

Pikeville, KY

15 Year Sale-Leaseback



Marcus & Millichap

OFFERING MEMORANDUM

380 East Mayo Trail
Pikeville, Kentucky 41501

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Investment Highlights

PRICE: \$760,976 | CAP: 6.15% | RENT: \$46,800

About the Investment

- ✓ Brand New 15-Year Triple-Net (NNN) Sale-Leaseback
- ✓ 1.25% Annual Increases Beginning in Lease Year 6
- ✓ Four (4), Five (5)-Year Tenant Renewal Options
- ✓ 36-Unit Franchisee Guarantee

About the Location

- ✓ Major National Tenants In Surrounding Area Include: McDonald's, Slim Chickens, U.S. Bank, Wendy's, Harley-Davidson, Save-a-Lot, Captain D's, Dairy Queen, Holiday Inn Express
- ✓ Strategically Positioned Directly Off of East Mayo Trail - ADTC of Over 22,450 Vehicles
- ✓ Significant Development Undergoing in the Area - \$400 Million Dollar Investment for a New Manufacturing Facility Will Create 875 Jobs By 2020
- ✓ Pikeville Medical Center – Largest Hospital in Southeastern Kentucky – Over 3,000 Employees

About the Tenant/Brand

- ✓ Pizza Hut is the Largest Pizza Chain in the United States
- ✓ As of year end 2016, Pizza Hut had 16,409 units. 97 percent of the Pizza Hut units are franchised.
- ✓ Pizza Hut operates in the delivery, carryout and casual dining segments around the world. Outside of the U.S., Pizza Hut often uses unique branding to differentiate these segments. Additionally, a growing percentage of Pizza Hut's customer orders are being generated digitally.



INVESTMENT SUMMARY



Marcus & Millichap is pleased to present the exclusive listing for a Pizza Hut Sale-Leaseback located at 380 East Mayo Trail in Pikeville, Kentucky. Built in 1980, the property consists of 3,744 square feet of building space and sits on 0.50 acres of land.

This Pizza Hut property is subject to a brand new 15-year triple-net (NNN) sale-leaseback that will commence at the close of escrow. The current rent is \$46,800 and is subject to 1.25% annual rental increases beginning in year 6. Additionally, the tenant has four, five-year renewal options. The lease is guaranteed by a 36-unit Pizza Hut entity.

Pizza Hut is an American restaurant chain and international franchise, known for pizza and side dishes. It is now corporately known as Pizza Hut, Inc. and is a subsidiary of Yum! Brands, Inc., the world's largest restaurant company. As of year end 2016, Pizza Hut had 16,409 units. 97 percent of the Pizza Hut units are franchised.





Financial Analysis

PRICE: \$760,976 | CAP: 6.15% | RENT: \$46,800

Property Description

Property	Pizza Hut
Property Address	380 East Mayo Trail
City, State, ZIP	Pikeville, Kentucky 41501
Year Built / Renovated	1980
Building Size	+/- 3,744 SF
Lot Size	+/- 0.50 Acres
Type of Ownership	Fee Simple

The Offering

Annual Rent	\$46,800
CAP Rate	6.15%
Purchase Price	\$760,976
Price / SF	\$203
Rent / SF	\$12.50

Lease Summary

Property Type	Net Leased Restaurant
Tenant / Guarantor	Franchisee – 36 Units
Ownership Type	Private
Original Lease Term	15 Years
Lease Commencement	Close of Escrow
Lease Expiration	Close of Escrow
Lease Term Remaining	15 Years
Lease Type	Triple-Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Four (4), Five (5)-Year Options
Rental Increases	1.25% Starting in Year 6

Rent Schedule

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation (%)
Years 1-5	\$46,800	\$3,900	-
Year 6	\$47,385	\$3,949	1.25%
Year 7	\$47,977	\$3,998	1.25%
Year 8	\$48,577	\$4,048	1.25%
Year 9	\$49,184	\$4,099	1.25%
Year 10	\$49,799	\$4,150	1.25%
Year 11	\$50,422	\$4,202	1.25%
Year 12	\$51,052	\$4,254	1.25%
Year 13	\$51,690	\$4,307	1.25%
Year 14	\$52,336	\$4,361	1.25%
Year 15	\$52,990	\$4,416	1.25%



TENANT OVERVIEW



Pizza Hut is an American restaurant chain and international franchise, known for pizza and side dishes. It is now corporately known as Pizza Hut, Inc. and is a subsidiary of Yum! Brands, Inc., the world's largest restaurant company.

