

*Walgreens*

6.5% Return on Equity!



*Representative Photo*

CONFIDENTIAL OFFERING MEMORANDUM

**1509 WELLS BRANCH PKWY**

PFLUGERVILLE (AUSTIN), TX 78660





A scenic sunset over a body of water. The sky is filled with dramatic, colorful clouds in shades of orange, yellow, and blue. A large flock of birds is flying in the upper right portion of the sky. In the foreground, tall, green reeds are partially submerged in the water. The water reflects the colors of the sunset. In the distance, a low shoreline with some buildings and utility poles is visible.

**UNPARALLELED POPULATION GROWTH AND ONE OF  
THE HOTTEST MARKETS IN THE COUNTRY**



# WALGREENS

1509 WELLS BRANCH PKWY  
PFLUGERVILLE (AUSTIN), TX 78660

ABSOLUTE NNN INVESTMENT OPPORTUNITY

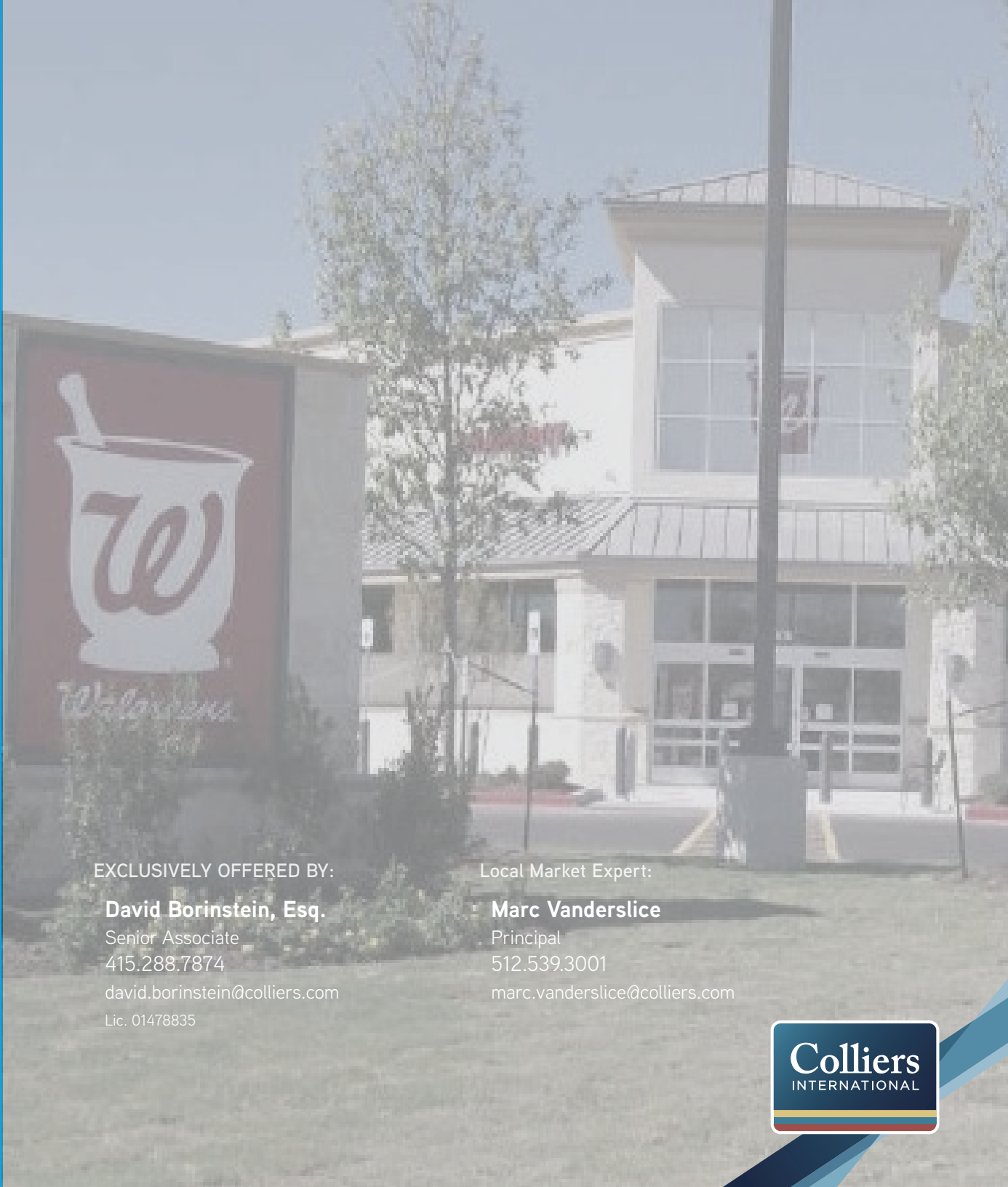
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EXCLUSIVELY OFFERED BY:

**David Borinstein, Esq.**

Senior Associate  
415.288.7874  
david.borinstein@colliers.com  
Lic. 01478835

Local Market Expert:

**Marc Vanderslice**

Principal  
512.539.3001  
marc.vanderslice@colliers.com



# PROPERTY STRENGTHS

## ■ LONG TERM ABSOLUTE NNN CORPORATE LEASE

This 2010 built-to-suit Walgreens location is a true NNN lease guaranteed by Walgreens' corporate entity (S&P: BBB) for 25 years, expiring in 2035. An ideal passive investment, this offering features a long-term guaranteed income stream from one of the strongest tenants in the market, in one of the fastest- growing markets in the nation.

## ■ STRONG NATIONAL TENANT

Founded in 1901, Walgreens boasts over \$118B in annual revenue and is one of the two dominant players in the US pharmacy sector, operating over 8,170 locations in all 50 states as well as Puerto Rico and the US Virgin Islands. In 2017, Walgreens purchased the 3rd largest US-based pharmacy operator, Rite Aid, adding 1,932 locations and solidifying its position as a top player in the industry.

## ■ HIGHLY VISIBLE LOCATION IN A RAPIDLY GROWING MARKET

Located on the hard corner of Wells Fargo Parkway and Dessau Road, this Walgreens is positioned on a top corner in the fastest growing part of the Austin MSA. Pflugerville has grown in population by over 100% since 2000 and is expected to grow by another 15% in the next 5 years. Austin has also seen dramatic population growth resulting from of an influx of employees in the tech sector from projects such as Amazon's upcoming "HQ2" development, and Facebook's continued expansion of its Texas footprint, as well as stalwarts such as Dell, Apple, IBM, and others. Its location on a contested corner across from a CVS provides strong incentive for Walgreens to maintain its tenancy.

## ■ ASSUMABLE DEBT AT A HISTORICALLY LOW RATE

This Walgreens features an interest-only CMBS loan at a fixed rate of 5.221%, an advantageous historical interest rate.

## Property Overview

Basic Information	
Address	1509 Wells Branch Parkway, Pflugerville, TX 78660
County	Travis
Ownership	Fee Simple
APN	763854
Year Built	2010
Rentable SF	14,820
Lot Size	2.32 acres
Type	Net Leased Drug Store
Website	<a href="http://www.walgreens.com">www.walgreens.com</a>

## Lease Overview

Lease Abstract	
Lease Start	10/04/2010
Term	25 Years
Expiration	10/03/2035
Options	Right to terminate on 12-month notice
Type	Absolute Net
Right of First Refusal	Yes
Rent	\$543,000/year
Increases	None
Guarantor	Corporate Guarantee





# LOCATION OVERVIEW

## Pflugerville, TX

Pflugerville is a suburb of Austin, Texas, and part of the Austin-Round Rock-San Marcos Metropolitan Statistical Area. It has a total land area of 22.32 square miles and 40.39 square miles in the extraterritorial jurisdiction. Lake Pflugerville is the city's main body of water and serves as a reservoir and recreation area.

Throughout the 1990s, the city of Austin experienced a rapid rise in its population. This was also the case in suburban areas surrounding the city. Pflugerville more than doubled in size by the next census, in 2000. The 2010 Census placed Pflugerville's population at 46,936, and 59,245 in the 2016 Census estimate.

