



RITE AID

CORPORATE LEASE | HIGH VOLUME RELOCATION STORE | 10-YEAR OPERATING HISTORY



OFFERING MEMORANDUM
PALMDALE, CALIFORNIA



HANLEY INVESTMENT GROUP
REAL ESTATE ADVISORS



RITE AID

OFFERING MEMORANDUM

PALMDALE, CALIFORNIA

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OFFERING SUMMARY

RITE AID



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LOCATION

Rite Aid

37950 47th Street E

Palmdale, CA 93522

OFFERING SUMMARY

Price:	\$7,475,000
Current Net Operating Income (NOI):	\$448,373
Capitalization Rate:	6.00%
Net Rentable Area:	17,272
Year Built:	2008
Lot Size (Acres):	1.82

FINANCING SUMMARY

All Cash or Cash to New Financing

(Contact Hanley Investment Group for Further Details)





- **Single-Tenant Drug Store Investment:**

- Relocation store; Rite Aid strategically relocated from a nearby inline location to a preferred standalone format with a drive-thru
- 9+ years remaining on a 20-year lease; 10-year operating history
- NNN lease; minimal landlord responsibilities
- Six 5-year options with 5% increases
- Corporate guaranteed lease (NYSE: RAD); 3rd largest drug store chain in the U.S.; 2,550 locations in 19 states
- 2018 revenue of \$21.5 billion

- **Strong Nearby Tenant Synergy:** Nearby regional and national tenants include Super Target, Walmart Supercenter, Bath & Body Works, Burger King, Chase Bank, CVS/pharmacy, El Pollo Loco, Home Depot, Lowe's, PetSmart, Ross Dress for Less, Stater Bros., Subway, Taco Bell, Vallarta Supermarkets, and Wells Fargo

- **Signalized Intersection Location:** Over 37,000 cars per day at the intersection of 47th Street and Avenue R





- **High Growth Demographics:**
 - Consistently ranked in the top 25 "Fastest Growing Cities in the United States" over the last 25 years; 39% population increase since 2000
 - 32nd most populous city in California and 158th nationally
 - Approximately 123,000 people within a 5-mile radius of the subject property
- **Site of Employment Growth:** Palmdale is estimated to benefit from approximately 6,000 new jobs created from Northrup Grumman Corporation, recently being awarded \$60 billion in U.S. Government contracts to expand their Palmdale facilities to build Stealth Bombers
- **Palmdale is Home to Major Operations of Many Aerospace Companies:**
 - **Northrop Grumman Corporation:** \$6.7 billion global defense and technology company; currently under U.S. Government contract to build a new fleet of 80 to 100 long-range bombers, which could eventually cost more than \$80 billion
 - **Lockheed Martin Corporation:** Largest defense contractor in the Antelope Valley with over 3,700 employees
 - **Boeing:** World's leading aerospace company and largest manufacturer of commercial jetliners and military aircrafts



