

OFFERING MEMORANDUM

# CVS PHARMACY

HOOVER, ALABAMA | HIGH INCOME BIRMINGHAM SUBURB | OVER \$138K AVG. HH INCOME

***21 YEAR ABSOLUTE NET LEASE WITH 10% RENT INCREASES***



NET LEASE GROUP

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**CUSHMAN &  
WAKEFIELD**



# Investment Offering & Highlights

## The Offering

- A 12,900 square foot freestanding CVS Pharmacy retail store leased for 25 years until January 31, 2039
- Price: \$11,875,000 - 5.25% Cap Rate

## Lease / Tenant

- Absolute NNN lease with 21 years remaining
- 10% rent increases in the primary term and every 5 years in each remaining option
- S&P rated “BBB+” investment grade corporate guaranty
- CVS Health is #7 on the Fortune 500 with \$177 billion in revenues
- Strong store performance - very high prescription volume

## Real Estate / Area Strengths

- Excellent hard corner site on a high traffic intersection with combined traffic counts of approximately 85,000 VPD
- Located on US Highway 280- one of the best retail corridors in the entire state
- High income, high growth Birmingham suburb- 11 miles from downtown
- Average household income in excess of \$138,000 within 1 mile of the property
- Birmingham is one of the strongest, most diversified economies in the Southeast with an unemployment rate of 3.9%
- Close proximity to the Brookwood Baptist Medical Center Emergency Department, St. Vincent's One Nineteen Health and Wellness Center, and Somerby Senior Living Center
- Adjacent to Greystone Golf & Country Club with average household income over \$229,000



# Investment Overview

## Location

5400 US Highway 280 East, Hoover, AL 35242

## Lot Size

Approximately 1.46 acres – 63,598± square feet

## Improvements

Completed in 2014, a 12,900± square foot freestanding **CVS PHARMACY DRUG STORE** branch with 70 parking spaces and drive-thru.

## Lease

Leased to **ALABAMA CVS PHARMACY, LLC**, and guaranteed by **CVS CAREMARK CORPORATION**, for 25 years from July 10, 2013 until January 31, 2039. The annual rent of \$623,457 increases by 10% to \$685,764 on August 1, 2023. The lease is absolute net with the tenant responsible for all taxes, insurance and maintenance including roof and structure. There are six 5-year options to renew with 10% rental increases in each option period.

## Right of First Offer

All offers are subject to a right of first offer that the tenant must respond to within 30 days of receipt.

## Financing

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

## Annual Rent

Lease Years	Annual Rent	Cap Rate
Current - 7/31/2023	\$623,457	5.25%
8/1/2023 - 1/31/2039	\$685,803	5.78%
2/01/2039 - 1/31/2044 (Option 1)	\$754,383	6.35%
2/01/2044 - 1/31/2049 (Option 2)	\$829,821	6.99%
2/01/2049 - 1/31/2054 (Option 3)	\$912,803	7.69%
2/01/2054 - 1/31/2059 (Option 4)	\$1,004,084	8.46%
2/01/2059 - 1/31/2064 (Option 5)	\$1,104,492	9.30%
2/01/2064 - 1/31/2069 (Option 6)	\$1,214,941	10.23%

**Price: \$11,875,000 – 5.25% Cap Rate**

**21-yr Avg. Cap Rate: 5.64%** (Primary Term)

**31-yr Avg. Cap Rate: 5.97%**

**41-yr Avg. Cap Rate: 6.48%**

**51-yr Avg. Cap Rate: 7.13%** (Full Lease Term Including Options)

# Average Cap Rate Analysis / Comparison

## CVS HOOVER, AL (55-YEAR LEASE, 25-YEAR PRIMARY TERM, 10% RENT INCREASE IN YEAR 11, SIX 5-YEAR OPTIONS WITH 10% RENT INCREASES)

**PRICE: \$11,875,000 / 5.25% CAP RATE**

Year Starting:	Jan-19	Jan-25	Jan-40	Jan-45	Jan-50	Jan-55	Jan-60	Jan-65	Jan-69
Investment Year:	1	7	22	27	32	37	42	47	51
Rent:	\$623,457	\$685,803	\$754,383	\$829,821	\$912,803	\$1,004,084	\$1,104,492	\$1,214,941	\$1,214,941
Cap Rate:	5.15%	5.78%	6.35%	6.99%	7.69%	8.46%	9.30%	10.23%	10.23%
21-yr Avg. Cap Rate:	5.64%	(Primary Term Remaining)							
31-yr Avg. Cap Rate:	5.97%								
41-yr Avg. Cap Rate:	6.48%								
51-yr Avg. Cap Rate:	7.13%	(Full Lease Term Including Options)							

