

# Walgreens

## OFFERING MEMORANDUM

*Fully Leased Walgreens-  
Anchored Shopping Center  
in Santa Clarita*

Marcus & Millichap





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# PRIME MULTI-TENANT RETAIL INVESTMENT

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# **“MOST BUSINESS FRIENDLY CITY IN LA COUNTY”**

**BY LA ECONOMIC  
DEVELOPMENT  
CORPORATION**





*Walgreens*



COPPER HILL DRIVE

HASKELL CANYON DRIVE





An aerial photograph of a suburban neighborhood with numerous houses and trees. A large, semi-transparent red diagonal band runs from the top-left towards the bottom-right, serving as a background for the text.

## *OFFERING HIGHLIGHTS*

LIST PRICE

**\$8,000,000**

CAP RATE

**5.27%**

REMAINING TERM

**13 Years**

CONSTRUCTION

**2006**





# EXECUTIVE SUMMARY

**Marcus & Millichap, as exclusive advisor, is pleased to present the fee simple interest in Canyon Heights (the "Property"), a Walgreens-anchored multi-tenant retail strip center in Santa Clarita, California. Located at 28460 Haskell Canyon Road, Santa Clarita, the Property benefits from its dense infill neighborhood location. Santa Clarita is the third largest city in Los Angeles County and is located approximately 30 miles northwest of Los Angeles. Santa Clarita is ranked one of the top 10 safest cities in California and as the 18th best place to live in the United States.**

The Property consists of five total units, including the anchor tenant, Walgreens. The Property is a total of 18,345 square feet, situated on a 1.76 acres lot at the intersection of Copper Hill Drive and Haskell Canyon Road. The Property is currently 100% occupied making this stabilized asset an ideal opportunity for any investor. Built in 2006, the Property consists of all NNN leases with all tenants having a minimum of three years remaining and multiple tenants exercising their option periods.

This passive investment property presents an amazing opportunity with the security of a long-term net lease and the additional income of service-oriented tenants, including 3% annual escalations. The anchor tenant, Walgreens, is equipped with a double drive-thru and signed a 75-year lease in 2006, with the base term through 2031. Walgreens operates approximately 9,560 drugstores nationwide with a presence in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.





# INVESTMENT HIGHLIGHTS

## Trophy Los Angeles County Walgreens-Anchored Shopping Center

- Rare Southern California Walgreens-anchored center located in the affluent community of Santa Clarita, Los Angeles County
- Walgreens ranks #18 on the Fortune 500 List with an S&P investment grade rating of “BBB”
- 2006 construction

## Long Term Lease with Corporate Guarantee

- 13 years remaining on initial term
- Strong commitment to the location with a 75-year lease
- Walgreens Boots Alliance (Nasdaq: WBA), 116 years in business, 8,000+ locations

## Secure Cash Flow with Upside Potential

- 100% leased to a diverse tenant roster, providing a strong initial yield and stability of income
- 87% of the GLA (gross leasable area) and has occupied the space since 2006
- E-Commerce resistant - Service-oriented, Walgreens-anchored shopping center

## Premium Location with Strong Demographics

- Santa Clarita (approximately 35 miles northwest of Downtown Los Angeles) was ranked #1 most business friendly city in LA County
- Average Household Income exceeds \$130,000 within a 1-mile radius
- Population has grown by 70% between 2000-2016 within a 3-mile radius

## Strong Store Performance

- Sales exceeding \$1,975,000 for the recent sales period 2017-2018
- Averages 10% sales growth year over year since 2013







