



# STARBUCKS

SANTA CRUZ, CALIFORNIA

YURAS  
AICALE  
FORSYTH  
CROWLE

Leased Investment Team

## OFFERING MEMORANDUM

### \$6,000,000 | 3.75% CAP RATE

- » Long-Term Corporate Net Lease with Scheduled Rental Increases
  - » Starbucks is Rated "BBB+" by S&P
- » High-Traffic Location at Gateway to Santa Cruz's Beaches and Downtown
  - » 39,309 AADT at Signalized Intersection of Ocean and Water Streets
- » Large, Affluent Customer Base
  - » 127,778 Residents with an Average Household Income of \$109,033 Within a Five-Mile Radius
- » New 2017 "California Modern" Upgraded Construction Engineered for Second Story, Providing Future Upside Potential

ACTUAL SITE



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Cushman & Wakefield ("Broker") has been retained on an exclusive basis to market the property described herein ("Property"). Broker has been authorized by the Seller of the Property ("Seller") to prepare and distribute the enclosed information ("Material") for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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# INVESTMENT SUMMARY

<b>ADDRESS</b>	745 Ocean Street, Santa Cruz, California		
<b>PRICE</b>	<b>\$6,000,000</b>		
<b>CAP RATE</b>	<b>3.75% return</b>		
<b>NOI</b>	\$225,000		
<b>TERM</b>	10 years, with 8 years remaining		
<b>RENT COMMENCEMENT</b>	July 8, 2017		
<b>LEASE EXPIRATION</b>	July 31, 2027		
<b>RENTAL INCREASES</b>	10% rental increase in Year 6, and 6% rental increases in option periods		
	<b>YEAR</b>	<b>RENT</b>	<b>RETURN</b>
	Current-Jul. 2022	\$225,000	3.75%
	Aug. 2022-Jul. 2027	\$247,500	4.13%
	Aug. 2027-Jul. 2032 (Option 1)	\$262,350	4.38%
	Aug. 2032-Jul. 2037 (Option 2)	\$278,091	4.64%
	Aug. 2037-Jul. 2042 (Option 3)	\$294,777	4.92%
	Aug. 2042-Jul. 2047 (Option 4)	\$312,463	5.21%
<b>YEAR BUILT</b>	2017		
<b>BUILDING SF</b>	1,900 SF		
<b>PARCEL SIZE</b>	0.36 acres (15,680 SF)		
<b>LEASE TYPE</b>	Net, with tenant responsible for taxes, insurance, and maintenance, excluding roof, structure, and parking lot		

ACTUAL SITE



## HIGH-QUALITY, INVESTMENT GRADE SINGLE-TENANT ASSET

- » Leased to Starbucks Corporation for ten years plus four five-year options
- » Scheduled rental increases every five years in initial term and option periods
- » Starbucks is an investment grade tenant, rated “BBB+” by Standard & Poor’s

## HIGH-TRAFFIC LOCATION AT KEY GATEWAY INTERSECTION

- » Located at the signalized hard corner of Ocean Street and Water Street, with excellent visibility and access—including a dedicated right turn lane on Water Street—to 39,309 vehicles per day
- » Ocean Street serves as the primary corridor that brings visitors to the beach from Highway 17, which is the main route north to San Jose and the rest of the San Francisco Bay Area
- » Water Street leads to Santa Cruz’s vibrant downtown
- » Surrounded by a strong mix of local and national retailers, commercial businesses, and tourist-oriented shops and hotels

## LARGE, AFFLUENT CUSTOMER BASE

- » Located within walking distance of downtown Santa Cruz and just over a mile from attractions like the Santa Cruz Beach Boardwalk, the Santa Cruz Wharf, and Seabright State Beach, which are popular draws for both local residents and Santa Cruz’s 4 million annual visitors
- » Just steps from the Santa Cruz County Governmental Center, headquarters for the second largest employer in the county, with 855 employees at these offices
- » 127,778 residents with an average household income of \$109,033 live within five miles of the property

