

OFFERING MEMORANDUM



SCHEELS

1200 10th Avenue South, Great Falls, MT 59405

Net Lease Property Group – Midwest

CBRE

AFFILIATED BUSINESS DISCLOSURE AND CONFIDENTIALITY AGREEMENT

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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.

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.

ALL PARCEL LINES ON SITE PLAN AND AERIALS ARE APPROXIMATE.

PRIMARY CONTACTS

MICHAEL KAIDER
First Vice President

+1 630 573 7015

michael.kaider@cbre.com

CBRE

700 Commerce Drive

Suite 450

Oak Brook, IL 60523

FINANCING CONTACT

MICHAEL KOLT

Vice President

+1 602 735 5662

michael.kolt@cbre.com

CBRE

2575 East Camelback Road

Suite 500

Phoenix, AZ 85016

LOCAL LICENSEE

MATT MELLOTT, CCIM

Sterling CRE Advisors

License # RRE-BRO-LIC-52907

matt@sterlingcreadvisors.com



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THE OFFERING

CBRE's Net Lease Property Group is pleased to exclusively present the excellent opportunity to acquire fee simple interest in a 99,279-square foot Scheels located in Great Falls, Montana. The net lease has just under eight years of term remaining, six 5-year options, and rental increases throughout the base term and renewal options.

Scheels anchors Holiday Village Mall, the dominant and only enclosed regional mall located on the Interstate 15 corridor between Helena, Montana and the Canadian border. The 576,897-square foot mall is also anchored by JCPenney. Holiday Village Mall contains a big box component leased to Ross Dress for Less, Bed Bath & Beyond, Big Lots, Hobby Lobby, PetSmart and a new Harbor Freight Tools. As the primary regional hub of retail activity, Holiday Village Mall serves an expansive trade area and is the only source of retail within a 90-mile radius. There are approximately 196,000 residents within a 90-mile radius from the Property.

Scheels is well positioned at the malls primary signalized entrance and highly visible from 10th Avenue South, a major east-west thoroughfare (36,200 VPD). Scheels is also easily accessible from the surrounding access points on 13th Street South, 13th Avenue South, and 9th Street South (Combined Traffic Counts: 18,198 VPD).

Financial Overview

Offering Price	\$9,243,000
Cap Rate	7.25%
Annual rent	\$670,133.25
Lease Structure	NNN
Building Size	99,279 Square Feet (49,664 Upper Level and 49,615 Lower Level)
Lot Size	± 5.538 Acres



FINANCIAL OVERVIEW

Tenant	Scheels All Sports
Lease Commencement	February 10, 2007
Lease Expiration	January 31, 2027
Lease Term Remaining	~8 Years
Renewal Options	Six, 5-Year Options
Rental Increases	5% increase February 1, 2022 during the current term and 5% for each option to extend.
Landlord Responsibilities	Utility Lines up to within 5 feet of Premises, and structural repairs to the foundation.
Tenant Responsibilities	Fixed CAM, Taxes, and Insurance
CAM	Scheels paid fixed CAM of \$32,802 in 2018. But per supplemental REA, the Mall Owner will cover all costs related to CAM that Scheel's does not reimburse in their fixed CAM. New Scheel's Owner will not be responsible for any CAM costs.

Rent Schedule

Lease Dates	Monthly Rent	Annual Rent
2/1/18 – 1/31/22	\$55,844.44	\$670,133.25
2/1/22 – 1/31/27	\$58,657.34	\$703,888.11
Option 1 (2/1/27 – 1/31/32)	\$61,635.71	\$739,628.55
Option 2 (2/1/32 – 1/31/37)	\$64,779.55	\$777,354.57
Option 3 (2/1/37 – 1/31/42)	\$68,088.85	\$817,066.17
Option 4 (2/1/42 – 1/31/47)	\$71,563.61	\$858,763.35
Option 5 (2/1/47 – 1/31/52)	\$75,203.84	\$902,446.11
Option 6 (2/1/52 – 1/31/57)	\$79,009.54	\$948,114.45

Co-Tenancy	In the event that any 2 of Major Occupant Stores 4, 6, and 7 (or if Ross Dress for Less or Kohl's opens in Major Occupant Store 1, then any 3 of Major Occupant Stores 4, 6, 7, and 1) on Exhibit A of the Lease are not open for business, or leased and occupied, for more than 180 consecutive days ("Waiting Period"), Tenant shall have the right (provided Tenant has not been in material default and Tenant's average daily Gross Sales during the Waiting Period are more than 15% less than Tenant's average daily Gross Sales during the corresponding 180-day period during the prior lease year "Comparison Period") to pay 2% of monthly Gross Sales in lieu of Fixed Minimum Rent and Percentage Rent. Tenant must be open and operating standard hours to exercise this right. If Alternative Rent payments continue for 12 consecutive months Tenant shall have a 30-day window in which to terminate the lease (though written notice to Landlord). If this option is exercised, the lease will be terminated 30 days after delivery of notice. If Tenant does not elect to terminate the lease, Landlord may at its election terminate the lease at any time thereafter (through written notice to Tenant). Tenant's lease will expire on the date set by Landlord in notice (which must be at least 30 days after the date of the notice). Tenant can negate Landlord's option to terminate if it resumes normal rent.
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INVESTMENT HIGHLIGHTS

SECURE TENANCY: Scheels has been a tenant at this location since 2007 and currently has just under 8 years of term remaining. Scheels' net lease includes six 5-year renewal options as well as a rental increase in 2022 and each option period. Scheels was founded in 1902 and is one of the largest sporting goods stores in the United States. Currently, the company has 27 locations in 13 states and employs over 6,000 associates.