UPSIDE IN RENT  
**27%**



HIGH QUALITY  
CONSTRUCTION  
**Dual Drive-Thru**



ZERO LANDLORD  
OBLIGATION  
**NNN**



MEDIAN HOUSEHOLD INCOME  
**\$117,650**





28460

EXIT

DO NOT  
ENTER

STOP



PHOTO

Walgreens

PHARMACY





# LEASE SUMMARY

Lease Type	<i>NNN</i>
Initial Lease Term	<i>75 Years</i>
Rent Commencement	<i>04/01/2005</i>
Expiration Date	<i>3/30/2080</i>
Increases	<i>None</i>
Termination Option	<i>Starting 2030 and every 5 years thereafter</i>
Utilities	<i>Tenant Pays</i>
Taxes	<i>Tenant Pays</i>
Insurance	<i>Tenant Pays</i>
Roof & Structure	<i>Tenant Responsibility</i>
Percentage Rent	<i>Tenant pays additional in the amount of 2% of gross sales excluding food &amp; drug plus 0.5% of gross sales of food &amp; drug in excess of annual rent</i>
Sales	<i>05/16 - 06/17: \$1,949,461 05/17 - 06/18: \$1,975,712</i>



**Walgreens Boots Alliance** is the largest retail pharmacy, health and daily living destination across the U.S. and Europe. Walgreens Boots Alliance and the companies in which it has equity method investments together have a presence in more than 25 countries and employ more than 415,000 people. The Company is a global leader in pharmacy-led, health and wellbeing retail and, together with its equity method investments, has approximately 18,500 stores, as well as one of the largest global pharmaceutical wholesale and distribution networks, with more than 390 distribution centers delivering to more than 230,000 pharmacies, doctors, health centers and hospitals each year in more than 20 countries. Additionally, Walgreens Boots Alliance is one of the world's largest purchasers of prescription drugs and many other health and wellbeing products. The Company's size, scale, and expertise helps them to expand the supply of, and address the rising cost of, prescription drugs in the U.S. and worldwide. By leveraging the advantages and opportunities, as well as the full benefit of their best practices and expertise, Walgreens Boots Alliance will be positioned to create substantial incremental efficiency, synergy and growth opportunities for years to come.



