

OFFERING MEMORANDUM

# RITE AID

ELK GROVE, CALIFORNIA



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**NET LEASE GROUP**

*SUBJECT PROPERTY*





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# Investment Offering & Highlights

## The Offering

- Completed in 2011, a 17,340 square foot free standing pharmacy building leased to **RITE AID CORPORATION** with over 11 years remaining
- **Price: \$9,910,000 — 6.00% Cap Rate**

## Lease / Tenant

- Triple net lease with over 11 years remaining
- Tenant is responsible for taxes, insurance, and all maintenance including repairs/replacements to roof, structure and parking lot
- Lease is guaranteed by Rite Aid Corporation with 2018 revenues of \$21.8 billion

## Real Estate / Area Strengths

- Excellent demographics with over 192,000 within a 5-mile radius and average household incomes in excess of \$113,000 within 1-mile radius
- High barriers to entry due to its location at the eastern edge of Old Town Elk Grove historic district
- Established location on the hard corner of the high traffic signalized intersection of Elk Grove Blvd. and Waterman Road
- Nearby tenants include Bel Air Markets, Starbucks, Panda Express, Subway, Cold Stone Creamery, UPS, Mountain Mike's Pizza and Jamba Juice, to name a few



# Investment Overview

## Location

9260 Elk Grove Blvd in Elk Grove, CA on the eastern edge of historic Old Town Elk Grove

## Lot Size

Approximately 2.73 acres — 118,919± square feet

## Improvements

Completed in 2011, a 17,340 square foot free standing pharmacy building leased to Rite Aid with over 11 years remaining. This was a built-to-suit by a Rite Aid preferred developer. As a result, the lease was executed by Thrifty Payless and is guaranteed by **RITE AID CORPORATION**. This Rite Aid guaranty was not typical and only given to a small group of preferred developers.

## Lease

Leased to **THRIFTY PAYLESS** and guaranteed by **RITE AID CORPORATION** for 20 years from January 2010 until January 31, 2030 with over 11 years remaining. The current annual rent is \$595,946. The lease is triple net, with the tenant responsible for taxes, insurance, and maintenance, including roof and structure. The landlord is responsible for an additional general liability insurance policy for the property. There are six, five-year options to renew with 5% rent increases at the beginning of each option.

## Annual Rent

Years	Annual Rent	Cap Rate
Year 1 - Year 20	\$595,946	6.00%
Option 1	\$608,475	6.30%
Option 2	\$638,899	6.62%
Option 3	\$670,844	6.95%
Option 4	\$704,386	7.29%
Option 5	\$739,605	7.66%
Option 6	\$776,585	8.04%