## TYPICAL WALGREENS PROPERTY (75-YEAR FLAT LEASE, 20 YEAR PRIMARY TERM, ELEVEN 5-YEAR OPTIONS)

**PRICE: \$11,875,000 / 5.25% CAP RATE**

Year Starting:	Jan-19	Jan-29	Jan-39	Jan-49	Jan-59	Jan-69	Jan-79	Jan-89	Jan-93
Investment Year:	1	11	21	31	41	51	61	71	75
Rent:	\$623,457	\$623,457	\$623,457	\$623,457	\$623,457	\$623,457	\$623,466	\$623,476	\$623,480
Cap Rate:	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
20-yr Avg. Cap Rate:	5.25%	(Primary Term Remaining)							
30-yr Avg. Cap Rate:	5.25%								
40-yr Avg. Cap Rate:	5.25%								
50-yr Avg. Cap Rate:	5.25%								
75-yr Avg. Cap Rate:	5.25%	(Full Lease Term Including Options)							

## TYPICAL CVS PROPERTY (55-YEAR LEASE, 25-YEAR PRIMARY TERM, SIX 5-YEAR OPTIONS WITH 5% RENT INCREASES)

**PRICE: \$11,875,000 / 5.25% CAP RATE**

Year Starting:	Jan-19	Jan-29	Jan-44	Jan-49	Jan-54	Jan-59	Jan-64	Jan-69	Jan-73
Investment Year:	1	11	26	31	36	41	46	51	55
Rent:	\$623,457	\$623,457	\$654,630	\$687,361	\$721,729	\$757,816	\$795,707	\$835,492	\$835,492
Cap Rate:	5.25%	5.25%	5.51%	5.79%	6.08%	6.38%	6.70%	7.04%	7.04%
25-yr Avg. Cap Rate:	5.25%	(Primary Term Remaining)							
30-yr Avg. Cap Rate:	5.29%								
40-yr Avg. Cap Rate:	5.45%								
50-yr Avg. Cap Rate:	5.67%								
55-yr Avg. Cap Rate:	5.80%	(Full Lease Term Including Options)							



## Site Location

The CVS is located on the southeast corner of the high traffic intersection of US Highway 280 and Highway 119 (Cahaba Valley Rd) with combined traffic counts of approximately 85,000 VPD, and just over 11 miles from downtown Birmingham. US Highway 280 is one of the busiest retail corridors in the entire state, and retailers in the immediate area include WalMart Supercenter, Lowe's Home Improvement, Sprout's, HomeGoods, Wells Fargo, Chick-fil-A and Starbucks, to name a few. Additionally, the property is nearby the Brookwood Baptist Medical Center Emergency Department, St. Vincent's One Nineteen Health and Wellness Center, and Somerby Senior Living Center





DOWNTOWN BIRMINGHAM  
(11 MILES)

**TARGET**  
NORDSTROM **rack** **BEST BUY**

GRAND VIEW HOSPITAL  
AND MEDICAL COMPLEX

106,010  
CARS PER DAY

**SPROUTS**  
FARMERS MARKET  
**DICK'S**  
SPORTING GOODS  
**HomeGoods**  
**ULTA**  
BEAUTY  
Tuesday Morning

**AMC**  
THEATRES  
**BED BATH & BEYOND**  
**TOYS R US**  
**TRADER JOE'S**  
**BARNES & NOBLE**  
BOOKSELLERS

**LOWE'S**  
**PETCO**  
*Michaels*  
THE ARTS AND CRAFTS STORE  
*Starr Mart*  
Fashion and Quality. Always at discount prices.  
**Party City**  
**DOLLAR TREE**

