El Pollo Loco

MST

W OLIVE AVE





AERIAL

RELOCATION

CVS/pharmacy[®]

PREVIOUS SITE

MERCED MALL

CVS/pharmacy[®]

NEW LOCATION WITH FRONTAGE
(CVS has been looking to do this relocation for many years)

W Olive Ave (40,018 AADT)

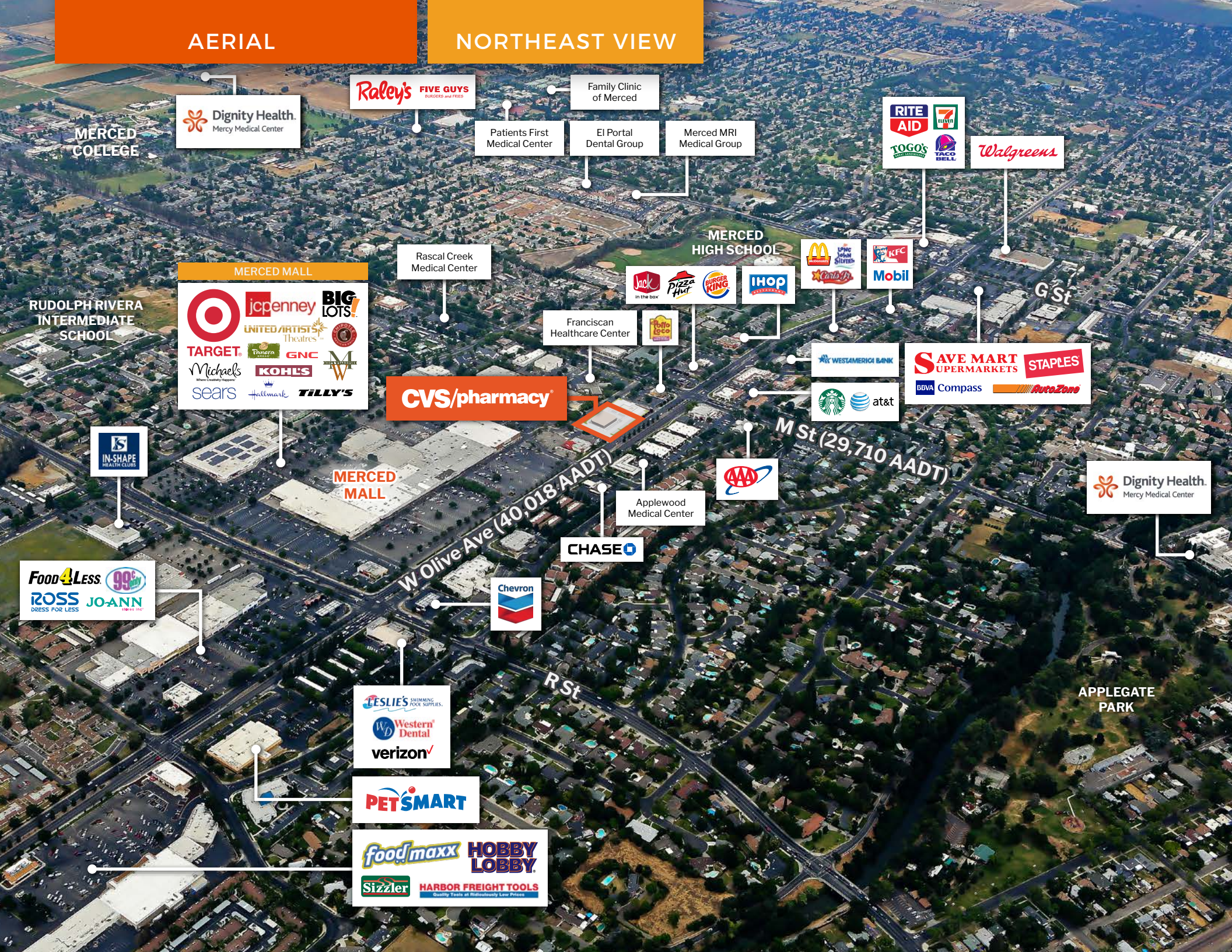
R St

M St (29,710 AADT)



AERIAL

NORTHEAST VIEW



MERCED COLLEGE

Dignity Health.
Mercy Medical Center

Raley's **FIVE GUYS**
BURGERS and FRIES

Family Clinic of Merced

Patients First Medical Center

El Portal Dental Group

Merced MRI Medical Group

RITE AID
 7 ELEVEN
 TOGO'S
 TACO BELL

Walgreens

MERCED HIGH SCHOOL

Rascal Creek Medical Center

MERCED MALL

TARGET. **JCPenney** **BIG LOTS!**
 UNITED ARTISTS Theatres
 Tranera **GNC**
 Michaels **KOHLS**
 sears **Hallmark** **TILLY'S**