## Net Operating Income

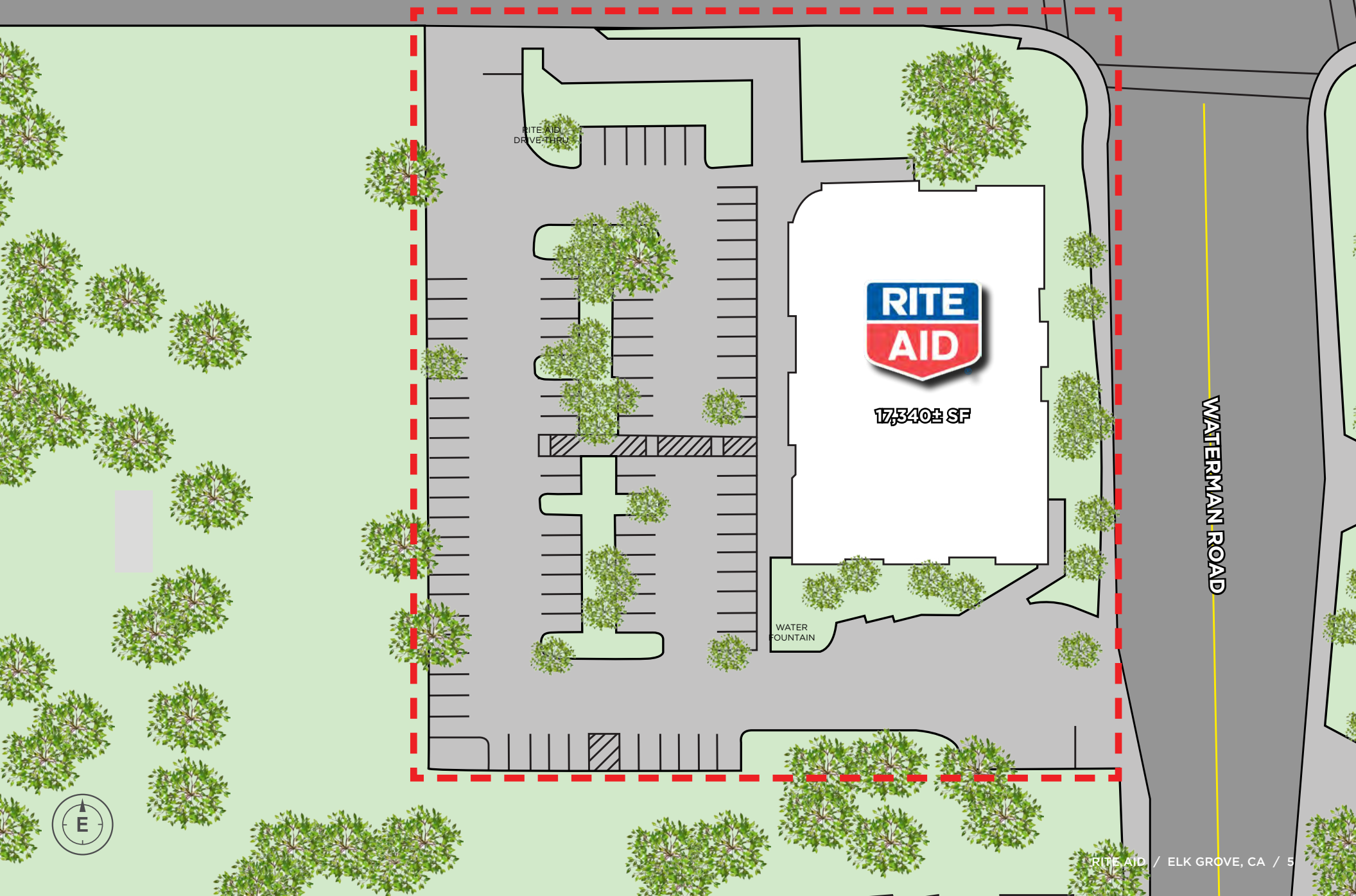
Current Annual Rent:	\$595,946
Landlord Liability Insurance Policy:	(\$1,350)
Net Operating Income	\$594,596

**PRICE: \$9,910,000 — 6.00% Cap Rate**



# Site Plan

ELK GROVE BOULEVARD



WATERMAN ROAD



# Rite Aid

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**RITE AID (NYSE: RAD)** founded in 1927 and headquartered in Camp Hill, Pennsylvania, is the 3rd largest drug store chain in the U.S., operating over 4,500 stores in 31 states and the District of Columbia. The company typically holds either the number one or two market share position in over 50% of the markets in which it operates. Stores sell prescription drugs and a wide variety of general merchandise (front-end products), including over the counter medications, health and beauty aids, personal care items, cosmetics, household items, beverages, photo processing, greeting cards, convenience foods and seasonal merchandise. Sales of prescription drugs accounted for 69% of total sales in 2016, with the company filling about 304 million prescriptions. Over the counter medications and personal care items, health and beauty aids, and general merchandise generated 31% of sales over the course of the year.

The company distinguishes itself from other national chain drug stores through its emphasis on private label brands and its store within a store program with General Nutrition Companies Inc. (GNC). Rite Aid has opened

over 2,200 GNC store within a store concepts (50% of its store base), and has a contractual commitment to open 230 private label products in its stores, contributing 18.5% of front-end sales in categories where private label products are offered.

## **WALGREENS ACQUISITION**

On September 19, 2017, Walgreens Boots Alliance agreed to buy 1,932 Rite Aid Corp. stores for \$4.4 billion. The revised sale preserves the three largest drugstore chains as independent entities, but the new agreement enabled Walgreens to edge past CVS to become the largest U.S. pharmacy chain by number of stores. Rite Aid has already transferred 625 of its stores to Walgreens and will transfer the remaining 1,307 stores plus three distribution centers to Walgreens over the next few months.

