

WALGREENS

(DOLLAR TREE SUBLEASE)

OFFERING MEMORANDUM

SUBJECT
PROPERTY



KATELLA AVENUE

EUCCLIP STREET

**PRIME ORANGE COUNTY LOCATION
± 11.25 YEARS REMAINING
NNN INVESTMENT**

EXCLUSIVELY LISTED BY:

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SAVILLS INVESTMENT PROPERTIES GROUP LA



EXECUTIVE SUMMARY

Savills, as the exclusive advisor to the seller, is pleased to present the net leased investment opportunity of the fee simple interest in the property subject to an absolute NNN lease corporately guaranteed by Walgreens with \pm 11.25 years remaining on the Primary Term located at 10840 Katella Avenue in Garden Grove, California.

The current annual rent is \$460,015 and a 5.25% increase is scheduled to occur in 2025. The 25-year NNN Lease commenced on August 1, 2005 and ends July 31, 2030. The tenant has ten 5-year Options to Extend with approximately 6% rental increases every ten years.

Although Dollar Tree signed a ten-year sublease agreement in 2017, Walgreens Co. is corporately guaranteeing the performance of the lease through the remainder of the Primary Term.

The subject property is located near the intersection of Katella Avenue and Euclid Street, which benefits from traffic counts in excess of 60,000 vehicles per day. Disneyland and California Adventure are both less than one mile from the site and the Anaheim Convention Center is just two miles away.

The surrounding center has undergone extensive renovations throughout the past two years and includes tenants such as Smart & Final Extra, Gold's Gym, WalMart Neighborhood Market, McDonald's, Carl's Jr. and Chevron.

 **\$7,667,000**
Purchase Price

 **6.00%**
Cap Rate

 **\$460,015**
NOI

 **\pm 11.25 YEARS**
Remaining Term

 **WALGREENS CO.**
Corporate Guarantee

ADDRESS

10840 Katella Avenue | Garden Grove, CA 92840

TENANT

Walgreens (Dollar Tree Sublease)

OWNERSHIP

Fee Simple

PURCHASE PRICE

\$7,667,000

NOI

\$460,015

CAP RATE

6.00%

PRICE PSF BUILDING

\$511.37

PRICE PSF LAND

\$121.61

BUILDING SIZE

14,993 SF

LOT SIZE

63,045 SF | 1.45 Acres

YEAR BUILT

2005

APN

089-010-64

ZONING

NMU (Neighborhood Mixed Use)

INVESTMENT HIGHLIGHTS

CREDIT GUARANTOR

The Primary Term of the Lease, which has approximately 11.25 years remaining, is corporately guaranteed by Walgreens Co., a subsidiary of Walgreens Boots Alliance, Inc. (NASDAQ: WBA; Moody's: Baa2).

OUTPARCEL TO RECENTLY RENOVATED SHOPPING CENTER

The Subject Property is an outparcel to a recently renovated shopping center which includes internet-resistant tenants such as Smart & Final Extra!, Wal-Mart Neighborhood Market, Gold's Gym, Sprint, McDonald's, Carl's Jr. and Chevron, driving traffic to the center.

EXCELLENT DEMOGRAPHICS

The average household income with a ten-mile radius of the Subject Property is \$101,153, with nearly 20% of households in the same radius having incomes in excess of \$150,000.

PRIME ORANGE COUNTY LOCATION NEAR VARIOUS MAJOR ATTRACTIONS

The Subject Property is located within one mile of Disneyland, Disney's California Adventure (18M visitors annually) and within two miles of Anaheim Convention Center, the largest convention center on the West Coast.

EXPOSURE TO HIGH TRAFFIC COUNTS

The Subject Property's location at the signalized intersection of Katella Avenue and Euclid Street, two of Orange County's main thoroughfares, experiences traffic counts in excess of 60,000 vehicles per day.

POTENTIAL REDEVELOPMENT SITE WITH SIGNIFICANT RESIDUAL LAND VALUE

The Subject Property is zoned NMU (Neighborhood Mixed Use), allowing for potential redevelopment into a mixed use retail storefront/residential project. The infill Orange County location also provides highly desirable residual land value due to lack of inventory for future development.

