



*Achieve
Ambitions*



 **CVS** pharmacy[®]

308 E. Cedar Street – Bristol, TN
Confidential Offering Memorandum



Table of Contents

01	Investment Summary	03
02	Market Overview	08
03	Tenant Overview	12
04	JLL Contacts	14



01

Investment Summary
CVS Pharmacy – Bristol, TN

The Offering

JLL is pleased to offer for sale the fee-simple interest in a single-tenant CVS Pharmacy (the “Property” or “Asset”) located in Bristol, TN. The Asset is leased to CVS Pharmacy, a staple investment-grade tenant among the net lease investor community. **The offering features accretive in-place financing, significantly reducing the equity requirement needed for acquisition of the Asset.**

INVESTMENT HIGHLIGHTS

- The Property possesses ideal net lease fundamentals, highlighted by an absolute NNN structure with zero landlord responsibilities, over 22 years of remaining primary term, attractive rent levels, and ten, five-year options to renew.
- The lease is guaranteed by CVS Health Corporation, the second largest retail pharmacy in the world, and possesses an investment-grade credit rating of Baa1 by Moody’s. CVS operates over 9,800 stores, 1,100 walk-in clinics, and employs over 240,000 people across the globe.
- The Asset is strategically located within Bristol and is subject to a very limited competitive pharmacy presence. No competing CVS Pharmacy or Walgreens is present within a three-mile radius of the Property.
- Originally located within the Bristol market as a highly successful in-line location, CVS located to a freestanding building as a result of strong sales growth and to increase its competitive presence. The relocation to a freestanding Asset signals the outstanding sales performance of the tenant over a long-term period.
- Bristol is currently experiencing an uptick in real estate development and investment. The market’s health is highlighted by a vacancy rate of 3.5% across all retail property types and an ongoing development of an 81-key Holiday Inn Express.
- Tennessee possesses strong financial incentives for net lease investment, including no state general income tax and no state property taxes. These market characteristics provide investors long-term stability in real estate investment.

PROPERTY SUMMARY

Address	308 E. Cedar Street Bristol, TN 37620
Tenant	CVS Pharmacy
Price / PSF	\$4,550,000 / \$377
Cap Rate	5.20%
Lease Expiration	1/31/2041
Parcel Size	1.21 Acres +/-
Building Size	12,059 SF
Ownership	Fee Simple
Annual Rent / PSF	\$236,986 / \$19.65
Escalations	None; Flat
Lease Term	25 Year Initial Term
Remaining Lease Term*	22.1 Years
Renewal Options	10 x 5 Years
Renewal Increases	Flat in Options 1 & 2; FMV Reset Thereafter
Lease Type	Absolute NNN
LL Responsibilities	None
In-Place Financing	See Page 5 for Details & Contact JLL for Additional Information

*As of 1/1/19



Accretive Financing

The existing financing on the Asset provides enhanced returns versus returns available in today's debt markets. The charts below show potential returns from the investment of the Asset versus a comparable CVS Pharmacy purchase with new financing.

INVESTMENT OF THE ASSET WITH ASSUMED FINANCING

Financing Assumptions	
Loan to Value (at time of Loan Execution)	70%
Going-In Cap Rate	5.20%
Interest Rate	4.31%
Average Equity Yield	3.2%
Equity Multiple	1.50x
Leveraged IRR	5.7%

INVESTMENT OF A COMPARABLE CVS ASSET WITH NEW FINANCING

Financing Assumptions	
Loan to Value	65%
Going-In Cap Rate	5.25%
Interest Rate (10-Yr Treasury + 200 bps)	5.23%
Average Equity Yield	2.9%
Equity Multiple	1.39x
Leveraged IRR	4.6%



