



# OFFERING MEMORANDUM

421 NORTH WHITE MOUNTAIN ROAD | SHOW LOW, AZ

## NOW OPEN!



ACTUAL SITE

# CBRE

INVESTMENT PROPERTIES | NATIONAL NET LEASE PROPERTY GROUP



FOR MORE INFORMATION PLEASE CONTACT:

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# CBRE

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## INVESTMENT OPPORTUNITY

CBRE is pleased to offer for sale this single-tenant Starbucks (the “Property”) located at the southeast corner of Deuce of Clubs (Route 60) and White Mountain Road (SR 260) in Show Low, AZ. This Starbucks offering consists of a newly executed 10-year single-tenant net lease. The newly constructed building is made up of ±2,400 rentable square feet on approximately ±40,075 square feet of land.

The investment opportunity offers an attractive lease with the most well-known coffee retailer in the world. The lease calls for 10% rental increases every five years in the initial term and throughout the four (4), 5-year option periods. This investment offers a corporate guarantee by Starbucks Corporation. Starbucks Corporation is an international coffee and coffeehouse chain based in Seattle, Washington. Starbucks was founded in 1971 and is the largest coffeehouse company in the world, with approximately 29,324 stores globally as of September 30, 2018. (Source: emarketer.com) Starbucks sells drip brewed coffee, espresso-based hot drinks, other hot and cold drinks, snacks and retail items.

Starbucks is strategically positioned on the southeast corner of Deuce of Clubs (Route 60) and White Mountain Road (SR 260) which has approximately 37,624 vehicles per day total, providing outstanding retail exposure (Source: City of Show Low). Nearby retailers include: Discount Tire, Verizon Wireless,

Washington Federal, Chase Bank, Domino’s Pizza, McDonald’s, and KFC. This top intersection in Show Low connects US Route 60 which begins in western Arizona and runs to the New Mexico State line near Springerville and Arizona State Route 260; which is part of the National Highway System between Payson and Show Low. It continues through Pinetop-Lakeside, Greer and on to Eagar at the New Mexico border.

Show Low is one of Northern Arizona’s most popular getaways. Not only does the city of Show Low provide its residents an excellent place to live but also great opportunity for employment. In the metropolitan Show Low area, there are ±3,051 businesses and nearly 36,832 employees that have an average household annual income of \$53,268 (Source: Esri).

Major employers in Show Low include Walmart (±550 employees), Haven of Show Low Nursing Care (±510 employees), Summit Healthcare Association (±480 employees), Show Low Unified School District 10 (±270 employees), Veterans Health Administration (±260 employees), and Smith Bagley Electronics (±180 employees) (Source: MAG Employer Database, 2016).

The land immediately surrounding the Property has a proposed new development and will bring approximately 5-acres of new retail and service amenities. Additionally, within a 1-mile radius, the Property is surrounded by numerous existing and developing multi-housing projects.



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## INVESTMENT HIGHLIGHTS

- » Brand new single-tenant Starbucks investment opportunity featuring a new 10-year single-tenant net lease.
- » Corporate guarantee with Starbucks Corporation (NASDAQ: SBUX) S&P Rated BBB+ Investment Grade tenant, with over 29,000 locations globally.
- » The lease calls for 10% rental increases every five years in the initial term and throughout the four (4), 5-year option periods.
- » High traffic counts of  $\pm 20,760$  vehicles per day on Historic Deuce of Clubs Road (Route 60) and  $\pm 16,864$  on White Mountain Road (SR 260). (Source: City of Show Low)
- » Located at a top intersection in Show Low connects US Route 60 which begins in western Arizona and runs to the New Mexico State line near Springerville and Arizona State Route 260; which is part of the National Highway System between Payson and Show Low. It continues through Pinetop-Lakeside, Greer and on to Eagar at the New Mexico border.
- » Being centrally located between Phoenix ( $\pm 179.5$  miles) and Flagstaff ( $\pm 138.5$  miles), Show Low is one of Arizona's more popular vacation destinations.



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## PRICING SUMMARY

ADDRESS	421 N White Mountain Road Show Low, Arizona 85901
PRICE	\$2,255,000
CAP RATE	5.10%
NOI	\$114,999.60
YEAR BUILT	October 2018 Completion - Now Open
RENTABLE SF	±2,400
LAND SF	±40,075 (±0.92 Acres)
PARCEL NUMBER	210-16-100G
DRIVE-THRU	Yes

## LEASE SUMMARY

TENANT'S NAME	Starbucks Corporation
COMPANY TYPE	Public, Corporate
LEASE GUARANTOR	Starbucks Corporation, a Washington Corporation
LEASE GUARANTY	Corporate
LEASE TYPE	Double Net (NN)
LEASE COMMENCEMENT	06/04/2018
APPROXIMATE RENT COMMENCEMENT	10/15/2018
LEASE EXPIRATION	10 Years
INITIAL LEASE TERM	10 Years
LEASE TERM REMAINING	10 Years
RENT INCREASES	10% every five years
OPTIONS TO RENEW	Four (4), Five (5) Year