DOMINANT RENT-TO-SALES RATIO: Scheel's has historically reported tremendous sales at this location. In 2018, Scheel's sales were \$21.84 million with 6.43% growth over the previous year. Their rent-to-sales ratio was 3.07% which is extremely healthy for a sporting goods retailer.

MINIMAL COMPETITION: Scheels holds an exceptional market position with no competitive sporting goods stores within close proximity. The nearest competitors, Cabela's and another Scheels location, are located approximately 169 and 217 miles away in Missoula and Billings, MT, respectively.

RETAIL CENTER OF GRAVITY: Scheels is an anchor to Holiday Village Mall, a 576,897-square foot enclosed regional mall. The mall is also anchored by JCPenney. Additional key tenants include Ross Dress for Less, Bed Bath & Beyond, Big Lots, Hobby Lobby, PetSmart and a new Harbor Freight Tools. National retailers within the corridor include AMC Theater, The Home Depot, Old Navy, Michaels, Petco, OfficeMax, Barnes & Noble, Goodwill, Jo-Ann Fabrics, Pier 1 Imports, and Target among others. There is no other significant cluster of retail within Great Falls.

EXCELLENT LOCATION: Situated 50 miles from the Continental Divide and 120 miles from the Canadian border, Great Falls is the third largest city in Montana and the only source of retail within a 90-mile radius. Holiday Village Mall is the only enclosed regional mall located on the Interstate 15 corridor between Helena, Montana and the Canadian border.

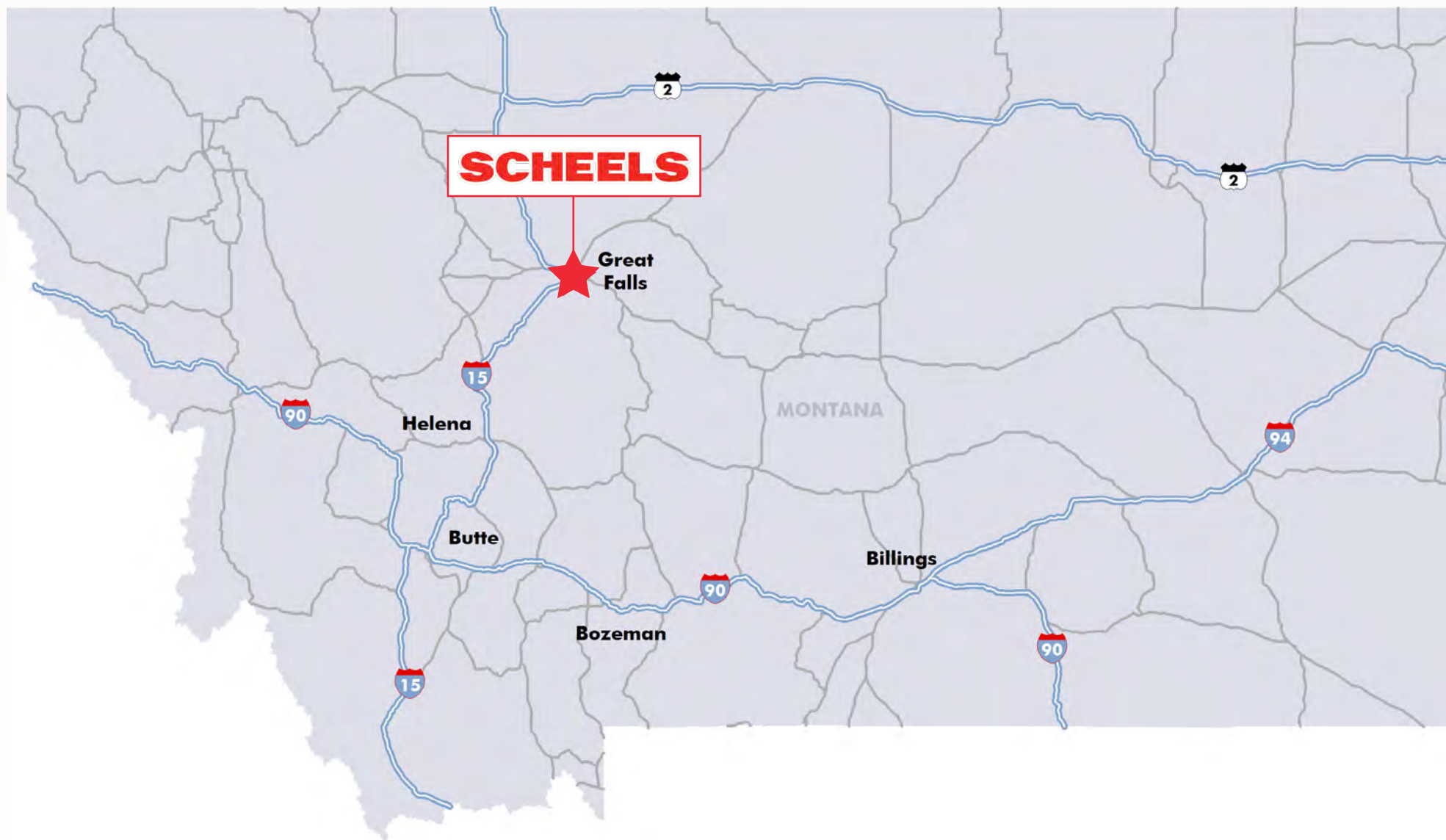
HIGH TRAFFIC COUNTS: Scheels is located along 10th Avenue South (US 87/89) at the intersection with 13th Street South. An estimated 54,398 vehicles drive past the mall daily on the four surrounding streets: 36,200 on 10th Avenue South, on the north side of the property; 6,913 on 13th Street South, on the east; 3,526 on 13th Avenue South, on the south, and 7,759 on 9th Street South, on the west.