±70% OF PURCHASE PRICE GUARANTEED

Throughout the remainder of the Primary Term, ±70% of the Purchase Price is guaranteed in rental income, providing an investor with consistent, long-term cash flow.

PARTIAL NON-RECOURSE INTEREST ONLY DEBT AVAILABLE

For qualified borrowers, partial non-recourse interest only debt is available. See proposed new loan quote on page 4 for further details.

FINANCIAL ANALYSIS

RENT SCHEDULE

YEAR	BASE RENT	INCREASE %	CAP RATE
6/1/2019 - 7/31/2019	\$76,669*		6.00%
8/1/2019 - 7/31/2020	\$460,015		6.00%
8/1/2020 - 7/31/2021	\$460,015		6.00%
8/1/2021 - 7/31/2022	\$460,015		6.00%
8/1/2022 - 7/31/2023	\$460,015		6.00%
8/1/2023 - 7/31/2024	\$460,015		6.00%
8/1/2024 - 7/31/2025	\$460,015		6.00%
8/1/2025 - 7/31/2026	\$484,231	5.25%	6.32%
8/1/2026 - 7/31/2027	\$484,231		6.32%
8/1/2027 - 7/31/2028	\$484,231		6.32%
8/1/2028 - 7/31/2029	\$484,231		6.32%
8/1/2029 - 7/31/2030	\$484,231		6.32%
PRIMARY TERM TOTAL	\$5,257,917	AVERAGE	6.13%
Option 1 total	\$2,421,158		6.32%
Option 2 total	\$2,554,348	5.50%	6.66%
Option 3 total	\$2,554,348		6.66%
Option 4 total	\$2,700,859	5.74%	7.05%
Option 5 total	\$2,700,859		7.05%
Option 6 Total	\$2,862,019	5.97%	7.47%
Option 7 Total	\$2,862,019		7.47%
Option 8 Total	\$3,039,295	6.19%	7.93%
Option 9 Total	\$3,039,295		7.93%
Option 10 total	\$3,234,301	6.42%	8.44%

*Remaining 2 months in current Lease Year

PROPOSED NEW LOAN (10 YEAR TERM)

YEARS 1 & 2: 2 Years Interest Only, 4.70% Interest Rate		
Purchase Price	\$7,667,000	6.00%
Down Payment	\$3,066,800	40.00%
Loan Amount	\$4,600,200	60.00%
Amortization (Years)	30	
Interest Rate	4.70%	
NOI	\$460,015	
Debt Service	(\$216,209)	
Cash Flow	\$243,806	7.95%
Amortization	n/a	
Total Return	\$243,806	7.95%
YEARS 3, 4 & 5: 4.70% Interest Rate		
Purchase Price	\$7,667,000	6.00%
Down Payment	\$3,066,800	40.00%
Loan Amount	\$4,600,200	60.00%
Amortization (Years)	30	
Interest Rate	4.70%	
NOI	\$460,015	
Debt Service	(\$289,095)	
Cash Flow	\$170,920	5.57%
Amortization	\$73,171	2.39%
Total Return	\$244,091	7.96%
(YEARS 5 - 10: 2.75% above 6-month LIBOR)		

LEASE ABSTRACT

LESSEE	Walgreens Co.
SUB-LESSEE	Dollar Tree
LEASE STRUCTURE	NNN
BUILDING SIZE	14,993 SF
ANNUAL RENT	\$460,015
ANNUAL RENT PSF	\$30.68
RENTAL INCREASES	Every 10 Years - See Rent Schedule on Page 4
COMMENCEMENT DATE	August 1 st , 2005
EXPIRATION DATE	July 31 st , 2030
REMAINING PRIMARY TERM (WALGREENS)	± 11.25 Years
OPTIONS TO EXTEND	Ten 5-Year Options
REMAINING SUBLEASE TERM	± 9 Years
TAXES	Tenant Responsibility
MAINTENANCE & REPAIRS	Tenant Responsibility
UTILITIES	Tenant Responsibility
INSURANCE	Tenant Responsibility
LANDLORD RESPONSIBILITIES	None
GUARANTOR	Walgreens Co.
RIGHT OF FIRST REFUSAL	None
ASSIGNMENT	Without Landlord's consent
ALTERATIONS	Without Landlord's consent if in compliance with applicable law and the Shopping Center Declaration