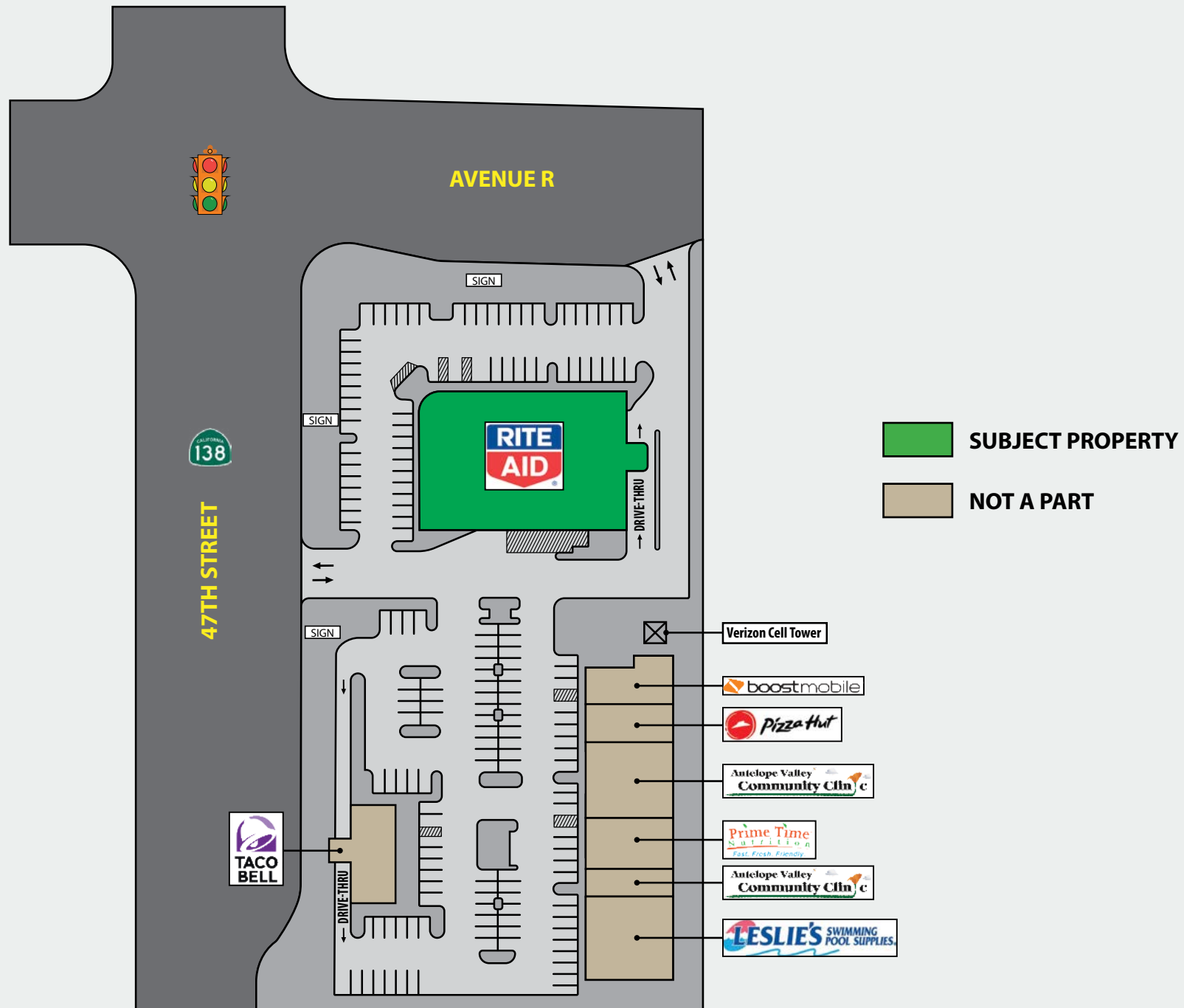
LEASE SUMMARY (1)