# Walgreens



MARKET CAP  
**\$73 Billion**



RANKED 2018  
**#19**



# OF STORES  
**18,500**



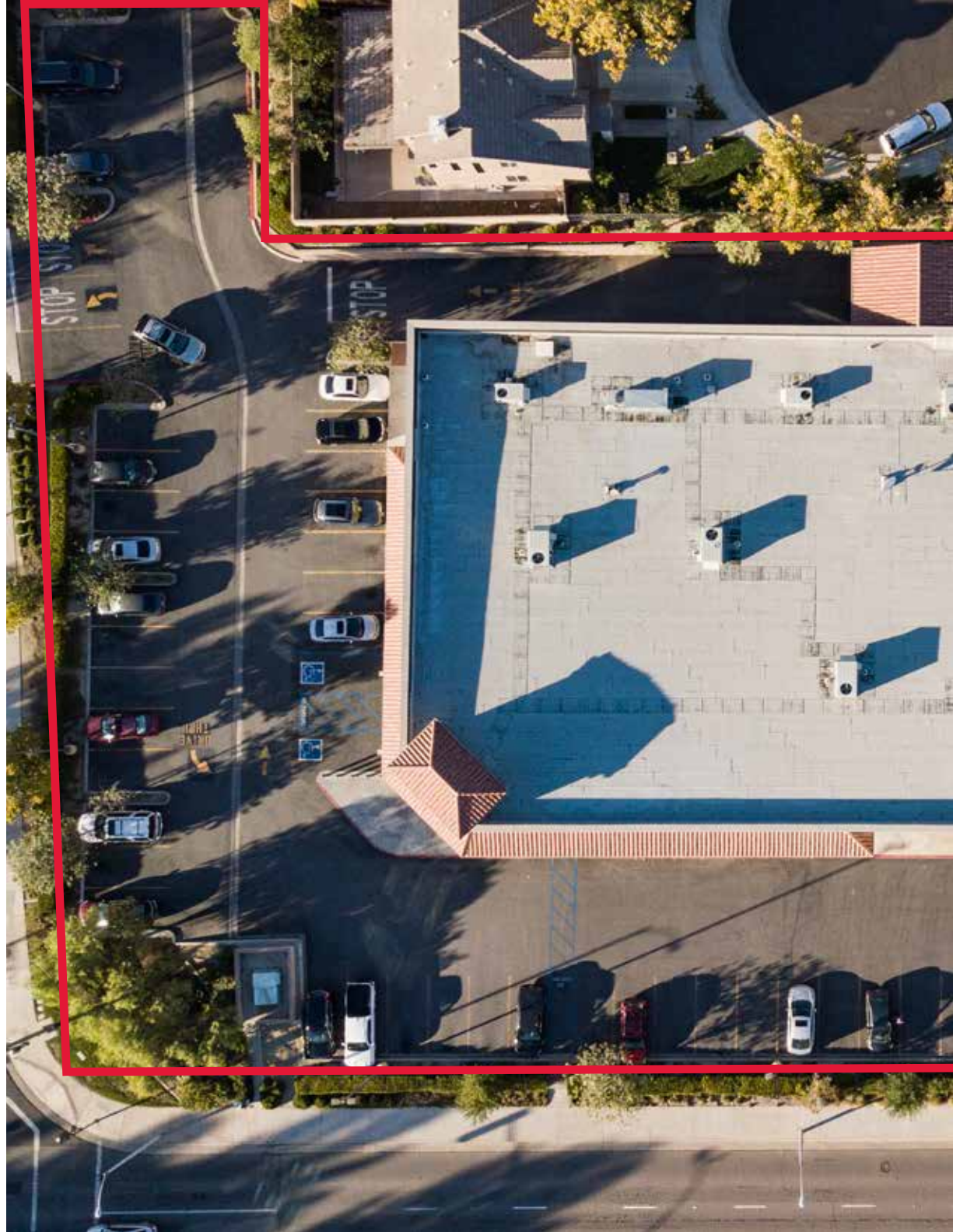
REVENUE  
**\$118 Billion**





# PROPERTY OVERVIEW

<b>Property Address</b>	<i>28460 Haskell Canyon Road Santa Clarita, 91390</i>
<b>Price</b>	<i>\$8,000,000</i>
<b>Cap Rate</b>	<i>5.27%</i>
<b>Price/SF</b>	<i>\$436</i>
<b>Building SF</b>	<i>18,345 SF</i>
<b>Land SF</b>	<i>76,847 SF</i>
<b>Property Type</b>	<i>Walgreens-Anchored Shopping Center</i>
<b>Year Built</b>	<i>2006</i>
<b>APN</b>	<i>3244-119-054</i>
<b>Zoning</b>	<i>SCCN</i>
<b>Type of Ownership</b>	<i>Fee Simple</i>
<b>Tenant</b>	<i>Walgreens</i>
<b>Lease Type</b>	<i>NNN</i>
<b>Guarantee</b>	<i>Corporate</i>
<b>Landlord Liability</b>	<i>None</i>
<b>Parking</b>	<i>81 Spaces (4.42:1,000)</i>









# TENANT DESCRIPTIONS

## *Haskell Village Cleaners*

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MONTHLY RENT	\$1,102 NNN
SQUARE FOOTAGE	788 SF
COMMENCEMENT DATE	01/01/2016
ENDING DATE	12/31/2021
OPTIONS	One Five (5) Year
INCREASES	3% Annual

## Monthly Rent Schedule

---

01/01/2016 - 12/31/2016	\$1,009
01/01/2017 - 12/31/2017	\$1,040
01/01/2018 - 12/31/2018	\$1,070
01/01/2019 - 12/31/2019	\$1,102
01/01/2020 - 12/31/2020	\$1,135





### *Best Image Dental*

MONTHLY RENT	\$3,607 NNN
SQUARE FOOTAGE	1,511 SF
COMMENCEMENT DATE	11/01/2007
ENDING DATE	12/31/2023
OPTIONS	One Five (5) Year
INCREASES	3% Annual

### *Expert Designs Hair & Nail*

MONTHLY RENT	\$2,124 NNN
SQUARE FOOTAGE	1208 SF
COMMENCEMENT DATE	10/01/2012
ENDING DATE	12/31/2022
OPTIONS	One Five (5) Year
INCREASES	3% Annual

