

# ABSOLUTE NNN GROUND LEASE

*Part of a Class "A" Regional Power Center - New Lease Extension*

910 Renz Lane, Gilroy, CA 95020



◆ **PACHECOPASS** ◆  
CENTER







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## TABLE OF CONTENTS

**04**    **Property Overview**  
Offering Summary  
Investment Highlights

**08**    **Property Overview**  
Site Plan  
Tenant Overview

**14**    **Location Overview**  
Gilroy, CA  
Retail Market  
Aerial  
Demographics

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# PROPERTY OVERVIEW

We are pleased to offer to qualified investors an opportunity to purchase a single tenant NNN leased investment (ground lease) occupied by Chuck E. Cheese’s corporate (CEC Entertainment, Inc.). This offering allows investors secure cash flow from a corporate tenant with excellent real estate fundamentals in an extremely high barrier to entry market providing long term upside.



# FINANCIAL SUMMARY



**\$2,961,000**  
LIST PRICE



**\$151,250**  
NET OPERATING  
INCOME



**5.11%**  
CAP RATE

# LEASE ABSTRACT

Tenant Trade Name	Chuck E. Cheese’s
Lease Start	January 1, 2005
Lease Expiration	December 31, 2024
Lease Term	14 Years
Term Remaining	5 Years
Base Rent	\$151,250
Rental Adjustments	None
Option Periods	3 - 5 Year Options 10% Increases Each Option 1/1/2025: \$166,375 1/1/2030: \$183,012 1/1/2035: \$201,313
Lease Type	NNN Lease
Roof	Tenant Responsible

# PARCEL DETAILS

Parcel	841-18-078
Bulding Size	10,578 SF
Land Size	1.84 Acres





# INVESTMENT HIGHLIGHTS

- **Chuck E. Cheese's** - Absolute NNN Ground Lease - Coupon Clipper Asset
- **New 5 Year Lease Extension** - New Store Remodel Pending
- 3, 5 Year Options with 10% Increases Each Option
- **CEC Entertainment, Inc.** - Newly Acquired by Leo Holdings
- Set to IPO Summer 2019
- Estimated Enterprise Value of \$1.4 Billion
- Chuck E. Cheese's Plans to Remodel a Total of 92 out of 515 Locations by End of 2019
- **Exceptional Location** - Intersection of Hwy 101 & Hwy 152 (Pacheco Pass Hwy)
- Approximately 110,400 AADT @ Hwy 101 & Hwy 152
- Close Proximity to Silicon Valley (One of the Highest Priced Housing Markets in the U.S.)
- **Part of a Class "A" Regional Power Center** Anchored by Costco, Lowe's, Walmart, Marshalls and More
- Over 53,300 Residents within a 3 Mile Radius
- **Affluent Demographics** - AHHI Over \$100,200 within a 3 Mile Radius
- **Rapid Growth** - Over 17% Population Growth within a 3 Mile Radius







## ◆ PACHECOPASS ◆ CENTER







## PACHECO PASS CENTER DESCRIPTION

LOCATION:	Pacheco Pass I & II is located in the north-east quadrant of US Highway 101 and Pacheco Pass Highway (152) on Camino Arroyo and Renz Lane in Gilroy, California, approximately 30 miles east of downtown San Jose in Santa Clara County.
ADDRESS:	850 – 950 Renz Lane and 7011 – 7210 Camino Arroyo Gilroy, CA 95020
PROPERTY SIZE (SF):	194,304 SF
ASSESSOR’S PARCEL NUMBER AND SITE AREA:	APN: 841-18-059/061/062/070/071/072/075/077/078/079 27.41 Acres
ZONING:	C3 (Shopping Center Commercial)
FRONTAGE:	The center has approximately 2,203 linear feet of frontage along Camino Arroyo Drive and approximately 887 linear feet along Pacheco Pass.
YEAR BUILT:	Phase I: 2003 & 2004 Phase II: 2004 & 2005
TRAFFIC COUNTS:	Approximately 23,600 cars daily on Camino Arroyo Drive, 28,500 cars on Pacheco Pass and 80,900 cars per day on US Highway 101.
ACCESS:	There are thirteen entry points to the property. There are eight access points along Camino Arroyo and five along Renz Lane
PARKING:	The center provides striped surface parking for approximately 1,130 vehicles including 43 disabled accessible for a ratio of 5.8/1,000.







## TENANT OVERVIEW

For more than 40 years, CEC Entertainment has served as the nationally recognized leader in family dining and entertainment and the place Where A Kid Can Be A Kid®. As the award-winning, number-one, kid-friendly restaurant for millions of families across the world, the company and its franchisees operate a system of more than 580 Chuck E. Cheese’s stores located in 47 states and 12 foreign countries or territories. Currently, 512 company (and 65 franchise locations) locations in the United States and Canada are owned and operated by the Company.

CEC Entertainment, Inc. and its franchises have the common goal of creating lifelong memories for families through fun, food and play. Each Chuck E. Cheese’s features musical and comic robotic entertainment, games, rides and play areas, as well as a variety of dining options including pizzas, sandwiches, wings, appetizers, a salad bar and desserts. Committed to providing a fun, safe environment, Chuck E. Cheese’s helps protect families through industry-leading programs such as Kid Check®.

