



OFFERING MEMORANDUM

# *Longs Drugs*

A CVS HEALTH SUBSIDIARY

84-1160 FARRINGTON HWY | WAI'ANAE, HI 96792



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EXCLUSIVELY PRESENTED BY

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# INVESTMENT HIGHLIGHTS

- » Longs Drugs is a legal entity of CVS, a chain with approximately 40 drugstores throughout the state of Hawaii. Before being acquired by CVS Health in 2008 for \$2.54 billion it was a chain of over 500 stores, located primarily on the West Coast of the United States. CVS retained the Longs Drugs name in the Hawaii stores “because of its high name recognition and the geographical separation.”
- » Brand new redevelopment – redeveloped to a prototype Longs (CVS) store format, opened for business April 2018
- » Fifteen (15) year base term, with a ten percent (10%) rent increase in year 11
- » Lease has five, 5 year extensions for a total of 40 years
- » The \$/SF for newly renovated (\$4 M) Oahu real estate is competitive with any other NNN listing anywhere in US.
- » Located at main entry point to the planned redevelopment of the Makaha Resort. The \$300 million project includes a golf resort, time shares, and a 300-room, four-star hotel
- » Located at a signalized intersection along Farrington Highway – the major highway through the western part of O’ahu
- » The Longs is located on the border of Makaha and Wai’anae, in Honolulu County, on the island of O’ahu. Makaha is known for its beaches, surf, golf, culture, and coastline.
- » CVS Health has investment grade credit (S&P Rated BBB+, Moody’s Baa1). CVS is the second largest retail pharmacy in the US with over 9,600 locations, is the largest retailer of prescription drugs, and the second-largest pharmacy benefits manager in the United States. CVS Health is a Fortune 500 company - Ranked #7 in 2017.
- » CVS Health Corp. made big moves in 2017 to further expand its footprint. The company fully integrated its acquisition of Omnicare and the pharmacies and clinics of Target while focusing on managing rising drug costs. Reports of a potential \$68 billion deal to buy health insurer Aetna Inc began swirling in late 2017 that CVS later confirmed. The acquisition will create a health care behemoth with \$240 billion in annual revenue across sectors including retail pharmacy, benefits management, and insurance.