INVERNESS  
PLAZA

**TJ-maxx**  
**PET SMART**

**THE HOME DEPOT**

BROOK HIGHLAND  
PLAZA

**WAL\*MART**

68,305  
CARS PER DAY

**Sprint**

**Krispy Kreme**  
DONUTS

**Brookwood Baptist Health**

CAHABA VALLEY ROAD

**Chevron**

**WELLS FARGO**

**Chick-fil-A**

**CVS**

**LA BOY**  
FURNITURE GALLERIES

THE CROSSROADS  
AT GREYSTONE

**Shell**

280

**Starbucks**

WEST VIEW

**american family care**  
The Right Care. Right Now.

TATTERSALL PARK - PROPOSED 78-ACRE  
MULTI-USE DEVELOPMENT



ST. VINCENT'S ONE NINETEEN HEALTH AND WELLNESS CENTER

SOMERBY SENIOR LIVING CENTER AT ST VINCENT'S ONE NINETEEN

GREYSTONE GOLF & COUNTRY CLUB  
AVERAGE HH INCOME  
\$229,485

16,085  
CARS PER DAY

TATTERSALL PARK - PROPOSED 78-ACRE MULTI-USE DEVELOPMENT

Brookwood Baptist Health

LA Z BOY FURNITURE GALLERIES

Mattress King

Starbucks

MATTRESS FIRM

DEPARTMENT OF RECREATION & VISITOR RELATIONS

Chick-fil-A

119

280

68,305  
CARS PER DAY

CVS

THE CROSSROADS AT GREYSTONE

american family care  
The Right Care. Right Now.

Shell

DaVita

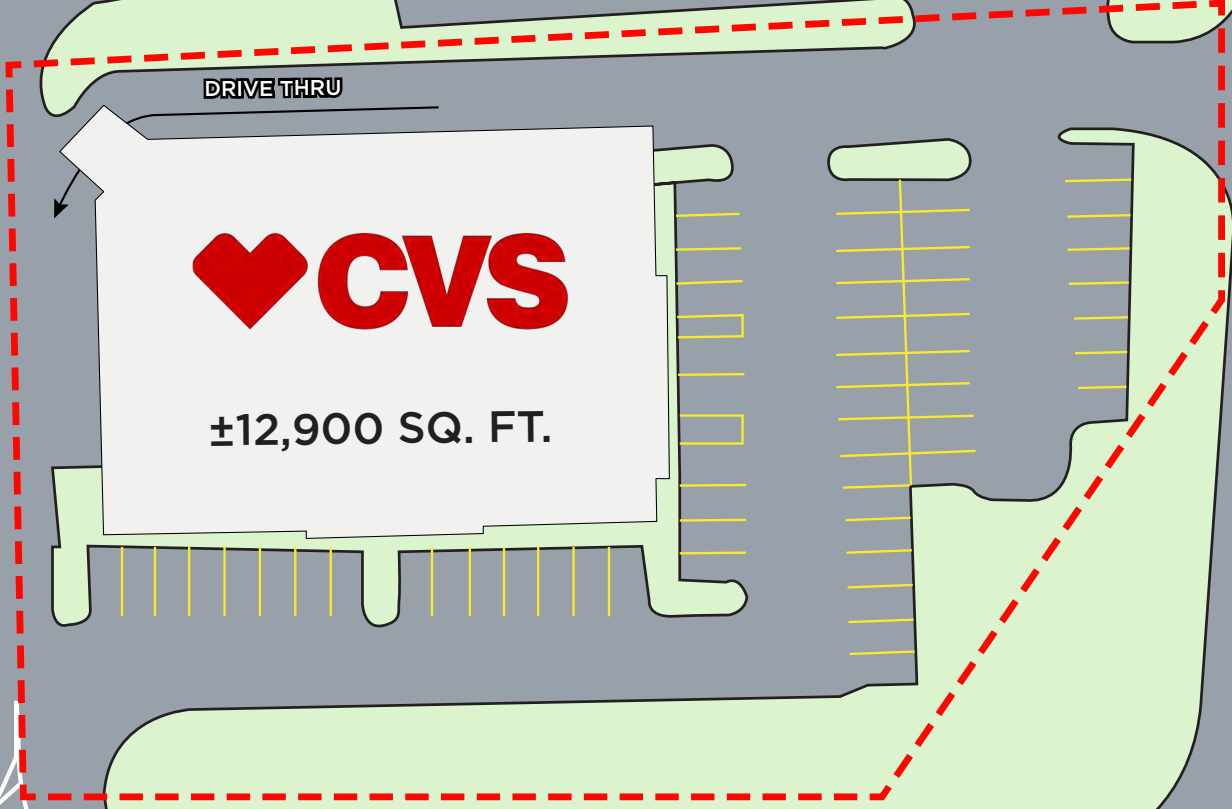
Hertz

ABC BOARD

NORTH EAST VIEW



Site Plan



DRIVE THRU

 **CVS**

±12,900 SQ. FT.

