

OFFERING MEMORANDUM

RITE AID

SACRAMENTO, CALIFORNIA



- One of Rite Aid's top producing stores in Sacramento Valley and Region
- Limited competition with high barriers to entry
- Albertson's-Rite Aid merger to create a company with expected 2018 revenue of \$83 billion

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NET LEASE GROUP



SUBJECT PROPERTY

TABLE OF CONTENTS

Investment Offering & Highlights	3
Investment Overview	4
Investment Analysis	
Site Plan	5
About the Tenant	6
Aerials	7
Area Overview	8
Regional Map	9
Sacramento, California	10
Transportation	11
Area Demographics	12
Confidentiality & Disclaimer	13

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Investment Offering & Highlights

The Offering

- Completed in 2009, a 17,272 square foot free standing pharmacy building with drive thru leased to **RITE AID** with 11 years remaining
- **Price: \$13,420,000 — 5.00% Cap Rate**

Lease / Tenant

- Triple net lease with over 11 years remaining with 10% rental increases every 10 years
- Alberstons recently announced plans to buy Rite Aid to create a company with expected 2018 revenue of \$83 billion
- Rent is believed to be less than 7% of Rite Aid sales versus 9-14% for most free standing pharmacies built in the last 15 years

Real Estate / Area Strengths

- Located at high traffic intersection of Eastern Ave and Marconi Ave with a combined traffic count of 61,431 vehicles per day
- High barriers to entry as evidenced by the closest free standing drug store with a drive thru is over 2 miles away
- Strong demographics with total population of 123,883 and average household income of \$79,000 within 3 miles
- Neighboring tenants include Panda Express (top store in region), Jimboy's Tacos, KFC and A&W. Other tenants nearby include Walmart Supercenter, WinCo Foods, Taco Bell, McDonald's, Carl's Jr, O'Reilly's Auto Parts, and Arco AM/PM, to name a few



Investment Overview

Location

4241 Marconi Ave, Sacramento, CA 95821 — Marconi Square Center

Lot Size

Approximately 1.35 acres — 58,965± square feet

Improvements

Completed in 2009, a 17,272± square foot free standing **RITE AID** drug store with drive-thru access and ample on-site parking. 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 August 2009 until August 31, 2029 with over 11 years remaining. The current annual rent of \$610,000 increases to \$671,000 on September 1, 2019. The lease is triple net, with the tenant responsible for taxes, insurance, and maintenance, including roof and structure. There are six, five-year options to renew with 10% increases in Options 1 and 3, and Fair Market Value increases in Options 5-6.

Annual Rent

Years	Annual Rent	Cap Rate
Current - 8/2029	\$671,000	5.00%
9/2029 - 8/2034 (Option 1)	\$738,100	5.50%
9/2034 - 8/2039 (Option 2)	\$738,100	5.50%
9/2039 - 8/2044 (Option 3)	\$811,910	6.05%
9/2044 - 8/2049 (Option 4)	\$811,910	6.05%
9/2049 - 8/2054 (Option 5)	FMV	
9/2054 - 8/2059 (Option 6)	FMV	

PRICE: \$13,420,000 — 5.00% Cap Rate

* Price based on capitalization of the September 2019 rent. Seller to credit the difference in rent between closing date and September 2019 at COE.



Site Plan

RITE AID
DRIVE-THRU



17,272± SF



MULTI-TENANT
RETAIL CENTER



EASTERN AVENUE

MONUMENT
SIGN

Rite Aid

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.

ALBERTSON'S ACQUISITION

Grocery operator Albertsons Cos. announced its plans to buy drugstore chain Rite Aid Corp. in February 2018. Albertsons would acquire 1,250 of the strongest stores Rite Aid operates prior to the Walgreen's acquisition which are all located on the west coast. The deal would clear the way for closely held Albertsons to become a public concern whose shares trade on the New York Stock Exchange. Albertsons — which operates the grocery chains Vons, Pavilions and Safeway as well as its namesake grocery stores — said it's acquiring the part of Rite Aid that isn't being sold to Walgreens Boots Alliance Inc. under a previously announced deal. Albertsons would get slightly more than half of Rite Aid's retail locations, plus additional Rite Aid assets such as its pharmacy benefit company and its wellness/loyalty program.

Rite Aid stockholders would receive either Albertsons stock or a combination of Albertsons stock and cash. The value of the deal wasn't disclosed, but Rite Aid has a current stock market value of \$2.3 billion. The combined company would have 4,900 locations, including 4,350 pharmacies and 320 clinics in 38 states and Washington, D.C., and annual revenue of \$83 billion.