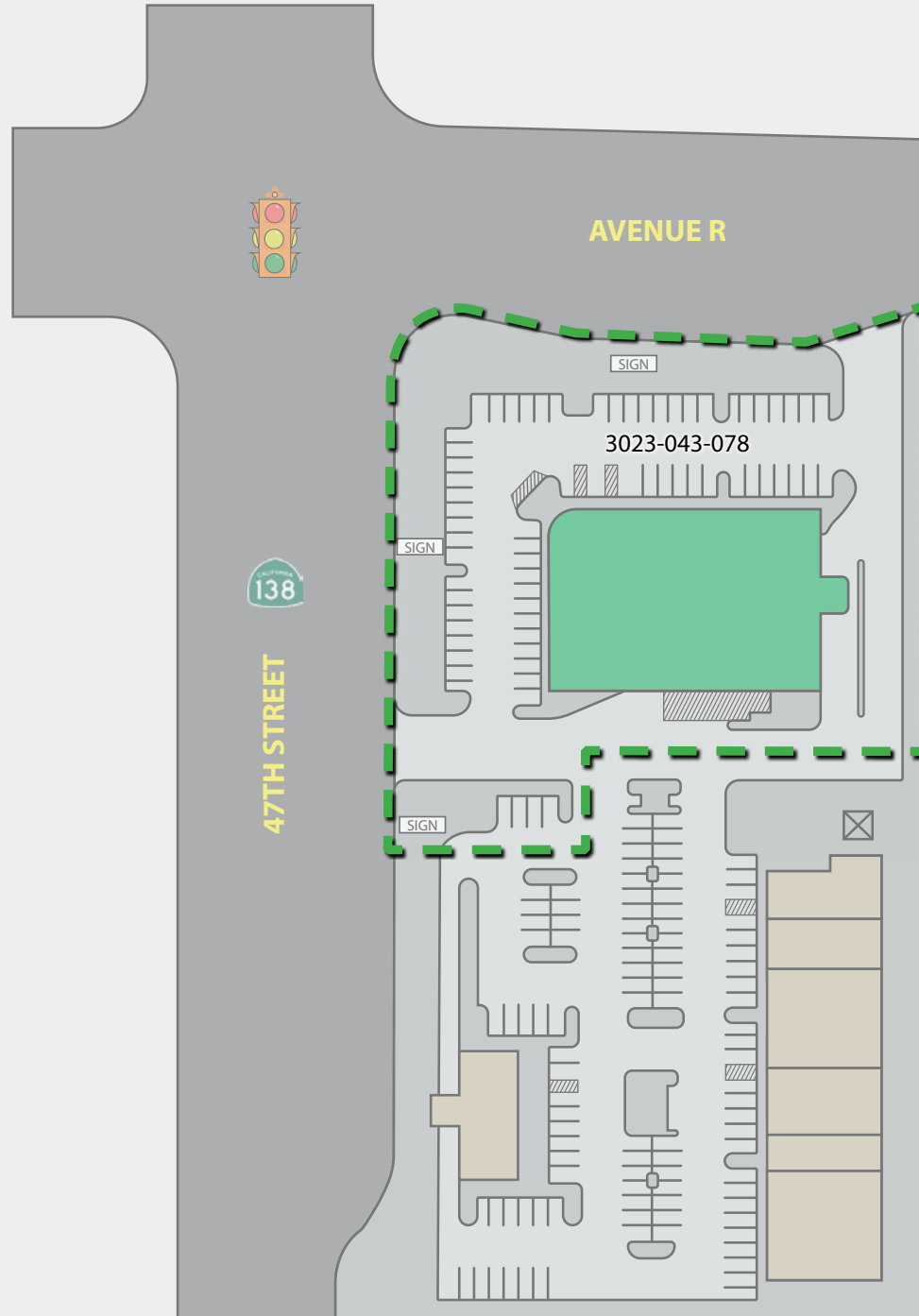
Tenant:	Rite Aid	Rental Increases:	In Options
Lease Commencement:	May 22, 2008	Renewal Options:	Six 5-Year @ 5% Each Option
Lease Expiration:	May 31, 2028	Property Taxes:	Tenant Responsibility
Lease Type:	NNN	Insurance:	Tenant Responsibility
Net Operating Income:	\$448,373	Common Area Maintenance:	Tenant Responsibility
Net Rentable Area:	17,272	Roof & Structure:	Landlord Responsibility

NOTES

(1) All lease provisions to be independently verified by Buyer during the Due Diligence Period.