MARKET POSITIONING: Holiday Village Mall is uniquely positioned as the dominant retail center in a captive market fueled by limited shopping alternatives and retail options. Furthermore, Holiday Village Mall is the nearest dominant retail location to capture the Canadian tourists and shoppers. These shoppers add huge tourist dollars to the Great Falls market, and Scheels and the mall capture a large share of the retail dollars.

AERIAL VIEW LOOKING SOUTHEAST



REGIONAL MAP



TENANT PROFILE

Tenant Name: Scheels

Ownership: Private

Locations: 27

Website: www.scheels.com

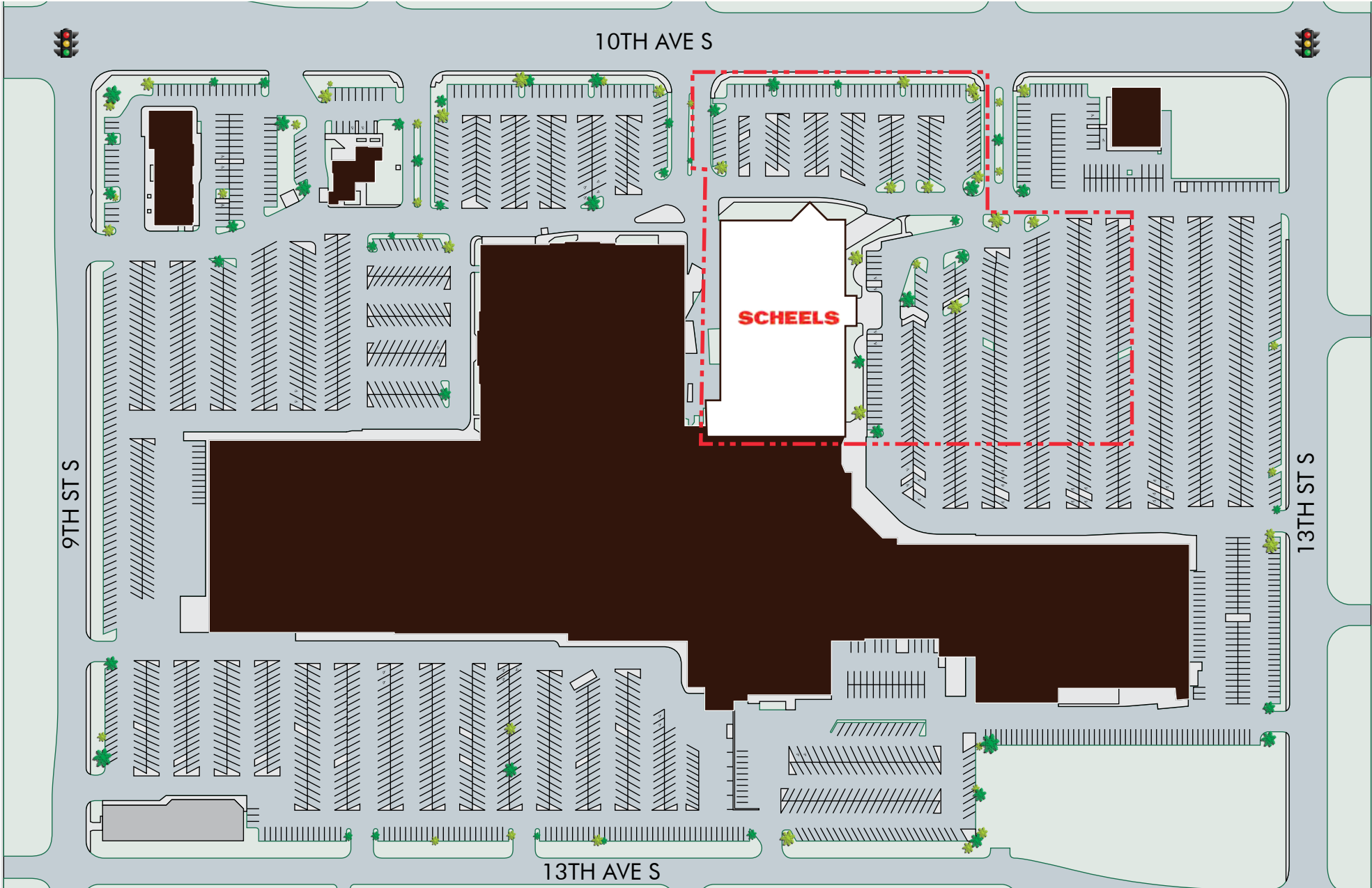


Founded in 1902 by Frederick Scheel, Scheels is one of the largest sporting goods stores in the United States. Scheels stores are unlike other sporting goods stores and include special attractions to create a superior shopping experiences. Scheels offers a complete service shop; clubs for biking, hiking, running and walking; fishing events and fests; and hunting expos. Stores also offer high-quality product selection by leading brands including clothes, shoes, and gear for a variety of activities.