### *Jazmin Mexican Food*

MONTHLY RENT	\$1,188 NNN
SQUARE FOOTAGE	1,188 SF
COMMENCEMENT DATE	04/01/2019
ENDING DATE	03/31/2024
OPTIONS	One Five (5) Year
INCREASES	3% Annual

### Monthly Rent Schedule

01/01/2018 - 12/31/2018	\$3,607
01/01/2019 - 12/31/2019	\$3,607
01/01/2020 - 12/31/2020	\$3,715
01/01/2021 - 12/31/2021	\$3,826
01/01/2022 - 12/31/2022	\$3,941

### Monthly Rent Schedule

01/01/2018 - 12/31/2018	\$2,062
01/01/2019 - 12/31/2019	\$2,124
01/01/2020 - 12/31/2020	\$2,188
01/01/2021 - 12/31/2021	\$2,254
01/01/2022 - 12/31/2022	\$2,322

### Monthly Rent Schedule

01/01/2019 - 12/31/2019	\$1,188
01/01/2020 - 12/31/2020	\$2,376
01/01/2021 - 12/31/2021	\$2,447
01/01/2022 - 12/31/2022	\$2,521
01/01/2023 - 12/31/2023	\$2,596



# SANTA CLARITA

*Santa Clarita* is a young, vibrant, and dynamic city that has garnered a strong reputation for the high quality of life enjoyed by residents. Careful planning and an active and engaged community have resulted in an unparalleled city that is now the third largest in Los Angeles County. In less than 30 years, the City of Santa Clarita has established an enviable balance between quality of life and quality infrastructure and amenities. The award-winning schools, special events, businesses, parks, extensive trail systems, and arts, cultural, and recreation programs are just a few of the reasons nearly 200,000 residents and 6,000 business owners have chosen not to live or work anywhere else in the state.


*Business* is booming with more than 6,000 businesses and Santa Clarita is consistently ranked as one of the top retail markets in California. Some of the most successful entertainment, biomedical, technology, manufacturing, lifestyle and aerospace companies are based in Santa Clarita. Whether it's designing new technologies of tomorrow, developing life-changing products, or creating world-class experiences, Santa Clarita is the ideal place to work and enjoy a high quality of life.

*Transportation* One of the many great things about working in Santa Clarita is that it is conveniently located in Southern California. If you are looking for fast, convenient and affordable ways to get around town or to neighboring communities, you can use Santa Clarita Transit and Metrolink for work or leisure travel. In addition to the transit system, Santa Clarita is serviced by Interstate 5 on the western side of the city and State Route 14 on the eastern side. State Route 126 provides regional access west to Ventura.





# AREA ATTRACTIONS



*Six Flags Magic Mountain* is a 262-acre amusement park that opened on May 30, 1971, as Magic Mountain, located in the Santa Clarita, California neighborhood of Valencia, 35 miles northwest of downtown Los Angeles. In 1979, Six Flags purchased the park and added the name “Six Flags” to the park’s title. With 19 roller coasters, Six Flags Magic Mountain holds the world record for most roller coasters in an amusement park. In 2017, the park had an estimated 3.3 million visitors, ranking sixteenth in attendance in North America.



*Castaic Lake* Family fun awaits at Castaic Lake’s 9,000 acre park featuring many of your favorite water and outdoor activities such as fishing, boating, jet skiing, kayaking, swimming and mountain biking. Events at Castaic Lake include Movies at the Lake, Night Float Tube Fishing, Moonlight Fishing, Moonlight Kayak, and much more. For a day filled with adventure in Southern California, pack a picnic lunch and head out to Castaic Lake for fun in the sun or family camping in RV’s or tents! Castaic Lake is a beautiful state water reservoir located off Interstate 5 Freeway.



*Outdoor Recreation* This oasis offers endless opportunities for outdoor recreation. For the outdoor enthusiast, Santa Clarita is a must stop city when visiting Southern California. The city offers over 100 miles of trails and nearly 9,000 acres of rolling open space ready for you to explore! This Southern California oasis offers endless opportunities for outdoor recreation. You can go rock climbing at Vasquez Rocks, hiking at Towsley Canyon and Placerita Canyon State Park also boasts abundant sunshine, a unique blend of upscale sophistication and small town charm, historic elements, destination dining, signature shopping, golf, outdoor adventure, and a variety of world-class events, scenic drives, attractions and accommodations.



