



SAFeway - FEDERAL WAY, WA

CORPORATE 20 YEAR ABSOLUTE NET LEASE

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SAFEWAY

28810 MILITARY RD S, FEDERAL WAY, WA 98003

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EXECUTIVE SUMMARY

SAFEMAY | FEDERAL WAY, WA
(Seattle MSA)

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OFFERING HIGHLIGHTS

SAFeway
CORPORATE

28810 Military Rd S, Federal Way, WA 98003

OFFERING PRICE

\$7,733,333

CAP RATE

5.25%

Net Operating Income	\$406,000
Lease Type	Absolute Net
Lease Commencement	11/1/2017
Lease Expiration Date	10/31/2037
Year Built / Renovated	1972 / 2010 ⁽¹⁾
Building Size	25,766 SF ⁽¹⁾
Lot Size	2.98 Acres ⁽¹⁾
Increases	1.5% annual increases at start of years 2-5 Then 7.5% increases every 5 years starting after year 10
Options	(8) Five Year Options
Tenant	Safeway, Inc
Guarantor	Albertsons Companies, Inc.

(1) Building Size, Lot Size, and Year Built/Renovated are approximate. Buyer will need to verify during their Due Diligence review.

NEW 20 YEAR
ABSOLUTE NET LEASE
with increases

20



INVESTMENT OVERVIEW

NEW 20 YEAR LEASE

New 20 year absolute net lease with 1.5% annual increases at start of years 2-5, then 7.5% increases every 5 years starting after year 10.

ABSOLUTE NET LEASE

The absolute net lease structure provides owner with a passive investment and no landlord maintenance responsibilities.

ALBERTSONS COMPANIES INC.

- Corporate Guarantee from Albertsons Companies, Inc., the second-largest traditional grocer in the United States
- \$59.9 Billion in revenue for 2017
- Largest privately held traditional grocer in the United States
- Approximately 34 million customers per week
- 2,300 stores across 35 states and the District of Columbia under 20 well-known banners
- Approximately 173,000 employees nationwide

HIGHLIGHTS

- ▶ NO LANDLORD RESPONSIBILITIES
 - ▶ CORPORATE GUARANTEE FROM THE SECOND LARGEST TRADITIONAL GROCER IN THE US
 - ▶ CORNER LOCATION
 - ▶ MULTIPLE POINTS OF INGRESS/EGRESS ALLOWING EASY ACCESS TO THE STORE
 - ▶ DOMINANT MARKET SHARE
(Seattle/Tacoma/Olympia/Bellingham/Yakima)
- Albertsons/Safeway: 32.6%
QFC/Fred Meyer: 23%
Unified Grocers: 10.7%
Walmart: 10.7%
Winco: 4.3%

*Shelby Report November 2016



Seattle MSA

4

INGRESS / EGRESS POINTS
PROVIDING EASY ACCESS

26,000

VEHICLES PER DAY
AT SIGNALIZED INTERSECTION

LOCATION OVERVIEW

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LOCATION OVERVIEW



**DIRECT
ACCESS FROM
INTERSTATE 5
&
GREAT VISIBILITY
AT SIGNALIZED
INTERSECTION**

DIRECT ACCESS FROM INTERSTATE 5

Safeway is conveniently located on S 288th Street, which leads directly to and from I-5 a well traveled freeway running north to Canada and south across Oregon and California with traffic counts of 192,000 vehicles per day.

HIGH TRAFFICKED CORNER LOCATION

The property is located at the intersection of S Military Road and S 288th Street with combined traffic counts of over 26,000 vehicles per day.

SEATTLE TACOMA MSA

Federal Way is part of the Seattle Tacoma MSA which is home to over 3.7 Million Residents. There are 95,000 residents with an average household income of \$83,836 within a three-mile radius of the subject property.

RETAIL HUB WITHIN RESIDENTIAL NEIGHBORHOOD

Safeway sits across the street from a Walgreens and several other retailers including Pizza Hut & Subway and is surrounded by a dense residential neighborhood.



AERIAL VIEW

The property is located on S 288th Street, which leads directly to both Interstate 5 and Hwy 99.

