

OFFERING MEMORANDUM WALGREENS

10 EAST KAMEHAMEHA AVENUE | KAHULUI, HAWAII

Actual Location





Actual Location

EXCLUSIVELY MARKETING BY:

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Longs Drugs
TJ-maxx

WHOLE
FOODS
MARKET

TACO
BELL

Jack
in the box

Wendy's

McDonald's

SAFEWAY ROSS
DRESS FOR LESS

Kahului Harbor

E Kaahumanu Ave

MAUI MALL

Hana Hwy

AMERICAN
Savings Bank

Bank of Hawaii

KAHULUI
SHOPPING CENTER

E Kamehameha Ave

KAHULUI
OFFICE CENTER

Development
Parcels

W Kamehameha Ave - 30,400 VPD

UNITED STATES
POSTAL SERVICE

Walgreens

S Puunene Ave - 13,800 VPD

Future Multi Family

Investment Overview

CBRE has been retained by the owner to offer for sale the fee simple interest of a 14,748-square-foot free-standing 24-hour Walgreens situated on 1.28 acres on a trophy site on the Island of Maui. Built in 2009, Walgreens opened in 2010 and has approximately 18.5 years of guaranteed term remaining on its absolute NNN lease. Walgreens is strategically positioned with excellent frontage and visibility on a hard corner at the signalized intersection of South Puunene Avenue and Kamehameha Avenue (Combined Traffic Count: 44,200 VPD) which are two of Maui's heaviest traveled thoroughfares. The site is also located at the heart of Kahului's preeminent retail corridor directly across Kamehameha Avenue from the 370,000-square-foot Maui Mall (Anchors: Whole Foods, Regal Cinemas, and Longs Drugs) with dozens of retailers and restaurants providing Walgreens with ideal retail synergy. In addition, the immediate retail corridor has undergone an influx of new development with recent additions including Maui's first TJ Maxx and Bank of Hawaii's new flagship branch, which both opened in 2015 directly across the street from the Walgreens store. The site is also strategically positioned immediately adjacent to Taco Bell and a parcel that is currently ground leased on an interim basis to a local business. The owner is engaged in active negotiations with two national, high-credit, freestanding retailers for build-to-suits on this parcel. Further, Walgreens is just 0.9 miles east of 570,904 square foot Queen Ka'ahumanu Center, Hawaii's only regional mall (Anchors: Macy's, Sears, and Foodland Supermarket) which features more than 100 shops and restaurants. Other major retailers in close proximity to the property include: Safeway, Kmart, Walmart, Target, Home Depot, Costco, Sports Authority, Ross Dress for Less, O'Reilly Auto Parts, KFC, and Starbucks among many others. In all, there is more than 4.5 MSF of retail space within a 3-mile radius. In addition, the property is walking distance to approximately 1,500 houses with an average value of \$619,431 as well as the University of Hawaii Maui College (4,500+ students) providing Walgreens with a substantial built-in customer base.



Investment Overview

ADDRESS:	10 East Kamehameha Avenue Kahului, HI 96732
PARCEL SIZE:	1.28 acres
BUILDING SIZE:	14,748 square feet
PARKING:	50 Spaces
YEAR BUILT:	2009
NOI:	\$893,841
PRICE:	\$19,863,000
CAP RATE:	4.50%