## NEW 2017 “CALIFORNIA MODERN” UPGRADED CONSTRUCTION

- » Upgraded “California Modern” exterior featuring abstract mural painted by a local artist
- » Includes bike racks and lockers to serve Santa Cruz’s large population of students and bike commuters
- » Two walls of floor-to-ceiling windows and ample outdoor seating
- » 27.5-foot tall building with the potential to be retrofitted in the future with a second floor for one or two rental units





Ocean Street (18,862 AADT)

Water Street (20,447 AADT)







Seabright State Beach

Santa Cruz Yacht Club  
(founded in 1928)

  
Santa Cruz Boardwalk  
(1+ million visitors per year)

  
TACO BELL

  
THE SALVATION ARMY

  
Walgreens

  
Little Caesars

  
ELEVEN

  
HYATT  
PLACE™  
(106 rooms)

DOWNTOWN SANTA CRUZ  
(0.5 miles)

  
WHOLE  
FOODS  
MARKET


  
RITE  
AID

  
Best  
Western  
(28 rooms)

  
RAMADA  
(50 rooms)

  
Jack  
in the box®

Santa Cruz County  
Governmental Center  
(855 employees)

  
PARADOX  
AUTOGRAPH COLLECTION®  
HOTELS  
(162 guestrooms  
and 8 suites)

  
CVS  
pharmacy

  
TRADER JOE'S

  
FOREVER 21

Water Street (20,447 AADT)

  
O'Reilly AUTO PARTS  
PROFESSIONAL PARTS PEOPLE

  
metroPCS  
Permission to speak freely.™

  
the  
Habit  
BURGER GRILL

  
MCDONALD'S

  
TOGO'S  
GREAT SANDWICHES

Ocean Street (18,862 AADT)

  
STARBUCKS

  
SUBWAY

  
KELLY-MOORE®  
PAINTS  
The Painter's Paint Store

  
QUALITY  
INN  
(42 rooms)

  
GAP





**SAFeway**

**GROCERY OUTLET**  
bargain market

**Walgreens**

**TACO BELL**

**BURGER KING**

**WHOLE FOODS MARKET**  
**RITE AID**

**Jack in the box**

**AutoZone**  
**BIG TIRES**

**24 FITNESS**

**RAMADA**  
(50 rooms)

**TOGO'S**  
GREAT SANDWICHES

**KELLY-MOORE PAINTS**  
The Painter's Paint Store

**metroPCS**  
Permission to speak freely.™

**Branciforte Middle School**  
(515 students)

**Gault Elementary School**  
(414 students)

**Ocean Street (18,862 AADT)**

**Santa Cruz County Governmental Center**  
(855 employees)

**PARADOX**  
AUTOGRAPH COLLECTION<sup>®</sup> HOTELS  
(162 guestrooms and 8 suites)

**Downtown Santa Cruz**  
**FOREVER 21**  
**FIVE GUYS** BURGERS and FRIES  
**SUBWAY** **Walgreens**

**Starbucks**

**SUBWAY**

**O'Reilly AUTO PARTS**  
PROFESSIONAL PAINT PEOPLE

**Water Street (20,447 AADT)**

**Outdoor World**  
SPORTING GOODS

**Santa Cruz River Walk**  
(3.7 miles of trail that follows the San Lorenzo river through downtown Santa Cruz and ends at the Boardwalk)





(2,000-acre campus that opened in 1960 with 18,765 students currently enrolled and 8,463 employees)



(100 rooms)

SANTA CRUZ MOUNTAINS



(28 rooms)

The Mystery Spot  
(gravitational anomaly discovered in 1939, California historical landmark and tourist attraction)



(494 employees)



(46 rooms)

State Route 17  
(70,000 AADT)



Delavaga Park Golf Course



(257 employees)



Permission to speak freely.™

Branciforte Middle School  
(515 students)

Gateway Plaza



Water Street (20,447 AADT)



DOWNTOWN SANTA CRUZ  
(0.5 miles)



(162 guestrooms and 8 suites)

Santa Cruz River Walk  
(3.7 miles of trail that follows the San Lorenzo river through downtown Santa Cruz and ends at the Boardwalk)



Ocean Street (18,862 AADT)



(28 rooms)



(106 rooms)