SECTION I

# FINANCIAL OVERVIEW

# THE OFFERING

## PROPERTY NAME

Longs Drugs

## ADDRESS

84-1160 Farrington Hwy

## LOCATION

Wai'anāe, HI 96792

## STORE NUMBER

10988

## GLA

± 18,130 SF

## LOT SIZE

± 51,925 SF

## YEAR BUILT/RENOVATED

2017-2018

## PARKING SPACES

±60 Surface Spaces

## PARKING RATIO

±3.31 : 1,000 SF



LIST PRICE  
\$5,060,000



LIST CAP RATE  
4.15%



# LEASE ABSTRACT

YEAR	MONTHLY RENT
Tenant:	LONGS DRUG STORES OF CALIFORNIA, L.L.C., a California limited liability company
Tenant Address:	One CVS Drive, Woonsocket, RI 02895
Property Address:	84-1160 Farrington Hwy, Wai'anae, HI 96792
CVS Store Number:	10988
Outside Delivery Date of Premises:	August 1, 2017
Lease Date:	December 10, 2015 (Original Lease); March 7, 2016 (First Amendment); April 4, 2016 (Second Amendment); May 6, 2016 (Third Amendment); June 9, 2016 (Fourth Amendment); June 21, 2016 (Fifth Amendment); June 30, 2016 (Sixth Amendment); July 8, 2016 (Seventh Amendment); December 29, 2016 (Eighth Amendment); August 4, 2017 (Ninth Amendment)
Rent Commencement:	April 10, 2018
Lease Expiration:	Fifteen (15) years from the Rent Commencement Date, plus any months necessary to have the term expire on the next January 31st
Original Lease Term:	Fifteen (15) years
Renewal Options	Five (5) five (5) year options
Termination Notice	N/A
Fixed Rent (annual):	Initial Term Years 1 - 10: \$210,000.00 Initial Term Years 10 - 15: \$231,000.00 First extension period: \$254,000.00 Second extension period: \$279,400.00 Third extension period: \$307,340.00 Fourth extension period: \$338,074.00 Fifth extension period: \$371,881.40
Tenant's Pro Rate Share:	41.2%; Anchor Tenant Unit of the Makaha Gateway Makai AOOU
Monthly Charge for Tenant's Pro Rate Share of CAM Costs:	\$9,514; CVS pays direct to AOOU/Developer and has voting rights
Repairs and Maintenance:	Landlord shall maintain the exterior structural portions of the building, including, but not limited to: roof and roof supports, footings, foundations, structural supports, columns, utility meters, loading docks; the Common Areas including the parking lot, landscaping, and lighting.  Tenant shall maintain the interior portions of the building, HVAC, and nonstructural portions of the storefront of the premises. 20 year NDL warranty roof installed in 2017
Taxes:	Landlord to pay taxes, tenant to reimburse landlord for pro rata share; CVS pays taxes to AOOU/Developer
Insurance:	Landlord to pay insurance, tenant to reimburse landlord for pro rata share; CVS pays insurance to AOOU/Developer
Utilities:	Tenant to pay all utilities directly
Estoppel:	Tenant to deliver within a reasonable period of time



## LEASE SUMMARY

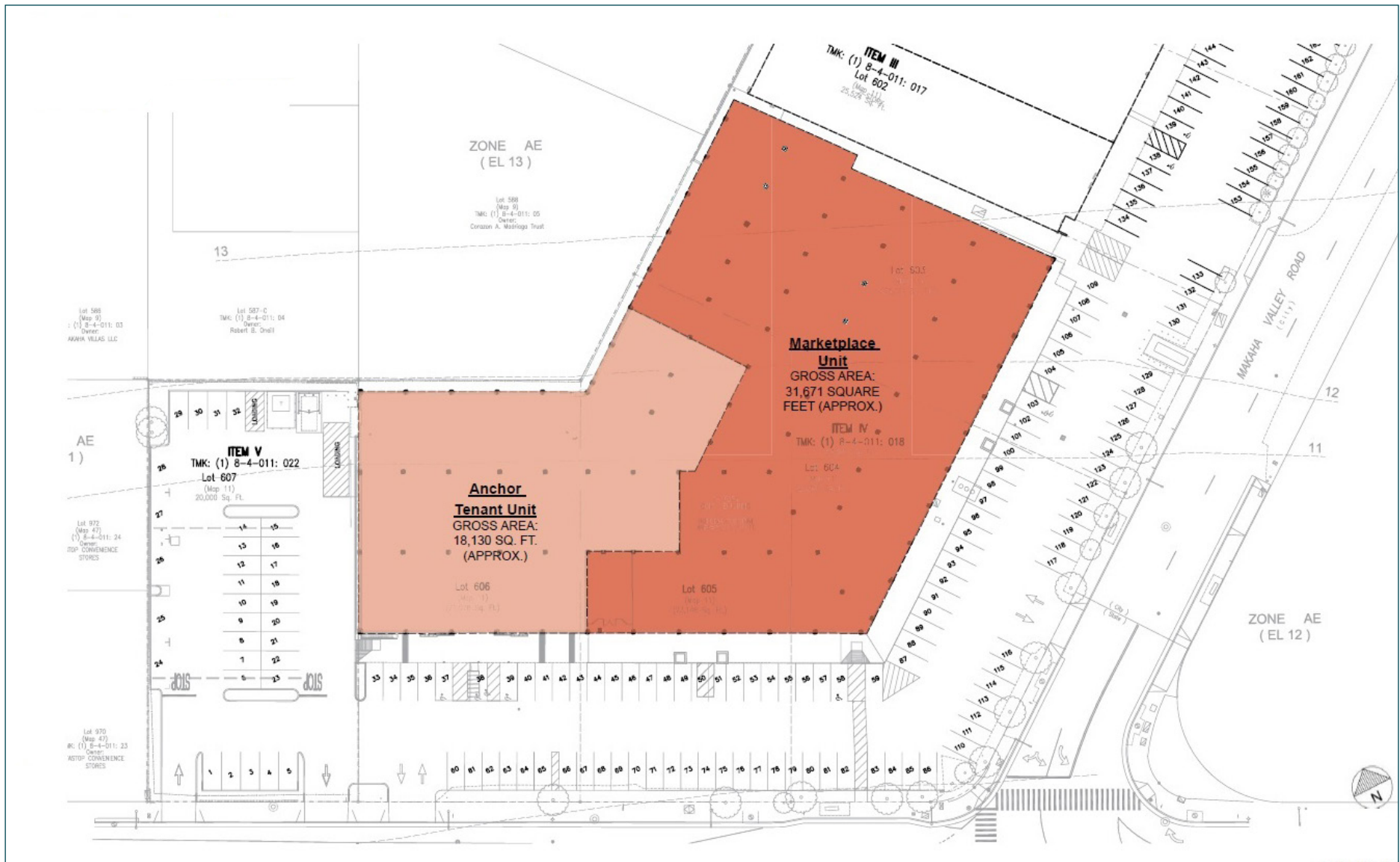
Tenant	LONGS DRUG STORES OF CALIFORNIA, L.L.C.
Type of Ownership	Fee Simple
Lease Type	NN
Roof and Structure	Landlord
Original Lease Term	15 years
Original Lease Date	12/10/15
Rent Commencement Date	4/10/2018
Lease Expiration Date	1/31/2034
Term Remaining	15.52
Increases	Ten percent (10%) at tenth (10th) anniversary of Rent Commencement Date and every five (5) years in extensions
Extensions	Five (5) five (5) year options