# "TOP 100 PLACES TO LIVE IN AMERICA"

BY MONEY MAGAZINE

## TOP EMPLOYERS

- *Six Flags Magic Mountain*
- *Princess Cruises Headquarters*
- *Disney | ABC Studios Ranch*
- *Henry Mayo Newhall Hospital*
- *College of the Canyons*
- *William S. Hart Union School District*

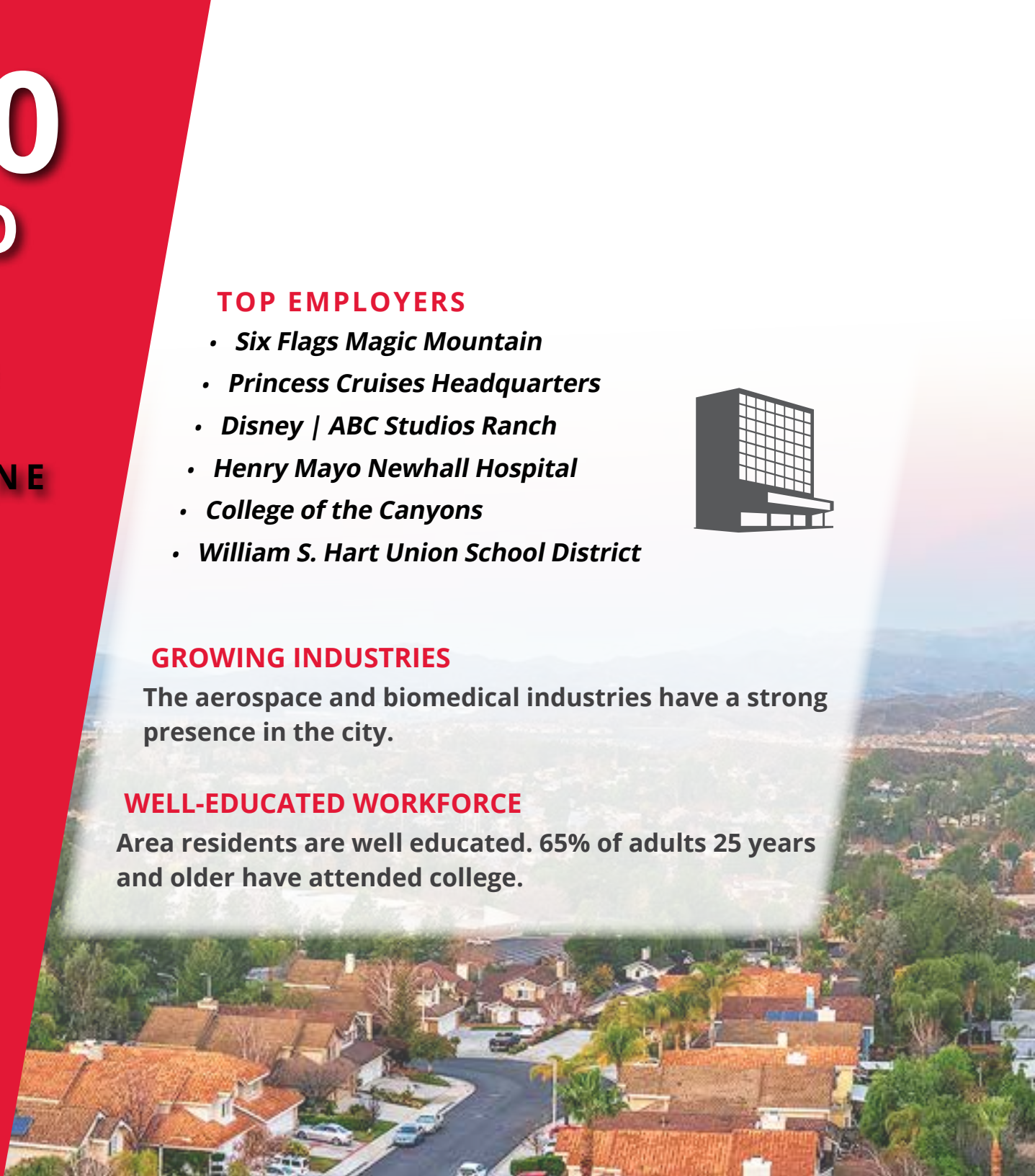


## GROWING INDUSTRIES

The aerospace and biomedical industries have a strong presence in the city.

## WELL-EDUCATED WORKFORCE

Area residents are well educated. 65% of adults 25 years and older have attended college.