RUDOLPH RIVERA INTERMEDIATE SCHOOL

Jack **Pizza Hut** **BURGER KING** **ihop**

McDonald's **LONG JOHN SILVER'S** **KFC**
 Carrabba's **Mobil**

Franciscan Healthcare Center

Papa John's

WESTAMERICA BANK

SAVE MART SUPERMARKETS **STAPLES**
 BBVA **Compass** **AutoZone**

CVS/pharmacy

Starbucks **at&t**

IN-SHAPE HEALTH CLUB

MERCED MALL

Applewood Medical Center

AAA

Dignity Health.
Mercy Medical Center

Food 4 Less **99c only**
 ROSS **JOANN**
DRESS FOR LESS **JOANN**

W Olive Ave (40,018 AADT)

CHASE

Chevron

M St (29,710 AADT)

R St

LESLIE'S SWIMMING POOL SUPPLIES.

Western Dental

verizon

PET SMART

APPLEGATE PARK

food maxx **HOBBY LOBBY.**

Sizzler **HARBOR FREIGHT TOOLS**
Quality Tools at Environmentally Low Prices.

AERIAL

SOUTH VIEW

MERCED COUNTY FAIRGROUNDS

DOWNTOWN MERCED

COURTHOUSE SQUARE

99 CALIFORNIA 55,000 AADT



JOHN C. FREMONT SCHOOL

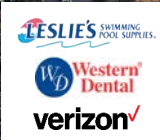
APPLEGATE PARK

CVS/pharmacy

MERCED MALL



Applewood Medical Center



M St (29,710 AADT)

W Olive Ave (40,018 AADT)