 **SUBJECT PROPERTY**

 **PROPERTY PARCEL**

APN: 3023-043-078



AERIAL OVERVIEW

RITE AID



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DEMOGRAPHICS



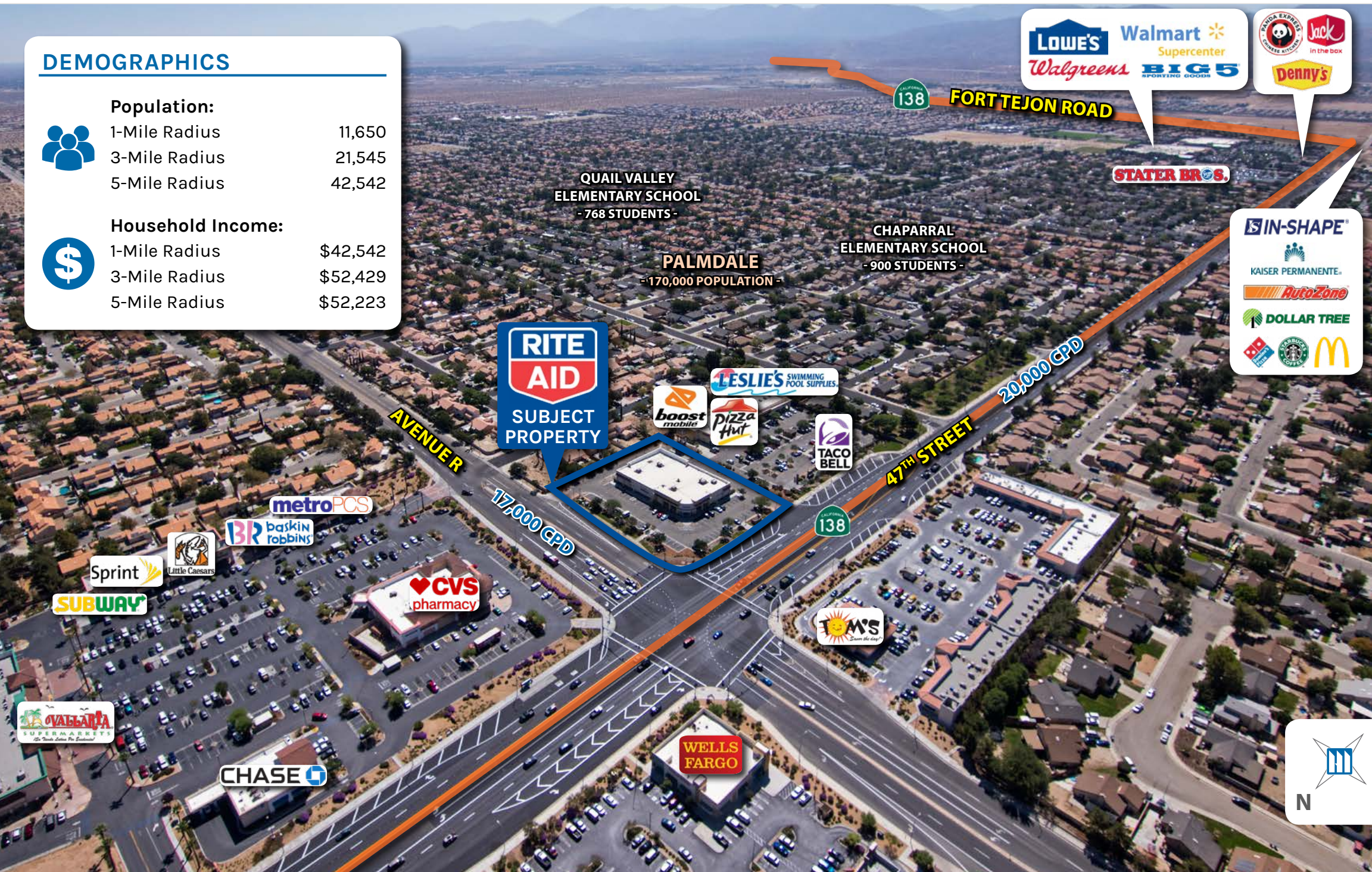
Population:

1-Mile Radius	11,650
3-Mile Radius	21,545
5-Mile Radius	42,542



Household Income:

1-Mile Radius	\$42,542
3-Mile Radius	\$52,429
5-Mile Radius	\$52,223





5 MILES FROM NOTABLE PALMDALE AEROSPACE COMPANIES

Northrop Grumman Corporation: Northrop Grumman Corporation: \$6.7 billion global defense and technology company; \$80 billion US Government contract to build 80-100 Stealth Bombers; recently awarded \$60 Billion in US Government contracts to expand their Palmdale facilities (6,000 new jobs)

Lockheed Martin Corporation: Largest defense contractor in the Antelope Valley (3,700+ employees)

Boeing: World's leading aerospace company and largest manufacturer of commercial jetliners and military aircrafts