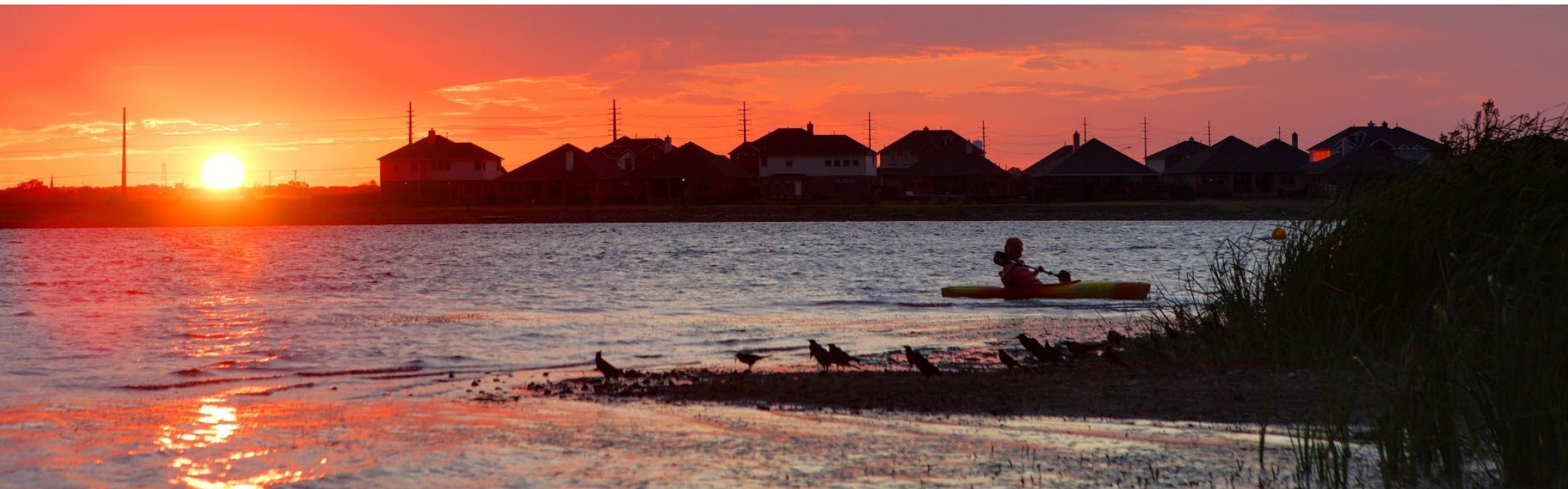
While a mile-long stretch of Interstate 35 is often referred by local media and residents as "in Pflugerville", the city

of Austin actually controls this land, either as part of the city or through its extraterritorial jurisdiction. In November 2006, the first parts of a central Texas tollway system opened, including State Highway 130 and State Highway 45, increasing accessibility to Pflugerville. Approximately three miles of 130 run through Pflugerville, including the intersection of 45 and 130. The city is using this land to attract major commercial development, thereby improving its tax base and providing an opportunity to lower property tax rates.

One such development, Stone Hill Town Center, has opened, and includes The Home Depot, Best Buy, SuperTarget, At Home, Bealls, Dick's Sporting Goods, PETCO, Ross Dress for Less, Office Depot, 24 Hour Fitness, Cinemark Theatres

and a St. David's HealthCare 24-hour emergency care facility. With its close proximity to the Austin Executive Airport and SH 130, the connectivity of the area is attracting businesses and bringing jobs to Pflugerville.

In 2015, the city purchased a 237-acre tract of land for a community park with a new sports complex and nature areas for \$4.276 million. The first phase of the The 1849 Park has been completed and the second phase, which includes restrooms, playgrounds and parking lots is estimated to be complete by Fall 2018. This project includes multipurpose sports fields for league play, and will be home to the future sports complex as approved by the voters in the 2014 General Bond Election.



## Pflugerville Highlights

With the addition of retail stores, good schools and an expansive tollway, the early 1960s bedroom community has developed into a bustling Austin suburb, evident by population estimates released Thursday by the U.S. Census Bureau.

Pflugerville had the third-largest growth rate among American cities with at least 50,000 residents from July 2016 to July 2017. It had a net gain of 3,852 newcomers, or 6.5 percent. That covered births, deaths and migration.

Texas claims many of the fastest-growing cities with populations of over 50,000, as Georgetown (sixth), McKinney (ninth), Flower Mound (11th) and Cedar Park (13th) cracked the list. Only Frisco and New Braunfels — two other Texas cities — witnessed greater percentage spikes.

Pflugerville for years has been an affordable alternative to Austin, particularly for families on the east side with lower incomes who no longer can live comfortably in Austin as home values and property taxes rise. The migration patterns of people who leave Austin has not been studied, but the city to the northeast has long drawn people priced out of East Austin.