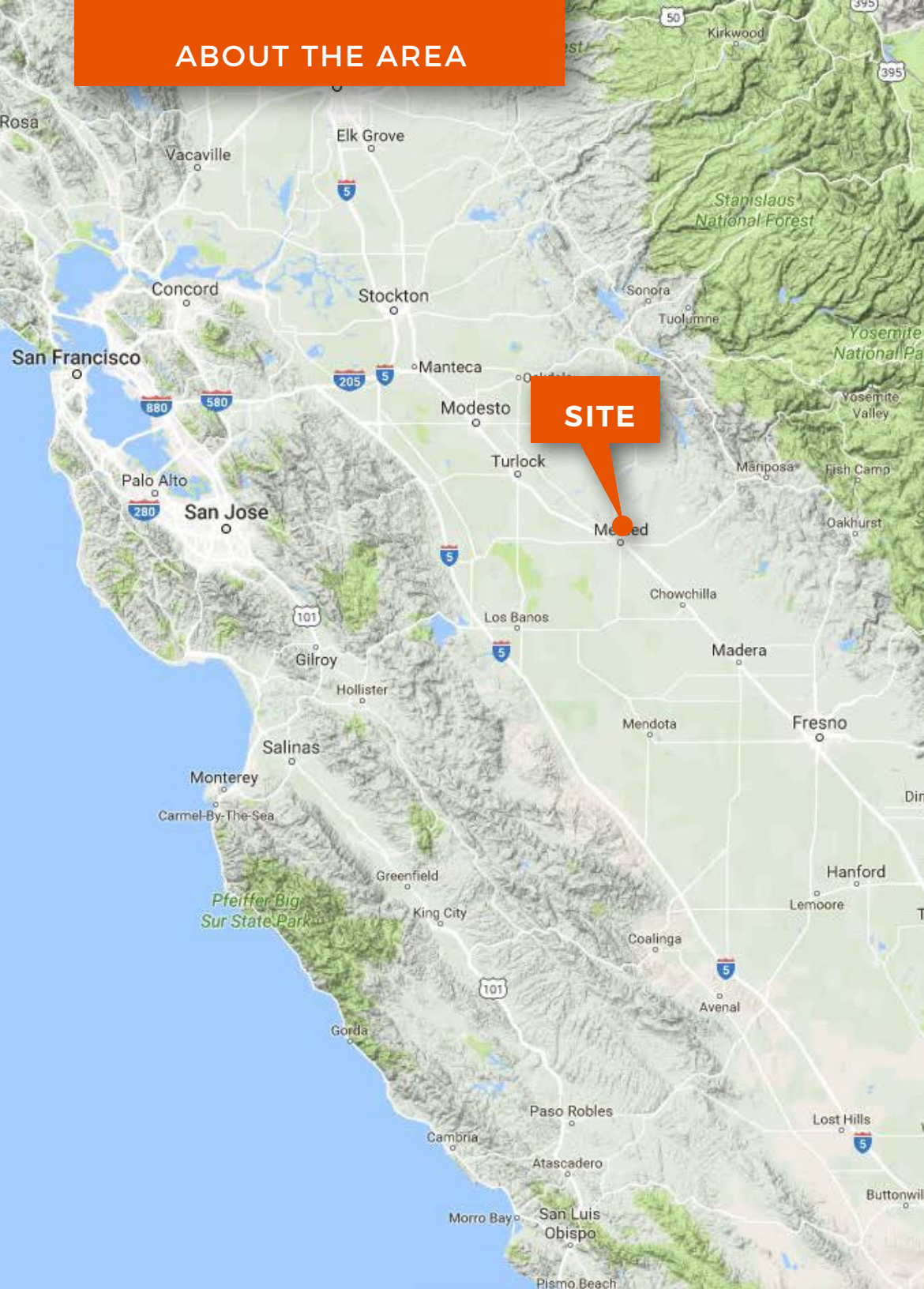
R St

MERCED MALL



Franciscan Healthcare Center

ABOUT THE AREA



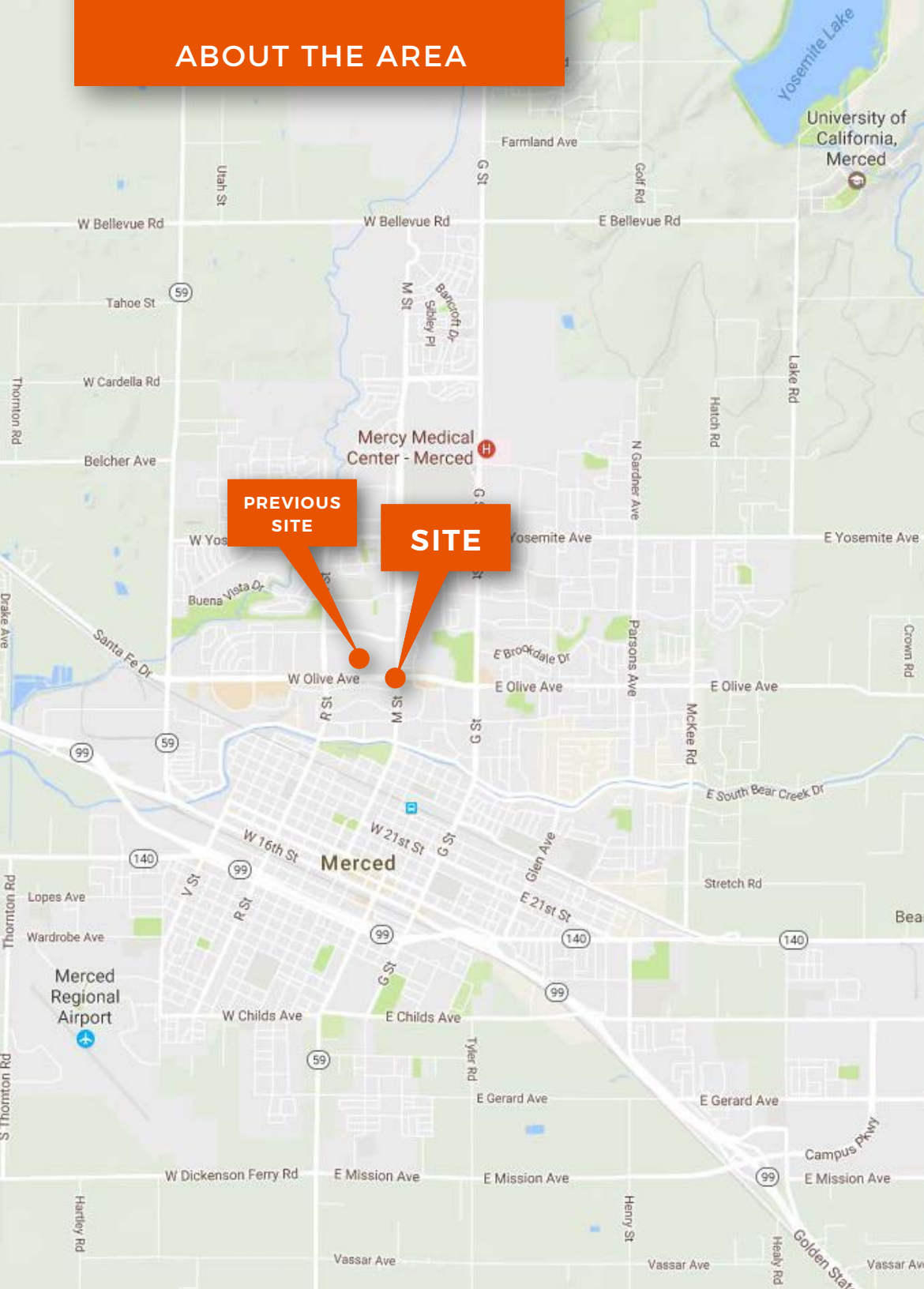
General Overview

Merced (population 80,542) is the seat of Merced County in the San Joaquin Valley in Northern California. Known as the “Gateway to Yosemite,” Merced is less than two hours by car from Yosemite National Park to the east and the Monterey Bay to the west. Located at the junction of CA-99, the dominant north-south freeway in California, CA-69, and CA-140, the city’s transportation needs are also served by Amtrak commercial rail and the Merced Regional Airport. Union Pacific and Burlington Northern/Santa Fe rail lines also pass through the city.

Since 1980, Merced has experienced a population growth rate exceeding the state average, with an annualized growth rate of 3.4% over the last nine years. This population growth has driven significant retail development in the city of Merced since 1992, adding over 750,000 square feet of new retail space and generating more than \$500,000 in additional sales tax revenue annually. The city had historically relied on agribusiness and the presence of Castle Air Force base as key components of the city’s economy; since the closing of the Air Force base in 1995, the city’s economy has diversified to include printing, warehousing and distribution, fiberglass boat building, packaging, and more.

In 2005, Merced became home to the tenth campus of the University of California system, the University of California, Merced. The college was the first research university built in the U.S. in the 21st century. With a growing enrollment of approximately 7,325 students, the university is home to three schools offering 21 undergraduate majors and 21 minors – the School of Engineering, the School of Natural Sciences, and the School of Social Sciences, Humanities, and Arts. In addition, the university offers graduate level programs in Applied Mathematics, Biological Engineering, Cognitive and Information Sciences, Electrical Engineering and Computer Science, Environmental Systems, Mechanical Engineering and Applied Mechanics, Physics and Chemistry, Psychology, Quantitative and Systems Biology, Social and Cognitive Sciences, and World Cultures. The 230 acre campus is bounded by Lake Yosemite and is the only institution in the U.S. to have all of its campus buildings LEED environmentally certified.

ABOUT THE AREA