**CACTUS
MIDDLE SCHOOL**
- 870 STUDENTS -

**PALMDALE
HIGH SCHOOL**
- 2,700 STUDENTS -

PALMDALE
- 170,000 POPULATION -



GUIDANCE CHARTER SCHOOL
- \$35 MILLION FUTURE DEVELOPMENT -
- 87,000 SF CAMPUS -

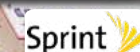
**37,000 CPD
- INTERSECTION -**

138

47TH STREET

AVENUE R

**RITE
AID**
SUBJECT
PROPERTY

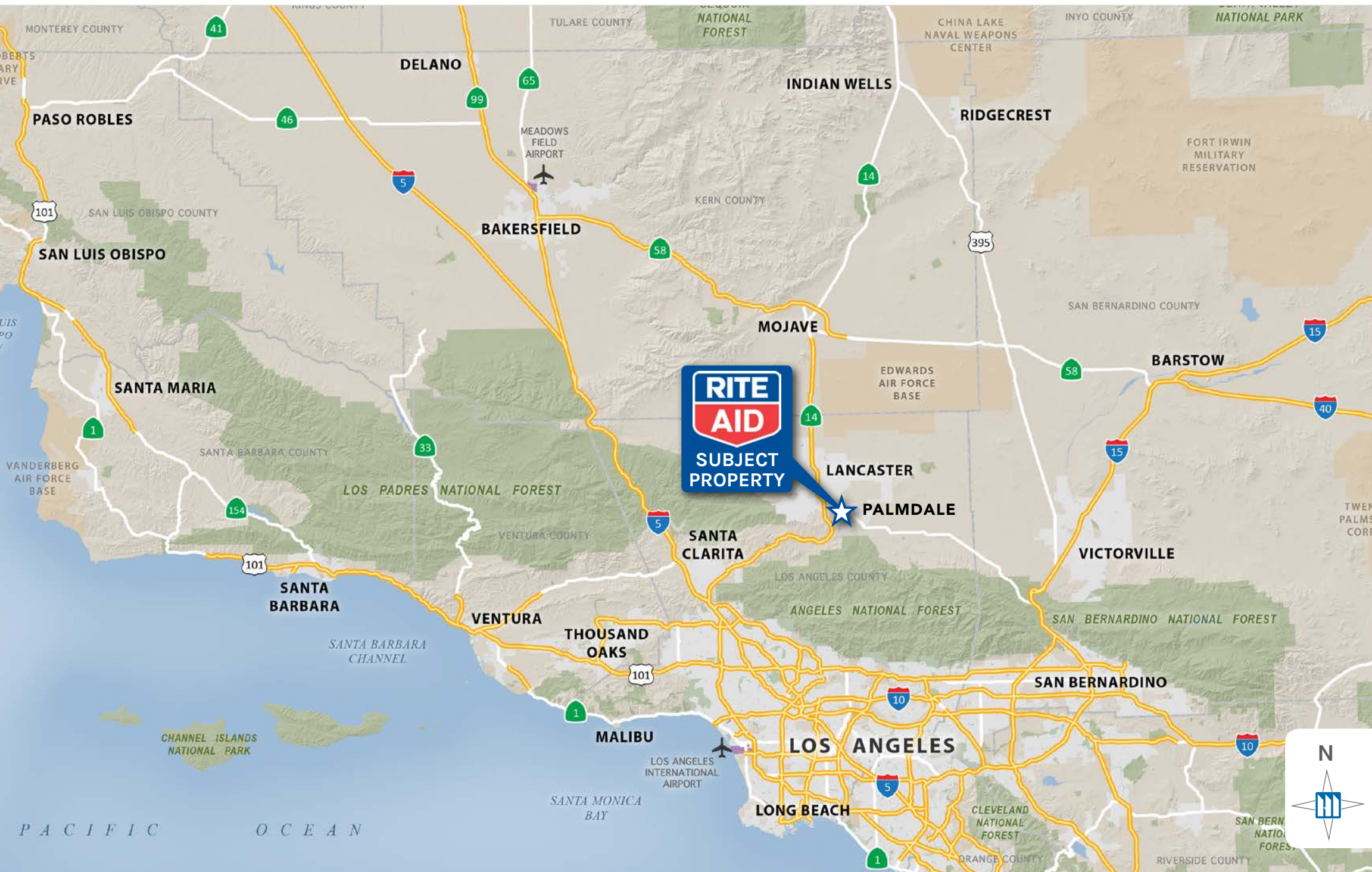


REGIONAL MAP

RITE AID



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The information contained herein has been obtained from sources we deem reliable. We cannot assume responsibility for its accuracy.