# SANTA CLARITA DEMOGRAPHICS



AVERAGE HOUSEHOLD  
INCOME  
**\$117,649**



AREA POPULATION  
**167,769**



UNEMPLOYMENT  
RATE  
**5.07%**



SOME COLLEGE OR  
HIGHER  
**65%**



AVERAGE AGE  
**37 yrs**



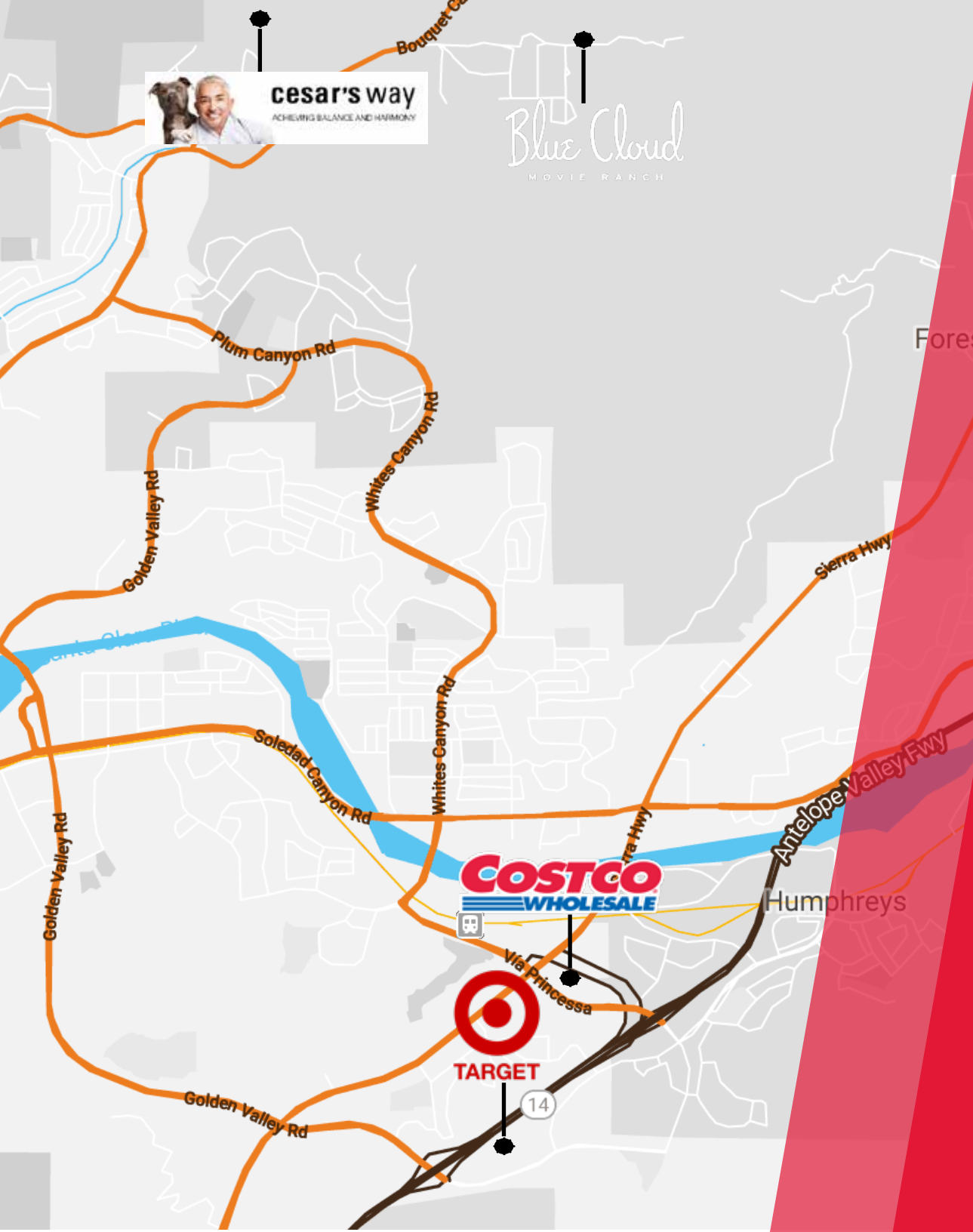
DAYTIME EMPLOYEES  
**76,069**











# 3<sup>RD</sup> LARGEST CITY IN LA COUNTY





DENTISTRY

VILLAGE CLEANERS





HASKELL  
VILLAGE  
CLEANERS



VILLAGE CLEANERS

WING COWNS SUEDE LEATHER DRAPES COI

HASKELL VILLAGE CLEANERS  
681-513-0459  
Dry Cleaning  
Alterations  
Leather Care  
Suede Care  
Satin Care  
Fabric Care



ALTERATION  
CLEANERS 681-513-0459





**22896 Copper Hill Drive  
Santa Clarita**

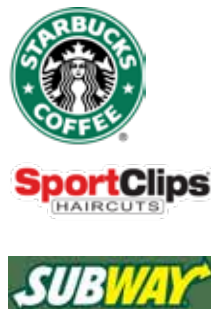
**26477 Golden Valley Road  
Santa Clarita**