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BIRD'S EYE VIEW



1.5%

ANNUAL INCREASES AT
START OF YEARS 2-5

7.5%

INCREASES EVERY 5 YEARS
STARTING AFTER YEAR 10

FINANCIAL ANALYSIS

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RENT ROLL

TENANT INFO		LEASE TERMS		CURRENT RENT	RENT INCREASES			LEASE
NAME	SQUARE FEET	COMMENCEMENT	EXPIRATION	ANNUAL BASE RENT	YEARS 1-5	YEARS 6-20	OPTIONS	TYPE
Tenant: Safeway, Inc Guarantor: Albertsons Companies, Inc.	25,766 SF ⁽¹⁾	11/1/2017	10/31/2037	\$406,000	1.5% annual increases at start of years 2-5	7.5% increases every 5 years starting after year 10 (not less than the prior year's rent)	(8) 5 year options with 7.5% rental increases every 5 years and FMV starting in 5th option	ABSOLUTE NET

(1) Building Size, Lot Size, and Year Built/Renovated are approximate. Buyer will need to verify during their Due Diligence review.

RENT SCHEDULE

RENT SCHEDULE			
Lease Years	Increases	Annual Rent	Rent per SF
11/1/2018*	--	\$406,000.00	\$15.76
11/1/2019	1.50%	\$412,090.00	\$15.99
11/1/2020	1.50%	\$418,271.35	\$16.23
11/1/2021	1.50%	\$424,545.42	\$16.48
11/1/2027	7.50%	\$456,386.33	\$17.71
11/1/2032	7.50%	\$490,615.30	\$19.04

*Current rent is \$400,000; seller will provide a rent credit between the actual date of closing and November 1st, 2018

Option Years	Increases	Annual Rent	Rent per SF
Option 1	7.50%	\$527,411.45	\$20.47
Option 2	7.50%	\$566,967.31	\$22.00
Option 3	7.50%	\$609,489.86	\$23.65
Option 4	7.50%	\$655,201.59	\$25.43
Option 5	TBD	FMV*	FMV
Option 6	TBD	FMV*	FMV
Option 7	TBD	FMV*	FMV
Option 8	TBD	FMV*	FMV

* Greater of (i) the then current FMV rental rates or (ii) rent in the previous option period





\$76,276

AVERAGE HOUSEHOLD INCOME
IN A 1-MILE RADIUS

MARKET OVERVIEW

SAFEWAY | FEDERAL WAY, WA

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LIMITED DIRECT COMPETITION

The nearest direct competition to Safeway are Trader Joe's and Grocery Outlet, both within a 1-mile radius.

Other grocers such as Fred Meyer, Winco, Walmart and other Safeway stores are located outside of a 1-mile radius from the property.

STRONG MSA MARKET SHARE

Safeway has a dominant market share in the Seattle/Tacoma/Olympia/Bellingham/Yakima markets. According the Shelby Report they are as follows*:

Albertson's/Safeway: 32.6%

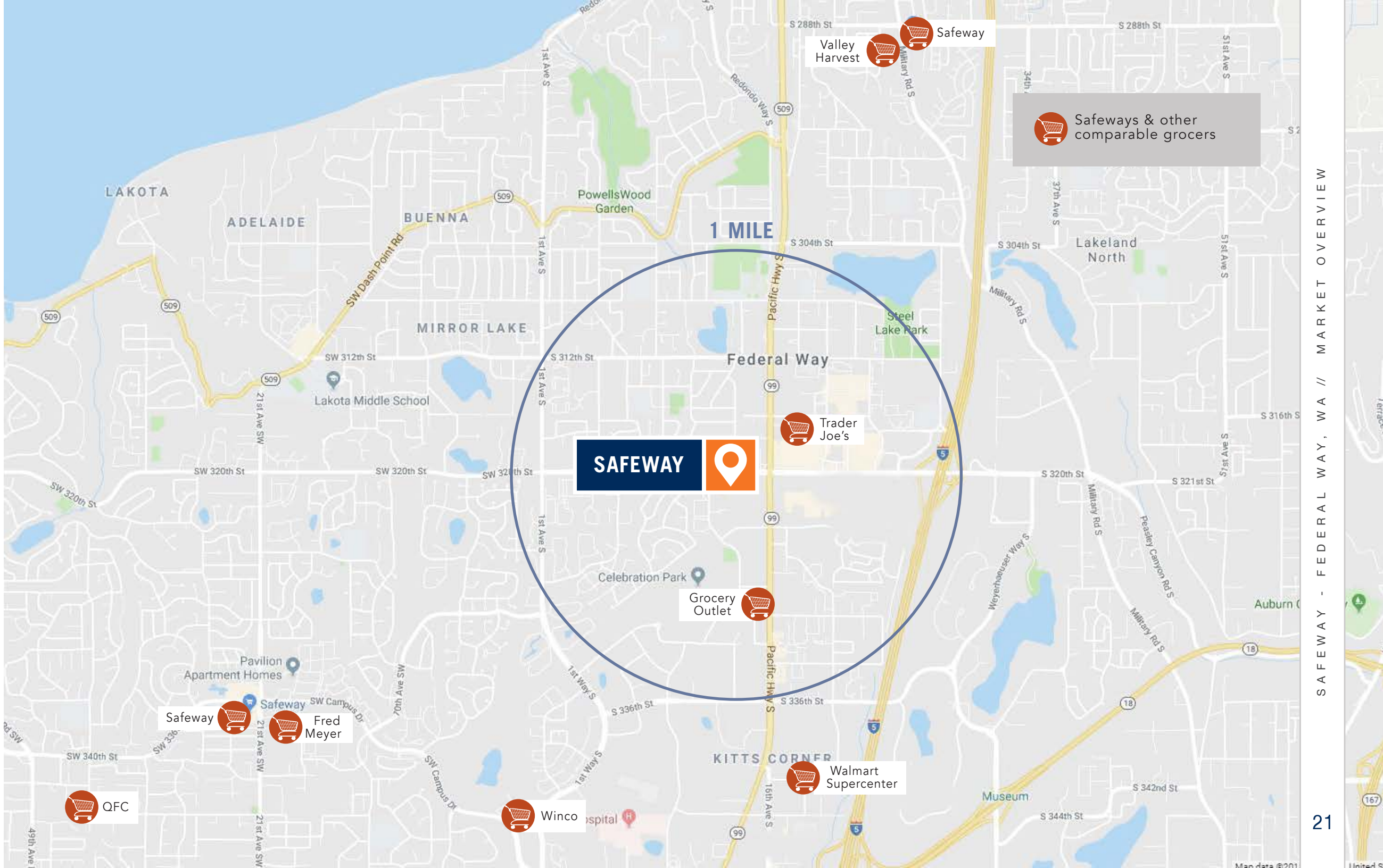
QFC/Fred Meyer: 23%

Unified Grocers: 10.7%

Walmart: 10.7%

Winco: 4.3%

*Shelby Report November 2016



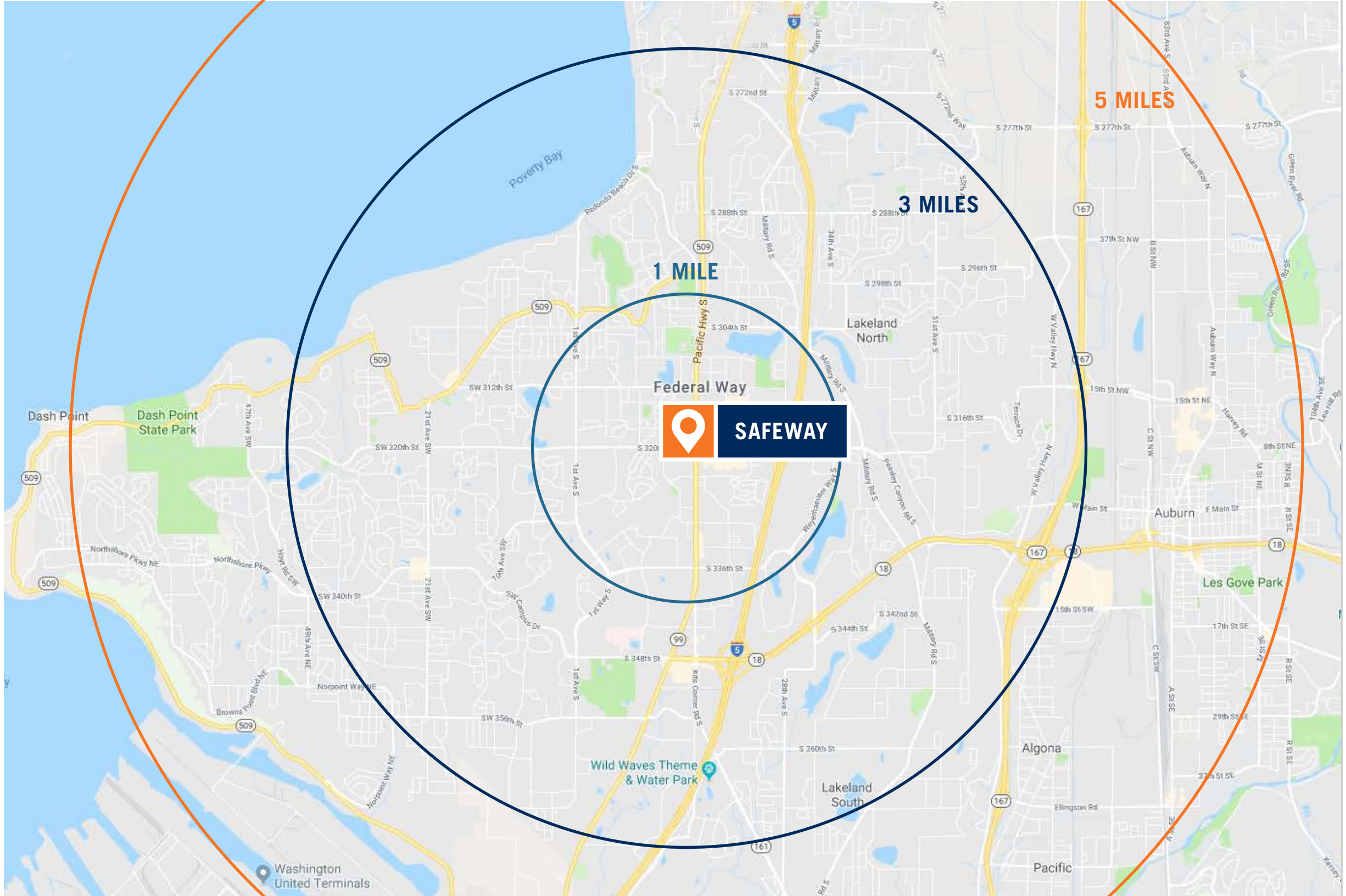
HOUSEHOLD INCOME

YEAR 2017	1 MILE	3 MILES	5 MILES
AVERAGE	\$76,276	\$83,836	\$79,303
MEDIAN	\$57,489	\$63,183	\$60,068

POPULATION

YEAR	1 MILE	3 MILES	5 MILES
2022 Projection Total Population	22,129	95,173	225,099
2017 Estimate Total Population	21,860	94,302	223,773
2010 Census Total Population	20,286	87,044	202,532

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ABOUT FEDERAL WAY

Federal Way is a city in King County, Washington. It is a coastal city located along the Puget Sound Inlet in between two mountain ranges, the Cascades and the Olympic Mountain Range, in the Seattle-Tacoma metro area. It is one of the largest cities in the state at nearly 100,000 residents, with the Seattle and Tacoma metro area having a population of more than 3.7 million people. The city is situated along Interstate 5 and at the western terminus of State Route 18 - 20 miles South of Seattle and 10 miles north of Tacoma.

The city is host to the largest theme park in Washington: Wild Waves and Enchanted Village. It is also the location of the King County Aquatic Center - the same pool that swimming and diving Olympians use to train and compete. The aquatic center has hosted the US Olympic Trials for diving in 2000, 2012, and will hopefully again in 2020. The city is home to many gardens, from the nationally renowned Pacific Bonsai Museum to the seasonal garden of PowellsWood. Nearly 1 million tourists visit Federal Way every year.