Property

CVS Pharmacy – Bristol, TN – Lease & Loan Abstract

Tenant	Tennessee CVS Pharmacy, LLC.
Guarantor	CVS Health Corporation
Address	308 E. Cedar Street
City, State	Bristol, TN
GLA	12,059 SF
Parcel Size	1.21 Acres +/-
Original Contractual Lease Term	25 Years
Lease Type	Absolute NNN
Rent Commencement	10/16/2015
Current Term Expiration	1/31/2041
Term Remaining*	22.1 Years
Annual Rent	\$236,985
Rent PSF	\$19.65
Increases	Flat
Options	10 x 5 Years
Extension Notice	180 Days
Parking	36 Spaces +/-
Drive-Thru	Yes
Assignment/Sublease	Does not require Landlord consent but holds Guarantor liable for obligations of Tenant
Taxes	Tenant Responsibility
Insurance	Tenant Responsibility
Utilities	Tenant Responsibility
Maintenance	Tenant Responsibility
Landlord Responsibilities	None
Use of Premises	Any lawful use and may operate on an "extended-hours basis" (defined as being open for business in excess of 110 hours per week).
ROFR	Yes (only in Extension Periods); Tenant's response required no later than 20 days after notice of Offer
*As of 1/1/2019	
Loan Value	Not to exceed the lesser of (i) \$3,189,000 or (ii) 70% of the "as is leased fee market value"
Current Loan Balance	\$3,085,853
Rate	4.31%; The yield of the then 10 year U.S. Treasury issues subject to a floor rate of 2.00% plus 200 basis points and will remain in effect through Loan Maturity
Loan Term	10 Years
Amortization	30 Years
Prepayment	<i>The Loan may be prepaid at any time only in full together with a prepayment fee calculated as follows: 5% of the principal amount prepaid during the first two Loan years reducing by 1% for each two year period thereafter through Loan Maturity. The Borrower may (i) prepay up to 10% of the principal balance of the Loan each year on a non-cumulative basis without incurring a prepayment fee and (ii) prepay the Loan in full without any prepayment premium during the ninety (90) day period immediately preceding Loan Maturity.</i>
Recourse	Bank will require personal guarantees from Ownership as well as any other individual that has a 15% interest or greater in the Borrower limited to \$1,100,000 to remain in place until full repayment of the Loan.

VICINITY MAP

SCHEDULE B ITEMS

5. Subject for review shown on the Plan of record in Plot Book 54, Page 533, Registrar's Office for Sullivan County, Tennessee. APPLIES AND ANALYZES THE SUBJECT PROPERTY AS PLOTTED AND SHOWN HEREON.
6. Permanent Street Sewer Easement to the City of Bristol, Tennessee, recorded in Book 460, Registrar's Office for Sullivan County, Tennessee. APPLIES AND ANALYZES THE SUBJECT PROPERTY AS PLOTTED AND SHOWN HEREON.
7. Permanent Street Sewer Easement to the City of Bristol, Tennessee, recorded in Book 337, Page 1876, Registrar's Office for Sullivan County, Tennessee. APPLIES AND ANALYZES THE SUBJECT PROPERTY AS PLOTTED AND SHOWN HEREON.
8. Easement Agreement by and between DEB 2774 TN, LLC, a Delaware limited liability company and TECTA Management Services, recorded in Book 337, Page 1879, Registrar's Office for Sullivan County, Tennessee. APPLIES AND ANALYZES THE SUBJECT PROPERTY AS PLOTTED AND SHOWN HEREON.
9. Permanent Street Sewer Easement to the City of Bristol, Tennessee, recorded in Book 3138, Page 1876, Registrar's Office for Sullivan County, Tennessee. APPLIES AND ANALYZES THE SUBJECT PROPERTY AS PLOTTED AND SHOWN HEREON.

TOTAL LAND AREA:
62,702± Square Feet
1.439± Acres

"We strongly recommend surveyors to take note of the parties involved and make every effort to get involved in the planning process to avoid problems," we advise surveyors. "After all, calculations and the presentation of surveying results are final." The Matthews Company, Inc., and Norman Lee Surveys LLC are members of Matthews Company, Inc. and Norman Lee Surveys LLC's corporate disclosures are both items not covered in the Surveyors' Calculations.

Please be advised that The Matthews Company, Inc. and Norman Lee Surveys, president alternative party words in the Surveyors' Calculations.