UNIVERSITY OF CALIFORNIA  
**SANTA CRUZ**

(2,000-acre campus that opened in 1960 with 18,765 students currently enrolled and 8,463 employees)



Almar Shopping Center

**SAFeway**

**FOREVER 21**  
**FIVE GUYS** BURGERS and FRIES  
**GAP**  
**SUBWAY** **Walgreens**

Westlake Elementary School  
(592 students)

**plantronics**  
(494 employees)

**FIVE GUYS**  
BURGERS and FRIES

Santa Cruz High School  
(1,010 students)

Mission Hill Middle School  
(635 students)

Gateway Plaza

**WORLD MARKET** **PETSMART**  
**OfficeMax** **ROSS**  
**MATTRESS FIRM** DRESS FOR LESS

**COSTCO**  
WHOLESALE  
(257 employees)

**CVS**  
pharmacy

DOWNTOWN  
SANTA CRUZ  
(0.5 miles)

**TRADER JOE'S**

Santa Cruz River Walk  
(3.7 miles of trail that follows the San Lorenzo river through downtown Santa Cruz and ends at the Boardwalk)

Santa Cruz County  
Governmental Center  
(855 employees)

**KELLY-MOORE**  
PAINTS  
*The Painter's Paint Store*

**Comfort**  
INN  
(28 rooms)

**Hampton**  
Inn  
(46 rooms)

**PARADOX**  
AUTOGRAPH COLLECTION  
HOTELS  
(162 guestrooms and 8 suites)

**SUBWAY**

Ocean Street (18,862 AADT)

Water Street (20,447 AADT)

**HYATT**  
PLACE  
(106 rooms)

**Best**  
Western  
(28 rooms)

**Jack**  
in the box



**WHOLE**  
FOODS  
MARKET  
**RITE**  
AID

**RAMADA**  
(50 rooms)

**TOGO's**  
GREAT SANDWICHES



**DUNKIN'**  
DONUTS

**O'Reilly** AUTO PARTS  
PROFESSIONAL PARTS PEOPLE

**Holiday Inn**  
Express  
(100 rooms)



# SITE PLAN



WATER STREET



OCEAN STREET



1,900 SF

OUTDOOR  
PATIO

CHASE 



# TENANT SUMMARY



Starbucks Corporation (NASDAQ: "SBUX") is the premier roaster, marketer, and retailer of specialty coffee in the world, operating more than 29,000 locations in 76 countries. Starbucks also sells a variety of coffee and tea products and licenses its trademarks through other channels, such as licensed stores, grocery, and national foodservice accounts. In addition to the flagship Starbucks Coffee brand, Starbucks also sells goods and services under the Teavana, Tazo, Seattle's Best Coffee, Evolution Fresh, La Boulange, and Ethos brand names.

On August 27, 2018, Starbucks and Nestlé closed a \$7.15 billion licensing deal, giving Nestlé the rights to market, sell, and distribute Starbucks' packaged coffee and tea around the world. The licensing arrangement includes the rights to market everything from whole bean coffee to portioned coffee pods for each brand owned by Starbucks. The agreement significantly strengthens Nestlé's coffee portfolio in the North American premium roast and ground and portioned coffee business. It also unlocks global expansion in grocery and foodservice for the Starbucks brand, utilizing the global reach of Nestlé. Starbucks CEO Kevin Johnson said the Nestle deal opens the door for the restaurant chain to reach a global scale in the retail sector as well. "This global coffee alliance with Nestlé is a significant strategic milestone for the growth of Starbucks," Johnson said in a statement. "Bringing together the world's leading coffee retailer, the world's largest food and beverage company, and the world's largest and fast-growing installed base of at-home and single-serve coffee machines helps us amplify the Starbucks brand around the world while delivering long-term value creation for our shareholders."

For the fiscal year ended September 30, 2018, Starbucks Corporation reported net revenues of \$24.7 billion, representing a 10% increase from 2017. As of 2018, Forbes ranked Starbucks as the world's second largest restaurant company and the world's 370th largest company overall. Starbucks is rated "BBB+" by Standard & Poor's.

For more information, please visit [www.starbucks.com](http://www.starbucks.com).