The city has embarked on the development of a 20 acre Transit Oriented Development in its downtown known as the Town Center. The anchor and focal point of this development is the city's Performing Arts and Event Center. The Center is a 41,000 sq. ft., \$32.7 million multi-purpose facility on three acres that includes a 700 plus seat theater and 8,000 sq. ft. for arts, cultural, educational and community activities. Federal Way broke ground for the center in 2015 and opened this summer. Additional development adjacent to the existing Federal Way Transit Center will have building space for restaurants, specialty retailers, galleries, studios and office space as well as housing. Combined, the Town Center is estimated to be a \$125 to \$150 million dollar project.

The Seattle-Tacoma area is a sophisticated urban center favored by shoppers and outdoorsmen alike. Nearby mountains and bodies of water create also ample opportunities for recreational activities. The region is home to the world-famous Pike Place Market, Puget Sound, Mount Rainier, the Seattle Center and the Space Needle. Among institutions of higher learning are the University of Washington, community colleges and the Art Institute of Seattle. The city of Seattle regularly tops magazine surveys of desirable places to live, work and play, a strong incentive for employers to locate in the area.

The region is a leader in the aerospace, e-commerce, cloud storage and computer software industries with employers that include Microsoft, Boeing and Amazon. These companies provide numerous high-quality jobs. Employment growth is expected outpace U.S. gains through 2021 as headcounts expand 1.3 percent annually, compared with 0.8 percent for the nation.



MAJOR AREA EMPLOYERS

TOP EMPLOYERS WITHIN 2-MILE RADIUS

Company Name	Employees	Distance (mi.)
Air Force US Dept	254	2.07
Air Force US Dept	254	2.22
Wal-Mart Stores Inc	250	1.54
Sears Roebuck and Co	220	2.07
Life Care Centers America Inc	200	1.51
Cedartone Specialties Inc	200	1.80
Target Stores Inc	200	2.06
King County Fire District 39	180	2.35
County of King	175	2.21
Federal Way Public Schools	165	1.16
Bloodworks	164	2.22
Consolidated Resources Health	160	1.51
City of Federal Way	150	2.35
Primestar Hotels Inc	132	2.00
Kohls Department Stores Inc	123	2.07
Dsw Inc	115	1.94
Maksu Inc	102	1.39
Best Buy Co Inc	100	1.83
Red Lobster Hospitality Inc.	100	1.91
Pacific Hospitality Inc.	100	2.00



TENANT OVERVIEW

SAFEMAY | FEDERAL WAY, WA

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SAFEMAY 

ABOUT SAFEMAY

Safeway, Inc. is an American supermarket chain founded in 1915. It is a subsidiary of Albertsons Companies Inc. (Lease Guarantor), having been acquired in January 2015. Safeway's primary base of operations is in the western and central United States, with some stores located in the Mid-Atlantic region of the Eastern Seaboard.

SAFEMAY'S HISTORY

In April 1915, Marion Barton Skaggs purchased his father's 576 square foot grocery store in American Falls, Idaho, for \$1,089. The chain, which operated as two separate businesses, Skaggs Cash Stores and Skaggs United Stores, grew quickly, and Skaggs enlisted the help of his five brothers to help grow the network of stores.

Skaggs' business strategy, to give his customers value and to expand by keeping a narrow profit margin, proved successful. By 1926, he had opened 428 Skaggs stores in 10 states. He almost doubled the size of his business that year when he merged his company with 322 Safeway stores and incorporated as Safeway, Inc.

SAFEMAY TODAY

M.B. Skagg's value vision still drives Safeway, though on a dramatically larger scale. Safeway currently has 1,300 locations in 19 states. Albertsons Companies Inc. operates over 2,300 stores under 20 brands serving 34 million customers weekly.



1,300
LOCATIONS

19
STATES

GUARANTOR OVERVIEW

ALBERSTONS COMPANIES INC.

Founded in 1939 and based in Boise, Idaho, Albertsons Companies, Inc. ("Albertsons", or the "Company") is the 2nd largest traditional grocer in the United States serving over 34 million customers per week and generating \$60 billion in sales annually. In January 2015, Albertsons merged with Safeway, creating a best-in-class organization dedicated to bringing a better shopping experience to customers across the country. The Company's powerful combination of strong local presence and national scale, vast range of brands and products, and service-oriented staff enable them to meet evolving shopping preferences.