GUARANTOR OVERVIEW

Walgreens



TYPE: Public

HEADQUARTERS: Deerfield, IL

EMPLOYEES: 415,000

LOCATIONS: 9,560

TICKER (NASDAQ): WBA

REVENUE: \$131.54B

MARKET CAP: \$59.74B

CREDIT: BBB (S&P)

BOND COUPON RATE: 4.13% (expiring 5/31/2026)

Walgreen Co., a subsidiary of, Walgreens Boots Alliance, Inc. (NASDAQ: WBA), was founded by Charles R. Walgreen, Sr. with a single location in Chicago. Today the company has over 9,500 locations throughout the United States, Puerto Rico and the US Virgin Islands. As of August of 2018, approximately 78% of the US population lived within a five mile radius of a Walgreens or Walgreens-owned Rite Aid store.

Walgreen Co.'s network of over 85,000 health care providers filled 1.1B prescriptions

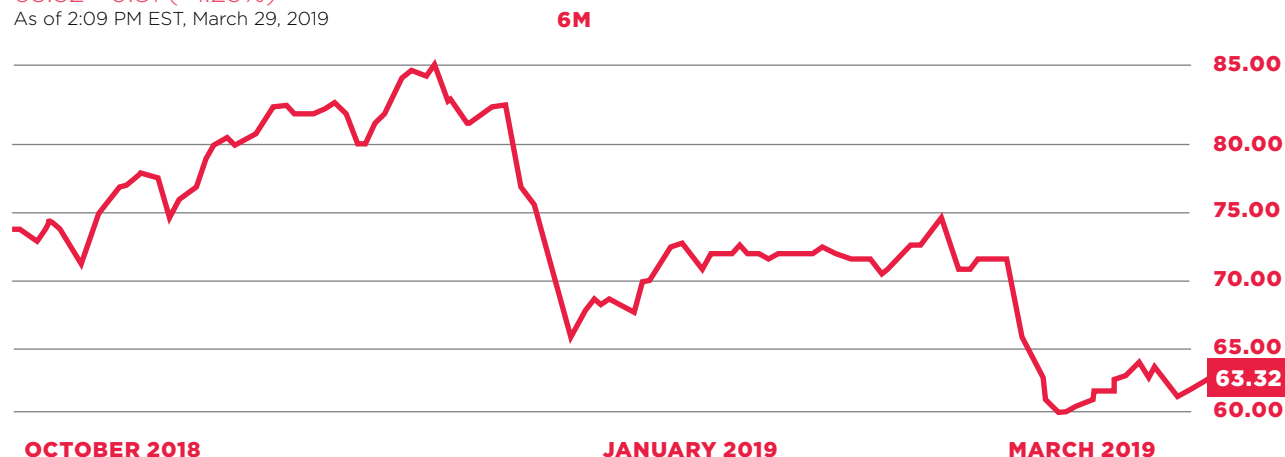
Walgreens Boots Alliance, Inc. (WBA)

63.32 +0.81 (+1.29%)

As of 2:09 PM EST, March 29, 2019

(including immunizations) on a 30-day adjusted basis in Fiscal Year 2018. The company interacts with approximately 8M customers in its store and online every day.

Walgreens Boots Alliance is a global pharmacy-led health and wellbeing enterprise operating a variety of retail and business brands including Walgreens, Duane Reade, and Boots and Alliance Healthcare as well as health and beauty products brands. The company is included in Fortune Magazine's 2018 list of Most Admired Companies.



