



OFFERING MEMORANDUM  
**FEDEX GROUND**  
HARRISON, ARKANSAS





# FEDEX GROUND PROPERTY OFFERING

AT A GLANCE



## ECOMMERCE

Online purchases are approximately 8.5% of US retail sales.  
Experts forecast that online purchases will **TRIPLE** in the next 11 years.



## FEDEX GROUND IS A TOP ECOMMERCE SHIPPER

Approximately 575 facilities handling 7.8 million packages per day.  
S&P BBB equivalent credit.



## NEW "LAST MILE" DISTRIBUTION BUILDING

Most efficient design for distribution of online purchases.  
Many truck doors and abundant parking for trucks and cars.



## FAVORABLE LEASE

New 10 year term with a rent increase.  
Minimal landlord obligations.



## BUILDING EXPANSION POTENTIAL

Creates potential upside for landlord.



## PRICE

\$8,770,500  
6.25% Cap Rate





## FEDEX GROUND

5420 Highway 65 South  
Harrison, AR 72601

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# INVESTMENT HIGHLIGHTS

## ■ THE OFFERING

- Under construction, a new 59,325± sq. ft. distribution building situated on a 23.4± acre site located at 5420 Highway 65 South, Harrison, AR 72601, leased to FedEx Ground Package System, Inc. for 10 years. Completion is scheduled for May 1, 2018.

## ■ ECOMMERCE GROWTH

- Ecommerce is capturing almost all of the growth in U.S. retail sales.
- 8.5% of all U.S retail sales are occurring online.
- Ecommerce sales are growing at a rate of 10.6% per year.
- Experts expect Ecommerce sales to TRIPLE in the next 11 years.

## ■ FEDEX GROUND / ECOMMERCE SUPPLY CHAIN LEADER

- Top Two: FedEx Ground is one of the top two distributors of small packages in the U.S.
- Shipping Volume: FedEx Ground ships approximately 7.8 million packages per day and over 2 billion per year.
- Revenues: \$18 billion in 2017.
- Logistic Network: Approximately 575 distribution facilities nationwide.
- Credit Worthiness: S&P BBB equivalent based upon a previous rating and FedEx Express' BBB rating.

## ■ “LAST MILE” DISTRIBUTION BUILDING

- The last leg of a delivery is the most costly in the ecommerce supply chain.
- Over the past 16 years, FedEx Ground has perfected the design of “Last Mile” distribution buildings and developed the most efficient Ecommerce logistics network in the U.S.
- FedEx “Last Mile” properties have more dock high and drive-in truck doors than a typical distribution building and twice the car parking capacity.
- FedEx will spend approximately \$2.5 - \$3.5 million (estimate) on its internal package conveyor handling system at the Property.

## ■ PRICE

- \$8,770,500 (6.25% Cap Rate)

## ■ STRATEGIC PROPERTY LOCATION / SERVICE AREA

- Based upon the location of the Property relative to other FedEx Ground facilities, the Property will be used to distribute small packages to a large area between: Bentonville/Rogers/Fayetteville, AR; Springfield, MO; Jonesboro, AR; and Little Rock, AR.
- The Property's location and size indicate that it will service a population of approximately 165,000 people.

## ■ NEW LEASE

- 10 year term.
- Rent increase in year 6.
- 2 five-year renewal terms with 10% and 5% rent increases at the respective starts of the renewal terms.

## ■ BUILDING EXPANSION POTENTIAL UPSIDE

- The site has ample area to double the size of the building.
- While the lease does not obligate the landlord to build an expansion for FedEx, experienced landlords like opportunities to build expansions for FedEx because they usually receive an extension of the lease term and an equitable return on the cost of the expansion.
- FedEx has a history of requesting property expansions.