Investment Summary

- **Investment-Grade Tenant:** Walgreen Co. (S&P: BBB), a subsidiary of Walgreens Boots Alliance Inc. (NASDAQ: WBA), operates 8,173 stores across 50 states, the District of Columbia and Puerto Rico. Walgreens Boots Alliance Inc. reported TTM revenues of \$116.8 billion, EBITDA of \$7.73 billion, and net income of \$4.117 billion as of November 2016
- **Absolute NNN Lease:** Walgreens' 25-year absolute NNN lease commenced in 2010—No Landlord responsibilities
- **Excellent Access/Visibility:** Walgreens is strategically positioned with excellent frontage and visibility on a hard corner at the signalized intersection of South Puunene Avenue and Kamehameha Avenue (Combined Traffic Count: 44,200 VPD) which are two of Maui's heaviest traveled thoroughfares
- **Built-In Customer Base:** The property is walking distance to approximately 1,500 houses with an average value of \$619,431 as well as the University of Hawaii Maui College (4,500+ students) providing Walgreens with a built-in customer base
- **True Trophy Site:** The site is within Kahului's preeminent retail corridor across Kamehameha Avenue from the 370,000-square-foot Maui Mall (Anchors: Whole Foods, Regal Cinemas, and Longs Drugs) with dozens of retailers and restaurants providing Walgreens with ideal retail synergy. In addition, the immediate retail corridor has undergone an influx of new development with recent additions including Maui's first TJ Maxx and Bank of Hawaii's new flagship branch, which both opened in 2015 directly across the street from this Walgreens store
- **Proven 24-Hour Store:** This Walgreens operates 24 hours a day and boasts superb store-level sales
- **Major Retail & Commercial Corridor:** Walgreens is less than 1 mile east of 570,904-square-foot Queen Ka'ahumanu Center, Hawaii's only regional mall (anchors: Macy's, Sears, and Foodland Supermarket) which features more than 100 shops and restaurants. Other major retailers in close proximity to the property include Safeway, Kmart, Lowe's Home Improvement, Walmart, Target, Home Depot, Costco, Sports Authority, Ross Dress for Less, O'Reilly Auto Parts, Burger King, KFC, and Starbucks among many others. In all, there is more than 4.5 MSF of retail space within a 3-mile radius
- **Kahului Market:** Situated on the northwestern part of Maui Island, Kahului (MSA Population: 163,108) serves as Hawaii's retail and deep-draft harbor center and is home to Maui's main airport (2.9 miles east of the site). The local economy is based on accommodation and food services, retail, and healthcare and the area benefits from a low unemployment rate of 3.3% which is well below the national average. The Kahului economy is favored to continue to thrive due to low airfares that keep domestic tourists flocking to Maui, strong housing price growth, and dynamic port activity
- **Maui Advantage:** Part of the Kahului-Wailuku MSA, Maui is the second largest island in Hawaii. Voted as one of the most beautiful islands in the world, Maui's economy is based on tourism and agriculture. More than 2.3 million visitors visit Maui's pristine beaches, luxury hotels, and picturesque sights every year providing a year-long in-flow of tourists which boast the local economy

Lease Summary



PROPERTY NAME:	Walgreens
TENANT:	Walgreen of Hawaii, LLC
GUARANTOR:	Walgreen Co. (S&P: BBB)
LEASE COMMENCEMENT:	July 1, 2010
LEASE EXPIRATION:	June 30, 2035
TERM REMAINING:	18.5 Years
LEASE TYPE:	NNN
BASE RENT:	\$893,841
RENT INCREASES:	Flat during initial term
OPTIONS:	Two 5-year Options followed by up to Forty 1-year Options
OPTION INCREASES:	Flat during option periods
PERCENTAGE RENT:	If 2.0% of the Gross Sales (except for food items) and 0.5% of Gross Sales of food items and prescription items (excluding prescription items sold pursuant to Third Party Prescription Plans) shall exceed total fixed rent in any lease year, Tenant shall pay Landlord the amount of such excess as percentage rent.