HIGHWAY 119 (16,085 VPD)

US HIGHWAY 280 (68,305 VPD)



# CVS Health Corporation

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**CVS HEATH CORPORATION (NASDAQ: CVS)** together with its subsidiaries, provides integrated pharmacy health care services in the United States. The company operates through Pharmacy Services and Retail Pharmacy segments. The Pharmacy Services segment offers pharmacy benefit management services, such as plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, mail order and specialty pharmacy services, retail pharmacy network management services, prescription management systems, clinical services, disease management, and medical spend management services. It serves employers, insurance companies, unions, government employee groups, managed care organizations and other sponsors of health benefit plans, and individuals under the CVS Caremark Pharmacy Services, Caremark, CVS Caremark, CarePlus CVS/pharmacy, RxAmerica, Accordant, SilverScript, and Novologix names. The Retail Pharmacy segment sells prescription drugs, over-the-counter drugs, beauty products and cosmetics, seasonal merchandise, greeting cards, and convenience foods, as well as provides photo finishing services. The company also offers infusion and enteral nutrition services.

As of December 31, 2015, it operated 9,700 retail drugstores, 1,135 health care clinics, 35 specialty pharmacies, 1,600 locations withing Target stores, and 83 branches, including 73 ambulatory infusion suites and 6 centers of excellence located in 49 states, Puerto Rico and the District of Columbia. The company was founded in 1892 and is headquartered in Woonsocket, Rhode Island.

For the fiscal year ended December 31, 2016, CVS reported net revenues of \$177.53 billion (up 16% from 2015) with a net income (up 1.5% from 2015) of \$5.32 billion and shareholders' equity of \$36.83 billion.

CVS is rated "BBB+" by Standard and Poor's.

For more information, visit <http://cvshealth.com/>.