As of June 2017, the Company operated 2,329 stores across 35 states under 20 well-known banners with long operating histories. Albertsons has grown strategically through a series of strategic acquisitions in recent years into a \$2.8 billion adjusted EBITDA company as of fiscal year 2016 ended February 25, 2017, and as of Q1 2017 the Company had already generated \$771.7 million in adjusted EBITDA.



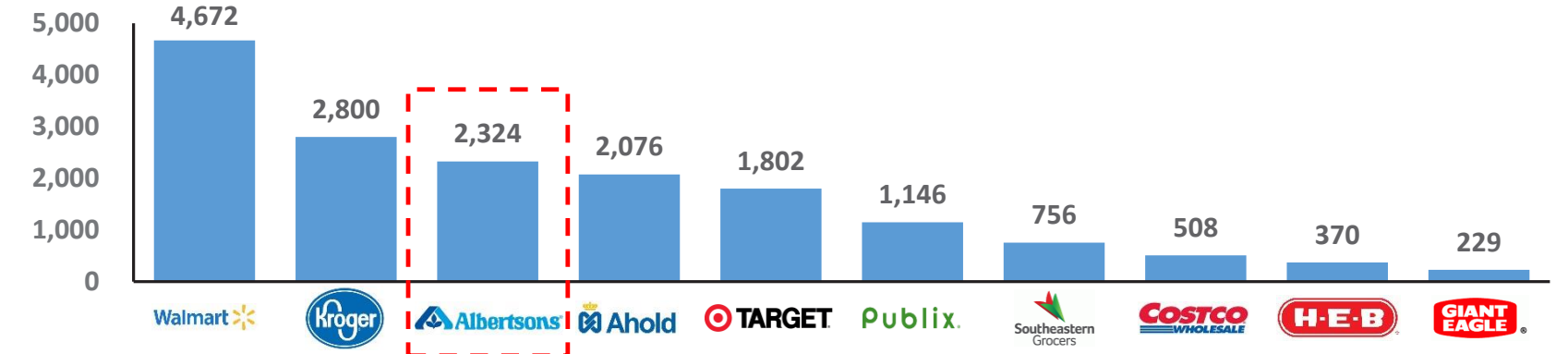
 2,300+ retail stores	 \$59.9 billion annual sales	 34 million customers per week	 One of the largest retail employers, providing approximately 275,000 jobs	 Home delivery in 8 of top 10 U.S. markets as of FYE 2017
 395+ fuel stations	 1,775+ in-store pharmacies	 Approximately 5.5 million patients	 24 distribution centers	 19 food and beverage plants
 Own Brands Albertsons Companies 500 new items launched every year	 Four exclusive billion-dollar brands	 \$248 million in food donated to local food banks in 2017	 With our Foundation, in 2017 we donated nearly \$300 million	 We operate in 35 states including Washington D.C.