Scheels is an employee-owned, privately held business with 6,000 associates. Currently, the company has 27 locations in 13 states including North Dakota, Illinois, Iowa, Minnesota, South Dakota, Montana, Wisconsin, Nebraska, Utah, Kansas, Colorado, and Texas. The company is headquartered in Fargo, North Dakota.



SITE PLAN



AERIAL VIEW LOOKING SOUTH



PROPERTY DESCRIPTION

Location	1200 10th Avenue South Great Falls (Cascade County), MT 59405	
GLA	99,279 Square Feet	
Year Built	Holiday Village Mall was built in 1959, renovated in 1979, and expanded in 1991.	
Site Size	± 5.538 Acres	
Zoning	The property is zoned C-2, general Commercial, by the City of Great Falls.	
Access	There are three access drives along 10th Avenue South, three along 9th Street South, three along 13th Avenue South, and two along 13th Street South. The main entrance is on 10th Avenue South by the Scheels store and is signalized.	
Flood Zone	According to the flood hazard maps published by the FEMA, the site is within Zone X as indicated on Community Map Panel No. 42013C0241D dated March 2, 2012. Zone X, an area that is determined to be outside the 100-and 500-yearflood plains.	
Surrounding Uses	The property is generally surrounded by residential subdivisions and commercial/retail developments.	
Traffic Counts	10th Avenue South:	36,200 VPD
	13th Street South:	6,913 VPD
	13th Avenue South:	3,526 VPD
	9th Street South:	7,759 VPD



MARKET OVERVIEW

The city of Great Falls is located in central Montana, along the banks of the Missouri River. The city is approximately 90 miles north of Helena, the state capital; 120 miles south of the Canadian border, and 180 miles northwest of Billings. The city of Great Falls is the third largest city in the state of Montana, the county seat of Cascade County, and the principal city of the Great Falls MSA, which encompasses Cascade County.

The Great Falls MSA has an estimated population of 83,524 residents; an increase of 2.70% from the 2010 census population of 81,327. The population is expected to increase an additional 1.73% over the next five years to 84,971. Residents in the metro area earn an average household income of \$63,346. Although the average household income is below the national average of \$80,675, the metro area enjoys a cost of living that is significantly lower than the national average.

TRANSPORTATION

The city of Great Falls is located along Interstate 15 in west/central Montana. Interstate 15 connects Great Falls with Canada to the north and Helena, Montana (the state capital) and points further to the south. The interstate is part of the CANAMEX highway that runs from Alberta, Canada to Mexico. U.S. Routes 87 and 89 run through Great Falls and lead to the Canadian border to the northwest and Billings, Montana and Interstate 90 to the southeast. Other major routes through the area include Montana Route 200, which runs east/west to Glendive, MT on the east and Missoula, MT to the west. Scheels is located along 10th Avenue South (US 87/89) at the intersection with 13th Street South. An estimated 54,398 vehicles drive past the mall daily on the four surrounding streets: 36,200 on 10th Avenue South, on the north side of the property; 6,913 on 13th Street South, on the east; 3,526 on 13th Avenue South, on the south, and 7,759 on 9th Street South, on the west.

Great Falls International Airport is located approximately five miles southwest of downtown Great Falls and provides daily flights to Salt Lake City, Minneapolis, Seattle, Phoenix, Las Vegas, Denver, and Helena. The airport is served by six carriers: American, Delta, Allegiant, Frontier, Alaska, and United Airlines. In 2016, the Great Falls International Airport had nearly 177,000 enplanements. Great Falls International Airport is also home to the Montana Air National Guard, which employs more than 1,000 people. Rail freight service is provided by Union Pacific and Burlington Northern Santa Fe, which has a good yard in Great Falls. Amtrak's passenger rail system offers passenger service to Chicago and Seattle/Portland via the Empire Builder route; the train can be boarded in nearby Shelby or Havre.

ECONOMY

The Great Falls MSA is driven by defense and health care but remains relatively diverse, with major employers also in the education, retail, and financial services sectors. New Residents and employers are attracted to the area due to below-average living and business costs. The presence of Malmstrom Air Force Base (5 miles east of the Property) provides stability to the local economy. The Air Force base is the largest employer in the MSA with nearly 3,590 employees; other major employers in the area include Benefis Health Care Center, Montana Air National Guard, Wal-Mart Stores Inc., University of Great Falls, Centene Corporation, and Davidson Cos.

MARKET OVERVIEW

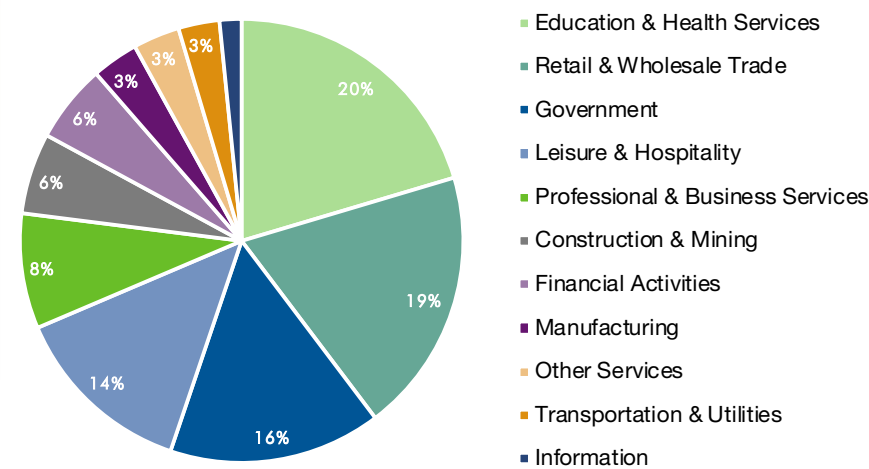
EMPLOYMENT

The Great Falls MSA has a strong employment history, with unemployment rates traditionally lower than that of the national average. As of March 2018, the latest month for which statistics are available, the MSA had an unemployment rate of 3.3%, lower than the national rate of 4.1% for the same time period. The presence of Malmstrom Air Force Base provides employment to over 3,500 area residents. The base is the top employer in the MSA, bolstering the local economy. Benefis Health Care, a not-for-profit community health system serving residents across a 13-county region, is the largest non-governmental employer in the MSA with over 3,317 employees.