## RENT SCHEDULE

	ANNUAL RENT	MONTHLY RENT	PERCENT INCREASE	RENT PSF	CAP RATE
Initial Term Years 1 - 10	\$210,000.00	\$17,500.00	-	\$11.58	4.15%
Initial Term Years 10 - 15	\$231,000.00	\$19,250.00	10.00%	\$12.74	4.57%
First extension period	\$254,000.00	\$21,166.67	9.96%	\$14.01	5.02%
Second extension period	\$279,400.00	\$23,283.33	10.00%	\$15.41	5.52%
Third extension period	\$307,340.00	\$25,611.67	10.00%	\$16.95	6.07%
Fourth extension period	\$338,074.00	\$28,172.83	10.00%	\$18.65	6.68%
Fifth extension period	\$371,881.40	\$30,990.12	10.00%	\$20.51	7.35%



# SITE PLAN





## SURROUNDING AREA







## SECTION II

# TENANT OVERVIEW



# Longs Drugs

## COMPANY NAME

Longs Drugs

## OWNERSHIP

CVS Health Corporation

## YEAR FOUNDED

1938

## INDUSTRY

Healthcare

## HEADQUARTERS

Woonsocket, Rhode Island

## NO. OF EMPLOYEES

±246,000

## LONGS DRUGS OVERVIEW

Longs Drugs is an American chain with approximately 40 drugstores throughout the state of Hawaii. Before being acquired by CVS Health in 2008, it was a chain of over 500 stores, located primarily on the West Coast of the United States. Besides Hawaii, it had stores located in California, Nevada, Arizona, Alaska, Colorado, Oregon, and Washington, and was headquartered in Walnut Creek, California.