Because of the acquisition by Walgreens, Rite Aid's debt has been reduced from \$7.3 billion to \$3.0 billion. After the acquisition, the new Rite Aid will have 60% less debt and a stronger EBITDA.





**LAGUNA CROSSROADS**

TARGET *Stater Mart* *buybuy BABY*  
 Total Wine & More **PETCO** *carter's*  
 Michaels **GameStop** **CHASE**  
 Starbucks **McDonald's** **Orchard Supply Hardware** *noodles*  
 DSW *pinkberry* *DEL TACO*  
*Chuy's* **JACK'S** **SMASH BURGER**

**LAGUNA GATEWAY**

*SPROUTS* **DICK'S** *LA BOY* *SPRINT* *HOME DEPOT*  
**TJ-maxx** **BevMo!** **BED BATH & BEYOND**  
**OLD NAVY** **BEST BUY** **ULTA**  
**COLD STONE** **at&t**  
**citibank** *Batteries & Bulbs* *WALGREENS* *WALMART*

**ELK GROVE MARKETPLACE**

**ROSS** *Burlington* **JO-ANN**  
**GROCERY OUTLET** **BevMo!** **HOBBY LOBBY**  
*Stacy's HALLOWEEN* **PET CLUB**  
*Tanera* *Bath & Body Works* *Applebee's*  
**Black Bear Diner** **Wendy's** **CVS**

**BIG 5**  
*O'Reilly AUTO PARTS*  
*PAPA JOHN'S* *TACO BELL*

**LAGUNA PAVILLION**

*chili's* **MATTRESS FIRM** *Habit*  
 Tuesday Morning  
**Party City** *Domino's* *FedEx* *Summa Jolina*

**LAGUNA PROMENADE**

**RITE AID** **Nugget** **MATTRESS FIRM**  
 Pets Coffee & Tea.  
 T-Mobile *Little Caesars* *Edible*

**LAGUNA POINT**

*SPROUTS* **DICK'S** *LA BOY* *SPRINT*  
**PETSMART**

**ELK GROVE VILLAGE**

**BIG LOTS!** **CVS**  
*KFC* *Papa Murphy's* *MIDAS* *Shell*

**Smart & Final** *Bestin Robbins*  
 HARBOR FREIGHT TOOLS *Planet Fitness*

**28,232**  
 CARS PER DAY

**KOHL'S** **TRADER JOE'S** **TILLYS**  
*HomeGoods* *WORLD MARKET* **ups** *SAVINGS*  
*AMERICA'S* *LANE BRYANT* *Orangetheory FITNESS*

**ELK GROVE AUTO MALL**

**TOYOTA** **HONDA** **CHEVROLET**  
 Let's Go Places  
**BUICK** **GMC** **KIA** **Ford**  
**ACURA** **INFINITI** **MAZDA**  
**Subaru** **Audi** **SUZUKI**  
*Starbucks* **enterprise** *Shell* *jiffy lube*