Source: Cardinal Capital Partners

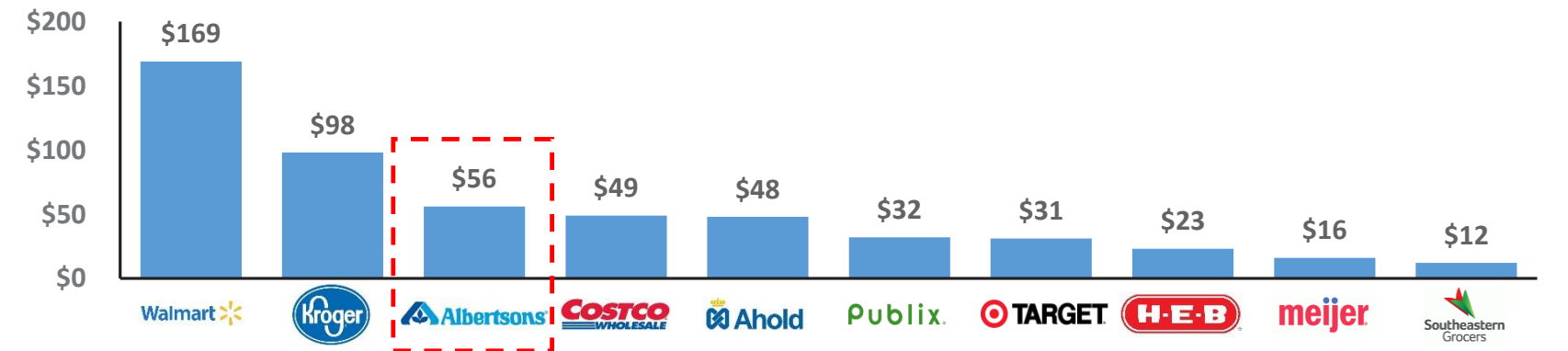


Albertsons Companies, Inc. is one of the largest food retailers and the second largest traditional grocer in the United States.

:: TOP 10 US FOOD RETAILERS | STORE SALES



:: TOP 10 US FOOD RETAILERS | GROCERY SALES



Notes:
Store counts based on publicly available information
Walmart, Costco, and Target grocery sales based on a percentage of total sales as of the latest fiscal year.
Kroger and Albertsons sales exclude fuel sales of ~\$14 billion and ~\$3 billion, respectively
Source: Cardinal Capital Partners