02

Market Overview

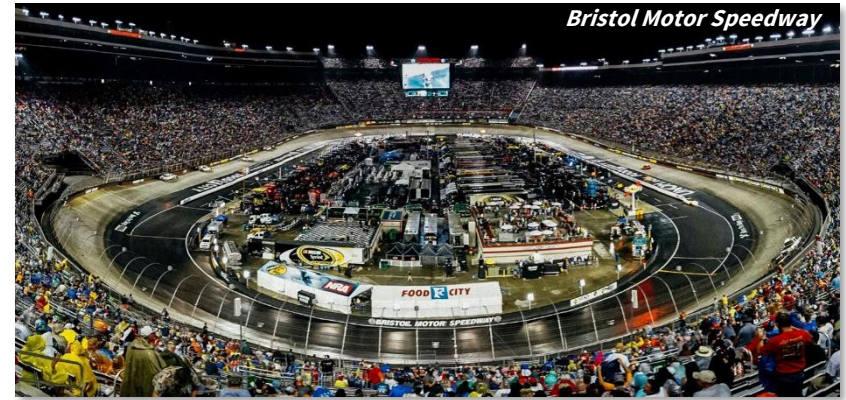
CVS Pharmacy – Bristol, TN

Market

Bristol, Tennessee

Located less than 85 miles from Asheville, 110 miles northeast of Knoxville and 160 miles northwest of Charlotte, Bristol is a city which lies directly across the state line between Tennessee and Virginia. Bristol, along with Kingsport and Johnson City, comprise the "Tri-Cities" region of Tennessee and Virginia (home to over 500,000 residents). The U.S. Congress declared Bristol to be the "Birthplace of Country Music", recognizing its contributions to early country music recordings and influence. As a result, *The Birthplace of Country Music Museum* is located in Bristol.

Tennessee possesses strong financial incentives for business operations, **including no state general income tax and no state property taxes**. These market characteristics provide investors long-term stability in real estate investment.