## RETURN SCHEDULE

10% RENTAL INCREASES EVERY FIVE YEARS

YEAR	RENT SCHEDULE	CAP RATE RETURN
YEARS 1-5	\$114,999.96	5.10%
YEARS 6-10	\$126,500.04	5.61%
YEARS 11-15	\$139,149.96	6.17%
YEARS 16-20	\$153,065.04	6.79%
YEARS 21-25	\$168,371.52	7.47%
YEARS 26-30	\$185,208.72	8.21%

\* Initial Term is highlighted

Note: The Landlord of the Starbucks is responsible for paying the Property taxes, insurance and maintaining the common area of their parcel, which is reimbursed by Starbucks under the net lease. The Landlord has the ability to charge a 10% administrative fee of operating expenses only. The Landlord is responsible for roof and structure.

You are solely responsible for independently verifying the information in this Memorandum. ANY RELIANCE ON IT IS SOLELY AT YOUR OWN RISK.





**ACTUAL SITE**



**N**  
NOT TO SCALE

## DEMOGRAPHICS

	5 MILES	10 MILES	20 MILES
2018 POPULATION	14,439	27,017	47,265
2023 POPULATION	15,111	28,148	49,076
2018 AVERAGE HOUSEHOLD INCOME	\$54,640	\$57,746	\$59,689
2018 POPULATION IN LABOR FORCE	9,121	13,646	18,962
2018 MEDIAN AGE	45.3	46.6	44.0

(Source: Esri)

# PROPERTY OVERVIEW

## TENANT OVERVIEW

Starbucks Corporation is an international coffee and coffeehouse chain based in Seattle, Washington. Starbucks was founded in 1971 and is the largest coffeehouse company in the world, with approximately 29,324 stores globally as of September 30, 2018 (Source: emarketer.com). Starbucks sells drip brewed coffee, espresso-based hot drinks, other hot and cold drinks, snacks and retail items. Starbucks has become a beacon for coffee lovers on a global scale, providing genuine service, an inviting atmosphere and expertly-roasted brewed coffee. The company operates in the following locations across the world: The Americas; Europe, Middle East and Africa, and in China/Asia Pacific. Its brand portfolio includes Starbucks Coffee, Seattle's Best Coffee, Teavana, Tazo, Evolution Fresh, La Boulange, Ethos Water and Torrefazione Italia Coffee.

Starbucks Corporation believes in ethical sourcing, environmental stewardship and community involvement. They put these into practice by incorporating responsible purchasing practices, supporting farmer loans and forest conservation programs among many other philanthropic endeavors and business practices.

### STARBUCKS CORPORATION

NASDAQ Stock Symbol:	SBUX
Standard & Poor's Credit Rating:	BBB+ Investment Grade
Fortune 500 Ranking:	132
Revenue (FY 2017)	\$22.387B
Total Employees:	±277,000
Total Number of Locations:	±29,324



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## RECENT AWARDS AND RECOGNITION:

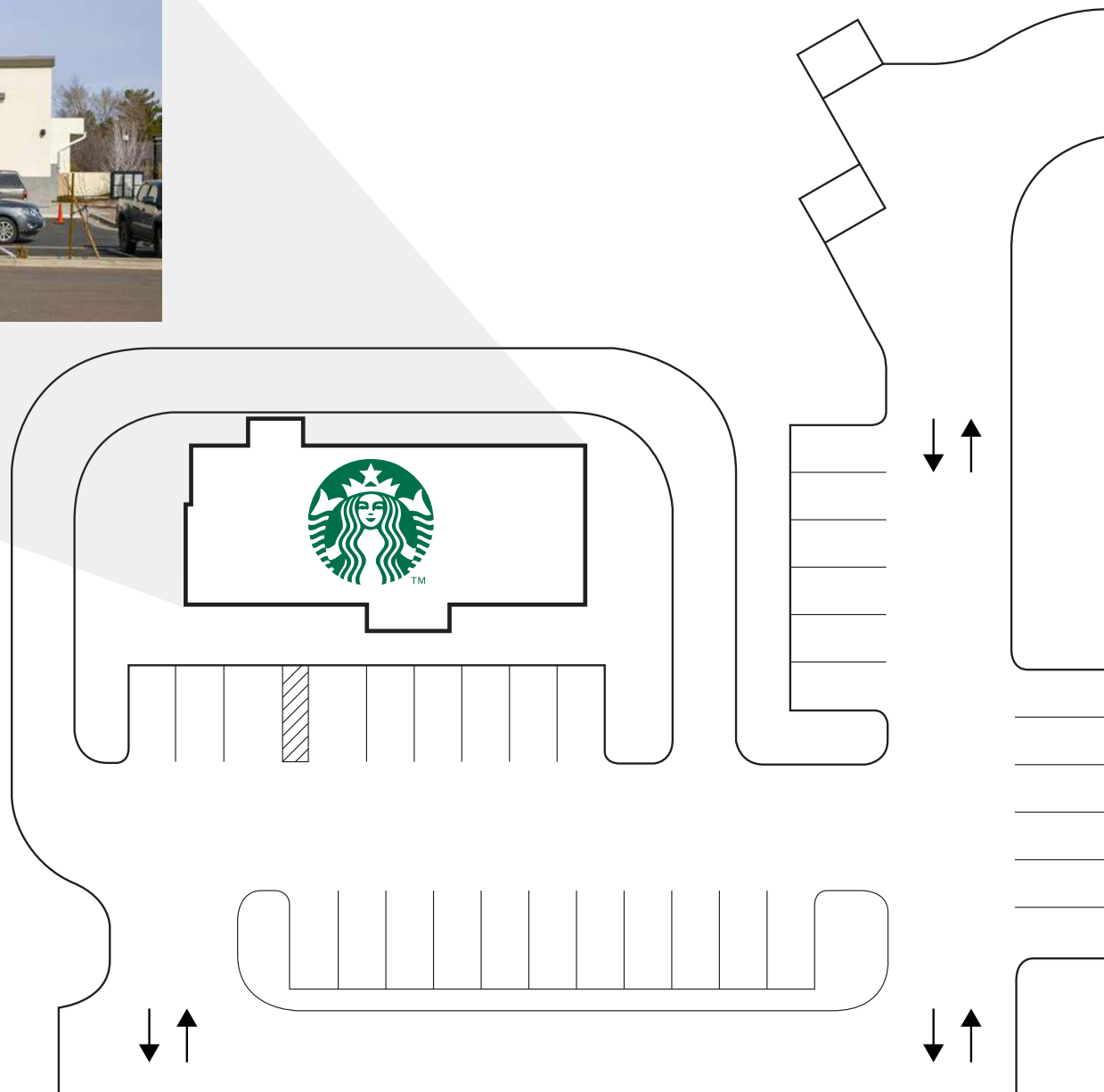
- » 100% Rating on the Disability Equality Index
- » One of the "Most Admired Companies in America"  
*Fortune* – 2009–2017
- » One of the "World's Most Ethical Companies"  
*Ethisphere* – 2007-2018
- » 100% Rating on the Corporate Equality Index  
*Human Rights Campaign Foundation* – 2015-2017
- » One of the "Top 10 Millennial Brands"  
*Adweek*– 2017
- » One of the "World's Most Valuable Brands"  
*Forbes*– 2013-2017
- » Named a "Top Growing Global Brand"  
*Interbrand* – 2017
- » One of the "Top 10 Military Spouse-Friendly Employers"  
*Victory Media* – 2017



## SITE PLAN



N WHITE MOUNTAIN ROAD (US260)