GUARANTOR OVERVIEW

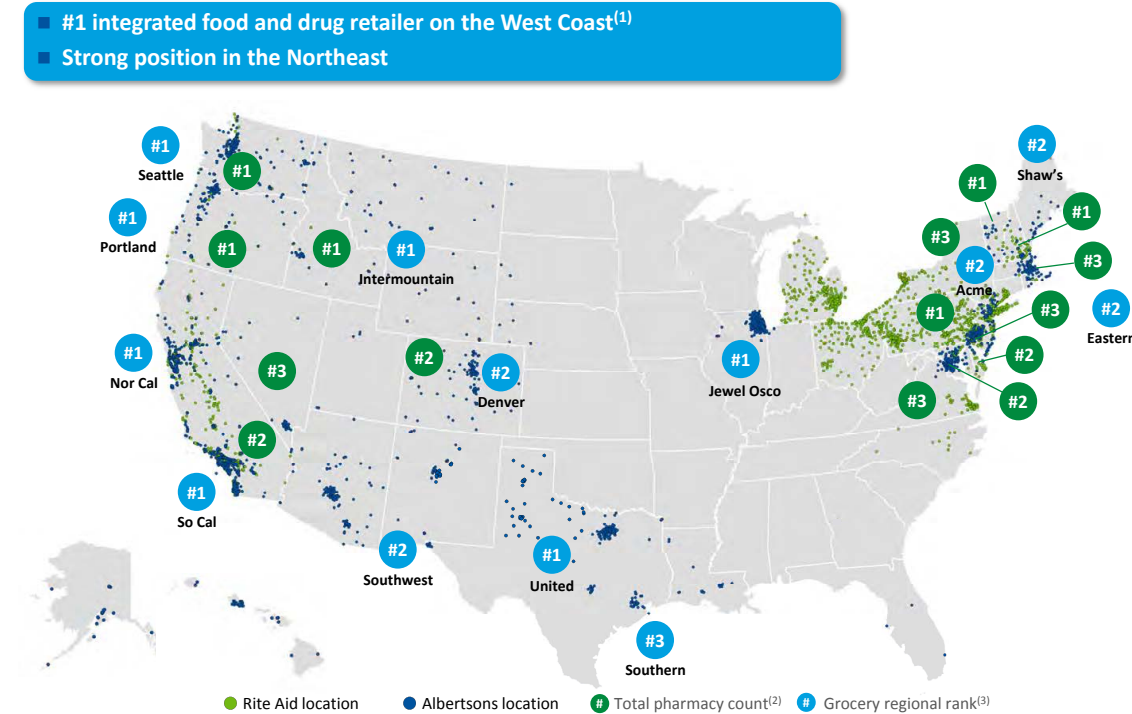
ALBERSTONS COMPANIES INC. & RITE AID MERGER

COMBINATION HIGHLIGHTS



Powerful Combination	<ul style="list-style-type: none"> \$83bn revenue⁽¹⁾ 4,892 stores and 4,345 pharmacies 40+ million customers per week and 323 million prescriptions filled per year
Increased Local Presence	<ul style="list-style-type: none"> Leading positions in 66% of the top MSAs⁽²⁾ 70% of pharmacy locations in the West are #1 or #2⁽³⁾
Differentiated Customer Proposition	<ul style="list-style-type: none"> Complementary offerings and convenient formats and locations Robust and developing omni-channel presence Advanced customer analytics capability
Integrated Platform	<ul style="list-style-type: none"> Pharmacy customers are the most valuable in food retail Attractive pharmacy network – positions the company for growth EnvisionRxOptions – as a vehicle to grow lives
Strong Financial Profile	<ul style="list-style-type: none"> \$3.3bn Adj. EBITDA⁽¹⁾ (excluding expected synergies) \$375m of expected run-rate cost synergies⁽⁴⁾ \$3.6bn of revenue opportunities Robust free cash flow and valuable owned real estate

CREATING LOCAL NETWORKS IN ATTRACTIVE GEOGRAPHIES



Note: Rite Aid stores are pro forma for WBA store divestitures. This merger will not impact Rite Aid's obligations under its asset purchase agreement with WBA. For Albertsons, state of Alaska is part of Seattle operating division and state of Hawaii is part of the Nor Cal operating division.

(1) Ranked by store count.
 (2) Pharmacy share (green circle) based on number of stores vs. competitors in a given state.
 (3) Grocery regional ranks (blue circle) based on Nielsen Food Channel analysis data (excluding mass) for calendar Q3'17 across Albertsons' operating divisions.

PRO FORMA FINANCIAL SNAPSHOT

\$ billions	(Continuing Operations)	Companies	Companies	+ Expected Synergies
Store count	2,569	2,323	4,892	
Revenues ⁽¹⁾	\$ 22.0	\$ 61.0	\$ 83.0	+\$3.6bn Revenue opportunities
Adj. EBITDA ⁽¹⁾ % margin	\$ 0.6 ⁽²⁾ 3.0%	\$ 2.7 4.4%	\$ 3.4 4.1%	\$ 3.7 ⁽³⁾ 4.5%
Net Debt/ EBITDA ⁽⁴⁾	4.5x	4.0x	4.1x ⁽⁵⁾	3.8x ⁽⁵⁾ Target <2.75x within 36 months

Note: Store counts are as of Q3 ending December 2017 for both Albertsons and Rite Aid. Albertsons' and Rite Aid's management estimates based on results year to date and are subject to risks and uncertainties. Prior to giving effect to the merger, management estimates that identical store sales growth for Albertsons for FY18E will approximate 1.5% to 2.0%, based in part on current identical store sales growth of approximately 0.7% during Albertsons fourth quarter 2017 to date.

(1) Figures presented are estimates for FY18E ending February 2019. Rite Aid projected EBITDA is ~\$650m and Albertsons projected EBITDA ~\$2,700m. Rite Aid and Albertsons combined projected EBITDA includes ~\$80m year one expected cost synergies.
 (2) On February 20, 2018, Rite Aid provided adjusted EBITDA and net income guidance for its 2019 fiscal year. Rite Aid expects adjusted EBITDA to be in the range of \$615 million to \$675 million, and net income (loss) to be in the range of (\$95 million) to (\$40 million). For further information about this guidance, including a reconciliation of the adjusted EBITDA range to the net income (loss) range (the most comparable GAAP number), see Aid's Form 8-K dated February 20, 2018.
 (3) Includes expected full run-rate cost synergies of \$375m.
 (4) Rite Aid net debt of \$2.9bn (inclusive of proceeds from sale of distribution centers) and Albertsons net debt of \$10.7bn estimated as of Q1 FY18E ending June 2018.
 (5) Pro forma net debt as of Q1 FY18E ending June 2018 of \$14.0bn includes expected proceeds from WBA transaction, refinancing, transaction costs and \$200m potential cash consideration from cash election.

Source: Albertsons Rite Aid Investor Presentation

SAFEWAY - FEDERAL WAY, WA

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