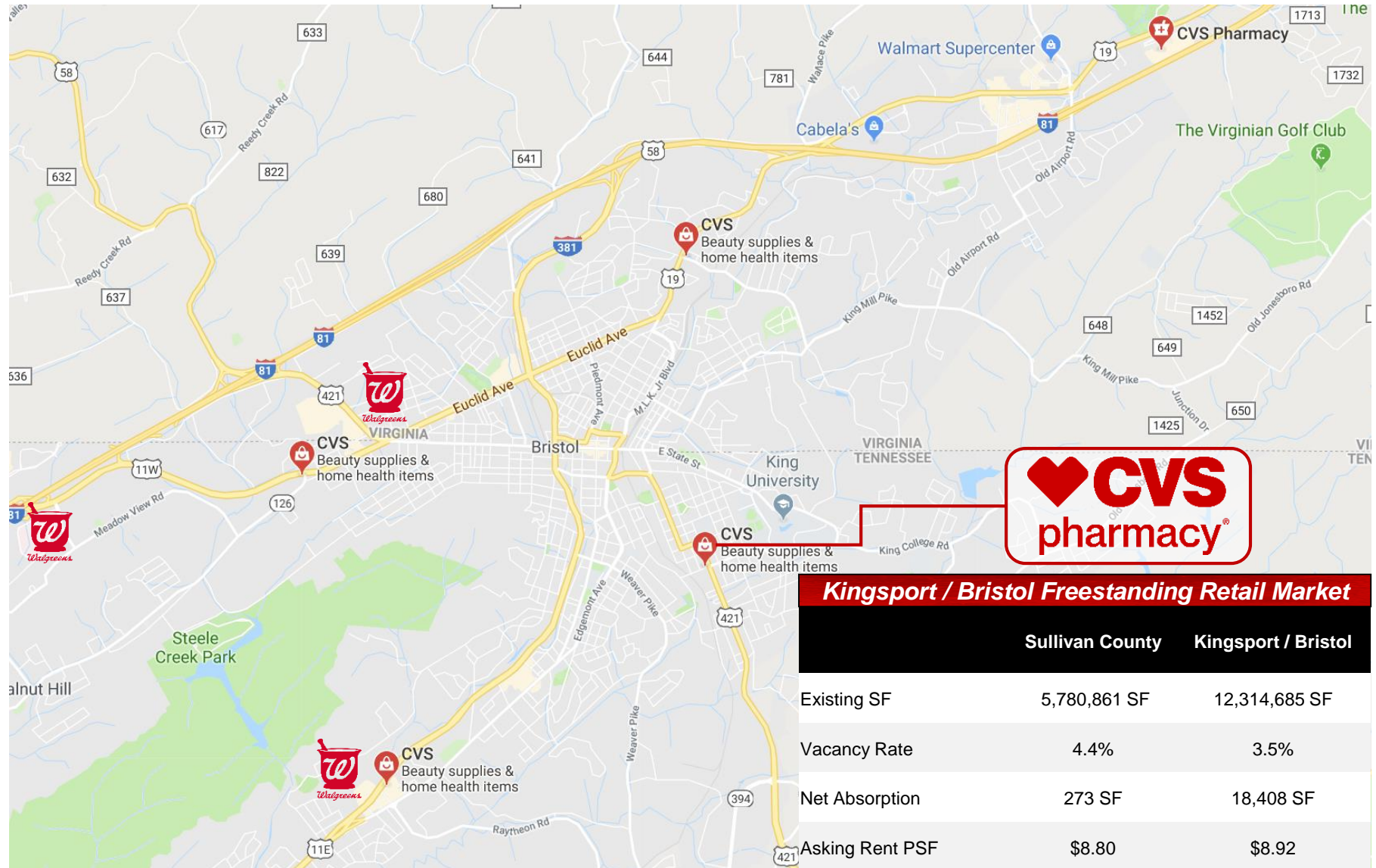
Location Highlights - Bristol

- Bristol has experienced an uptick in active real estate development, highlighted by an ongoing development of an 81-key Holiday Inn Express.
- Bristol is home to the Bristol Motor Speedway, a NASCAR short track that is one of the most well-known tracks in the county.
- Bristol Motor Speedway is the **third largest sports venue in the country**, with seating for over 165,000 spectators.
- Bristol Tennessee City Council is expected to accept a Federal Highway Administration planning grant of about \$190,000 from the Tennessee Department of Transportation for transportation planning activities in the city such as traffic counts, intersection capacity analysis and transportation development. The city is also in the process of developing a new middle school, furthering its investment in education services for the community.