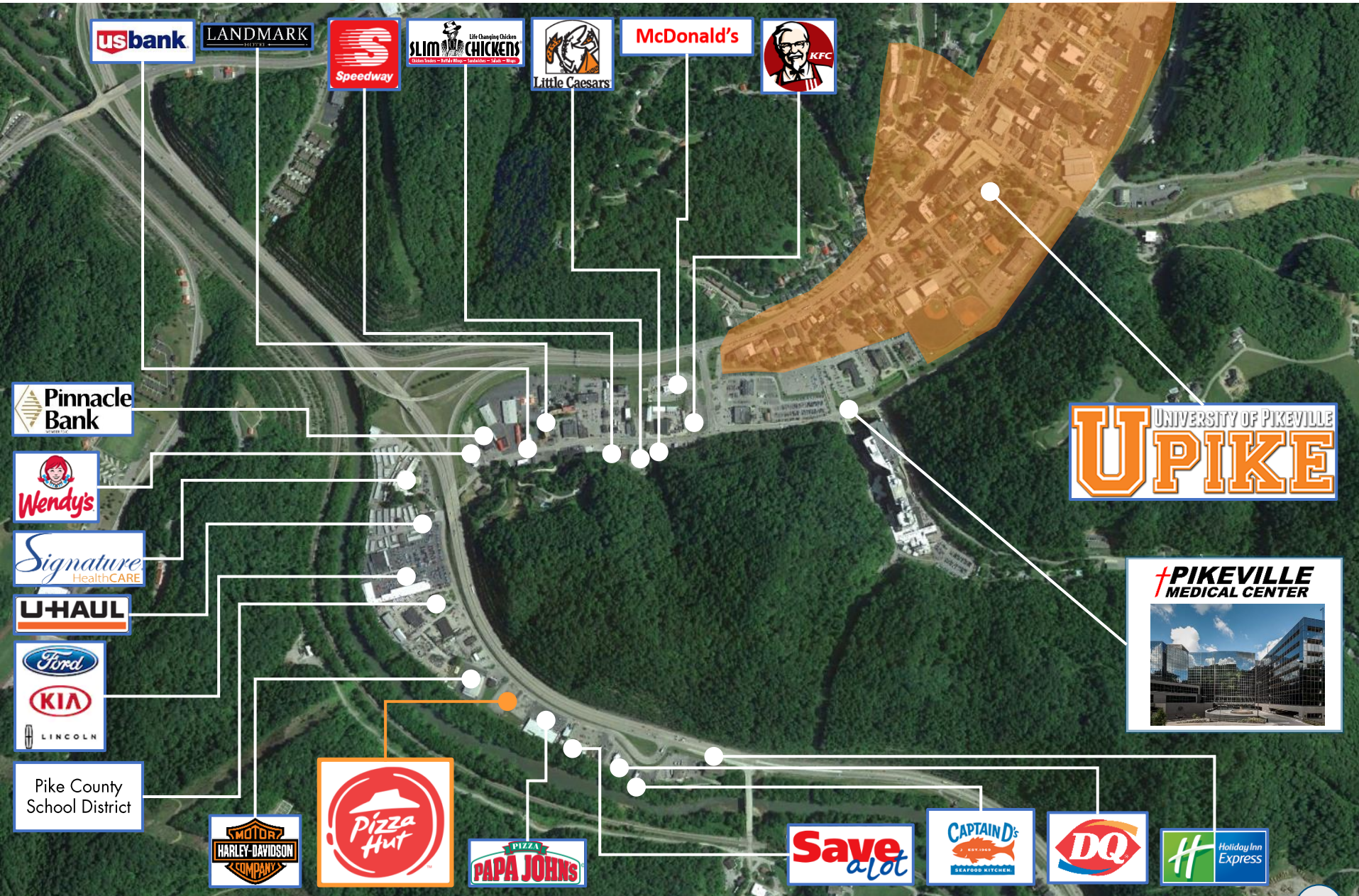
The first Pizza Hut restaurant was opened in 1958 in Wichita, Kansas, and within a year, the first franchise unit was opened. Today, Pizza Hut is the largest restaurant chain in the world specializing in the sale of ready-to-eat pizza products. Pizza Hut operates in 103 countries and territories throughout the world. As of year end 2016, Pizza Hut had 16,409 units. 97 percent of the Pizza Hut units are franchised.