Site Information

The subject property is strategically situated near the intersection of Olive (40,018 AADT) and M Street (20,710 AADT). The site is a relocation from a strong existing location that has been planned by CVS for 10 years. The new site is located in front of the Merced Mall, the only enclosed regional mall within a 43-mile radius. Anchored by Target, JCPenney, and Kohl's, the center has more than 70 retail tenants. Located less than three miles from CA-99 (55,000 AADT), a major north-south thoroughfare, the property benefits from strong visibility and access in a primary retail location. In addition, the property is located just six miles from the newly built University of California, Merced campus, which will eventually serve up to 25,000 undergraduate and graduate students.

Additional retail tenants neighboring the property include Walmart, Best Buy, Hobby Lobby, Applebees, Food 4 Less, Chase Bank, Chipotle Mexican Grill, Staples, Starbucks, and Walgreens. The property is located less than a mile from Merced High School, Rudolph Riviera Intermediate School, and Peterson Elementary School, and just two miles from Merced College, a community college with enrollment of nearly 15,000. The property also neighbors Mercy Medical Center, Merced, a 185-bed hospital offering emergency, acute care, surgery, and cancer treatment services. Plans are underway to further expand the hospital over the next 20 years to eventually accommodate up to 435 patients. Additionally, the subject property benefits from strong demographics with 99,210 residents and an average household income of \$60,204 within a five mile radius.



Olive Ave & M St | Merced, CA 95348



2016 POPULATION
99,210



MEDIAN HOME VALUE
\$180,767



AVG. HOUSEHOLD INCOME
\$60,204

Population Summary	1 Mile	3 Miles	5 Miles
2010 Total Population	17,197	84,242	95,883
2016 Total Population	17,477	87,005	99,210
2021 Total Population	17,739	89,894	102,703
Average Household Income			
2016	\$45,950	\$58,763	\$60,204
2021	\$48,290	\$63,508	\$65,040
Median Home Value			
2016	\$157,757	\$177,167	\$180,767
2021	\$163,058	\$188,887	\$193,972

Major Employers in Merced

- County of Merced
- Merced City School District
- AT&T Mobility
- Merced Union High School District
- Merced College
- Quad Graphics
- University of California, Merced
- City of Merced
- Scholle Corporation
- Wal-Mart



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