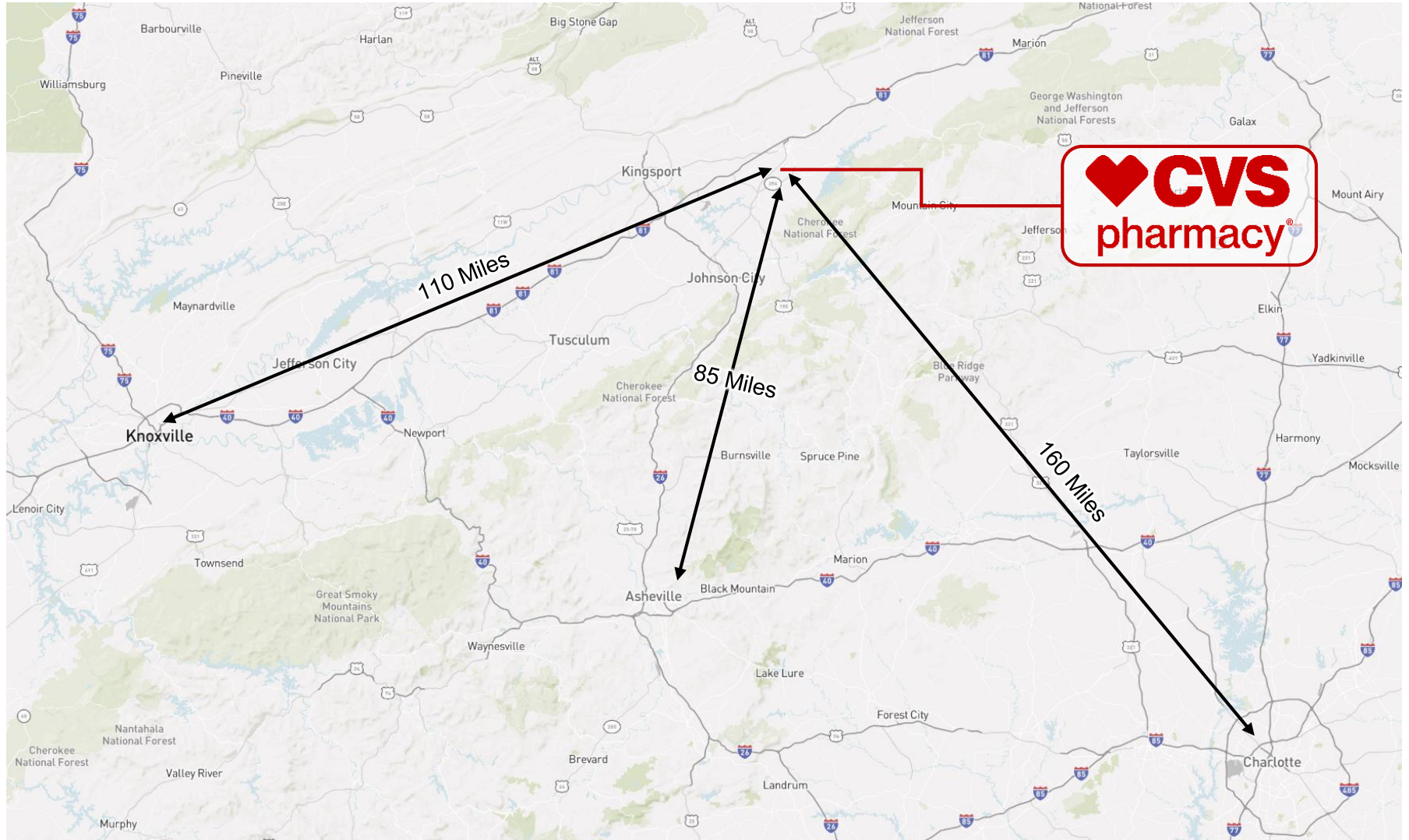
Demographic Information

	1-mile radius	5-mile radius	10-mile radius
POPULATION			
2018 Estimate	7,941	54,191	86,415
2018 Number of Households	3,266	23,229	36,409
ESTIMATED HH INCOME			
Less than \$35,000	51.9%	44.3%	42.7%
\$35,000 - \$49,999	18.4%	16.7%	15.8%
\$50,000 - \$74,999	14.5%	16.8%	17.5%
\$75,000 - \$99,999	8.1%	9.7%	10.1%
More than \$100,000	7.1%	12.6%	14.1%
Average HH Income	\$44,717	\$55,842	\$57,804
Median HH Income	\$32,827	\$38,986	\$40,706

Competitive Landscape Analysis – No CVS or Walgreens within a three-mile radius of the Asset



Proximity to Surrounding Southeastern Markets



03

Tenant Overview

CVS Pharmacy – Bristol, TN



The Tenant



CORPORATE GUARANTY

- The lease has over 22 years remaining and is guaranteed by CVS Health Corporation – the second largest retail pharmacy in the world, controlling nearly 30% of market share.
- CVS operates over 9,800 stores, 1,100 walk-in clinics, and employs over 240,000 people across the globe.

CORPORATE STRATEGY

- CVS now offers one and two-day delivery options, adding to their same-day delivery provided in a growing number of cities, in an effort to combat Amazon from taking market share in the retail pharmaceutical industry. However, studies suggest that consumers prefer the reliability and routine of purchasing drugs in-store from a pharmacist with whom they are comfortable. Furthermore, studies show that delivery is only reliable for those with long-term, chronic diseases, as those with short term illness such as a sinus infection or the flu would prefer not to wait for online delivery.

MERGER WITH AETNA

- Announced in December 2017, CVS is undergoing a \$69 billion merger with Aetna to assemble an unmatched giant in the healthcare industry. With about \$245 billion in combined revenue, the merger will redefine the way individuals access health care services in retail/pharmacy locations.

A pharmacy innovation company



Contact Information

ADVISORS

Jordan Uttal
JLL Capital Markets
+1 213 239 6222
jordan.uttal@am.jll.com

BROKER OF RECORD

Taylor Wolfes
JLL Capital Markets
+1 404 995 2275
taylor.wolfes@am.jll.com
TN License #: 318008

ANALYST SUPPORT

Alex Geanakos
JLL Capital Markets
+1 312 228 3866
alex.geanakos@am.jll.com



8515 S. Flower St Suite 1300 | Los Angeles, CA 90071

www.us.jll.com/capitalmarkets