Rite Aid is the 3rd largest retail drugstore chain in the U.S. based on both revenue and number of stores. The company operates 2,550 stores in 19 states across the country and employs 59,000 retail pharmacy associates. Each store sells a wide variety of prescription drugs and merchandise. The company reported a \$21.5 billion annual fiscal revenue in 2018, with prescription drug sales accounting for 65.9% of total sales. Retail pharmacy segment revenues were \$15.8 billion and revenues in the pharmacy services segment were \$5.9 billion.

Rite Aid is different from other national chain drugstores, in part, through their innovative merchandising, private brands, and their strategic partnership with GNC, a leading retailer of vitamin and mineral supplements. Each store offers a wide variety of products through Rite Aid's portfolio of private brands, which contributed approximately 18.7% of their front-end sales in fiscal 2018. As of March 2018, 60% of Rite Aid stores were freestanding; 53% included a drive-thru pharmacy; and 59% included a GNC store within a Rite Aid store. The company also relocated 20 stores, remodeled 179 stores, expanded 3 stores, and opened 3 stores this year.

The company is continuing to find new ways to expand their services by expanding the role of Rite Aid pharmacists in delivering wellness services that go beyond filling prescriptions. A key area of focus has been Rite Aid's immunizations program, which has grown significantly in recent years. In fiscal 2018, Rite Aid's pharmacists administered an all-time company record of 4.4 million immunizations, including more than 2.7 million shots from continuing operations. Immunizations will continue to be a key priority for the company in fiscal 2019 as they continue promoting the value of immunizations that protect against conditions like influenza, shingles, pneumonia, and whooping cough. Rite Aid said it expects sales to be between \$21.7 billion and \$22.1 billion in fiscal 2019 with adjusted EBITDA is expected to be between \$615.0 million and \$675.0 million.

In 2017, Walgreens agreed to purchase 1,932 stores, 3 distribution centers, and related inventory for \$4.4 billion from Rite Aid, which was transferred in two increments. In March 2018, Rite Aid completed transferring 1,932 stores for \$4.157 billion and is currently transferring the rest as of September 2018.

Company Type:	Public (NYSE: RAD; S&P: B)
Locations:	2,550
Website:	www.riteaid.com



Palmdale, California

- 6th largest city in the 88-city Los Angeles County
 - 1 hour northeast of Downtown Los Angeles along California State Route 14
- 170,000 population; estimated to grow to 206,000 by 2040
 - Relatively young population; 31.5 median age

ECONOMY

- Upper-middle class community with an average household income of \$73,518 that is projected to grow 14.7% between 2017-2022
- Thriving city of nearly 10,000 businesses and has been on the leading edge of breakthroughs in aerospace, materials science, energy, and the environment
- 1.4% increase seen in the job market over the last year
 - 35.8% future job growth predicted over the next 10 years
 - CarMax, the largest used car retailer in the U.S., opened its 11th reconditioning center in April 2017 which created an additional 200 jobs
- There are special tax breaks granted for companies that relocate to Palmdale's Antelope Valley Enterprise Zone and Federal Foreign Trade Zone
 - These zones were put in effect to help Palmdale diversify their economies
- Home to some of the world's largest aerospace companies as well as a growing number of high-tech manufacturers
 - Delta Scientific is a company based in Palmdale, California as a worldwide security corporation
 - ◆ They have several systems in over 160 U.S. embassies and consulates in over 130 countries
- Largest industries are healthcare and social assistance; retail trade; and manufacturing
 - Palmdale Regional Medical center is one of the largest hospitals in the area
 - ◆ Features 184 licensed acute care beds and a 35-bed 24-hour emergency department
 - ◆ 1,100 employees
- California High Speed Rail Project is moving forward to connect Palmdale to the Hollywood Burbank Airport
 - 15-20 minute rail trip
 - Goal is to connect San Francisco Bay to the Los Angeles Basin via the Central Valley with Palmdale as a future stop