SUB-LESSEE OVERVIEW



Representative Photo

TYPE: Public

HEADQUARTERS: Chesapeake, VA

EMPLOYEES: 176,000

LOCATIONS: 14,334

TICKER (NASDAQ): DLRT

REVENUE: \$22.2B

MARKET CAP: \$24.98B

CREDIT: Baa3 (Moody's)

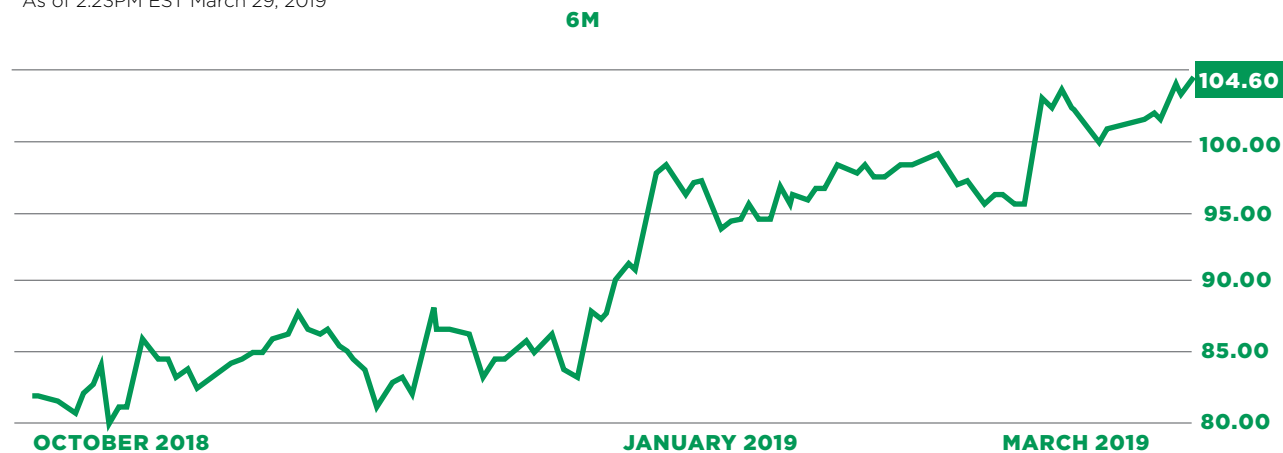
Dollar Tree, Inc. (NASDAQ: DLTR) is an American discount retailer with over 14,000 locations throughout the United States and five Canadian provinces. The company operates under numerous names including Dollar Tree, Dollar Tree Deal, Dollar Giant and Dollar Bills. Dollar Tree was founded in 1986 by J. Douglas Perry and Macon F. Brock.

The stores carry a variety of items such as consumable products like groceries and candy, seasonal merchandise including holiday decorations, health and beauty

products, greeting cards and gift wrap and household paper and plastic products - all of which are just \$1 each.

Dollar Tree, Inc. is a Fortune 150 Company with a Market Cap of \$19.81B. As of June 6, 2018 the company boasted \$22.2B of annual revenue. Dollar Tree has been featured on multiple Forbes lists including #61 on Global Growth Champions 2018, #556 on Global 2000 2018 and #165 on America's Largest Public Companies 2018.