Pizza Hut operates in the delivery, carryout and casual dining segments around the world. Outside of the U.S., Pizza Hut often uses unique branding to differentiate these segments. Additionally, a growing percentage of Pizza Hut's customer orders are being generated digitally.

As of November, 2014 Pizza Hut revamped their menu, adding five new toppings, six sauces, 10 crust flavors (like "honey Sriracha" and "ginger boom boom"), and even health-conscious "Skinny Slice" pizzas.



Surrounding Area





Location Overview

This Pizza Hut property is located at 380 East Mayo Trail in Pikeville, Kentucky. Pikeville is a city in and the county seat of Pike County, Kentucky. The city is located in the Appalachian Mountains, along the Levisa Fork of the Big Sandy River. The downtown area is built in a narrow valley in a bend of the Levisa Fork that was bypassed in 1987 with the completion of the Pikeville Cut-Through, while places such as Weddington Square Plaza are built in a broader part of the river valley.

The subject property is well-positioned in an active retail corridor, benefitting from it's proximity to major national and local tenants. Nearby national tenants include: McDonald's, KFC, Slim Chickens, Speedway, Landmark Hotel, U.S. Bank, Pinnacle Bank, Little Caesars, Wendy's, Signature HEALTHcare, U-Haul, Pikeville Mini Storage, Ford, Kia, Lincoln, Harley-Davidson, Papa John's, Save-a-Lot, Captain D's, Dairy Queen, Holiday Inn Express, as well as many others. Pikeville Medical Center, a 300-bed medical facility, is in the immediate area and is the largest hospital in southeastern Kentucky with over 3,000 employees.

There are approximately 14,796 people within a five-mile radius of this property and more than 36,386 within a ten-mile radius. The property is located on Mayo Trail, which has average daily traffic counts of 22,425 vehicles. Also near this Bob Evans location is State Route 32, which experiences average daily traffic counts of 27,506 vehicles. The average household income exceeds \$72,000

Pikeville has been a center of rapid development in Eastern Kentucky since the 1990s. Pikeville College (now the University of Pikeville) opened the Kentucky College of Osteopathic Medicine in 1997. The university also opened the Kentucky College of Optometry, the first optometry school in Central Appalachia, in the fall of 2016. In October 2005, the 7,000 seat, multi-purpose Eastern Kentucky Exposition Center opened in downtown. Pikeville Medical Center has established itself as a regional healthcare center. In 2014, a new 11-story clinic and a 10-story parking structure was completed at a cost of \$150 million. Late 2017 saw several announcements regarding tenants for the recently opened Kentucky Enterprise Industrial Park. A second tenant in the park was announced on December 15, 2017 with an announcement by EnerBlu, Inc. that they would be investing nearly \$400 million in Pikeville with the construction of a facility to manufacture advanced batteries for use in power grids, commercial and military transportation units, and other equipment. In addition, the manufacturing facility will assemble the batteries into proprietary equipment. It is anticipated that EnerBlu will supply approximately 875 jobs soon after construction of the facility is completed in 2020.