NOT TO SCALE  
ALL DIMENSIONS ARE APPROXIMATE



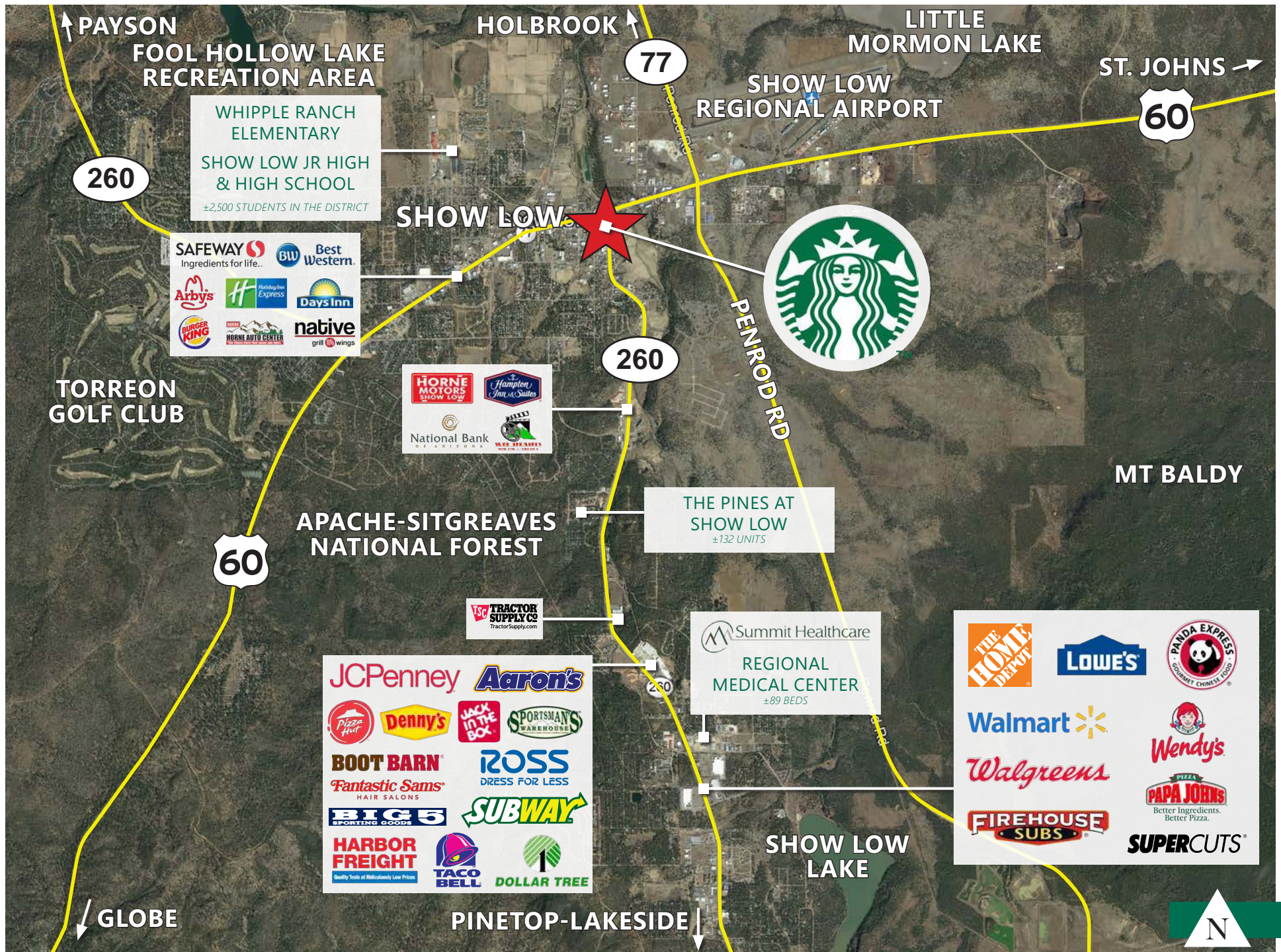


\*SOURCE: CITY OF SHOW LOW, 2013



NOT TO SCALE







# MARKET OVERVIEW

## SHOW LOW

Show Low was named after a marathon poker game played between two early settlers. They decided there wasn't enough room for both of them in the community and agreed to let a game of cards decide who was to get the ±100,000-acre ranch and who was to move on. According to the story, one of them said, "If you can show low, you win." The other one turned up the deuce of clubs and replied, "show low it is." Show Low got its name from that card game and Show Low's main street is named "Deuce of Clubs" in remembrance.

Show Low is now the largest city in the White Mountains of northeastern Arizona and is one of the fastest growing cities in northern Arizona. Show Low is also the business hub and marketing center of the area. The city proper has a population of nearly 12,000 residents, but Show Low's trade area population numbers over 150,000. Seasonal spikes in the population from tourism activity and the second home market causes the trade area population to swell to well over 170,000. Show Low is experiencing dynamic growth as its population has increased 40% since 2000. Both per capita and household incomes are on the rise by a total of 22.3% and 25.8% respectively since 2000.

- **Education:** The Show Low Unified School District is among the best in Arizona and includes 1 traditional high school, 1 alternative high school, 1 junior high school, 1 intermediate school and 3 elementary schools. Show Low Public Schools routinely score high on national standardized tests and post graduation rates above 90%. Show Low is home to Northland Pioneer College (NPC) and a branch campus of Northern Arizona University (NAU).
- **Transportation:** Show Low is the marketing hub and business center of northeastern Arizona and

has good highway access. Interstate 40 is a quick ±40-minute drive north of Show Low via State Hwy 77. Both Phoenix and Tucson are only ±170 miles from Show Low via State Hwy. 260 and State Hwy. 60, respectively. Show Low Regional Airport boasts two runways with connecting taxiways and a modern ±6,400 S.F. terminal building. Boutique Air provides daily non-stop flights to Phoenix.

- **Healthcare:** Summit Healthcare Regional Medical Center is a private, nonprofit hospital featuring 90 licensed beds, state-of-the-art facilities and physicians in a variety of specialties including

cardiology, obstetrics, oncology, nuclear medicine, pulmonary and diabetic rehabilitation, physical therapy, diagnostic imaging and surgical services.