TAXES:	Tenants shall pay, when due and before delinquency, the ad valorem real estate taxes (including all special benefit taxes and special assessments) levied and assessed against the Leased Premises.
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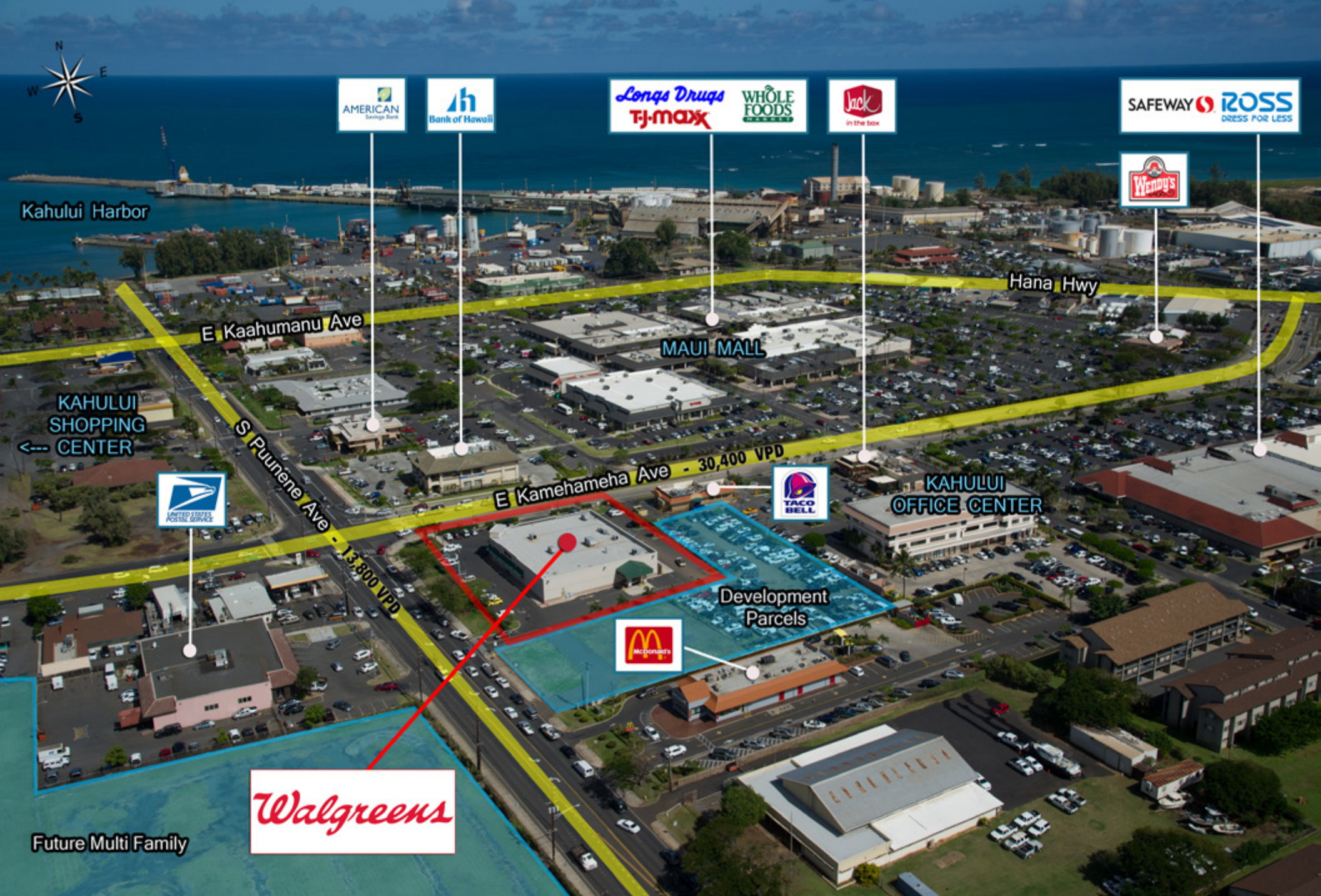
REPAIRS & MAINTENANCE:	Tenant, at Tenant's sole cost and expense, shall maintain the Leased Premises and make all necessary repairs and replacements, whether interior or exterior, to all parts the same.
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Tenant, at Tenant's cost and expense, shall maintain, repair and replace the parking areas of the Leased Premises.

CAM:	Landlord is required to enforce the rights, covenants, and agreements contained in the Declaration including the maintenance of the Adjacent Parcel. Owner of the Adjacent Parcel is responsible for these expenses per the Declaration.
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INSURANCE	Commencing with the Possession Date and continuing until the last day of the 25th lease year, Tenant shall carry special form coverage insurance (including earthquake coverage) covering the Building and all other improvements on the Leased Premises to the extent of not less than 100% of replacement value, less foundations. Commencing on the first day of the 26th lease year, such coverage will be on an actual cash basis. Tenant shall also procure and continue in effect public liability and property damage insurance with respect to operation on the Leased Premises in a combined single limit of not less than \$2 million. Tenant has the right to self-insure so long as Tenant has a net worth in excess of \$100 million.
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ROFR:	In the event Landlord shall receive a Bona Fide Offer to purchase the Leased Premises during the Term of this Lease, Tenant may elect to purchase the Leased Premises within in 21 days upon the same terms and conditions as are contained in such Bona Fide Offer.
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PUUNENE AVENUE - 13,800 VPD



KAMEHAMEHA AVENUE - 30,400 VPD



Walgreens

Walgreen Co. (S&P: BBB), a subsidiary of Walgreens Boots Alliance Inc. (NASDAQ: WBA), operates 8,175 drug stores in 50 states, the District of Columbia and Puerto Rico. The company also operates approximately 400 worksite health and wellness centers and in-store convenient care clinics in the United States. Walgreens Boots Alliance Inc. reported TTM revenues of \$116.8 billion, EBITDA of \$7.73 billion, and net income of \$4.117 billion as of November 2016.