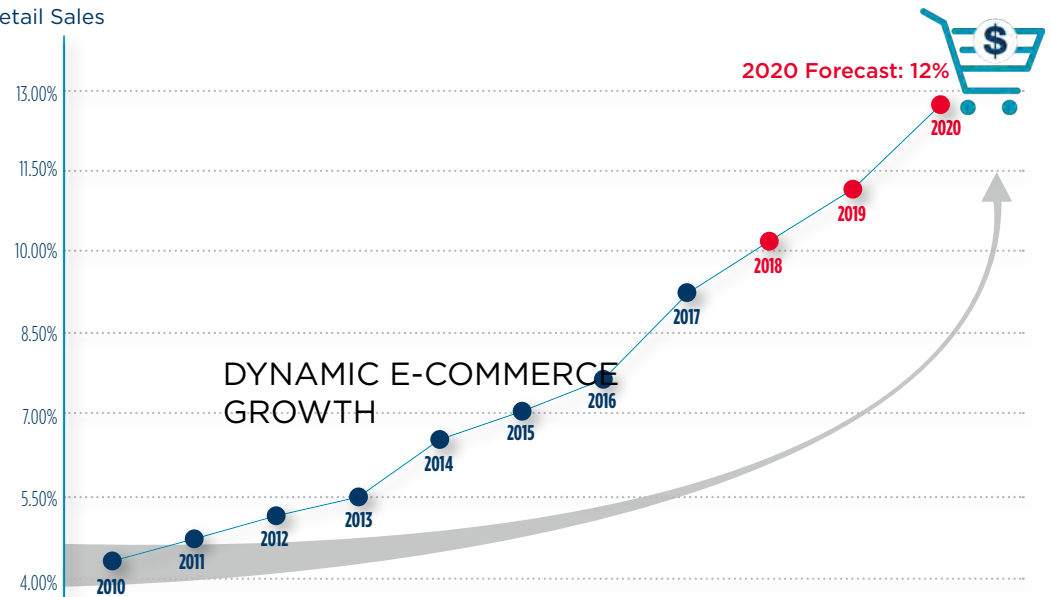
# The Rise of ECommerce

## DYNAMIC E-COMMERCE GROWTH

The U.S. Commerce Department reported in February 2018 that a blockbuster fourth quarter 2017 contributed to the strongest year-over-year growth for U.S. E-Commerce in six years. Consumers spent \$453.46 billion on the Internet for retail purchases in 2017, a 16.0% increase compared with \$390.99 billion in 2016. That's the highest growth rate since 2011, when online sales grew 17.5% over 2010.

Total retail sales in the U.S. in 2017 was \$5.076 trillion. E-Commerce's share of the total U.S. retail sales was 8.9%, up from 8.0% in 2016.

ECommerce Share of All US Retail Sales



OVER THE COMING YEARS, **ECOMMERCE'S SHARE OF TOTAL RETAIL SALES IS EXPECTED TO GROW TO 25-30%**



FOR 2017, **ECOMMERCE'S SHARE OF TOTAL RETAIL SALES WAS APPROXIMATELY 8.9%** — AN AVERAGE ANNUAL **INCREASE OF 10.6%** OVER THE PAST 7 YEARS



**ECOMMERCE HAS BEEN ON THE RISE** IN THE LAST SEVERAL YEARS DUE IN LARGE PART TO INDUSTRY TITANS SUCH AS **AMAZON** AND **ALIBABA**



**ECOMMERCE HAS TRULY BECOME THE FUTURE OF RETAIL** AS NEARLY **ALL OF THE GROWTH IN THE RETAIL SECTOR** NOW OCCURS IN THE DIGITAL SPACE



AS THE **ECOMMERCE MARKET** CONTINUES TO DEVELOP AT A **DOUBLE-DIGIT PACE**, SO HAS THE **EXPANSION OPPORTUNITY FOR PRODUCT DELIVERY**



THE NEED FOR **FASTER DELIVERIES** HAS **GROWN EXPONENTIALLY**. AS TRADITIONAL RETAILERS FIGHT TO COMPETE WITH **ECOMMERCE GIANTS**, **LAST MILE DELIVERY HAS TAKEN ON ADDED URGENCY**



# FEDEX GROUND PACKAGE SYSTEM, INC.



## Package Deliveries FY 2017

2.01 billion  
7.895 million avg. daily volume

## Revenues FY 2017

\$18.075 billion (up 9% YoY)