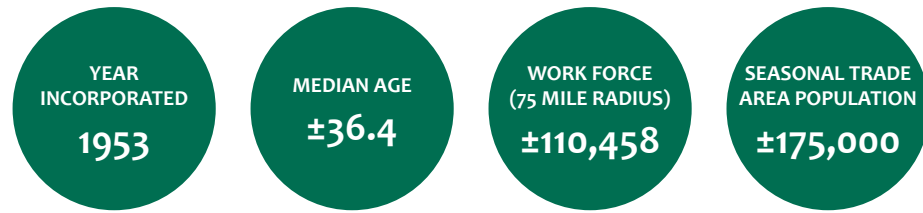
- **Outdoor Activities:** The White Mountains provide world class hunting and fishing. The White Mountain Trail System provides over 120 miles for hiking and biking. Sunrise Park Ski Resort is located near Show Low and offers ±65 runs and ±10 chair lifts. Show Low is a summertime golf paradise. Visitors and residents alike enjoy golfing in cool 75° weather on seven area courses. There are over 85 acres of City owned parks.

Source: [showlow.gov](http://showlow.gov) & [pickshowlow.com](http://pickshowlow.com)





## SHOW LOW STATS



Source: showlow.gov & pickshowlow.com

### AWARDS

#### **Named a Top Retirement Town**

*Where to Retire Magazine, 2010.*

#### **Listed as one of the Top Towns for Sportsman**

*Outdoor Life Magazine, 2008 - 2012.*

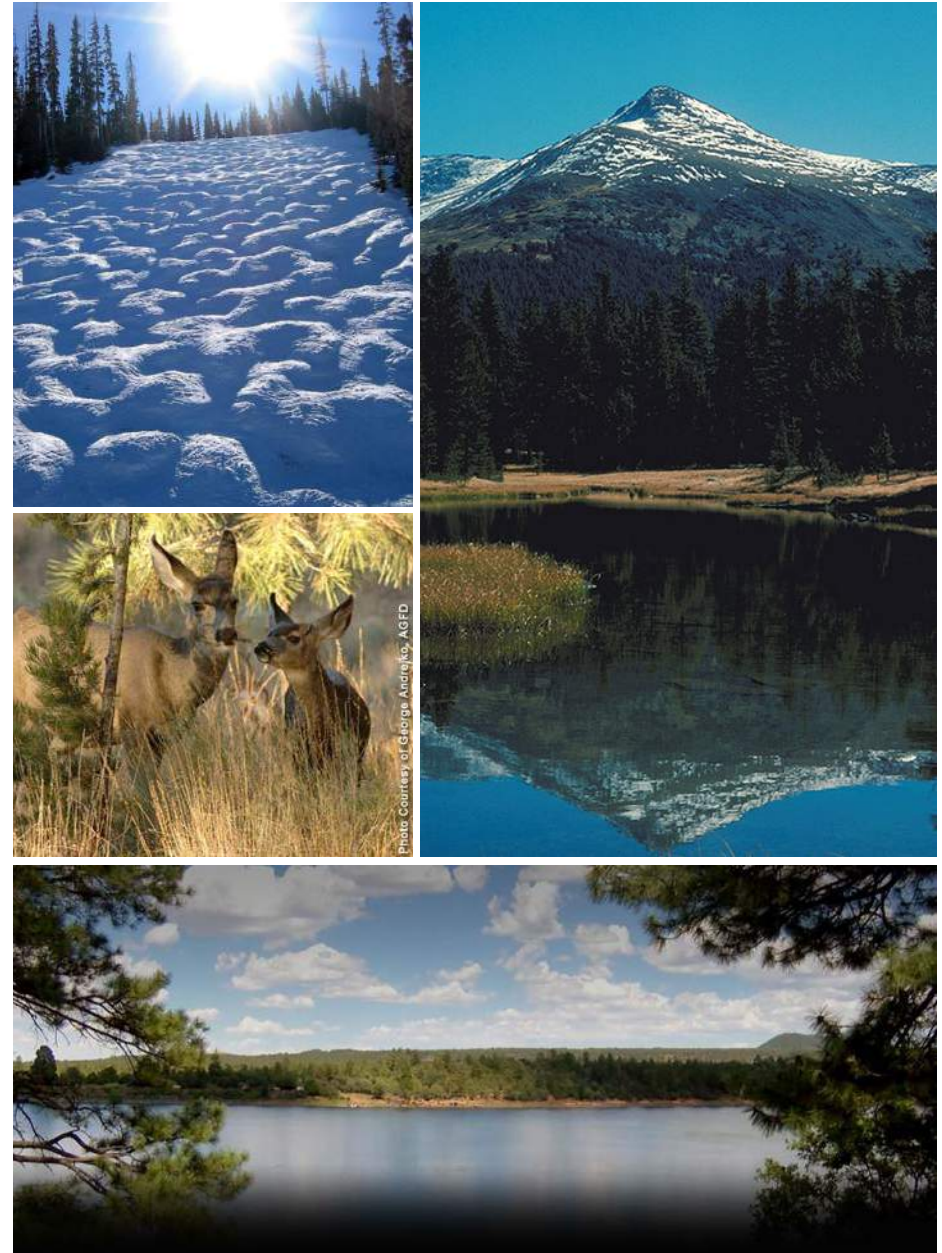
#### **Ranked as the Top Place to Own a Summer Home**