<b>TICKER</b>	<b>NASDAQ: "SBUX"</b>	<b># OF LOCATIONS</b>	<b>29,000+</b>
<b>REVENUE</b>	<b>\$24.7B</b>	<b>HEADQUARTERS</b>	<b>Seattle, WA</b>

# LEASE ABSTRACT

<b>TENANT</b>	Starbucks Corporation		
<b>ADDRESS</b>	<a href="#">745 Ocean Street, Santa Cruz, California</a>		
<b>RENT COMMENCEMENT</b>	July 8, 2017		
<b>LEASE EXPIRATION</b>	July 31, 2027		
<b>RENEWAL OPTIONS</b>	Four (4) five (5) year options		
<b>RENTAL INCREASES</b>	<b>YEAR</b> Current-Jul. 2022 Aug. 2022-Jul. 2027 Aug. 2027-Jul. 2032 (Option 1) Aug. 2032-Jul. 2037 (Option 2) Aug. 2037-Jul. 2042 (Option 3) Aug. 2042-Jul. 2047 (Option 4)	<b>RENT</b> \$225,000 \$247,500 \$262,350 \$278,091 \$294,777 \$312,463	<b>RETURN</b> 3.75% 4.13% 4.38% 4.64% 4.92% 5.21%
<b>REAL ESTATE TAXES</b>	Tenant is responsible for its share of real estate taxes.		
<b>INSURANCE</b>	Tenant and Landlord shall both maintain liability and property insurance.		
<b>REPAIR &amp; MAINTENANCE</b>	Tenant is responsible for maintaining the interior portion of the Premises and the HVAC system.		
<b>MAINTENANCE BY LANDLORD</b>	Landlord is responsible for maintaining the roof, structure, and foundation of the Premises and the parking areas on the Property.		
<b>RIGHT OF FIRST REFUSAL</b>	None		



# PROPERTY OVERVIEW

## LOCATION

The property is conveniently located at the signalized hard corner of Ocean Street and Water Street, with excellent visibility and access—including a dedicated right turn lane on Water Street—to 39,309 vehicles per day directly in front of the property. The intersection of Ocean and Water streets is a key gateway location. Ocean Street serves as the primary corridor that brings visitors to the beach from Highway 17, which is the main route north to San Jose and the rest of the San Francisco Bay Area. Water Street leads to Santa Cruz's vibrant downtown, located less than half a mile away. Retailers near the property include a strong mix of local businesses and major national tenants, including Whole Foods, Trader Joe's, Chase Bank, Firestone, and Regal Cinemas, amongst others. The property is also surrounded by a number of hotels and souvenir shops catering to Santa Cruz's many tourists. Additionally, the property—which includes bike racks and lockers to serve Santa Cruz's large population of students and bike commuters—is steps away from the Santa Cruz County Governmental Center, headquarters for the second largest employer in the county.

The property is centrally located within walking distance of downtown Santa Cruz and is just over a mile from attractions like the Santa Cruz Beach Boardwalk, the Santa Cruz Wharf, and Seabright State Beach, which are popular draws for both local residents and Santa Cruz's 4 million annual visitors. Furthermore, the property is supported by a large, affluent customer base; 127,778 residents with an average household income of \$109,033 live within five miles of the property.

## ACCESS

Access from Ocean Street and Water Street

## TRAFFIC COUNTS

Ocean Street: 18,862 AADT  
Water Street: 20,447 AADT

## PARKING

17 parking stalls, including one (1) handicap stall

## YEAR BUILT

2017

## NEAREST AIRPORT

San Jose International Airport (SJC)