Albertsons and Rite Aid said that their deal remains subject to approval by regulators and Rite Aid shareholders, and that it is expected to be completed in the second half 2018.



DOWNTOWN SACRAMENTO

TARGET

COUNTRY CLUB CENTRE



DEL PASO MANOR SHOPPING CENTER



COUNTRY CLUB PLAZA



PLAZA SHOPPING CENTER



Firestone

TOWN & COUNTRY VILLAGE



DEL PASO COUNTRY CLUB

Raley's

in the box



U-HAUL



Carl's Jr.



33,199 CARS PER DAY

EASTERN AVENUE

O'Reilly AUTO PARTS

TACO BELL

28,232 CARS PER DAY

MARCONI AVENUE

EL CAMINO FUNDAMENTAL HIGH SCHOOL



Site Location

The subject property is located on the intersection of Eastern Avenue and Marconi Avenue, a primary retail arterial in Sacramento. Other tenants in the center include Panda Express, Jimboy's Tacos, KFC and A&W. Just 3 miles south of the intersection of the Capital City Freeway 80 and the Interstate 80, the site offers access to over 200,000 vehicles per day.

The property is less than a mile away from the Del Paso Country Club, one of the greater Sacramento's premier golfing destinations. Other notable local and national retailers in the surrounding area include Walmart Supercenter, WinCo Foods, McDonald's, Carl's Jr., Panda Express, Taco Bell, Raley's, Goodwill, and Sacramento Family Medical Clinic to name a few.



Regional Map



Sacramento, California

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.

Sacramento, California^(cont)

ECONOMY

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 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.

Major employers in the area include:

- State of California
- Sacramento County
- UC Davis Health System
- Dignity/Catholic Healthcare
- Intel
- Kaiser Permanente
- Sutter Health
- Sacramento City Unified School District

EDUCATION

California State University, Sacramento, is the largest university in the city and one of 23 campuses in the California State University system. Drexel University Sacramento and the University of the Pacific McGeorge School of Law are in Sacramento. In addition, the University of California, Davis, is in nearby Davis, 15 miles west of the capital. The UC Davis Medical Center, a world-renowned research hospital, is located in the city of Sacramento. The Los Rios Community College District consists of several two-year colleges in the Sacramento area - American River College, Cosumnes River College, Sacramento City College, Folsom Lake College, plus a large number of outreach centers for those colleges. Sierra College is on the outskirts of Sacramento in Rocklin.



Sacramento, California^(cont)

TRANSPORTATION

Due to its central location between the Bay Area and Nevada border, the Greater Sacramento is a key transportation hub into Northern California. While the region doesn't have an extensive public transportation system as the two larger metropolitan areas of California, Greater Los Angeles and the San Francisco Bay Area, Greater Sacramento has had an earlier history of public mass transit and is served by a vast freeway system. Sacramento is served by numerous highways. 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. The Reno- Tahoe International Airport in Reno provides more direct access to Lake Tahoe than Sacramento International. 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.

PARKS AND RECREATION

Sacramento boasts an extensive park system consisting of over 5,000 acres of parkland and recreation centers. The city features a collection of smaller parks in the Downtown districts, including Crocker Park, Pioneer Landing and Southside Park. Popular parks outside the central core include American River Parkway which spans 23 miles along the American River, and William Land Park.



Property Demographics

2017 Summary	1 mile	3 miles	5 miles	Projected 2022 Summary	1 mile	3 miles	5 miles
Population	17,484	123,883	366,871	Population	18,145	128,360	382,270
Households	7,540	51,954	144,079	Households	7,778	53,575	149,346
Families	4,450	30,330	86,452	Families	4,589	31,267	89,578
Average Household Size	2.30	2.35	2.51	Average Household Size	2.31	2.36	2.53
Owner Occupied Housing Units	3,972	25,090	68,947	Owner Occupied Housing Units	4,091	25,702	70,841
Renter Occupied Housing Units	3,568	26,864	75,131	Renter Occupied Housing Units	3,688	27,872	78,505
Median Age	42.4	41.3	36.8	Median Age	42.8	41.8	37.3
Median Household Income	\$56,538	\$52,499	\$50,675	Median Household Income	\$60,137	\$55,684	\$52,924
Average Household Income	\$77,115	\$78,958	\$72,301	Average Household Income	\$86,269	\$88,123	\$80,996



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