## Operating Income FY 2017

\$2.292 billion

## Rankings

One of the two largest U.S. shippers of small packages  
2nd largest FedEx Corp (NYSE: FDX) subsidiary

## Credit

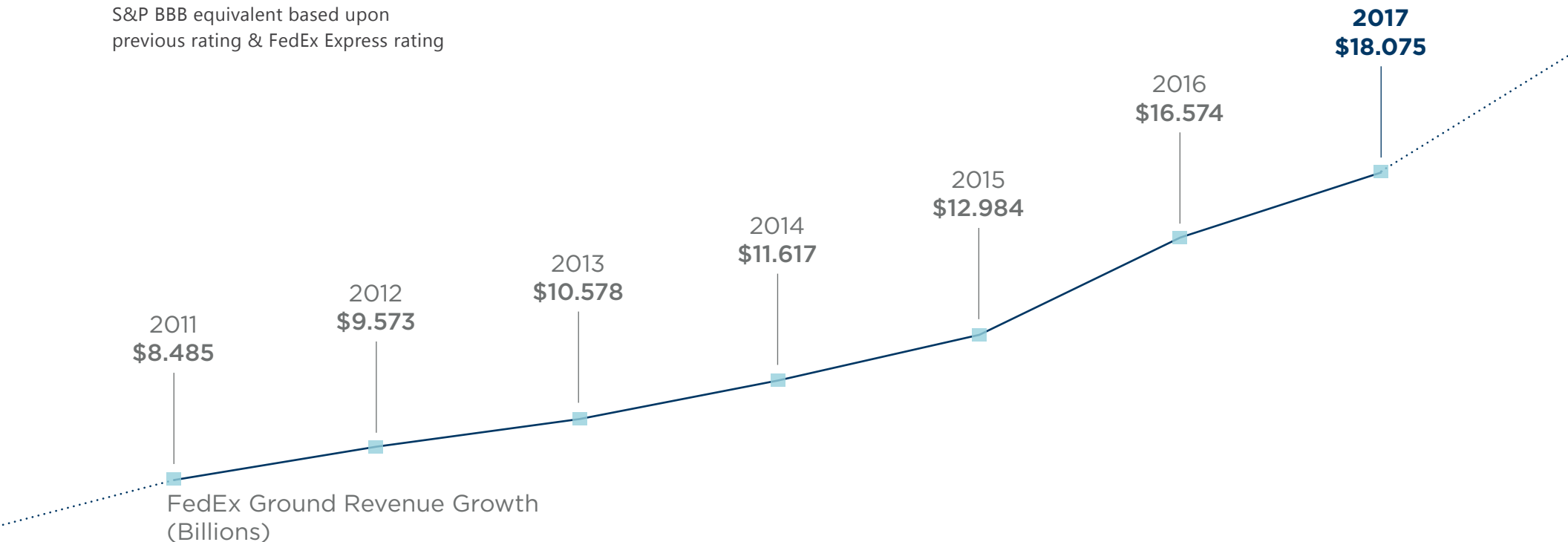
S&P BBB equivalent based upon  
previous rating & FedEx Express rating

## About FedEx Ground

**FEDEX GROUND PACKAGE SYSTEM, INC.**, the Property's tenant, is one of North America's leading providers of business-to-business and business-to-consumer ground small-package delivery service. FedEx Ground is FedEx Corporation's most profitable division. FedEx Ground has a network of more than 575 distribution hubs and local pickup-and-delivery terminals located throughout the United States and Canada.

The FedEx 2017 annual report (May 31, 2017 yearend) shows the FedEx Ground segment had revenues of \$18.075 billion, which was 9.06% above the 2016 level, and operating income of \$2.292 billion.

**FEDEX CORPORATION (NYSE: FDX)**, the tenant's parent, provides customers and businesses worldwide with the broadest portfolio of transportation, logistics and e-commerce services. FedEx corporation's four subsidiaries are listed below. FedEx Corporation does no guaranty the lease.