EDUCATION

The Great Falls public school system is known for its high standards and quality education. The Montana State School for the Deaf and Blind, one of the finest special education schools in the nation, is located in Great Falls. Higher education opportunities include the University of Providence (previously named University of Great Falls), a private Roman Catholic four-year liberal arts institution. The 44-acre campus serves 950 students and offers 60 certificate, associate, undergraduate, and graduate programs. Great Falls College MSU is a two-year community college affiliated with Montana State University. Great Falls is Montana’s medical hub. Benefis Health Systems, the area’s #2 employer, offers select clinical education courses for healthcare professionals which includes on-site workshops as well as off-site classes.

MARCH 2018 ESTIMATED EMPLOYED POPULATION BY OCCUPATION



TOP EMPLOYERS

COMPANY	TOTAL EMPLOYEES
Malmstrom Air Force Base.....	3,590
Benefis Health System	3,317
Montana Air National Guard	1,039
Great Falls Clinic	631
Wal-Mart Stores Inc.	600
National Electronics Warranty	500-999
Centene Corp.....	319
Albertsons.....	285
Loenbro	280
Easter Seals-Goodwill Industries.....	267
University of Great Falls.....	229
Missouri River Manor	225
McDonald's Corp.	220
Davidson Cos.....	218
Quality Life Concepts	205
ADF International Inc.	202
Center for Mental Health	164
Heritage Inn.....	150
Town Pump Inc.	146
United Materials	145

Source: City of Great Falls Montana, 2017

MARKET OVERVIEW

QUALITY OF LIFE

The metro area offers a wide variety of cultural activities, from art museums and events to history and Native American culture. The community is home to special events throughout the year including the Montana State Fair, Western Art Week, Ice Breaker Road Race, a Farmers Market, and the Montana Pro Rodeo Circuit Finals. During summer months, the Electric City Water Park is open to visitors and residents. Additionally, Great Falls is home to a number of artists, museums and interpretive centers including the C.M. Russell Museum and the Lewis & Clark Interpretive Center.

Outdoor entertainment abounds with fishing, hiking, mountain biking, kayaking, snowmobiling and skiing available. Great Falls boasts over 57 parks and 40 miles of River's Edge Trail along the Missouri River. Adding to the recreation opportunities, Great Falls is a few hours' drive from Glacier and Yellowstone National Parks and several national forest and wilderness areas. There are hundreds of local restaurants and a variety of shopping options ranging from Holiday Village Mall to local boutiques in the historic downtown.