**6588 Foothill Blvd  
Tujunga**

**27983 Sloan Canyon Road  
Castaic**

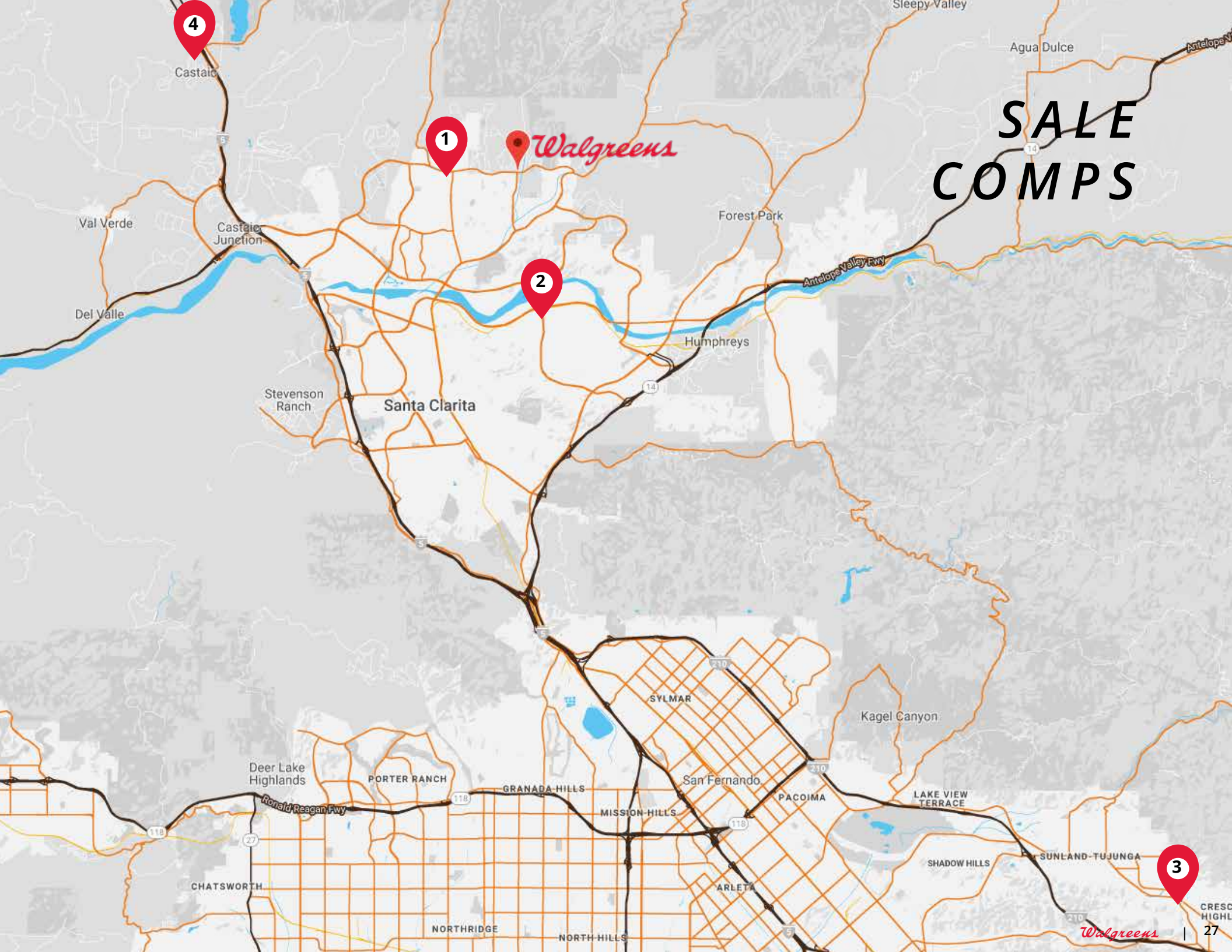
<i>Sold Price</i>	\$15,520,000	\$13,650,000	\$10,400,000	\$6,150,000
<i>Square Footage</i>	42,134 SF	22,288 SF	14,745 SF	13,566 SF
<i>Price Per SF</i>	\$368	\$612	\$705	\$453
<i>Cap Rate</i>	6.50%	5.77%	4.82%	5.00%
<i>Occupancy</i>	96%	87%	100%	100%
<i>Date Sold</i>	AUG-2017	AUG-2018	FEB-2018	FEB-2017
<i>Type</i>	CVS-Anchored Shopping Center	Multi-Tenant Shopping Center	Single Tenant CVS	Single Tenant Walgreens

*Major Tenants*





# SALE COMPS





# RENT ROLL

Tenant Name	SF	% of Building	Monthly Rent	Monthly Rent Per SF	Annual Rent	Annual Rent Per SF	Lease Commence	Expiration Date	Annual Increase
Walgreens	13,650	79.6%	\$27,083	\$1.98	\$325,000	\$23.81	05/07/06	05/06/81	0%
Nail Spa	1,208	7.0%	\$2,124	\$1.75	\$25,488	\$21.10	10/01/12	01/31/23	3%
Dentist	1,511	8.8%	\$3,607	\$2.39	\$43,281	\$28.64	12/01/07	12/31/23	3%
Cleaners	788	4.6%	\$1,102	\$1.40	\$13,224	\$16.78	01/01/16	01/01/21	3%
Restaurant	1,188	6.9%	\$1,188	\$1.00	\$14,256	\$12.00	01/01/19	12/31/23	3%
<b>Total</b>	<b>18,345</b>	<b>100%</b>	<b>\$35,104</b>	<b>\$1.91</b>	<b>\$421,248</b>	<b>\$23.96</b>			



# FINANCIAL OVERVIEW

## CURRENT Year 1

### RENTAL REVENUE

Scheduled Rental Income \$421,248

NNN Charges \$177,686

**Gross Income \$598,934**

**EFFECTIVE GROSS INCOME \$ 598,934**

### OPERATING EXPENSES

Property Taxes 1.224% \$101,592

Insurance \$7,845

Management 3% \$15,282

CAM \$52,967

**Total Operating Expenses \$ 177,686**

**NET OPERATING INCOME \$421,248**





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