*AOL Money and Finance, 2006.*

### MAJOR EMPLOYERS

- #1 Walmart**  
±550
- #2 Haven of Show Low LLC**  
±510
- #3 Summit Health Association**  
±4,200
- #4 Aires Transportation & Distribution**  
±300
- #5 Veterans Health Administration**  
±260

Source: MAG Employer Database (2016 Update)



# MARKET OVERVIEW

## METROPOLITAN PHOENIX

Phoenix is the capital of Arizona as well as the state's financial center. Its strategic location provides easy access to major markets and the entire western U.S. Seventy-five percent of Arizona's economy is represented by metropolitan Phoenix. With opportunities for high-wage employment and a favorable climate, Arizona remains a national leader in population growth. The Phoenix metro area maintains a reputation for business-friendly policies. An entrepreneurial spirit backed by numerous public-private partnerships have established the Valley as a preferred location for tech-centric companies and other start-ups.

The Phoenix area benefits from robust digital and telecommunications infrastructure. Extensive highway infrastructure connects metropolitan Phoenix communities and ties them to the interstate system for easy access into and out of the area. Employment growth rates for the Valley continue to improve and are projected to grow at a pace twice that of national rates. Further bolstering prospects for a bright economic future, the cost of living and cost of doing business are low. This provides a compelling value proposition for people and businesses alike.

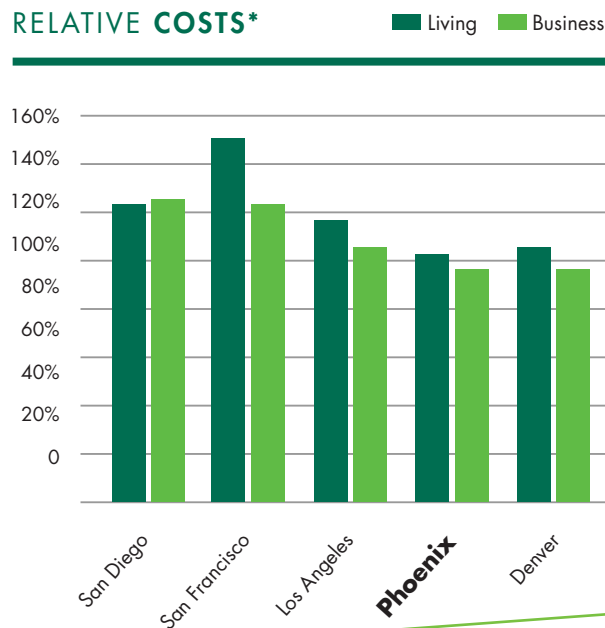




## BUSINESS

Metropolitan Phoenix is an attractive and cost-effective place to do business. Arizona is a right-to-work state and mean wages, workers compensation and unemployment insurance are relatively low. These lower operating costs are drawing more corporate headquarters and manufacturers to the state. Companies choosing to locate in metropolitan Phoenix recognize that in addition to lower costs, there is an ideal match between the existing labor pool and their employment needs. Employers in Phoenix's growing industries, including technology, healthcare, education, finance, professional business services and manufacturing, among others, recognize the abundance of talent in the area, and the strong commitment community leaders have made to ensure private enterprise thrives in Phoenix.

Currently, the healthcare industry is seeing impressive job gains in Arizona, with one in every five jobs added to the state economy over the past year falling within the field. The Valley's healthcare industry is a \$20.5 billion industry and supports 229,200 jobs with a median income of \$50,526. Industries like technology, leisure and hospitality, trade, transportation and utilities are also areas showing noticeable promise.



