



McDonald's
Santa Ana, CA

2300 South Main Street
Santa Ana, CA 92707

Confidential Offering Memorandum



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01

Investment Summary McDonald's – Santa Ana, CA



Investment Summary

The Offering

JLL is pleased to offer for sale the ground leased fee-interest in a single-tenant McDonald's (the "Property" or "Asset") located in Santa, Ana. The Asset operates under a guarantee from McDonald's Corp.

INVESTMENT HIGHLIGHTS

- The Asset is a 3,157 SF retail building leased to McDonald's. The McDonald's is subject to a ground lease which is in its first five-year option period with 1.2 years remaining. McDonald's has (3) 5-year options remaining with 15% rental increases each option period.
- McDonald's is the world's largest restaurant chain by revenue, serving over 69 million customers daily in over 100 countries across approximately 36,900 outlets as of 2016. The company posted revenue of \$21.03 billion with earnings of \$7.50, up 18% year on year as the strategy has also helped them in cutting down costs and thus improving margins. McDonald's is an investment grade tenant with a credit rating of Baa1 (Moody's).
- The Property sits at the intersection of East Warner Avenue (28,596 VPD) and South Main Street (31,000 VPD). The Asset lies near California State-55 (287,000 VPD) and the interstates on/off ramp.
- The retail corridor contains over 7 million square feet of retail space with a market vacancy rate of 2.7%. South Coast Plaza Mall is a regional shopping center located 1.7 miles from the Asset with national retailers Ross Dress for Less, Nordstrom, and Bloomingdale's.
- Santa Ana, a neighborhood in Orange County, is experiencing significant growth due to its continued business development. Within a 3-mile radius of the Asset, the population is over 292,000 residents with an average household income of \$82,000.

PROPERTY SUMMARY

Address	2300 South Main Street Santa Ana, CA 92707
Tenant	McDonald's
Guarantor	McDonald's Corp.
Price / PSF	\$2,924,738 / \$926
Cap Rate	3.25%
Annual Rent / PSF	\$95,054* / \$30.11
Lease Expiration	4/30/2020
Remaining Lease Term	1.1 Years
Escalations	15% increase In Each Option Period
Renewal Options	3, 5-Year Options
Lease Type	NNN Ground Lease
Year Built	1995
Building Size	3,157 SF
Parcel Size	1.08 Acres
Ownership	Fee Simple

**NOI is based off of next rental increase scheduled to occur May 16, 2020 - \$95,054.40*

Investment Summary

MCDONALD'S LEASE ABSTRACT

Tenant	McDonald's
Guarantor	McDonald's Corp.
Address	2300 South Main Street
City, State	Santa Ana, CA 92707
Original Lease Commencement Date	May 16, 1995
Original Lease Expiration	April 30, 2015
GLA	3,157 SF
Parcel Size (AC)	1.08 (47,045 SF)
Lease Type	Fee Simple Absolute NNN Ground Lease
Current Rent Commencement	May 1, 2015
Current Term Expiration	April 30, 2020
Term Remaining	1.1 years
Annual Rent	\$95,054*
Rent PSF	\$30.11
Increases	15% increases every five years
Options	3 x 5-year
ROFR	Yes
Repairs & Maintenance	Tenant shall maintain the property and all improvements after Tenant commences business thereon, in good and clean condition and repair throughout the term of the lease at Tenant's sole expense. Landlord has no obligation whatsoever to repair, maintain, improve, rebuild or alter any of the improvements and/or the Demised Premises surrounding the improvement.
Taxes	Tenant shall pay promptly and before they become delinquent all real estate taxes and assessments, generally or specially imposed at any time during the term or any extension of this Lease, including the land and all buildings, furniture, fixtures, equipment, and improvements on the property.
Insurance	Tenant shall maintain from the date of actual possession and keep in force for the mutual benefit of Landlord and Tenant, naming Landlord as an additional insured, general public liability insurance against claims for personal injury, death or property damage occurring in, on or about the Demised Premises to afford protection to the limit of not less than \$1,000,000.00 with respect to bodily injury or death and to property damage.
Utilities	To pay when due all charges for all utility services used on the Demised Premises.
Use of Premises	Tenant shall have the right to use or occupy the Demised Premises for any lawful purpose or proposes that does not compete with tenants on adjacent property controlled by the Landlord nor shall the property be used for any of the following: adult bookstore / adult theatre, nightclub or similar non-desirable use nor any use that necessitates installation of underground storage tanks.

*NOI is based off of next rental increase scheduled to occur May 16, 2020 - \$95,054.40

02

Market Overview McDonald's – Santa Ana, CA

WELLS
FARGO

CVS
pharmacy

McDonald's



MANUEL ESQUEDA
K-8 SCHOOL

Warner Avenue: 28,596 VPD

Market



Santa Ana, CA

Santa Ana is the county seat and second most populous city in Orange County, California. The United States Census Bureau estimated the 2011 population at 329,437, making Santa Ana the 57th most-populous city in the United States. Orange County is the sixth-most populous county in the United States with over 3 million residents and is more populous than twenty-one U.S. states.

Santa Ana is the home to several corporate headquarters including Behr Paint, Corinthian Colleges, First American Corporation, Greenwood & Hall, Ingram Micro, SchoolsFirst Federal Credit Union, STEC, Kern's. The city is also home to higher education with Santa Ana College, California Coast University and the Orange County branch of the Art Institute of California.