ACTUAL SITE



**2017**  
YEAR BUILT



**39K**  
TRAFFIC  
COUNT (AADT)



**NEAREST  
AIRPORT**  
SAN JOSE  
INTERNATIONAL  
AIRPORT



# AREA OVERVIEW

Santa Cruz, population 65,021, is the county seat and largest city of Santa Cruz County, California. Situated on the northern edge of Monterey Bay, about 32 miles south of San Jose and 75 miles south of San Francisco, the city is part of the 12-county San Jose-San Francisco-Oakland Combined Statistical Area (CSA), known as the Greater San Francisco Bay Area. Santa Cruz is known for its moderate climate, natural environment, coastline, redwood forests, alternative community lifestyles, and socially liberal leanings. It is also home to the University of California, Santa Cruz, a premier research institution and educational hub, as well as the Santa Cruz Beach Boardwalk, an oceanfront amusement park operating continuously since 1907. The principal industries of Santa Cruz are agriculture, tourism, education, and high technology. An established beach resort community, Santa Cruz draws over 4 million visitors per year, both nationally and internationally, and has developed a tourism industry that generates over \$500 million in direct travel expenditures annually and employs about 8,000 people countywide.

Santa Cruz County comprises the Santa Cruz–Watsonville Metropolitan Statistical Area (MSA) and is included in the 12-county Greater San Francisco Bay Area. The county is on the California Central Coast and forms the northern coast of the Monterey Bay, with Monterey County forming the southern coast. Home to approximately 8.84 million people, the Greater San Francisco Bay Area CSA is the second largest in California, the fifth largest in the United States, and the 43rd largest urban area in the world.

- » Forbes named Santa Cruz the sixth best city for future job growth, predicting an annual growth rate of 3.4%.
- » The University of California, Santa Cruz has a total enrollment of 18,765 students and generates \$1.3 billion in economic impact on the regional economy.
- » Santa Cruz is well known for watersports such as sailing, diving, swimming, stand up paddle boarding, paddling, and is regarded as one of the best spots in the world for surfing. Santa Cruz has 11 world-class surf breaks, including the point breaks over rock bottoms near Steamer Lane and Pleasure Point, which create some of the best surfing waves in the world. Santa Cruz hosts several surf contests drawing international participants each year.
- » The Santa Cruz Beach Boardwalk is California's oldest amusement park and a designated State Historic Landmark. It is family-operated, and celebrated its Centennial in 2007. It is home to the iconic Giant Dipper roller coaster, which is currently the fifth oldest coaster in the United States.
- » Tourist attractions in Santa Cruz include the classic Santa Cruz Beach Boardwalk on the beach, the redwood forests in the Santa Cruz Mountains above the town, and Monterey Bay, which is protected as a marine sanctuary.