Dollar Tree, Inc. (DLTR)
104.60 +1.13 (1.13%)
As of 2:23PM EST March 29, 2019



SURROUNDING RETAILERS



SURROUNDING RETAILERS



SURROUNDING RETAILERS



SURROUNDING RETAILERS



LOCATION OVERVIEW

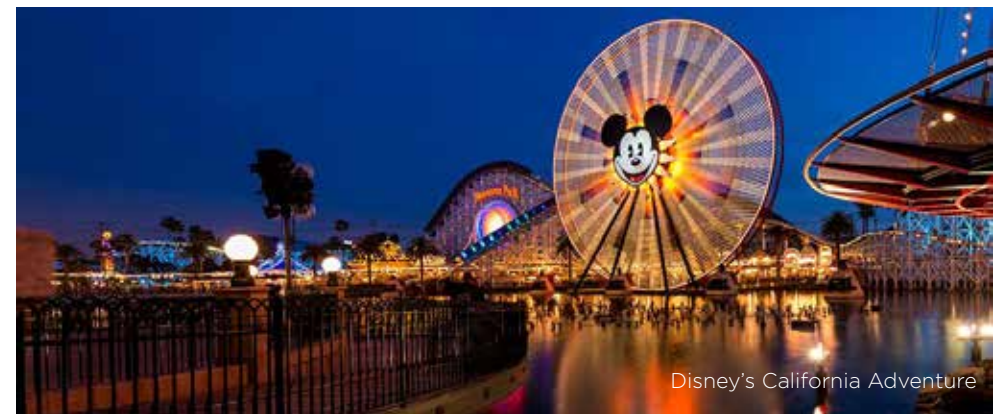
GARDEN GROVE, CALIFORNIA

The Subject Property is located near the corner of Euclid Street and Katella Avenue in Garden Grove, California. The city, located in California's Orange County, is included in the Anaheim-Irvine metro division which has a population in excess of 3M people and has the seventh largest economy within the United States.

Garden Grove is immediately adjacent to Anaheim, which boasts a variety of tourist and economic attractions. Disneyland and Disney's California Adventure (both of which are located less than one mile from the Subject Property) are perhaps the most prominent. Disneyland is the second most visited theme park in the United States with over 18M people visiting the theme park in 2017 alone. The Anaheim Convention Center, which is the largest convention center on the West Coast, underwent a 200,000 square foot expansion in 2017, increasing its total size to 1.8M square feet. The Honda Center, home to the Anaheim Ducks of the NHL and popular concert venue, as well as Angel Stadium, home to the Los Angeles Angels of Anaheim of the MLB are both located less than 4 miles from the Subject Property.

Anaheim broke tourism records for the fifth straight year in 2017 with 24.2M people visiting the city. This reflects a 5% increase over the 22M visitors in the previous year and a 30% increase versus 2012.

There are over 100 hotels within five miles of the Subject Property, with The Disney Hotel providing 990 rooms and suites alone, accommodating Disneyland, The Anaheim Convention Center, the Honda Center and Angel Stadium.



Disney's California Adventure

LOCATION OVERVIEW

ORANGE COUNTY

Anaheim is located in Orange County, California, a prestigious coastal region of Southern California situated approximately one hour south of Los Angeles County and two hours North of San Diego County. The county's 3.2M residents enjoy practically perfect weather year round on its 42 miles of sandy beaches.

Orange County is California's third most populous county. The county's median household income of \$81,837, which has grown 4.32% versus the previous year, is 42% higher than the national median household income of \$57,617. Median home property values in Orange County are also significantly higher than the national median (\$666,984 versus \$218,942, respectively).

The largest universities in Orange County are California State University, Fullerton (9,780 annual enrollment), University of California, Irvine (8,925 annual enrollment), and University of Phoenix, California (6,600 annual enrollment). 25.7% of Orange County residents have a Bachelor's Degree, whereas only 19.6% of the US population as a whole have obtained same.

The economy of Orange County employs 1.59M people and is specialized in management of companies and enterprises, real estate, rental and leasing and wholesale trade. Manufacturing (197,647), retail trade (179,482) and healthcare and social assistance (170,920) are the largest industries in the county.



Orange County's Crystal Cove

DEMOGRAPHICS

POPULATION

	1 Mile	3 Miles	5 Miles
Estimated Population 2018	33,353	310,683	813,556
Projected Population 2022	34,322	324,989	846,578
Growth Projection 2018 - 2022	0.57%	0.90%	0.80%
Median Age 2018	35.4	33.5	34.0

HOUSEHOLDS

Estimated Households 2018	8,822	83,355	217,662
Projected Households 2022	9,002	87,338	225,823
Growth Projection 2018 - 2022	0.40%	0.94%	0.74%
Estimated Average Household Size 2018	3.72	3.68	3.68