**184,700**  
 CARS PER DAY

**WATERMAN PLAZA**

**SAFE** **ups** *GameStop*  
*Summa Jolina* **SUBWAY** *It's A Wonderful World* *BEL AIR* *COLD STONE*

**RITE AID**





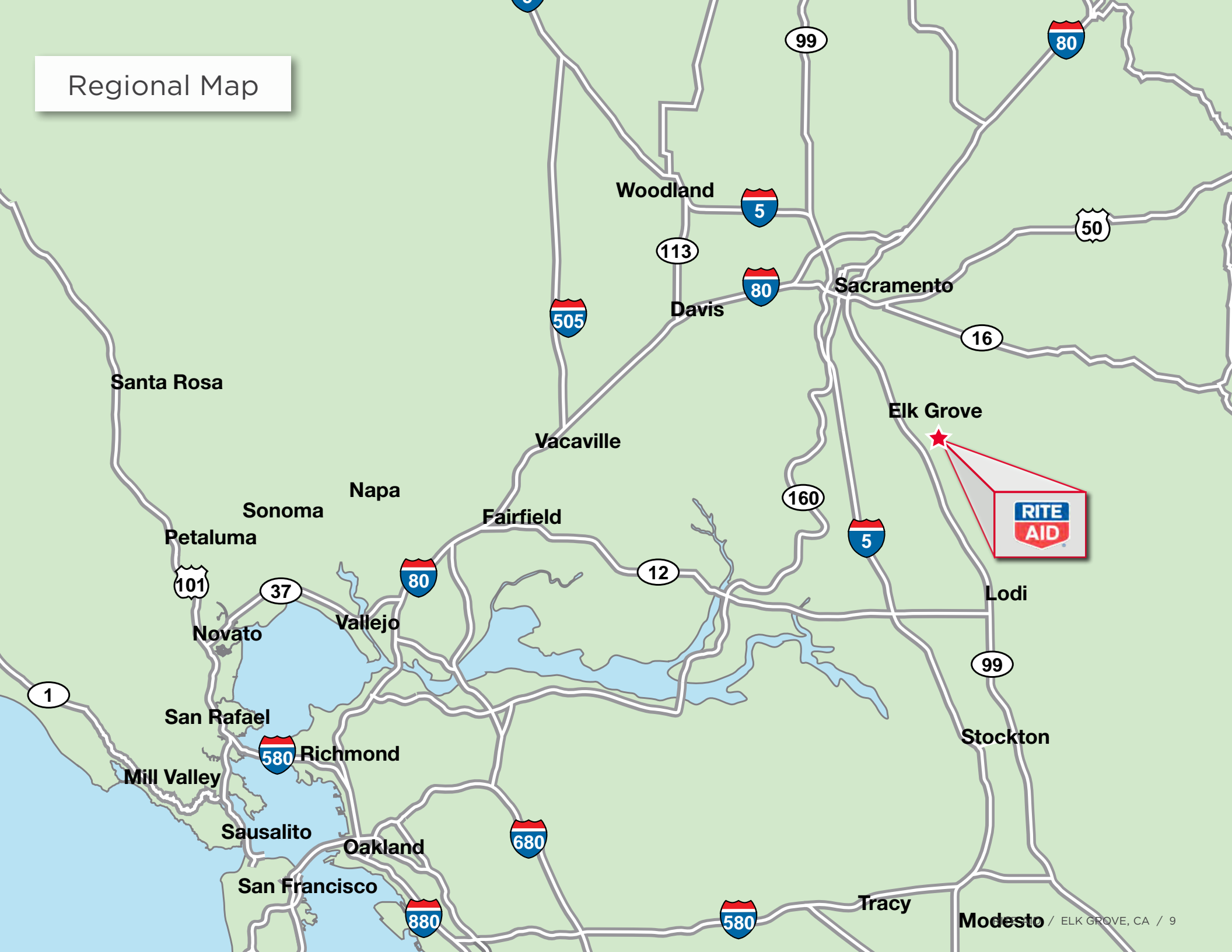


## Site Location

The property is located on the southeast corner of the high traffic, signalized intersection of Elk Grove Boulevard and Waterman road on the eastern edge of Old Town Elk Grove historic district, one of the oldest western settlements in the greater Sacramento region. The property benefits from excellent demographics with average household income over \$113,000 within one mile and a population over 192,000 within 5 miles.



Regional Map







## AREA OVERVIEW

### OLD TOWN ELK GROVE

The Rite Aid property is located on the eastern edge of Old Town Elk Grove historic district on the southeast corner of Elk Grove Boulevard and Waterman Road. Old Town Elk Grove is a historic area within the City, and one of the oldest western settlements in the greater Sacramento region. Thus, Old Town is the cornerstone of modern Elk Grove. Visitors can find the area populated by a broad array of shops, services, businesses, and restaurants in many buildings that date back to the mid-1800s. In fact, over 40 buildings in Old Town Elk Grove form a Historic District that is listed on the National Park Service's National Register of Historic Places. A Special Planning Area (SPA) was created in an effort to protect the historical character and ambiance of Old Town. The SPA defines the type of land uses that can come to Old Town, and establishes site and architectural design standards and guidelines. In order to preserve Old Town Elk Grove's historic aesthetic, buildings are not permitted to have drive-thrus.