# PROPERTY DESCRIPTION

**LOCATION ADDRESS** 5420 HIGHWAY 65 SOUTH, HARRISON, AR 72601

**SITE**  
**23.4±**  
ACRES

**BLDG SIZE**  
**59,325±**  
SQUARE FEET

**TRUCK DOORS**  
**DOCK HIGH**  
**8**  
DOORS

**DRIVE-IN**  
**18**  
DOORS

**TRUCK/TRAILOR**  
**46**  
OUTDOOR

**PARKING STALLS**  
**DELIVERY TRUCKS**  
**60**  
INDOOR

**CARS**  
**112**  
2/1,000 SF

**DISTRIBUTION AREA**  
**55,350±**  
SQUARE FEET

**GENERAL OFFICE**  
**3,975±**  
SQUARE FEET

**BLDG EXPANSION POTENTIAL**  
**59,000±**  
SQUARE FEET

FILE PHOTOGRAPH

## Building

Completion	Scheduled for May 1, 2018
Building Size	59,350 sq. ft.
Building Site Coverage	5.80%
Construction Type	Pre-Engineered Metal Building
Office Area	3,975 sq. ft. (6.7% of the bldg area)
Truck Doors	8 dock high; 18 drive-in

## Other Features

Secured fence	
FedEx package handling system	Paid for by FedEx Ground
Expansion Potential	The building can be expanded up to an additional 59,000± sq. ft. A tenant's expansion request creates a potential opportunity for a landlord to negotiate a lease term extension and an equitable return on the cost of the expansion. Contact the agent for more information.





# HARRISON

Anticipated Service Area

Bentonville  
Rogers  
Fayetteville

# ARKANSAS

Springfield

Jonesboro

MEMPHIS

LITTLE ROCK

## LOCATION

The site is located south of Harrison along Interstate 65, approximately: 77 miles east of Fayetteville, Springdale, and Rogers, AR; 77 miles south of Springfield, MO; 175 miles west of Jonesboro, AR; and 136 miles north of Little Rock, AR.

The Property will be used by FedEx Ground to distribute small packages to a large area between these cities, which is assumed to have a population of approximately 165,000 people.