Pflugerville Chamber of Commerce CEO Shontel Mays said companies come “because of our affordability, infrastructure and business-friendly environment.”

*From: MyStatesman (www.mystatesman.com) and U.S. Census Bureau*

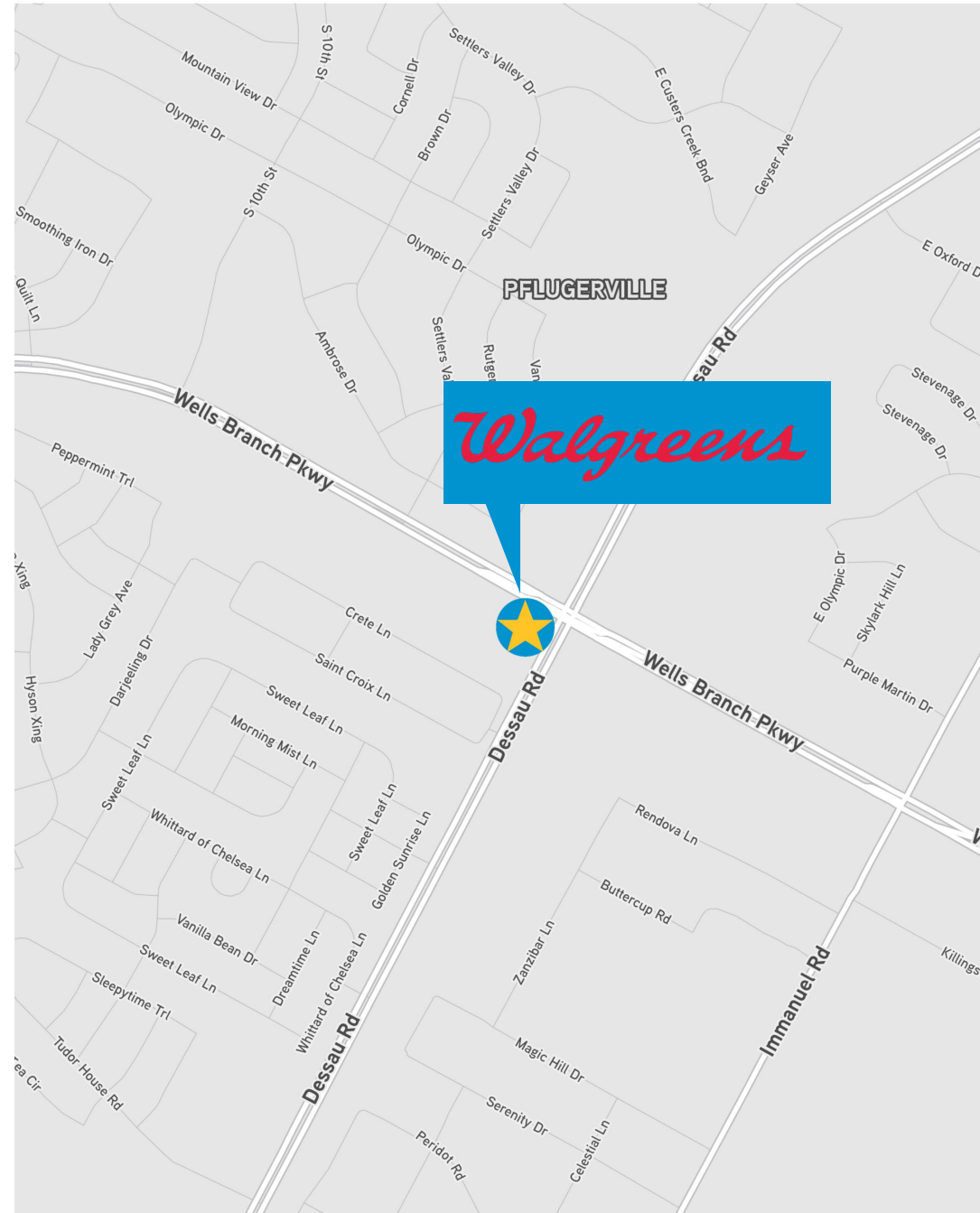
## Three of the six fastest-growing towns in the U.S. are in Central Texas (July 2016-July 2017):