RETAIL CORRIDOR OVERVIEW

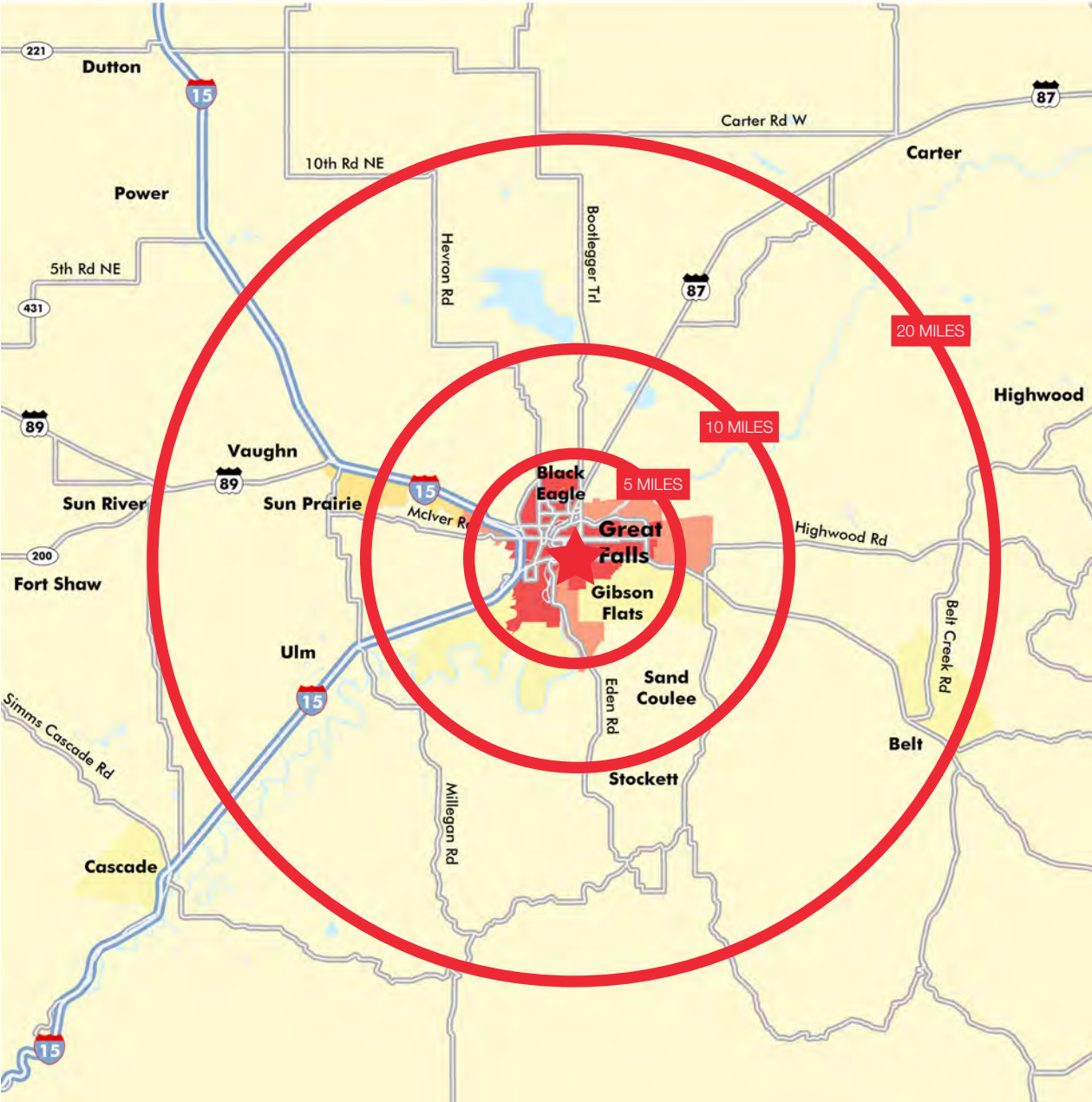
Scheels is located in the heart of the Great Falls MSA retail corridor. Anchored by Holiday Village Mall, the MSA has approximately 4.3 million square feet of retail space according to CoStar. Holiday Village Mall is located south of 10th Avenue South, just east of Interstate 15. The 576,897-square foot mall is the only enclosed regional mall located on the Interstate 15 corridor between Helena, Montana, and the Canadian border, and serves a trade area extending 50+ miles. The mall is anchored by Scheels and JCPenney. Additional retailers in the mall include Ross Dress for Less, Bed Bath & Beyond, Big Lots, Hobby Lobby, PetSmart and a new Harbor Freight Tools. In addition to the mall, there are a variety of big box and service retail centers throughout the corridor. National retailers immediately surrounding the mall include AMC Theater, The Home Depot, Old Navy, Michaels, Petco, OfficeMax, Barnes & Noble, Goodwill, Jo-Ann Fabrics, Pier 1 Imports, and Target among others. . The closest regional mall is Gallatin Valley Mall, located approximately 126 miles south in Bozeman, Montana. The following table details the regional malls in Montana.

PROPERTY NAME LOCATION	LOCATION	GLA (SF)	KEY TENANTS	YEAR BUILT/ RENOVATED	DISTANCE TO SUBJECT
Holiday Village Mall	1200 10th Avenue South Great Falls, MT	576,897	JCPenney, Scheels, PetSmart, Hobby Lobby, Bed Bath & Beyond, Big Lots, Ross Dress for Less, Harbor Freight	1959/2006	N/A
Gallatin Valley Mall	2825 West Main Street Bozeman, MT	325,503	Macy's, Sears Hometown, JCPenney, Barnes & Noble, Regal Cinema	1980/2004	±126 Miles S
Rimrock Mall	300 South 24th Street West Billings, MT	575,000	Dillard's, JCPenney, AMC, H&M	1975/2005	±176 Miles SE
Southgate Mall	2901 Brooks Street Missoula, MT	580,674	JCPenney, Dillard's, Sears, Bob Ward & Sons, AMC	1978/1998	±137 Miles SW