## CVS

CVS Health Corporation, together with its subsidiaries, provides integrated pharmacy health care services. It operates through Pharmacy Services and Retail/LTC segments. The Pharmacy Services segment offers pharmacy benefit management solutions, such as plan design and administration, formulary management, Medicare Part D services, mail order and specialty pharmacy services, retail pharmacy network management services, prescription management systems, clinical services, disease management programs, and medical pharmacy management services. The Retail/LTC segment sells prescription drugs, over-the-counter drugs, beauty products and cosmetics, personal care products, convenience foods, seasonal merchandise, and greeting cards, as well as provides photo finishing services. The company was formerly known as CVS Caremark Corporation and changed its name to CVS Health Corporation in September 2014. Hook-SuperRx, LLC operates as a subsidiary of CVS Health Corporation and retails drugs in the United States. It is based in Indianapolis, Indiana and does business as CVS Pharmacy.

An aerial photograph of a coastal region, likely in the Philippines, showing a river flowing into a bay. The water is a deep blue, and the surrounding land is covered in lush green vegetation. In the foreground, there are dark, rocky formations. The background features a range of mountains under a cloudy sky. The text "SECTION III" and "AREA OVERVIEW" is overlaid on the image in a white, serif font, enclosed in a thin yellow rectangular border.

SECTION III

# AREA OVERVIEW



## WAI'ANAE, OAHU

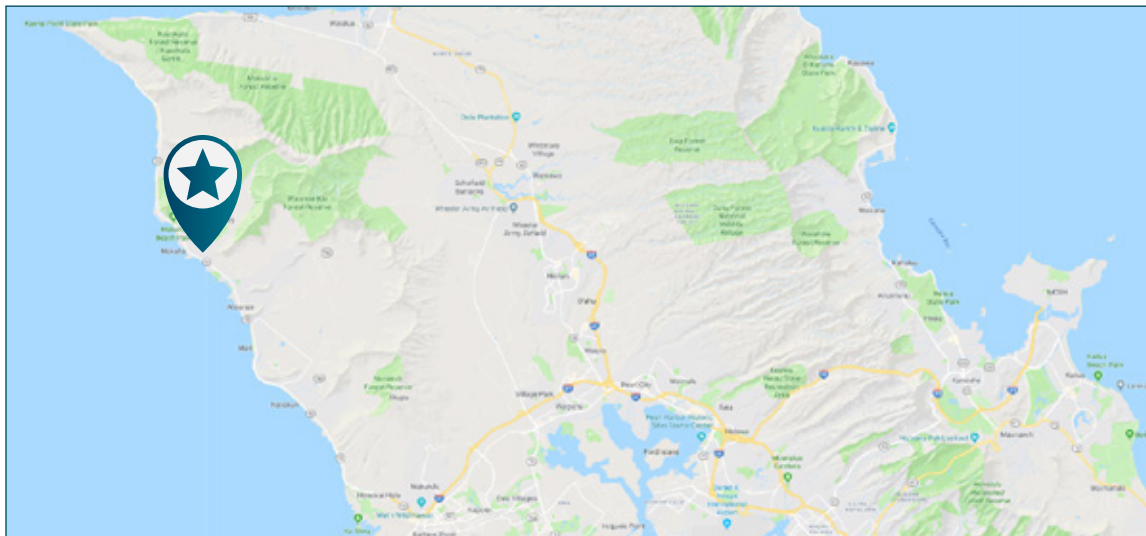
Wai'anae is the main town on Oahu's leeward coast. This is where leeward residents stock up on food and other necessities. Wai'anae Mall has a drugstore, a bank, and a few fast food eateries, food and clothing stores. Wai'anae also has a post office, public library, and high school.

At the Wai'anae Small Boat Harbor, tour operators launch their boats to take people out to snorkel with wild dolphins or to cruise along the coastline. It is a small working harbor where you can also see fishing boats and small yachts. The best swimming beach in Wai'anae is Poka'i Bay. The proximity to Ko Olina Resorts is the major factor driving the economy. Social media is causing a major increase in the visits to the beaches, snorkeling, diving and surfing and Kaena Point

## LEEWARD COAST, OAHU

The sunny and dry Leeward Coast of Oahu lies at the foot of the Waianae mountain range just 30 miles from Waikiki, but the contrast between the regions is striking. Where Waikiki offers urban hustle and bustle, the Leeward side of Oahu is less developed, with picturesque towns, beautiful off-the-beaten-path beaches and rural landscapes to explore.