Ranking	City	% Growth	2017 Population
1	Frisco	8.2%	177,286
2	New Braunfels	8.0%	79,152
3	Pflugerville	6.5%	63,359
6	Georgetown	5.4%	70,685
13	Cedar Park	4.2%	75,704



## DEMOGRAPHICS

	1 Mile	3 Miles	5 Miles
<b>Population:</b>			
2000 Total Population	4,829	34,919	98,155
2010 Total Population	11,939	59,320	156,843
2017 Total Population	12,179	68,340	192,205
2022 Total Population	13,755	78,197	221,226
<b>Population Change 2000 to 2017</b>	<b>152.2%</b>	<b>95.7%</b>	<b>95.8%</b>
Population Change 2010 to 2022	15.2%	31.8%	41.0%
Population Change 2017 to 2022	12.9%	14.4%	15.1%
<b>Households:</b>			
2000 Households	1,597	11,529	37,548
2010 Households	3,856	20,858	60,214
2017 Households	3,954	23,707	70,820
2022 Households	4,468	27,167	81,199
<b>Household Change 2000 to 2017</b>	<b>147.6%</b>	<b>105.6%</b>	<b>88.6%</b>
Household Change 2010 to 2022	15.9%	30.2%	34.9%
Household Change 2017 to 2022	13.0%	14.6%	14.7%
<b>Income:</b>			
2017 Median Household Income	\$73,782	\$65,336	\$65,967
up to \$24,999	13.7%	14.8%	13.9%
\$25,000 to \$49,999	17.2%	22.0%	22.2%
\$50,000 to \$74,999	20.1%	21.2%	21.0%
\$75,000 to \$124,999	31.4%	26.8%	27.2%
\$125,000 to \$199,999	15.6%	11.9%	11.9%
\$200,000 or more	1.9%	3.3%	3.7%











## FINANCIAL OVERVIEW

### INVESTMENT SUMMARY

Offering Price	\$9,500,000
Cap Rate	5.72%
NOI	\$543,000
Lease Structure	Absolute Net
Lease Expiration	October 3, 2035
Building Size	14,820 SF
Lot Size	2.32 Acres
Parking	60 spaces
Occupancy	100%

### DEBT ASSUMPTION

Type	Interest Only
Remaining Loan Amount	\$6,200,000
Interest Rate	5.221%
Monthly Payment	\$27,344
Annual Payment	\$328,128
Maturity Date	February 6, 2027
LTV	64%

### SUMMARY

Equity Required	\$3,300,000
Return on Equity (after debt service)	6.5%



# TENANT PROFILE

The Walgreen Company (or simply Walgreens), is an American company that operates as the second-largest pharmacy store chain in the United States behind CVS Health. It specializes in filling prescriptions, health and wellness products, health information, and photo services. As of August 31, 2016, the company operated 8,175 stores in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. It was founded in Chicago, Illinois, in 1901. The Walgreens headquarters office is in the Chicago suburb of Deerfield, Illinois.

In 2014 the company agreed to purchase the remaining 55% of Switzerland-based Alliance Boots that it did not already own to form a global business. Under the terms of the purchase, the two companies merged to form a new holding company, Walgreens Boots Alliance Inc., on December 31, 2014. Walgreens became a subsidiary of the new company, which retains its Deerfield headquarters and trades on the Nasdaq under the symbol WBA.

Walgreens stores were once connected to local groceries. In Chicago, their flagship market, they teamed up with either Eagle Food Centers or Dominick’s Finer Foods, usually with a “walkthru” to the adjoining store and often sharing personnel. This concept was instated to compete with the popular dual store format used by chief competitor Jewel-Osco/Albertsons-Sav-On. They eventually ended the relationship with Eagle and focused primarily on a connection to the Dominick’s stores. PharmX-Rexall filled the vacated Walgreen locations joined to Eagle stores.