PALMDALE REGIONAL MEDICAL CENTER



DELTA SCIENTIFIC PALMDALE HEADQUARTERS



CALIFORNIA HIGH SPEED RAIL

Antelope Valley, California

- Southeast portion of Kern County and constitutes the western tip of the Mojave Desert
- Made up of a number of high desert communities in northern Los Angeles County; principal cities include Palmdale and Lancaster
- Landscape has undergone a substantial transformation due to exponential growth and development over the last 40 years
 - 542,803 population that is projected to grow to 577,677 by 2022
- Experienced phenomenal growth by assuming the role of a Los Angeles Basin commuter suburb
 - 71,000 Antelope Valley residents commute daily into the greater Los Angeles area for work
- Its natural resources of wind and solar is a major contributor to California's aggressive renewable energy targets, which is to produce 33% of their energy from renewable sources
- Easy access to key transportation corridors, rail service, and three of the country's top seaports, have all helped drive the development of high-technology enterprises in the region
 - Antelope Valley Transit Authority (AVTA) recently announced an additional \$6.84 million in funding to achieve Zero Net Energy in their goal to lead in the alternative energy arena
 - ◆ AVTA provides local and commuter service to over 450,000 residents
- Entertainment industry has shot 252 projects, contributing \$8 million to the area's economy

AEROSPACE

- Houses a large aerospace industry with future growth as aerospace business and research entities continue to invest in the area
- **Lockheed Martin Corporation:**
 - American global aerospace, defense, security, and advanced technologies company
 - Formed by the merger of two premier technology companies, Lockheed Corporation and Martin Marietta Corporation
 - Largest defense contractor in the Antelope Valley with over 3,700 employees
 - One of the primary drivers of the local economy
 - The Antelope Valley location is home to the iconic Skunk Works, which exists to create revolutionary aircraft and technologies for the nation's most pressing needs
 - It is estimated that every job Lockheed creates, an additional 3-4 indirect and induced jobs are created in the local economy



ANTELOPE VALLEY POPPY RESERVE



ANTELOPE VALLEY FILM SITE



LOCKHEED MARTIN CORPORATION



- **Northrop Grumman Corporation:**

- \$6.7 billion global defense and technology company
- One of California's largest employers
- 70,000 employees across the world provide innovative systems, products, and solutions in information and services, electronics, and aerospace to government and commercial customers worldwide
- Planning a major expansion for its Air Force Plant 42 facility
 - ◆ Recently the company was awarded a top secret contract from the federal government in 2015
 - ◆ \$80 billion defense contract that includes building 100 B-21 stealth bombers by the mid 2030s
 - ◆ Recently awarded \$60 billion in U.S. government contracts to expand their Palmdale facilities
 - ◆ About 30% to 50% of the Air Force's \$2 billion B-21 budget for fiscal 2018 is flowing through Northrop
 - ◆ Northrop is currently expanding their facility by an additional 50%, adding about 1 million square feet of space, to accommodate the order
 - ◆ Plant currently has 3,000 employees and expects to grow to 5,200 by late 2019
 - ◆ Increased workforce will spark housing and commercial development
 - ◆ Facilities also accommodate the company's work on the B-2 bomber, the F-35 fighter, the Global Hawk reconnaissance aircraft, and other future programs
 - ◆ Secret contracts such as the B-21 made up more than 20% of Northrop sales in 2016
 - ◆ Expected to become Northrop's largest cash cow, which could run for two decades
 - ◆ Northrop is working with Antelope Valley College, a local community college, to develop an eight-week training program for aircraft fabrication and assembly

- **Edwards Air Force Base:**

- 308,000-acre airbase with 29,000 feet of runways, located 22 miles northeast of Lancaster
- Home of the Air Force Test Pilot School and the 412th Test Wing of the U.S. Air Force
- Largest employer in the area with 12,000 personnel
 - ◆ Payroll for the base is around \$700 million, along with nearly \$400 million in expenditures
- \$2.7 billion economic impact (2016)
- Houses NASA's Neil Armstrong Flight Research Center
 - ◆ Primary center for atmospheric flight research and operations
 - ◆ Employs more than 1,370 personnel at its two campuses at Edwards Air Force Base and Palmdale
 - ◆ Operates several of NASA's Science Mission Directorate aircraft including SOFIA (Stratospheric Observatory for Infrared Astronomy), the largest airborne astronomical observatory