Location Highlights – Santa Ana, CA

- Orange County lies (35 miles south of Los Angeles, CA), (80 miles north of San Diego, CA), and (50 miles east of San Bernardino, CA).
- Attractions such as Disneyland, Knott's Berry Farm and more than 40 miles of beaches and coastline
- Home to a large number of higher education centers including University of California, Irvine; California State University, Fullerton; Vanguard University; Soka University of America; and Chapman University
- Orange County is home to many Fortune 500 companies, and Irvine is the home of numerous start-up companies and many Fortune 1000 companies

DEMOGRAPHICS			
	1-MILE RADIUS	3-MILE RADIUS	5-MILE RADIUS
POPULATION			
2018 Estimate	33,260	275,595	672,489
2023 Estimate	34,173	288,271	702,561
AVERAGE HH INCOME			
2018 Average HH Income	\$83,561	\$84,163	\$98,477
2023 Average HH Income	\$99,914	\$101,291	\$117,533
HOUSEHOLDS BY INCOME			
<\$24,999	12.6%	16.0%	15.0%
\$25,000 - \$49,999	20.6%	23.0%	19.0%
\$50,000 - \$74,999	20.4%	19.7%	17.7%
\$75,000 - \$99,999	15.5%	13.6%	13.5%
\$100,000 - \$149,999	17.4%	15.0%	16.6%
\$150,000+	12.6%	12.7%	18.2%

Market Overview

Santa Ana, California



Market Overview

Santa Ana, California



Market Overview

Santa Ana, California



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Tenant Overview

McDonald's – Santa Ana, CA



The Tenant

McDonald's Summary

McDonald's USA, LLC operates and franchises restaurants in the United States, operating as a subsidiary of McDonald's Corporation (the "Company"). Founded in 1955, McDonald's is the world's leading global fast food retailer, serving approximately 69 million customers across its 36,900 locations in over 120 countries each day. In June of 2018, McDonald's officially moved its corporate headquarters from its outdated campus in suburban Oak Brook, Illinois, to a brand-new \$250 million 608,000 square foot headquarters in Chicago's West Loop. The new headquarters accommodates approximately 2,000 corporate employees and will help McDonald's attract top new talent. The new headquarters includes a McDonald's restaurant on the ground floor, showcasing the McDonald's dining experience.

Approximately 81 percent of McDonald's restaurants are franchised, with the intention to increase that amount to 90 percent by the end of 2018. Despite this model, McDonald's Corporation guarantees all leases, making them a highly-desired tenant in the net lease world. The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees, generating net revenues of over \$22.8 billion in 2017.

Key Business Highlights

- In October 2018, McDonald's announced that they had completed a nationwide rollout of fresh beef in its burgers. McDonald's seven classic hamburgers are now completely free of artificial preservatives, flavors, and coloring.
- Over the past 5 years McDonald's stock has experienced CAGR of approximately 14 percent, approaching a market cap of \$128 billion. A dividend aristocrat, McDonald's has increased its dividend for 41 years straight, with the most recent dividend increase of 7% entering Q4 2017.
- In August 2018, McDonald's announced a \$6 billion plan to renovate its 8,700 existing restaurants that will take place between now and 2020. The upgrades include conversion to a new, modern layout and the implementation of mobile ordering.

McDONALD'S COMPANY OVERVIEW

Company	McDonald's Corporation
Sector	Quick Service Restaurants
Year Founded	1955
Ownership Type	Public (NYSE: MCD)
Headquarters	Chicago, IL
Locations	36,900+ worldwide
Number of Employees	375,000+
Credit Rating (Moody's)	Baa1
Website	www.mcdonalds.com

McDONALD'S FINANCIAL PERFORMANCE

All numbers in thousands	YE 2018	YE 2017	YE 2016
Total Revenue	\$21,030,000	\$22,820,400	\$24,621,900
Gross Profit	\$10,790,000	\$10,620,800	\$10,204,700
Net Income	\$5,920,000	\$5,192,300	\$4,686,500

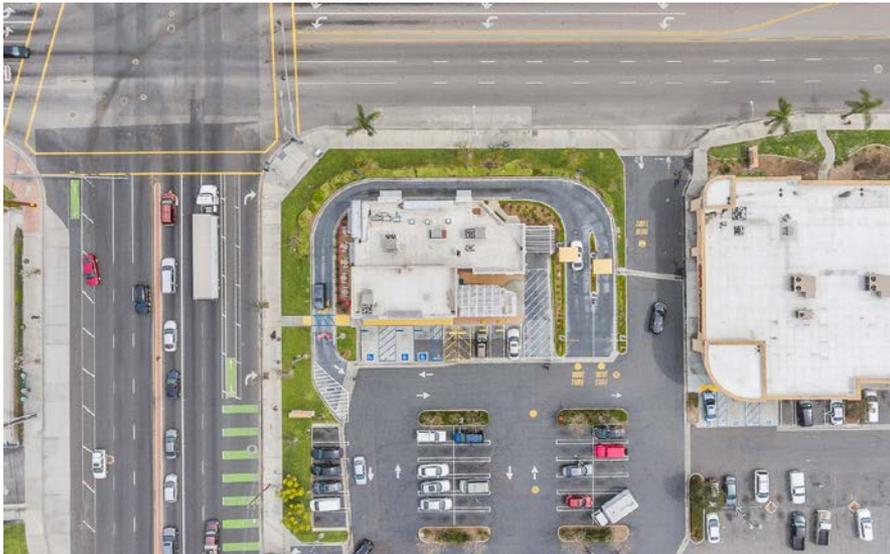


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Property Photos McDonald's – Santa Ana, CA



Property Photos



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