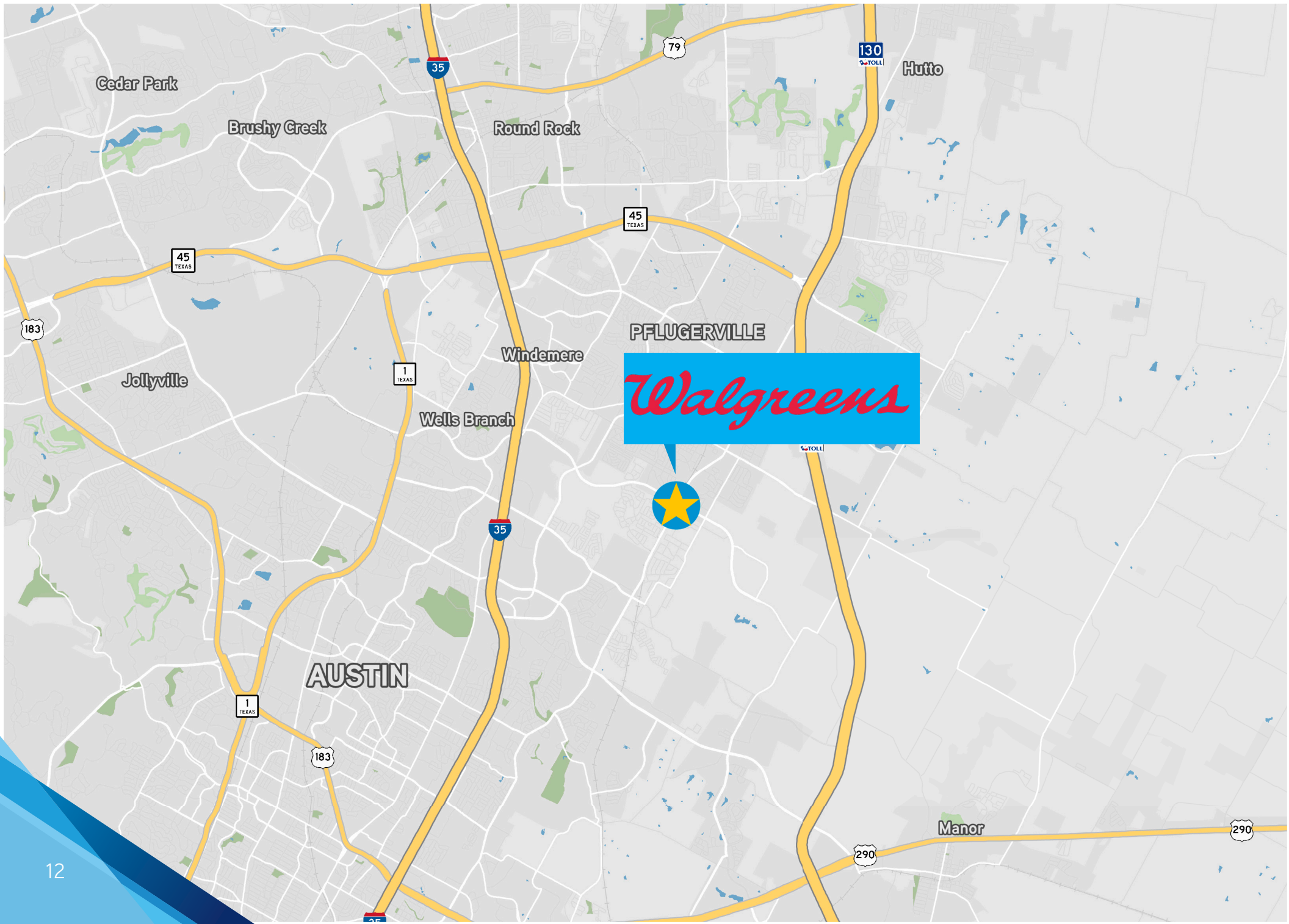
In its 2009 business model, Walgreens are freestanding corner stores, with the entrance on the street with the most traffic flow, figuratively making it a “corner drugstore” similar to how many independent pharmacies evolved. Many stores have a drive-through pharmacy.

The store management team usually includes a manager and at least one assistant manager. As of 2009, the management structure will implement a new structure and payscale that will more closely resemble their competitors to reflect the industry standard.