\*Source: Moody's Analytics

## MAJOR EMPLOYERS IN METROPOLITAN PHOENIX

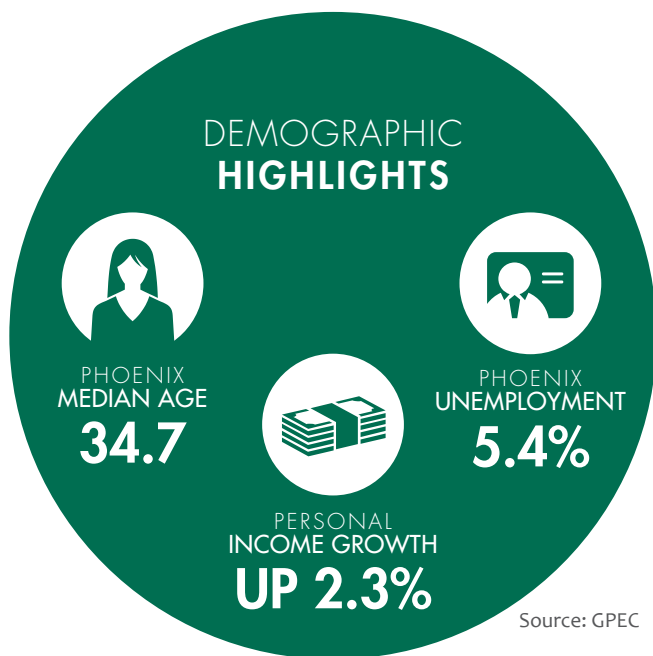


Source: CBRE Research

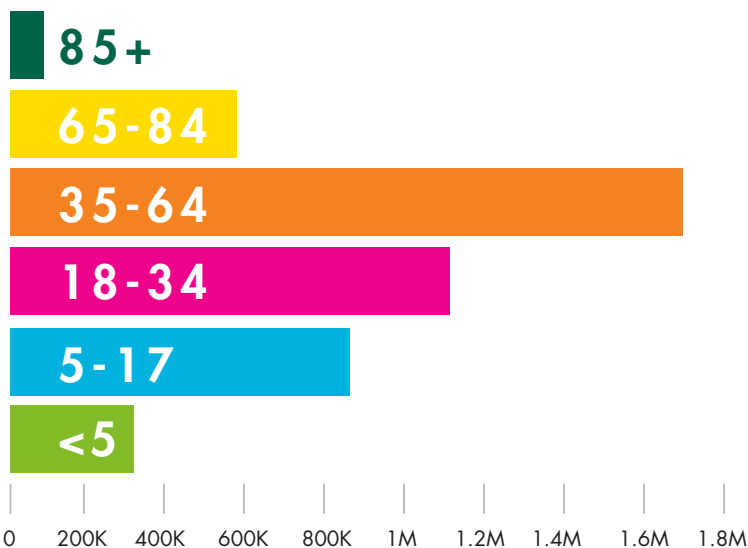
# MARKET OVERVIEW

## DEMOGRAPHICS & ECONOMY

Metropolitan Phoenix has experienced significant population growth over the last several decades, growing from 375,000 residents in 1950 to more than 4.6 million people in 2015. In 2014, Maricopa County had the second-largest population increase in the nation (74,000 people). For the past 21 years, population growth in the Valley has exceeded the national average. Metropolitan Phoenix is one of only 10 U.S. markets expected to see most of the nation's growth over the next 40 years. In addition to being one of the fastest-growing metro areas, greater Phoenix also has one of the youngest populations in the nation with a median age of 34.7 years. This is almost three years younger than the national average. This young workforce offers long term stability for Phoenix employers.



## METROPOLITAN PHOENIX AGE DISTRIBUTION



Source: Nielsen

Metropolitan Phoenix is home to two thirds of the state's residents and accounts for the majority of higher paying jobs. The employment outlook in metropolitan Phoenix is bright with the Valley recording the lowest unemployment rate in Arizona at 5.4%\* for June 2015. Looking ahead, employment is forecasted to grow at an average annual rate of 3.3% by 2019; nearly triple the national rate of 1.3%. The strong hiring environment and labor force expansion will have positive effects on the housing market resulting in an increase in household formation and median household income growth. In 2014, the per capita personal income for metropolitan Phoenix was \$40,395, and this is projected to be \$48,329 by 2019.

\*Source: Bureau Labor Statistics



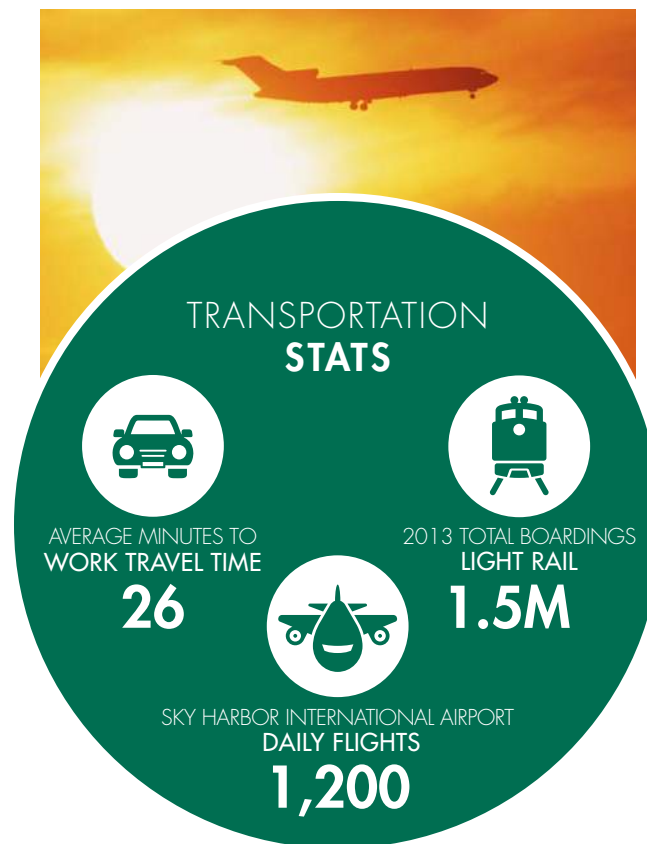
## INFRASTRUCTURE

As the Valley experiences increasing population and job growth, electrical and internet infrastructure become more and more critical. Fortunately, infrastructure in metropolitan Phoenix has more than kept up. APS and SRP, the area's electricity providers, are ranked as top business service providers for reliability.