NORTHROP GRUMMAN



EDWARDS AIR FORCE BASE



NEIL ARMSTRONG FLIGHT RESEARCH CENTER

CLICK FOR
VIDEO





- **Boeing:**

- World's leading aerospace company and largest manufacturer of commercial jetliners and military aircrafts
- 19,000 employees in California; one of the state's largest private employers
 - ◆ The Boeing team at Palmdale-Edwards Air Force Base has 850 employees and provides products and services for NASA and the Department of Defense
- In the Antelope Valley, Boeing conducts ground and flight testing of both military and commercial products

- **Scaled Composites, LLC:**

- An aerospace and specialty composites development company that is a wholly owned subsidiary of Northrop Grumman Corporation
- Focused on air vehicle design, tooling and manufacturing, specialty composite structure design, analysis and fabrication, and developmental flight tests of air and space vehicles
- \$10 million Anzari X-Prize winner for becoming the first privately manned spacecraft to exceed an altitude of 328,000 feet twice within 14-day period
- On average, the company launches one first flight of a unique, new airplane per year
- The company has been working with Stratolaunch for the past 5 years designing, building, and testing the world's largest aircraft
 - ◆ Partnering with Paul Allen, billionaire co-founder of Microsoft, the goal is to help rockets get a head start on their journey to space by strapping them under the planes wing to lower the cost of spaceflight and satellite launches

- **Mojave Air and Space Port:**

- World renowned flight research center spanning 3,300 acres, hosting the latest and most advanced aeronautical designs
- First facility to be licensed in the U.S. for horizontal launches of reusable spacecraft
- Energetic commercial space hub that draws projects bankrolled by British billionaire Richard Branson, Microsoft Corp. co-founder Paul Allen, and other aerospace visionaries
- Home to 69 companies which have brought about 2,500 jobs
 - ◆ They have 14 space related firms, 2 of which have won X-Prize events over the past 5 years
 - ◆ Companies at Mojave are trying to make space travel for tourists as common as cross-country commercial airline flights or try to win NASA Contracts
 - ◆ NASA has begun hiring privately funded start-up companies for spacecraft development and outsourcing missions



BOEING



SCALED COMPOSITES LLC



MOJAVE AIR AND SPACE PORT

	<u>1-Mile</u>	<u>3-Mile</u>	<u>5-Mile</u>
Population			
2021 Projection	18,771	88,993	127,524
2017 Estimate	17,743	83,623	122,691
2010 Census	16,993	79,648	116,520
2000 Census	13,904	60,715	95,391
Growth 2000-2010	22.22%	31.18%	22.15%
Growth 2010-2017	4.41%	4.99%	5.30%
Growth 2017-2021	5.79%	6.42%	3.94%
Households			
2021 Projection	5,049	23,870	35,080
2017 Estimate	4,699	22,062	33,157
2010 Census	4,502	21,036	31,499
2000 Census	3,855	17,336	27,651
Growth 2000-2010	16.78%	21.34%	13.92%
Growth 2010-2017	4.38%	4.88%	5.26%
Growth 2017-2021	7.45%	8.20%	5.80%
2017 Est. Population by Single-Classification Race			
White Alone	7,809	37,371	54,266
Black or African American Alone	2,605	12,025	17,582
American Indian and Alaska Native Alone	181	736	1,116
Asian Alone	546	2,801	3,668
Native Hawaiian and Other Pacific Islander Alone	46	142	233
Some Other Race Alone	5,550	25,722	38,550
Two or More Races	964	4,588	6,921
2017 Est. Population by Ethnicity (Hispanic or Latino)			
Hispanic or Latino	11,765	54,831	80,321
Not Hispanic or Latino	5,978	28,792	42,370
2017 Est. Average Household Income	\$67,589	\$65,770	\$60,123

CONFIDENTIALITY AGREEMENT

RITE AID



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\$6 BILLION
retail sales nationwide



SHARED DATABASE
collaborative proprietary database



#5 TOP RETAIL BROKER
of top 25 nationwide



COSTAR POWER BROKER
top sales brokers & firm in OC



NATIONWIDE REACH
retail & investors across the U.S.