Walgreens provides consumer goods and services, pharmacy and health and wellness services through drugstores, as well as through mail and by telephone and online. The company sells prescription and non-prescription drugs; and general merchandise, including household products, convenience and fresh foods, personal care, beauty care, photofinishing and candy products, as well as home medical equipment, contact lenses, vitamins and supplements and other health and wellness solutions. It also provides specialty pharmacy services. In addition, the company operates Take Care Clinics to treat patients, give prescriptions and administer immunizations and other vaccines. Walgreens was founded in 1901 and is based in Deerfield, Illinois.

WALGREENS BOOTS ALLIANCE

In 2014, Walgreens agreed to purchase the remaining 55% of Switzerland-based Alliance Boots that it did not already own for \$5.3B to form a global business. Under the terms of the purchase, the two companies merged to form a new holding company, Walgreens Boots Alliance Inc. (NASDAQ: WBA, S&P: BBB), on December 31, 2014. The tenant under the lease is Walgreen Co. which is now a direct subsidiary of Walgreens Boots Alliance Inc.

RITE AID MERGER

On October 27, 2015, the Company entered into a plan of merger with Rite Aid Corporation, a drugstore chain in the U.S. with 4,550 stores in 31 states and Washington, D.C. for \$9.4 billion. The transaction is expected to close in early 2017, subject to regulatory approvals and other customary closing conditions. With the combined stores, Walgreens will become the largest pharmacy chain in the country.



Kahului Area Overview



Situated on the northwestern part of Maui Island, Kahului (Population: 26,337) serves as Hawaii's retail and deep-draft harbor center. It is home to Maui's main airport (2.9 miles east of the site). The local economy is based on accommodation and food services, retail, and healthcare and the area benefits from a low unemployment rate of 3.3% which is well below the national average. The Kahului economy is favored to continue to thrive due to low airfares that keep domestic tourists flocking to Maui, strong house price growth, and dynamic port activity. Top points of interest include the Alexander & Baldwin Sugar Museum, Kanaha Pond State Wildlife Sanctuary, Kanaha Beach County Park, and the Maui Arts and Cultural Center. Today, Kahului is known as the shopping capital of the island. Among its various shopping centers are Queen Ka'ahumanu Center, Costco, Whole Foods, Home Depot, and the island's only Walmart. In addition, Kahului is also home to Hawaii's official sea port, Kahului Harbor. The large cruise ships often stop there overnight and the harbor experiences a steady influx of container ships, tourists, and surfers. Most of Maui's residents reside in Kahului due to the variety of jobs and available amenities.

State of Hawaii and Maui County Overview

Hawaii is an archipelago consisting of eight major islands. The capital of the State of Hawaii is Honolulu, which is located on the island of Oahu. Much of the State's attractiveness stems from its spectacular natural beauty and incomparable climate — the average temperature is a mild 80 degrees Fahrenheit year round. Hawaii has the best air quality in the nation, with virtually no air pollution, and residents enjoy one of the world's purest fresh water sources. Many of these factors are attributed to the fact that Hawaii has the longest life expectancy in the United States. In addition, Hawaii is one of the few resort destinations in the world that functions 365 days a year. It is the only place where mainland visitors can enjoy a tropical paradise, while still having the comfort and security of being within U.S. borders. Known around the world as a quality golf and resort destination, Hawaii offers visitors a relatively undisturbed natural environment with a host of activities including swimming, surfing, golf, horseback riding, hiking, biking, kayaking, fishing, sailing and epicurean dining.

POPULATION

The population of the State of Hawaii is currently estimated at 1.38 million people, representing growth of 13.92% over the 2000 census. The estimated number of households in the state is approximately 461,000, which is expected to grow steady at 4.01% over the next five years. Household income is estimated at \$80,000 with 59.6% of earnings totaling more than \$50,000. The average age of residents is 38.8 years. Maui County's population now stands at 163,019, which represents a 12.85% increase since the year 2010. Population is estimated to continue to grow over the next five years, increasing by 7.18%. Household income in Maui County is \$63,512 with 59.2% of households earning more than \$50,000.00. In addition to the economic contributions made by Maui's resident population, there is a strong visitor population that is not counted in the U.S. Census figures. These visitors tend to travel to Hawaii year-after-year, many of whom own second homes, timeshare interests and fractional ownership of vacation units. These travelers tend to stabilize the visitor market because the accommodations are paid for regardless of actual usage.