# Area Overview

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## ELK GROVE

Elk Grove is home to over 170,000 residents and is located just 15 miles south of Sacramento, making it the second largest city in the six-county Sacramento Metropolitan Statistical Area (MSA). In 2016, Elk Grove was ranked California's fastest growing economy and the 11th fastest growing economy in the country by WalletHub, a personal finance website. Home to an entrepreneurial spirit and superior quality of life, Elk Grove is a family-oriented community where opportunity is around every corner. The city offers everything from starter homes to ranch estates, and provides a safe, youthful environment where families put down roots. Elk Grove's location provides easy access to two major freeways, the Sacramento International Airport, rail lines, and two ports. Elk Grove is known for an award-winning school district, a variety of outstanding restaurants, a historical district, first-rate parks, and much more. Elk Grove has a prosperous business community that boasts a diversity of shops, services, and promising careers. Agriculture, high technology, professional services, and commercial and retail enterprises are all major contributors to the area's economy. Notable employers in the area include Apple, Kaiser Permanente, Frontier Communications, and ALLDATA.

## SACRAMENTO

Sacramento, the state capital of California, is located along the Sacramento River and just south of the American River's confluence in California's expansive Central Valley. With a current population of 537,354, it is the sixth largest city in California and the 35th largest city in the United States. Sacramento is the core cultural and economic center of the Sacramento Metropolitan Area which includes seven counties and has a combined population of over 2,927,000.

Setting the course for a dynamic future, Sacramento is fueling its economic development efforts in innovative industry sectors including clean technology, agriculture, and life sciences and health services. Sacramento serves as the state capital, making the government sector important to the region's economy. During the past three decades, however, the local economy has diversified considerably, and government jobs now comprise

just 25 percent of total employment, compared with 40 percent in 1970. The government sector is expected to grow by 0.7 percent annually through 2020. Businesses headquartered in the area include Sutter Health, Blue Diamond Growers, Teichert, and The McClatchy Company, with significant operations for Dignity Health and Kaiser Permanente also located in the area. Regional higher education institutions -California State University, Sacramento; University of California, Davis (along with the world-renowned UC Davis Medical Center in the city); University of the Pacific McGeorge School of Law and three community colleges within the county - offer opportunities for internships, technology transfer, and contribute substantially to the quality of the region's labor pool.

The city's major employers are widely dominated by the local and state government and local health systems. The major employers include the State of California, Sacramento County, UC Davis Health System, Kaiser Permanente, Sutter Health Sacramento City Unified School District, Elk Grove Unified School District, Intel, Mercy/Catholic Healthcare West and San Juan Unified School district. The geographic location, qualified workforce, lower cost of living, access to government and higher education, quality of life, amenities and cultural offerings are all key ingredients that make Sacramento the place to be.

## TRANSPORTATION

Due to its central location between the Bay Area and Nevada border, the Greater Sacramento is a key transportation hub in Northern California. Five highways merge together in the Capital City Corridor, serving the immediate downtown Sacramento area. The major freeways of the Greater Sacramento area are Interstate 80, U.S. Route 50, Interstate 5 and California State Route 99, which serve the northern Tahoe area, southern Tahoe area, and valley areas respectively as well as forming the Capital City Corridor along with Interstate 80 Business. The main airport servicing Greater Sacramento is the Sacramento International Airport north of downtown while the Sacramento Mather Airport, Sacramento Executive Airport and Minden-Tahoe Airports provide general aviation. For a wider range of destinations, residents travel down to San Francisco International Airport, the largest airport in Northern California and 10th largest in the United States.



# Property Demographics

2018 Summary	1 mile	3 miles	5 miles	Projected 2023 Summary	1 mile	3 miles	5 miles
Population	18,466	64,312	192,819	Population	19,166	67,946	204,540
Households	5,331	19,975	58,008	Households	5,475	21,058	61,349
Families	4,408	15,861	46,807	Families	4,532	16,666	49,394
Average Household Size	3.43	3.16	3.29	Average Household Size	3.47	3.17	3.30
Owner Occupied Housing Units	3,918	15,145	42,689	Owner Occupied Housing Units	4,173	16,440	46,442
Renter Occupied Housing Units	1,413	4,830	15,319	Renter Occupied Housing Units	1,302	4,618	14,907
Median Age	34.6	36.6	34.6	Median Age	34.8	37.1	35.0
Median Household Income	\$94,832	\$87,793	\$83,804	Median Household Income	\$106,128	\$101,063	\$96,017
Average Household Income	\$113,722	\$109,998	\$103,549	Average Household Income	\$134,611	\$129,498	\$122,025





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