BOONE COUNTY REGIONAL AIRPORT



CAPPS

392

397

HARRISON

65

43

7

123

BELLEFONTE

65

412

206

Approximately 765' of Highway 65 Frontage

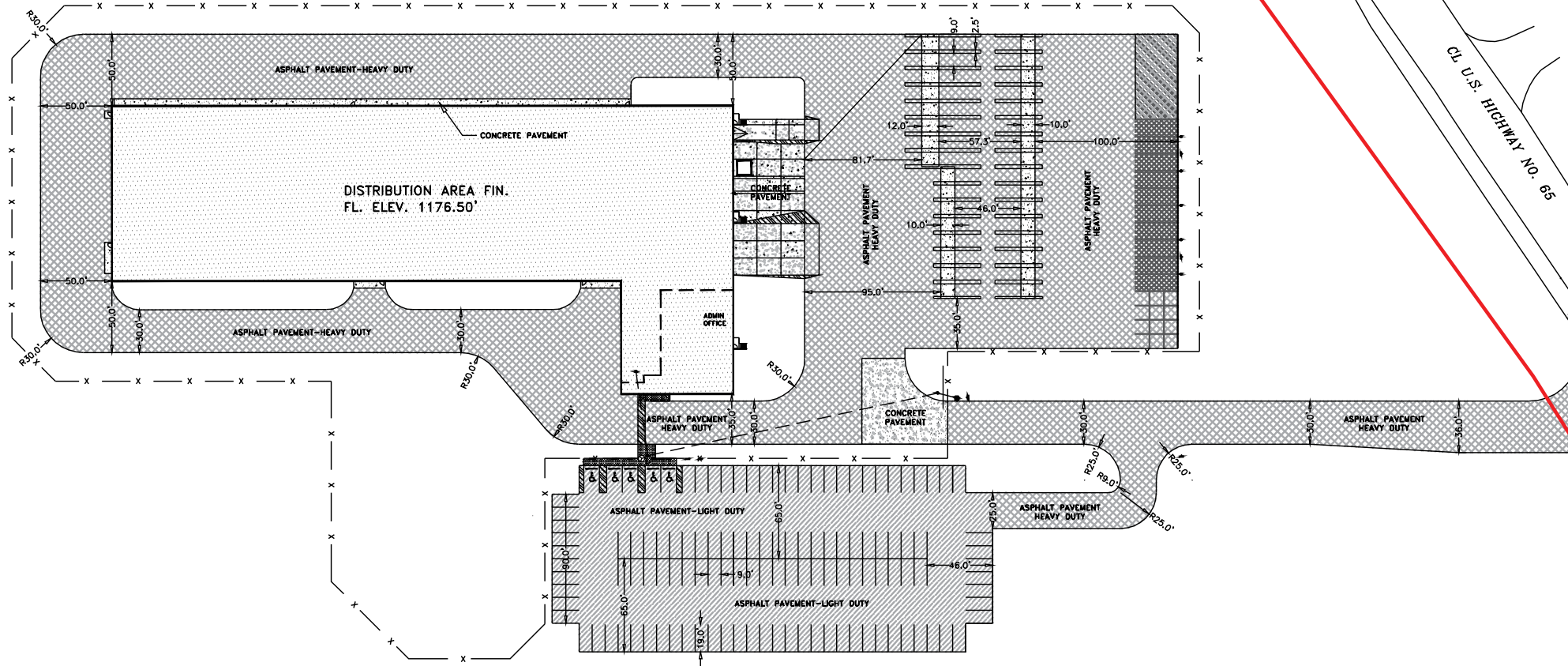


65

VALLEY SPRINGS

GAITHER

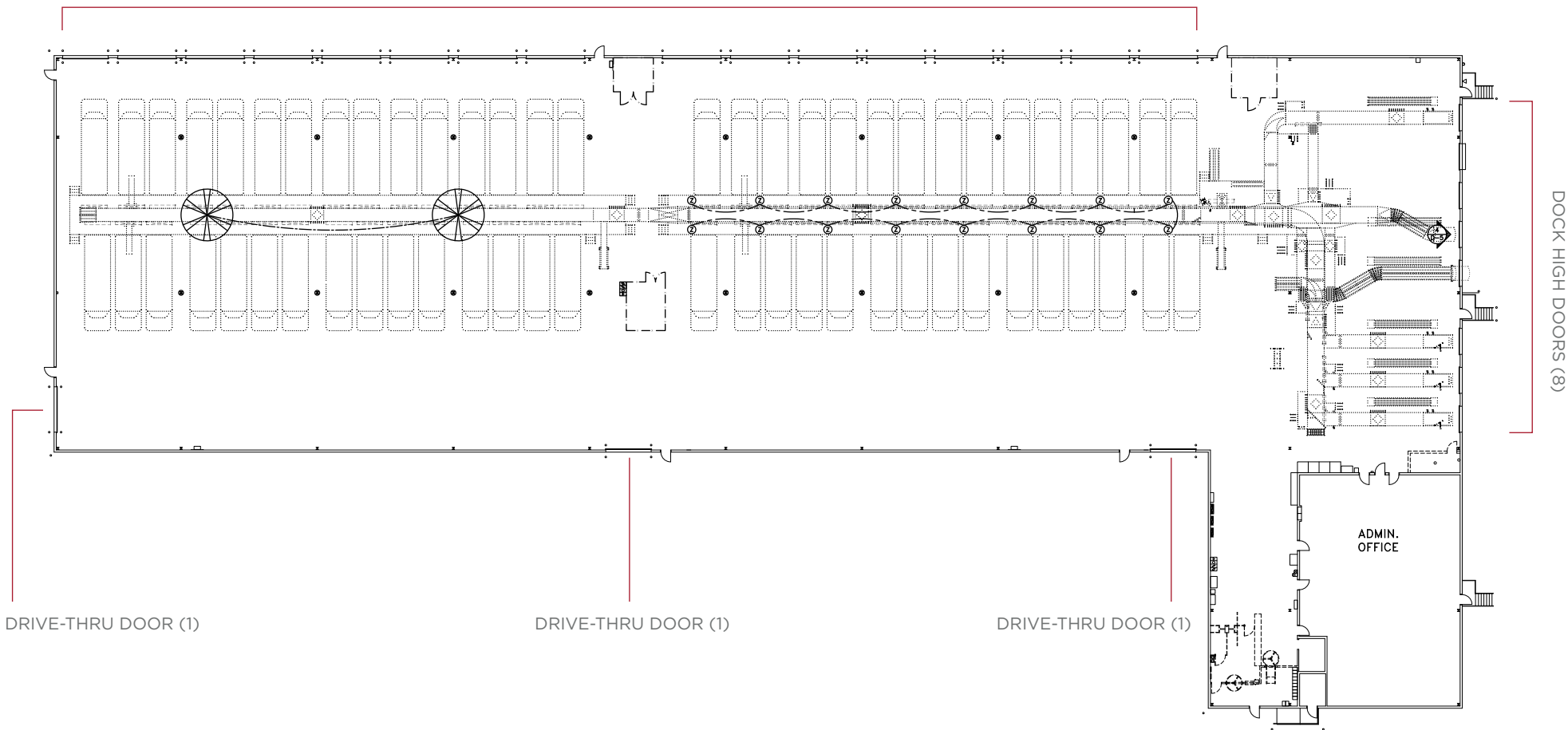
# Site Plan





# Floor Plan

DRIVE-THRU DOORS (15)



DRIVE-THRU DOOR (1)

DRIVE-THRU DOOR (1)

DRIVE-THRU DOOR (1)

DOCK HIGH DOORS (8)

ADMIN.  
OFFICE

# LEASE SUMMARY

<b>Premises</b>	Site & Building	
<b>Tenant</b>	FedEx Package Ground System, Inc.	
<b>Term</b>	10 Years	
<b>Commencement</b>	May 1, 2018	
<b>Expiration</b>	April 30, 2028	
<b>Rent Commencement</b>	May 1, 2018	
<b>Annual Rent</b>	Years 1-5	\$548,157
	Years 6-10	\$559,120
<b>Expenses</b>	NN*	
<b>Renewal Options</b>	Two five-year terms	
	1st Renewal Rent	\$603,850
	2nd Renewal Rent	\$646,043

<b>ANNUAL RENT</b>		
<b>Investment Years</b>		Annual Rent    Return
<b>1-5</b>		\$548,157    6.25%
<b>6-10</b>		\$559,121    6.38%
<b>11-15</b>	(Option 1)	\$603,850    6.89%
<b>16-20</b>	(Option 2)	\$646,043    7.37%

\* The tenant is responsible for property taxes, property insurance, tenant's liability insurance, and maintenance of the yard, parking, drive, hard surfaces and landscaping. The landlord is responsible for maintenance of the structural portions of the building including the foundation, roof, exterior walls and floor slabs.





# HARRISON, AR

Harrison is located at the intersection of US Highways 65, 7 and 43 in Boone County, Arkansas. Harrison is the principal city of the Harrison Micropolitan Statistical Area, which includes all of Boone and Newton counties. These counties have a combined population exceeding 45,000. Harrison has a diversified economy with the major employers listed below.

## AREA OVERVIEW

### Major Employers in Harrison

- FedEx Freight, Inc. Headquarters (Less-Than-Load (LTL) Freight Carrier)
- North Arkansas Regional Medical Center (Medical Services)
- Walmart, Inc. (Retail)
- Pace Industries (Aluminum Die-Casting)
- Claridge Products and Equipment, Inc. (Markerboards, Chalkboards and Bulletin Boards)
- Windstream (Telecommunications)
- Wabash Wood Products (Trailer Floor Manufacturing)
- North Arkansas College (Education)
- Flexsteel Industries, Inc. (Furniture)
- WestRock (Folding Paperboard Cartons)

### Recreation



The nearby White River has the largest Brown Trout in the world.



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