State of Hawaii and Maui County Overview

ECONOMY

Hawaii's Gross State Product stood at approximately \$77.4 billion for the fiscal year of 2014, the latest year for which data is available. Tourism and U.S. defense spending represent over 70% of the state's economic output. Major employers in Hawaii include the federal government, leisure and hospitality services, education and health care, professional and business services. The combination of low, long-term interest rates, a good employment market, vitality in the tourism sector, and significant U.S. defense spending is forecasted to provide stability to Hawaii's long-term economic landscape.

The Island of Maui contains an ideal mix of economic development, community mindset, and healthy lifestyle. Maui's incredible natural beauty and the tropical climate have encouraged the development of tourism as the most important sector of Maui's economy. Many visitors around the world now consider Maui as one of the top destinations anywhere. Two airports on the island add to the convenience in getting to and from Maui, as do a number of direct flights from the Mainland United States. The Kahului airport handles 90% of the air seats to and from Maui. Maui County welcomes over 2.52 million direct air seats annually and further benefits from an additional 540,000 interisland air seats from Oahu. Of the interisland flights to Maui, the vast majority (93%) flying to Kahului airport over Kapalua. Tourism is Maui County's primary business. The hotel segment of Maui has been a bright spot of the industry as a result of its high percentage of luxury and deluxe hotel rooms in comparison to State totals. Maui has over 20,000 visitor units which are mostly hotel rooms and condominiums, and to a small degree, timeshare, bed and breakfast, and specialty accommodations. The timeshare market is showing impressive growth and adding significant stability to the visitor market with its innovations in various ownership structures, exchange opportunities and upscale properties.

Non-tourism areas have seen more rapid growth in recent years, particularly government spending, construction, health care and business services as proven by Maui County's favorable unemployment rate of just 3.3%. Agriculture also plays a significant role in Maui's economy. Maui has the largest sugar cane and pineapple plantations in the State, employing approximately 1,500 people. Tropical flowers, fruits, coffee and vegetables continue to expand into domestic and international markets, supported with research from the University of Hawaii, Department of Tropical Agriculture. Maui comprises 22% of the state's total value of crop sales at \$124.5 million generated by over 800 active farms.

COMPANY

NUMBER OF EMPLOYEES

Towne Realty of Hawaii	2,001
Grand Wailea, A Waldorf Astoria Resort	1,400
Ritz-Carlton-Kapalua	1,000
Hyatt Regency	900
Maui Brand Sugar	800
Four Seasons-Maui	800
Maui Memorial Medical Center	800
Westin-Maui Resort & Spa	700
Four Seasons	700
Fairmont-Kea Lani	600
Makena Beach & Golf Resort	518
Wal-Mart Stores Inc.	500-999
Kaanapali Beach Club	500-999
Royal Lahaina Resort	500-999
Marriott-Wailea Beach Resort	250-499
Hale Makua	250-499
Tropica	250-499
Four Seasons-Lanai	250-499

Source: County of Maui: Comprehensive Annual Financial Report, Hawaii Workforce Infonet, May 2014