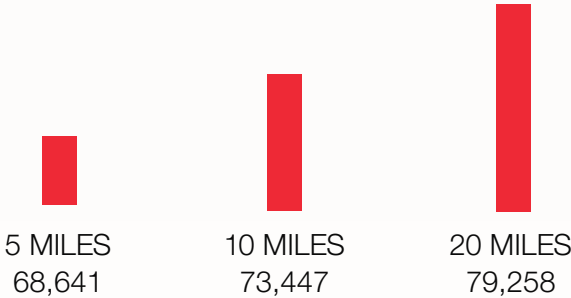
AERIAL VIEW LOOKING SOUTHWEST



POPULATION CONCENTRATION MAP



 2017 TOTAL POPULATION



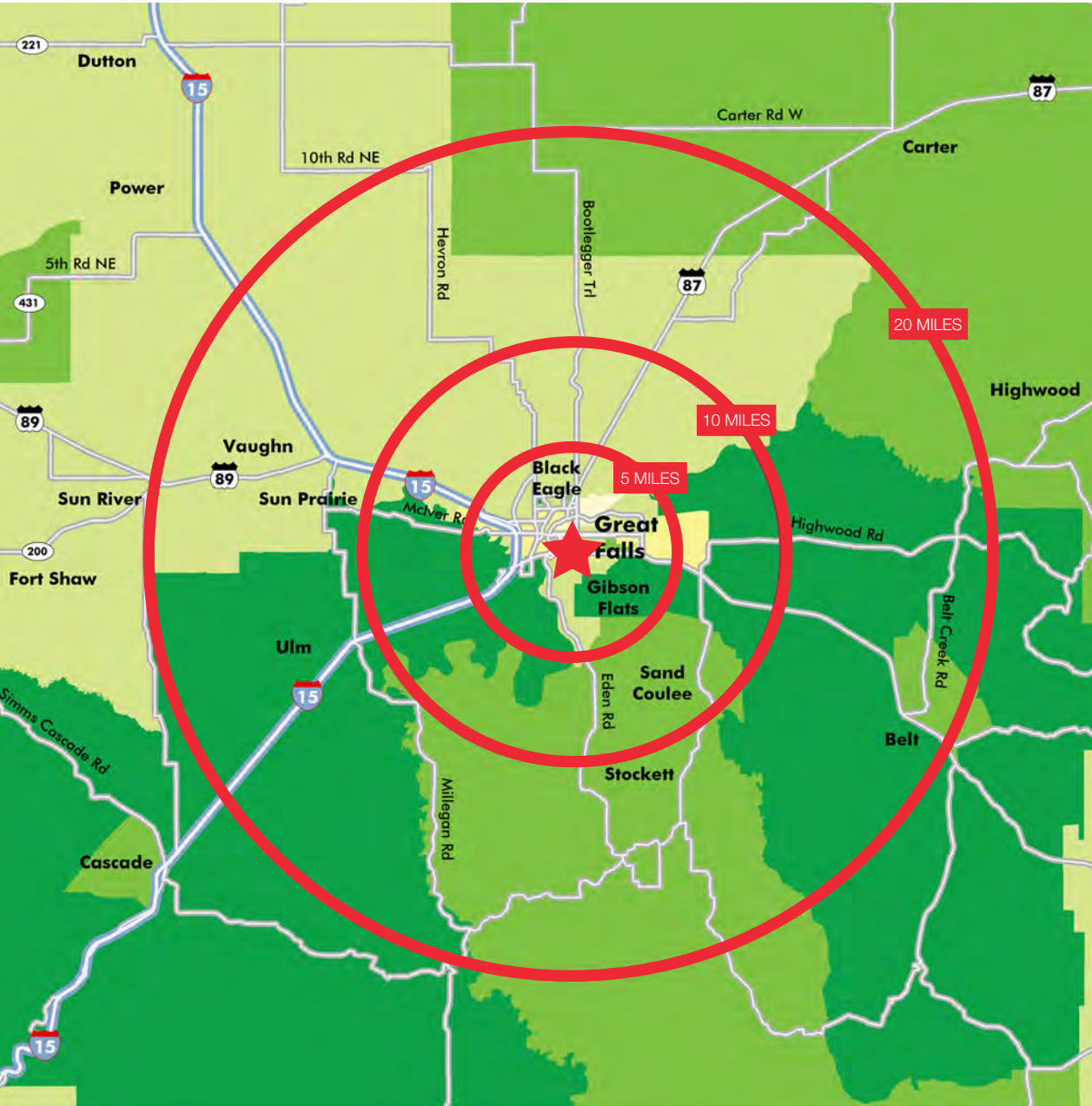
DAYTIME POPULATION



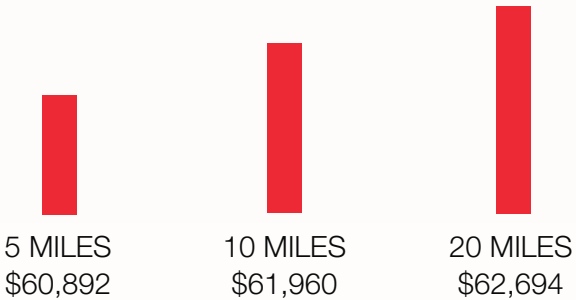
POPULATION PER SQUARE MILE — 2017

-  Over 500
-  250 to 500
-  100 to 250
-  50 to 100
-  Less than 50

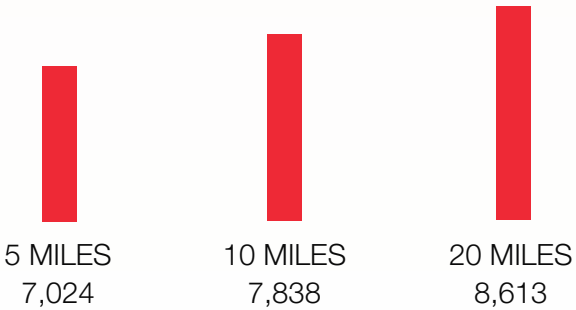
HOUSEHOLD INCOME MAP



AVERAGE HOUSEHOLD INCOME



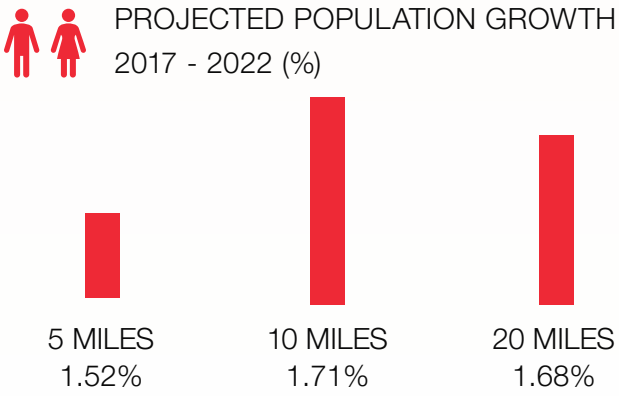
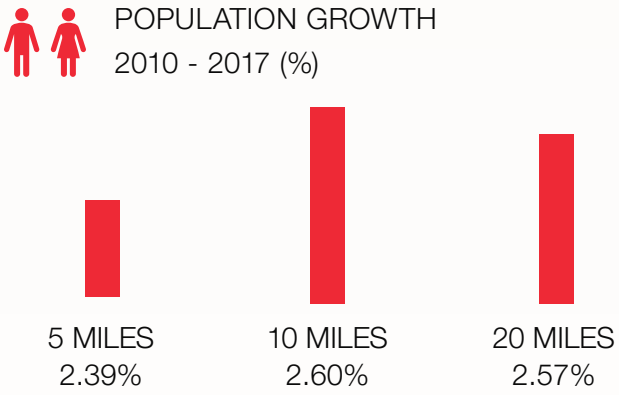
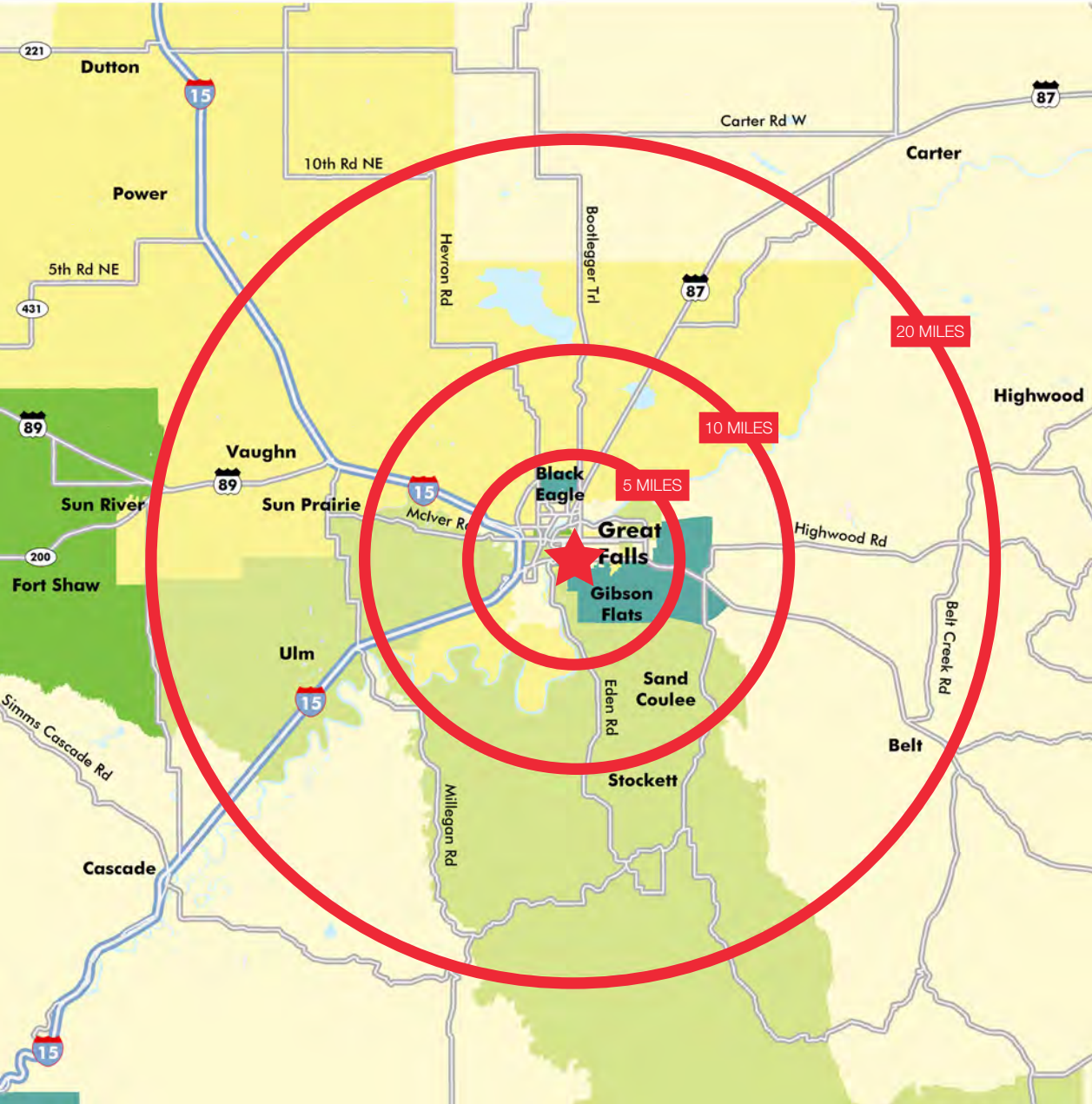
HOUSEHOLDS EARNING OVER \$75,000 ANNUALLY



AVERAGE HOUSEHOLD INCOME — 2017

- Over \$85,000
- \$70,000 to \$85,000
- \$50,000 to \$70,000
- \$40,000 to \$50,000
- Less than \$40,000

POPULATION GROWTH MAP



POPULATION PER SQUARE MILE — 2017

- Over 15%
- 10% to 15%
- 5% to 10%
- Up to 5%
- Loss or No Growth

PRIMARY CONTACTS

MICHAEL KAIDER
First Vice President
+1 630 573 7015
michael.kaider@cbre.com

FINANCING CONTACT

MICHAEL KOLT
Vice President
+1 602 735 5662
michael.kolt@cbre.com

LOCAL LICENSEE

MATT MELLOTT, CCIM
Sterling CRE Advisors
License # RRE-BRO-LIC-52907
matt@sterlingcreadvisors.com



SCHEELS

1200 10th Avenue South, Great Falls, MT 59405

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