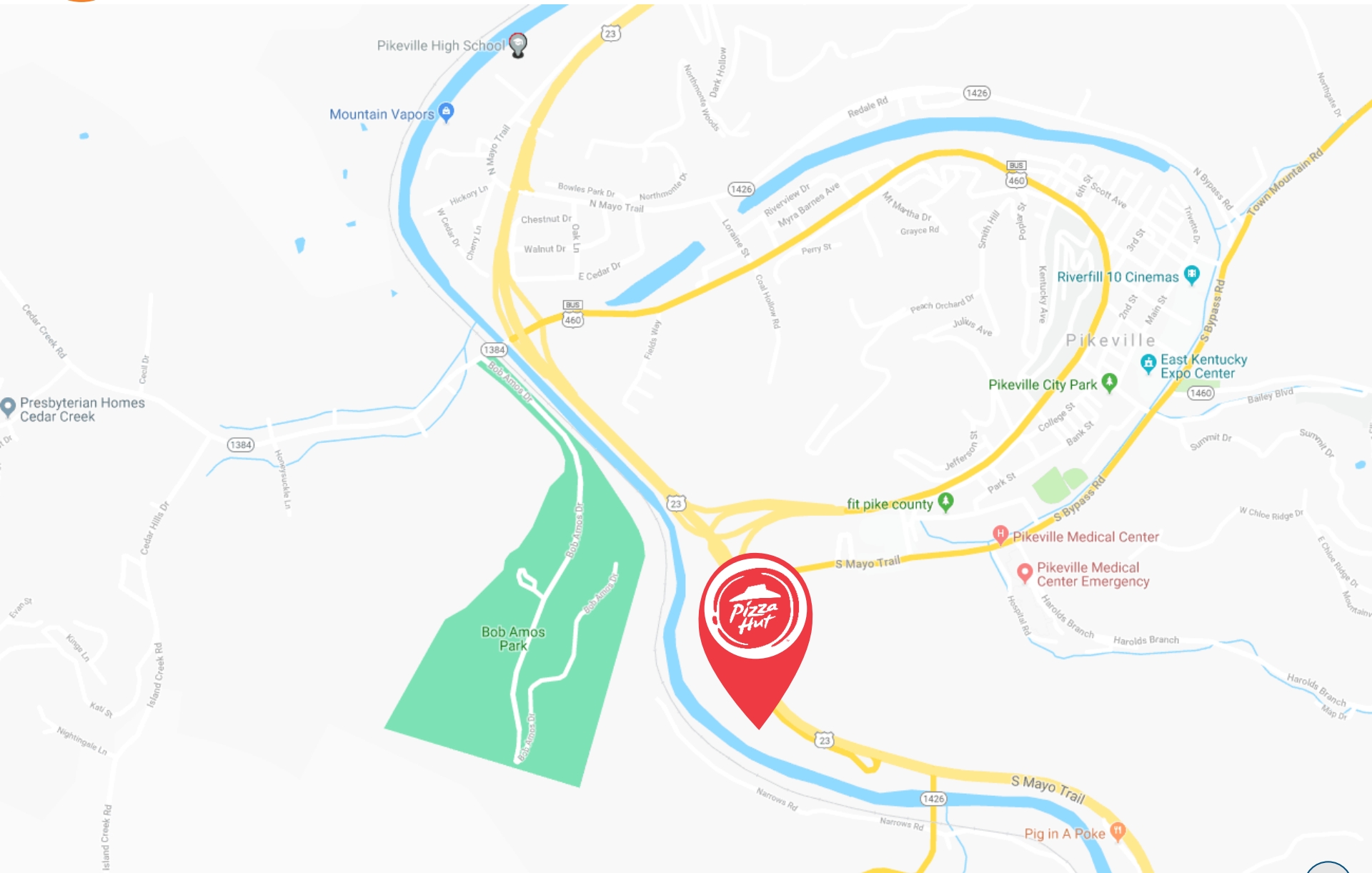


Property Photo





Local Map





Regional Map



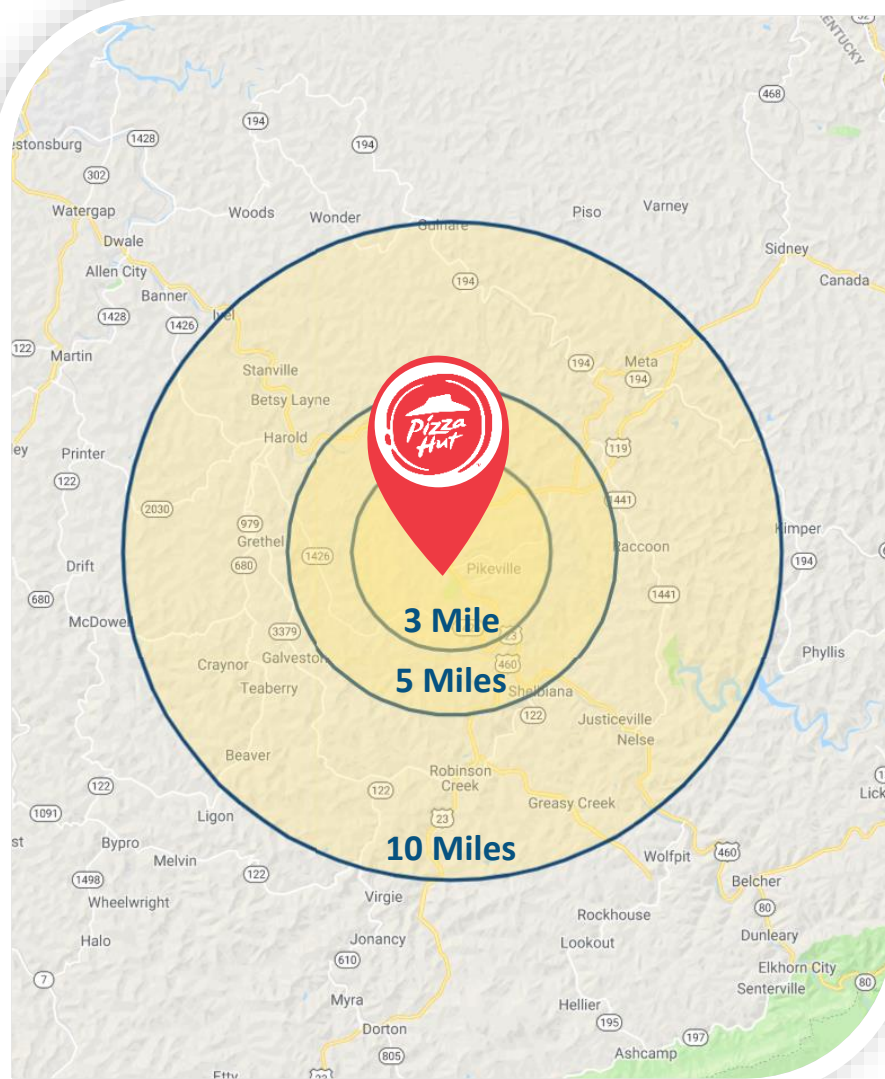


State Map





Demographics



Population:

	3 Mile	5 Miles	10 Miles
2023 Projection	9,331	14,367	34,949
2018 Estimate	9,570	14,796	36,386
2010 Census	9,321	14,737	38,456
Growth 2018-2023	(2.50%)	(2.90%)	(3.95%)
Growth 2010-2018	2.67%	0.40%	(5.38%)
2018 Population Hispanic Origin	167	212	356

2018 Population by Race:

White	9,013	14,113	35,384
Black	269	298	393
Am. Indian & Alaskan	10	15	47
Asian	152	200	263
Hawaiian & Pacific Island	10	12	16
Other	115	158	283

U.S. Armed Forces:

0 0 0

Households:

2023 Projection	3,758	5,886	14,271
2018 Estimate	3,871	6,081	14,881
2010 Census	3,878	6,185	15,887
Growth 2018 - 2023	(2.92%)	(3.21%)	(4.10%)
Growth 2010 - 2018	(0.18%)	(1.68%)	(6.33%)
Owner Occupied	2,086	3,705	10,557
Renter Occupied	1,785	2,376	4,325

2018 Avg Household Income

\$72,026 \$67,899 \$58,251

2018 Med Household Income

\$38,922 \$39,825 \$38,986

2018 Households by Household Inc:

<\$25,000	1,453	2,168	5,211
\$25,000 - \$50,000	752	1,361	3,683
\$50,000 - \$75,000	507	813	2,207
\$75,000 - \$100,000	208	392	1,564
\$100,000 - \$125,000	268	391	769
\$125,000 - \$150,000	219	313	478
\$150,000 - \$200,000	139	248	460
\$200,000+	324	395	510



exclusive net lease offering