VISITOR OVERVIEW

State of Hawaii

2014 Visitor Statistics

3.18 Million
International Arrivals

7.44 days
Avg. Length of Stay

\$6.05B
Expenditures

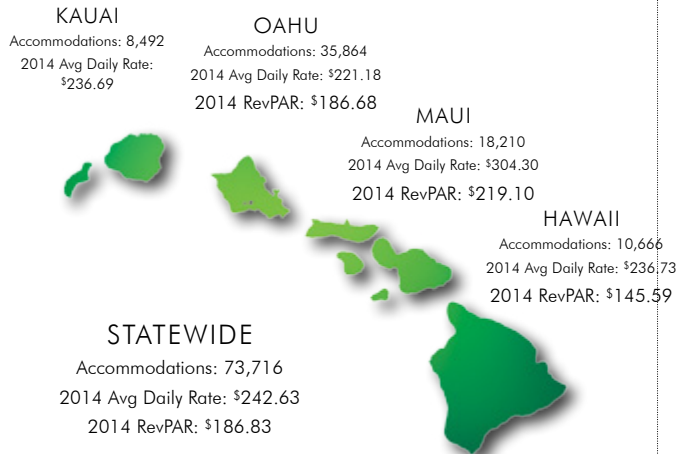
4.97 Million
Domestic Arrivals

10.02 days
Avg. Length of Stay

\$8.6B
Expenditures

8,174,461
TOTAL ARRIVALS IN 2014

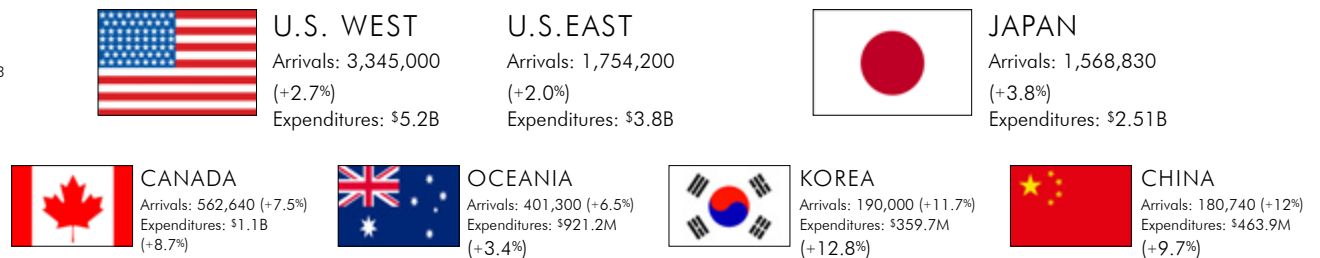
2014 Hotel Revenue and Accommodations



Direct Flights to Honolulu International Airport (HNL)



2015 Visitor Projections



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CONFIDENTIALITY AGREEMENT

This is a confidential Memorandum intended solely for your limited use and benefit in determining whether you desire to express further interest in the acquisition of the Property.

This Memorandum contains selected information pertaining to the Property and does not purport to be a representation of the state of affairs of the Property or the owner of the Property (the “Owner”), to be all-inclusive or to contain all or part of the information which prospective investors may require to evaluate a purchase of real property. All financial projections and information are provided for general reference purposes only and are based on assumptions relating to the general economy, market conditions, competition

and other factors beyond the control of the Owner and CBRE, Inc. Therefore, all projections, assumptions and other information provided and made herein are subject to material variation. All references to acreages, square footages, and other measurements are approximations. Additional information and an opportunity to inspect the Property will be made available to interested and qualified prospective purchasers. In this Memorandum, certain documents, including leases and other materials, are described in summary form. These summaries do not purport to be complete nor necessarily accurate descriptions of the full agreements referenced. Interested parties are expected to review all such summaries and other documents of whatever nature independently and not rely on the contents of this Memorandum in any manner.

Neither the Owner or CBRE, Inc. nor any of their respective directors, officers, Affiliates or representatives make any representation or warranty, expressed or implied, as to the accuracy or completeness of this Memorandum or any of its contents, and no legal commitment or obligation shall arise by reason of your receipt of this Memorandum or use of its contents; and you are to rely solely on your investigations and inspections of the Property in evaluating a possible purchase of the real property.

The Owner expressly reserved the right, at its sole discretion, to reject any or all expressions of interest or offers to purchase the Property, and/or to terminate discussions with any entity at any time with or without notice which may arise as a result of review of this Memorandum. The Owner shall have no legal commitment or obligation to any entity reviewing this Memorandum or making an offer to purchase the Property unless and until written agreement(s) for the purchase of the Property have been fully executed, delivered and approved by the Owner and any conditions to the Owner’s obligations therein have been satisfied or waived.

By receipt of this Memorandum, you agree that this Memorandum and its contents are of a confidential nature, that you will hold and treat it in the strictest confidence and that you will not disclose this

Memorandum or any of its contents to any other entity without the prior written authorization of the Owner or CBRE, Inc. You also agree that you will not use this Memorandum or any of its contents in any manner detrimental to the interest of the Owner or CBRE, Inc.

If after reviewing this Memorandum, you have no further interest in purchasing the Property, kindly return this Memorandum to CBRE, Inc.

DISCLAIMER

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Actual Location