There are two major resorts to choose from in the beautiful Ko Olina resort area. Home to the luxurious Four Seasons Oahu and Aulani, A Disney Resort & Spa, this 43-acre marina offers stretches of postcard-worthy shoreline with ample opportunities for water sports and championship golf. Other fun and family-friendly attractions in the area include the Paradise Cove Luau and the Wet n' Wild Hawaii water park. Local beaches include Makaha Beach, one of the first spots where surfers began big wave surfing, and Yokohama Bay.



## DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE
2023 Projection	8,358	25,815	39,909
2018 Estimate	8,058	24,641	38,131
2010 Census	7,588	22,672	35,158
Growth 2018-2023	3.72%	4.76%	4.66%
HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2023 Projection	2,233	6,967	10,179
2018 Estimate	2,132	6,618	9,663
2010 Census	1,966	6,049	8,828
Growth 2018-2023	4.74%	5.27%	5.34%
INCOME	1-MILE	3-MILE	5-MILE
2018 Average Household Income	\$74,229	\$79,803	\$81,812



## KAENA POINT

On the western tip of Oahu is Kaena Point. This dramatic lava shoreline is said to be the place where the souls of ancient Hawaiians would jump off into the spirit world and meet the souls of their ancestors. With scenic views of the Waianae coast to the south, Mokuleia to the north, and the vast Pacific, it's easy to see why this point was deemed so sacred.



## MAKAHA EAST GOLF COURSE

Makaha East Golf Course is nestled in captivating lowlands in this beautiful tourist region. Accented by gorgeous vistas, Makaha Valley weaves along rolling terrain framed by dense trees, ferns and tropical plants. Presenting golfers with a variety of doglegs and elevation changes, the course builds to an entertaining climax on one of Hawaii's most demanding closing holes.



## MAKAHA BEACH

Makaha Beach has the best surfing on Oahu's west coast and is one of the places where big wave surfing was pioneered. Beware of the sloping sand beachhead that can cause backwash and catch unsuspecting visitors off-guard. In winters, waves can reach up to 25 feet. When the ocean is calm, this is one of Oahu's most popular dive sites.



## WAIANAЕ HARBOR

Wai'anae Harbor is located north of Kaneilio Point on the Wai'anae leeward coast of Oahu, ten miles northwest of Kalaheo Barbers Point Harbor and Ko'Olina. This is a small boat harbor with a few sportfishing charters, cruises, and dolphin excursions. Waianae Harbor is a great place to watch the sunset and whales in season.



# CONFIDENTIALITY & DISCLAIMER STATEMENT

This Offering Memorandum contains select information pertaining to the business and affairs of **Longs Drugs** located at **84-1160 Farrington Hwy | Waiʻanae, HI 96792** (“Property”). It has been prepared by Matthews Retail Advisors. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Matthews Retail Advisors. The material is based in part upon information supplied by the Seller and in part upon financial information obtained from sources it deems reliable. Owner, nor their officers, employees, or agents makes any representation or warranty, express or implied, as to the accuracy or completeness of this Offering Memorandum or any of its contents and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and conduct their own due diligence.

By acknowledging your receipt of this Offering Memorandum for the Property, you agree:

1. The Offering Memorandum and its contents are confidential;
2. You will hold it and treat it in the strictest of confidence; and
3. You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Matthews Retail Advisors expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of the Property or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser’s sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Matthews Retail Advisors or any of their affiliates or any of their respective officers, Directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.

**MATTHEWS**<sup>TM</sup>  
REAL ESTATE INVESTMENT SERVICES

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