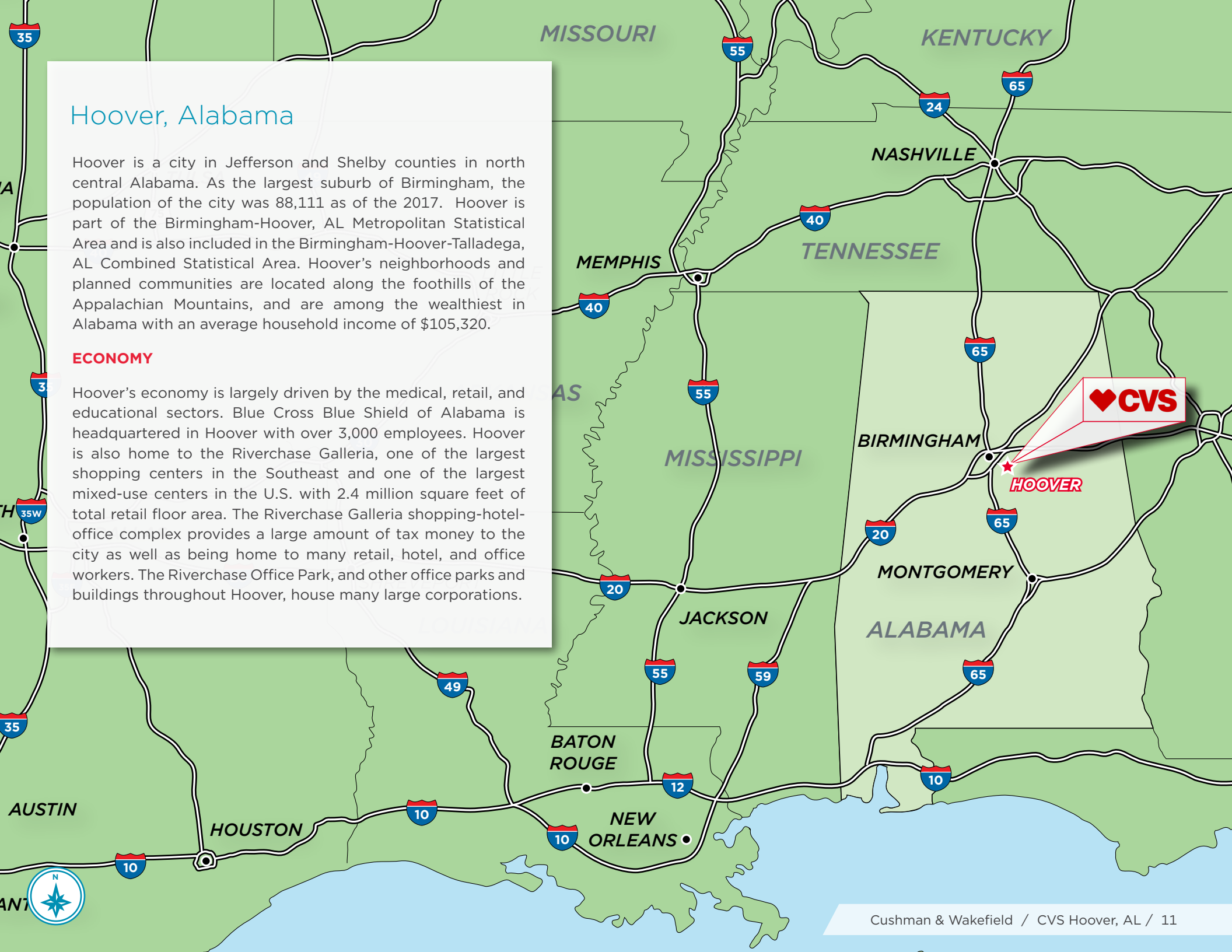


## Hoover, Alabama

Hoover is a city in Jefferson and Shelby counties in north central Alabama. As the largest suburb of Birmingham, the population of the city was 88,111 as of the 2017. Hoover is part of the Birmingham-Hoover, AL Metropolitan Statistical Area and is also included in the Birmingham-Hoover-Talladega, AL Combined Statistical Area. Hoover's neighborhoods and planned communities are located along the foothills of the Appalachian Mountains, and are among the wealthiest in Alabama with an average household income of \$105,320.

### ECONOMY

Hoover's economy is largely driven by the medical, retail, and educational sectors. Blue Cross Blue Shield of Alabama is headquartered in Hoover with over 3,000 employees. Hoover is also home to the Riverchase Galleria, one of the largest shopping centers in the Southeast and one of the largest mixed-use centers in the U.S. with 2.4 million square feet of total retail floor area. The Riverchase Galleria shopping-hotel-office complex provides a large amount of tax money to the city as well as being home to many retail, hotel, and office workers. The Riverchase Office Park, and other office parks and buildings throughout Hoover, house many large corporations.





# Birmingham, Alabama

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- The MSA's population has increased each year since 1982
- The MSA's unemployment rate was 3.9% in May 2017
- The Birmingham-Hoover MSA has a population of about 1,151,476, which is approximately one quarter of Alabama's population

## ECONOMY

Birmingham is one of the strongest, most diversified economies in the Southeast. The different sectors that contribute to the economy are automotive manufacturing, steel production, rail service, financial services and education.

Between 1881 and 1920, Birmingham established itself as one of the two largest manufacturing cities in the Southeast. Birmingham has one of the two primary railroad hubs in the Southeast (the other is Atlanta). The excellent rail service and low labor costs attracted the steel industry, and later, rail and railroad car manufacturing. During the late 1960s, 1970s and 1980s, Birmingham added new dimensions to its economy including financial services and higher education. Between 1997 and 2004, foreign car manufacturers built three auto and truck manufacturing plants near Birmingham. They were attracted by the rail, steel production and low labor costs.

## FINANCIAL SERVICES

Birmingham is a leading banking center in the Southeast, serving as home to two major banks, Regions Financial Corporation and BBVA Compass. In November 2006, Regions Financial merged with AmSouth Bancorporation, which was also headquartered in Birmingham. They formed the 8th largest U.S. bank (in total assets). Wells Fargo Bank is believed to have a major regional operation in Birmingham as a result of its acquisition of Wachovia in 2008. Nearly a dozen smaller banks are also headquartered in Birmingham, including Cadence Bank and New South Federal Savings Bank. As of 2009, the finance & banking sector in Birmingham employed 1,870 financial managers, 1,530 loan officers, 680 securities commodities and financial services sales agents, 380 financial analysts, 310 financial examiners, 220 credit analysts, and 130 loan counselors.