## MAJOR EMPLOYERS IN SANTA CRUZ

## # OF EMPLOYEES

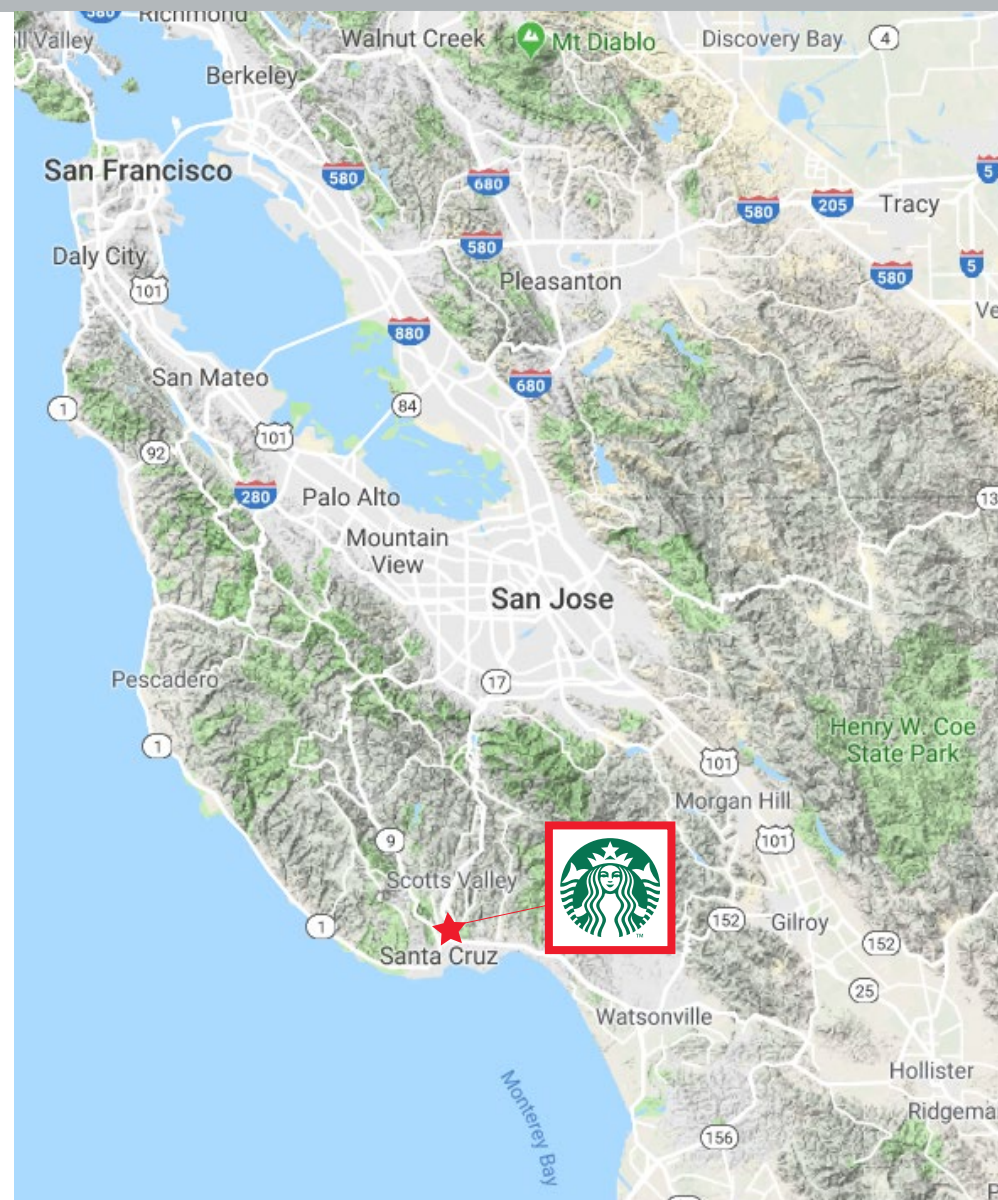
UNIVERSITY OF CALIFORNIA AT SANTA CRUZ	8,463
COUNTY OF SANTA CRUZ	2,452
CITY OF SANTA CRUZ	843
PLANTRONICS	529
SANTA CRUZ BEACH BOARDWALK	347
COSTCO	314
THRESHOLD ENTERPRISES, LTD.	213
DBA SANTA CRUZ NUTRITIONALS	200
CROW'S NEST	194
LOOKER DATA SCIENCES, INC.	164





# DEMOGRAPHIC PROFILE

<b>2018 SUMMARY</b>	<b>1 Mile</b>	<b>3 Miles</b>	<b>5 Miles</b>
<b>Population</b>	<b>26,223</b>	<b>94,308</b>	<b>127,778</b>
Households	10,525	34,269	48,471
Families	4,124	17,110	25,199
Average Household Size	2.31	2.43	2.40
Owner Occupied Housing Units	3,019	15,839	24,570
Renter Occupied Housing Units	7,506	18,430	23,901
Median Age	34.2	33.9	36.5
<b>Average Household Income</b>	<b>\$83,475</b>	<b>\$105,152</b>	<b>\$109,033</b>
<b>2023 ESTIMATE</b>	<b>1 Mile</b>	<b>3 Miles</b>	<b>5 Miles</b>
<b>Population</b>	<b>27,166</b>	<b>96,972</b>	<b>131,321</b>
Households	10,905	35,230	49,736
Families	4,268	17,581	25,850
Average Household Size	2.31	2.44	2.41
Owner Occupied Housing Units	3,370	17,202	26,557
Renter Occupied Housing Units	7,535	18,027	23,178
Median Age	35.2	34.9	37.3
<b>Average Household Income</b>	<b>\$99,937</b>	<b>\$126,082</b>	<b>\$131,032</b>



**AVERAGE HOUSEHOLD INCOME OF \$109,033**  
WITHIN FIVE MILES



**POPULATION OF 127,778**  
WITHIN FIVE MILES



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