Wikipedia, 2018



Company Overview - Walgreens	
TYPE	Subsidiary
INDUSTRY	Retail
S&P	BBB
NASDAQ	WBA
FOUNDED	1901, Chicago, IL
FOUNDER	Charles Rudolph Walgreen
HEADQUARTERS	Deerfield, IL
LOCATIONS	8,175
AREA SERVED	United States
PRODUCTS	Drug Store Pharmacy
WEBSITE	walgreens.com





## CONFIDENTIALITY & DISCLAIMER

This Confidential Offering Memorandum (the “Memorandum”) has been prepared and presented to the recipient (the “Recipient”) by Colliers International (“Colliers”) as part of Colliers’ efforts to market for sale the real property located at 1509 Wells Branch Parkway, Pflugerville (Austin), TX (the “Property”). Colliers is the exclusive agent and broker for the owner(s) of the Property (the “Owner”). Colliers is providing this Memorandum and the material contained in it to the Recipient solely to assist the Recipient in determining whether the Recipient is interested in potentially purchasing all or part of the Property. Colliers also is providing this Memorandum and the material in it to the Recipient with the understanding that the Recipient will independently investigate those matters that it deems necessary and appropriate to evaluate the Property and that the Recipient will rely only on its own investigation, and not on Colliers, the Owner or this Memorandum, in determining whether to purchase the Property. The Recipient’s use of this Memorandum and the material in it is strictly governed by the terms and conditions of the Registration and Confidentiality Agreement that the Recipient previously executed and delivered to Colliers.

### PLEASE NOTE THE FOLLOWING:

Colliers, the Owner and their respective agents, employees, representatives, property managers, officers, directors, shareholders, members, managers, partners, joint venturers, corporate parents or controlling entities, subsidiaries, affiliates, assigns and predecessors and successors-in-interest make no representations or warranties about the accuracy, correctness or completeness of the information contained in this Memorandum. The Recipient is urged not to rely on the information contained in this Memorandum and to make an independent investigation of all matters relating to the Property.

This Memorandum includes statements and estimates provided by or to Colliers and/or the Owner regarding the Property. Those statements and estimates may or may not be accurate, correct or complete. Nothing contained in this Memorandum should be construed as a representation or warranty about the accuracy, correctness or completeness of such statements and estimates. Further, nothing contained in this Memorandum should be construed as representation or warranty about any aspect of the Property, including, without limitation, the Property’s (1) past, current or future performance, income, uses or occupancy, (2) past, current or prospective tenants, (3) physical condition, (4) compliance or non-compliance with any permit, license, law, regulation, rule, guideline or ordinance, or (5) appropriateness for any particular purpose, investment, use or occupancy. Again, the Recipient is urged not to rely on this Memorandum and the statements and estimates in it and to make an independent investigation regarding the Property and the statements and estimates contained herein.

This Memorandum may include statements regarding, references to, or summaries of, the nature, scope or content of contracts and/or other documents relating to the Property. Those statements, references or summaries may or may not be accurate, correct or complete. Additionally, Colliers may not have referenced or included summaries of each and every contract and/or other document that the Recipient might determine is relevant to its evaluation of the Property. Nothing contained in this Memorandum should be construed as a representation or warranty about the accuracy, correctness or completeness of such statements, representations or summaries. On request and as available, and subject to the Owner’s consent, Colliers will provide the Recipient with copies of all referenced contracts and other documents.

Colliers assumes no obligation to supplement or modify the information contained in this Memorandum to reflect events or conditions occurring on or after the date of its preparation of this Memorandum.

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, an interest in the Property. Nothing contained in this Memorandum may be construed to constitute legal or tax advice to a Recipient concerning the Property.

More detailed information regarding the anticipated terms, conditions and timing of any offering by the Owner relating to the Property will be provided in due course by separate communication. Colliers and/or the Owner reserve the right to engage at any time in discussions or negotiations with one or more recipients of this Memorandum and/or other prospective purchasers of the Property without notice or other obligation to the Recipient.

The Owner reserves the right to change the terms of any offering relating to the Property or to terminate without notice that offering. The Owner also reserves the right to operate the Property in its sole and absolute discretion prior to the completion of any sale of the Property. Colliers reserves the right to require the return of this Memorandum and the material in it and any other material provided by Colliers to the Recipient at any time. Acceptance of this Memorandum by the Recipient constitutes acceptance of the terms and conditions outlined above.

# Walgreens

## AUSTIN TX SUBURB

Pflugerville, TX

EXCLUSIVELY OFFERED BY:

**David Borinstein, Esq.**

Senior Associate

415.288.7874

david.borinstein@colliers.com

Lic. 01478835

Local Market Expert:

**Marc Vanderslice**

Principal

512.539.3001

marc.vanderslice@colliers.com

**Colliers Net Lease Group**

101 SECOND STREET | 11TH FLOOR | SAN FRANCISCO, CA 94105 | [www.colliersnln.com](http://www.colliersnln.com)