The digital data industry also recognizes metropolitan Phoenix's robust internet and data infrastructure. Digital data sent via the internet in Arizona is well protected due to fewer environmental threats. The state ranks in the top 10 for low catastrophic and natural disaster risk. This is a critical issue for data center operators that require redundant backup and ensured availability of data, which means metropolitan Phoenix is advantageously positioned to accommodate the digital age.

Metropolitan Phoenix has two major airports, Phoenix Sky Harbor International Airport and Phoenix-Mesa Gateway Airport. Both of these airports provide convenient and affordable flights to cities across the U.S. and beyond. Phoenix Sky Harbor handles 40 million passengers a year and serves over 100,000 passengers per day with more than 1,200 daily flights. The daily economic impact of the airport surpasses \$79 million-a-day on a typical day for the metropolitan area. Phoenix Sky Harbor was the country's ninth-busiest airport in 2014.

Phoenix-Mesa Gateway Airport is a decommissioned air force base that was developed as a back up to Sky Harbor in 2008. In 2013, the airport's economic impact was \$1.3 billion.



# CONFIDENTIALITY AGREEMENT

## AFFILIATED BUSINESS DISCLOSURE

CBRE, Inc. operates within a global family of companies with many subsidiaries and related entities (each an “Affiliate”) engaging in a broad range of commercial real estate businesses including, but not limited to, brokerage services, property and facilities management, valuation, investment fund management and development. At times different Affiliates, including CBRE Global Investors, Inc. or Trammell Crow Company, may have or represent clients who have competing interests in the same transaction. For example, Affiliates or their clients may have or express an interest in the property described in this Memorandum (the “Property”), and may be the successful bidder for the Property. Your receipt of this Memorandum constitutes your acknowledgment of that possibility and your agreement that neither CBRE, Inc. nor any Affiliate has an obligation to disclose to you such Affiliates’ interest or involvement in the sale or purchase of the Property. In all instances, however, CBRE, Inc. and its Affiliates will act in the best interest of their respective client(s), at arms’ length, not in concert, or in a manner detrimental to any third party. CBRE, Inc. and its Affiliates will conduct their respective businesses in a manner consistent with the law and all fiduciary duties owed to their respective client(s).

## CONFIDENTIALITY AGREEMENT

Your receipt of this Memorandum constitutes your acknowledgment that (i) it is a confidential Memorandum solely for your limited use and benefit in determining whether you desire to express further interest in the acquisition of the Property, (ii) you will hold it in the strictest confidence, (iii) you will not disclose it or its contents to any third party without the prior written authorization of the owner of the Property (“Owner”) or CBRE, Inc., and (iv) you will not use any part of this Memorandum in any manner detrimental to the Owner or CBRE, Inc.

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



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## DISCLAIMER

This Memorandum contains select information pertaining to the Property and the Owner, and does not purport to be all-inclusive or contain all or part of the information which prospective investors may require to evaluate a purchase of the Property. The information contained in this Memorandum has been obtained from sources believed to be reliable, but has not been verified for accuracy, completeness, or fitness for any particular purpose. All information is presented “as is” without representation or warranty of any kind. Such information includes estimates based on forward-looking assumptions relating to the general economy, market conditions, competition and other factors which are subject to uncertainty and may not represent the current or future performance of the Property. All references to acreages, square footages, and other measurements are approximations. This Memorandum describes certain documents, including leases and other materials, in summary form. These summaries may not be complete nor accurate descriptions of the full agreements referenced. Additional information and an opportunity to inspect the Property may be made available to qualified prospective purchasers. You are advised to independently verify the accuracy and completeness of all

summaries and information contained herein, to consult with independent legal and financial advisors, and carefully investigate the economics of this transaction and Property’s suitability for your needs. ANY RELIANCE ON THE CONTENT OF THIS MEMORANDUM IS SOLELY AT YOUR OWN RISK.

The Owner expressly reserves 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 at any time with or without notice to you. All offers, counteroffers, and negotiations shall be non-binding and neither CBRE, Inc. nor the Owner shall have any legal commitment or obligation except as set forth in a fully executed, definitive purchase and sale agreement delivered by the Owner.

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