RACE & ETHNICITY

White Alone	43.6%	40.4%	41.2%
Black Alone	2.1%	2.4%	2.2%
Native American Alone	0.6%	0.7%	0.8%
Asian Alone	25.2%	27.2%	27.1%
Pacific Islander Alone	0.6%	0.6%	0.5%
Other Race	23.3%	24.5%	24.0%
Two or More Races	4.6%	4.1%	4.2%
Hispanic Origin	47.9%	51.3%	51.0%

INCOME

Average 2018 Household Income	\$89,278	\$77,302	\$79,655
Projected 2022 Household Income	\$106,529	\$92,533	\$94,913
Growth Projection 2018 - 2022	3.60%	3.66%	3.57%

KEY FACTS - 5 MILE RADIUS


813,556
Population


\$79,665
Average HH Income


217,622
Households


34.0
Median Age

TOP OC EMPLOYERS

OF EMPLOYEES

Walt Disney Co.	29,000
University of CA, Irvine	23,605
St. Joseph Health	11,925
Allied Universal	8,229
Kaiser Permanente	7,694
The Boeing Company	6,103
Wal-Mart Stores, Inc.	6,000
CA State University, Fullerton	5,781
Bank of America Corporation	5,500
Target Corporation	5,400
Hoag Memorial Hospital	5,240
Memorial Care Health	5,200
Wells Fargo	5,190
Tenet Healthcare Corporation	4,436

CONFIDENTIALITY

Savills Inc., representative of the Seller, is solely authorized to present this investment offering (the “Offering”). This is a confidential Memorandum intended solely for your limited use and benefit in determining whether you desire to express further interest in the acquisition of (the “Assets”).

Prior to submitting an offer to purchase the Assets, interested parties should perform and rely upon their own investigations, analyses, estimates and projections and otherwise satisfy any concerns regarding material aspects of the proposed transaction including, but not limited to legal, municipal, environmental, operational, seismic, financial and physical issues, and all other matters affecting or pertaining to the Assets. The Seller will be offering the Assets including all appurtenances and tenant improvements, solely on an “As-Is, With-All-Fault” basis, without any representations or warranties. No person is authorized to make any representations or warranties on behalf of the Seller regarding the Assets. Any and all information regarding the Assets provided to any interested party by the Seller or Savills Inc., including all information contained in the Offering, is provided without any representation or assurance express or implied, regarding the accuracy, completeness or current status of applicability of such

information. Each interested party is expected to undertake such reviews and investigations and make such inquiries as such party may believe to be necessary, appropriate or advisable for the purpose of forming a decision to make an offer to acquire the Assets.

The Owner expressly reserves the right, as its sole discretion, to reject any or all expressions of interest or offers to purchase the Assets and/or to terminate discussions with an entity at any time with or without notice which many arise as a result of review of this Memorandum. The Owner shall have no legal commitment or obligation to any entity reviewing this Memorandum or making an offer to purchase the Assets unless and until written agreement(s) for the purchase of the Assets have been fully executed, delivered and approved by the Owner and any conditions to the Owner’s obligations therein have been satisfied or waived.

The material contained herein is confidential and is presented strictly as information for the exclusive use of the prospective purchaser. Receipt and review of this Offering by the prospective purchaser constitutes an agreement not to divulge, share or distribute the information to any other party, except the prospective purchaser’s legal counsel and

financial advisors, without the prior specific written authorization of the Seller or Savills Inc. Each prospective purchaser shall also agree to and comply with the provisions of the confidentiality agreement executed by such prospective purchaser prior to receipt of this Offering.

This Offering is submitted subject to errors, changes, omissions, changes in price, market and other conditions. It contains selected information pertaining to the Assets and does not purport to be all-inclusive or to contain all of the information that prospective purchasers may desire. It should be noted that any and all market analyses, estimates, and projections contained in this Offering are provided for general reference purposes only and are based on assumptions related to the general economy, competitions, real estate market trends, and other factors beyond the control of the Seller or Savills Inc.

Such analyses, estimates and projections are therefore subject to material variation, and may not be consistent with the views or assumptions held by other professionals.

PHOTOCOPYING OR OTHER DUPLICATION OF THIS OFFERING IS NOT ALLOWED.

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