The insurance companies Protective Life, Infinity Property & Casualty,

ProAssurance, and Liberty National have their headquarters in Birmingham. These financial services companies employ a large number of people.

## OTHER BUSINESSES IN BIRMINGHAM

Two of the largest soft-drink bottlers in the United States, each with more than \$500 million in sales per year, are located in Birmingham. The Buffalo Rock Company is a major bottler for the Pepsi Cola Company. The Coca-Cola Bottling Company United, Inc. is the third-largest bottler of Coca-Cola products in the U.S. and the second largest privately held Coca-Cola bottling company not owned by The Coca-Cola Company.

## EDUCATION

The University of Alabama at Birmingham ("UAB") founded in 1936 as an extension center and has evolved into a nationally prestigious research institution and medical center. The University now has over 19,500 students from 110 nations, and 21,200 faculty and staff members supporting the school and medical center. UAB is one of the largest job sources in the state. UAB's enrollment has been growing at an approximate rate of 2.5% per year, which is fast by national standards. The university offers a full array of bachelor's and graduate degrees in social sciences, sciences, engineering and health fields.

UAB has received the distinguished R1 research recognition by the Carnegie Classification of Institutions of Higher Education. Only 115 universities out of approximately 4,300 universities in the U.S. have received this recognition. UAB usually ranks in the top 20 nationally for public universities receiving federal research and development funding. The school's annual grants and contracts usually exceed \$440 million.

UAB has one of the largest medical centers in the U.S. Its hospital system offers residencies in multiple medical fields, including internal medicine, neurology, surgery, radiology, and anesthesiology.

- UAB ranked #66 worldwide for US utility patents granted in the 2016 "Top 100" list from the National Academy of Investors.
- UAB has an exceptional Moody's Aa2 bond rating.



# Birmingham, Alabama (cont)

## TRANSPORTATION

### Highway

Birmingham is served by four Interstate Highways: Interstate 20, Interstate 65, Interstate 59, and Interstate 22, as well as a southern bypass expressway Interstate 459, which connects with I-20/59 to the southwest, with I-65 the south, I-20 to the east, and I-59 to the northeast.

### Airport

Birmingham is served by the Birmingham-Shuttlesworth International Airport (BHM). This airport serves more than 3 million passengers every year. With more than 160 flights daily, the airport offers flights to 37 cities across the United States. Commercial passenger service through Birmingham is provided by United Express, Delta Air Lines/Delta Connection, American Eagle, and Southwest Airlines.

### Rail

Birmingham is served by three major railroad freight companies, the Norfolk Southern Corporation, CSX Transportation, and the BNSF Railway. Each of these companies has major railroad yards in the metro area. Smaller regional railroads such as the Alabama Warrior Railway and the Birmingham Southern Railroad also offer freight service to customers in Birmingham.

## DEMOGRAPHICS

2017 Summary	1 miles	3 miles	5 miles
Population	4,671	34,421	65,613
Households	2,204	14,356	27,414
Families	1,478	9,437	17,894
Average Household Size	2.12	2.39	2.39
Owner Occupied Housing Units	1,485	9,313	18,585
Renter Occupied Housing Units	719	5,043	8,829
Median Age	39.6	38.1	37.7
Median Household Income	\$103,451	\$96,218	\$91,602
Average Household Income	\$138,068	\$128,453	\$127,100
<b>Projected 2022 Summary</b>			
Population	5,920	41,635	77,443
Households	2,735	17,228	31,858
Families	1,790	10,979	20,349
Average Household Size	2.16	2.41	2.43
Owner Occupied Housing Units	1,723	10,602	20,826
Renter Occupied Housing Units	1,012	6,626	11,032
Median Age	42.0	40.2	40.2
Median Household Income	\$107,900	\$102,079	\$99,675
Average Household Income	\$150,602	\$141,429	\$140,361
<b>Trends: 2017-2022 Annual Rate</b>			
Population	1.37%	1.51%	1.33%
Households	1.36%	1.46%	1.23%
Families	1.18%	1.27%	1.10%
Owner Households	1.18%	1.45%	1.28%
Median Household Income	0.85%	1.19%	1.70%





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**CVS/pharmacy**



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