CHUCK E. CHEESE’S	
Type	Subsidiary of CEC Entertainment, Inc.
Traded As	NYSE: CEC
Founded	1977
Headquarters	Irving, Texas, U.S.
Number of locations	608 (2017)
Area served	North America, South America, Middle East
Website	<a href="http://www.chuckecheese.com">www.chuckecheese.com</a>







## LOCATION OVERVIEW

Gilroy is centrally located within a short driving distance of Monterey Bay, Santa Cruz, the San Joaquin Valley, and the San Francisco Bay Area. Gilroy is situated in South Santa Clara County at the crossing of U.S. Highway 101 and State Highway 152.

The city is known for its peaceful residential environment, its award-winning parks, golf course and recreation programs, and for its urban forest, for which the city has won Tree City USA awards annually since 1979.

### Population Trends

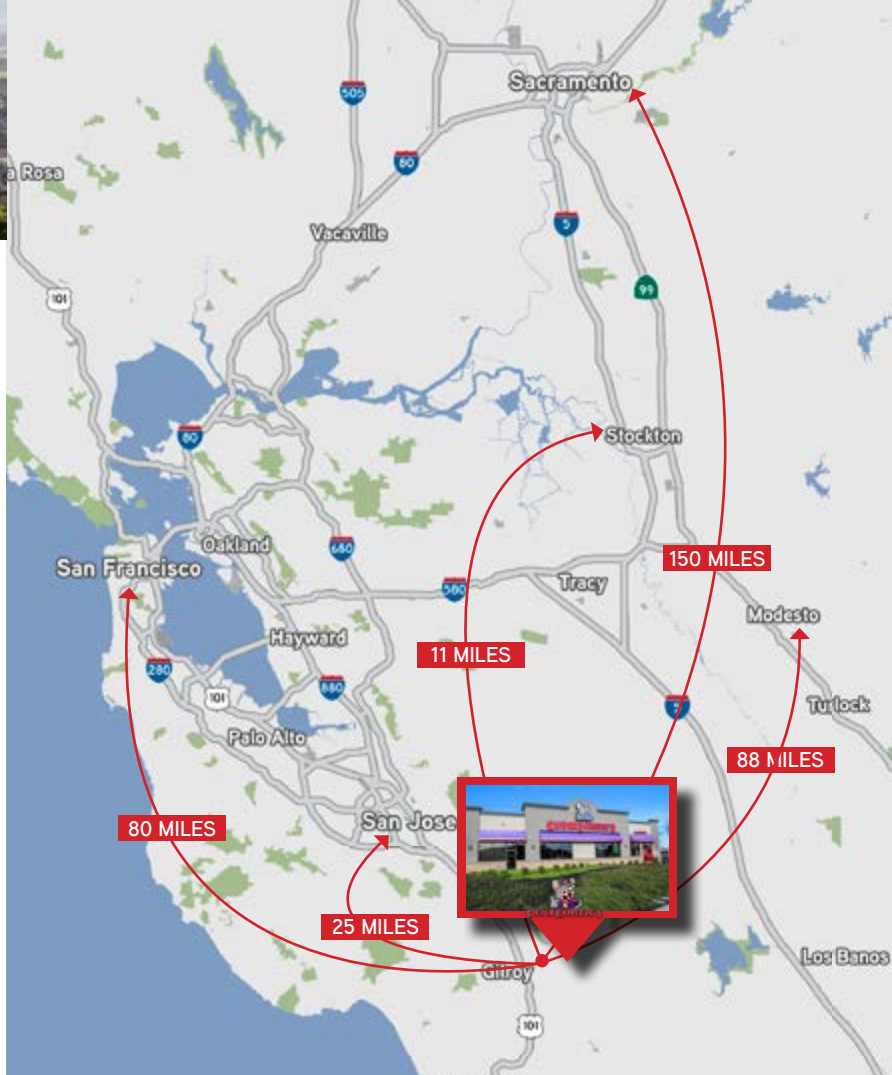
Gilroy is a growing community with a population of about 51,544.

- **Between 2000 and 2010, Gilroy's population increased by 15 percent.**

Following Dublin with a 35 percent population increase, Gilroy was the fastest growing city among the comparison cities and the fastest among all cities in Santa Clara County. The trend continued between 2010 and 2013, with Gilroy adding about 2,700 new residents.

- **Between 2010 and 2013, Gilroy's population continued to accelerate, increasing close to 6 percent over three years, to a current total of 51,544.**

Compared to the other cities in the list, Gilroy was still the second fastest growing city after Dublin.



### Industry & Economy

Historically, Gilroy's economy has been based in agricultural products and processing. Over the years, prunes, tomatoes, flowers, onions and, of course, garlic, have contributed to the economic health of the agricultural industries. Food processing centers have also established themselves in Gilroy, and government centers also employ many local residents. The Outlets at Gilroy, a five-phase retail complex, draws shoppers from all over the Bay Area and Central Coast regions.

- **Projected job growth in Gilroy is expected to average between 0.8 and 1.6 percent annually over the next decade.** Much of this job growth is expected to occur in retail, transportation, construction, hospitality, information, and health care.

- Gilroy's proximity to Silicon Valley makes it an attractive location for operations looking for lower cost locations for expansion.

- Given the employment indicators and Gilroy's worker profile, target industries potentially include wholesale/distribution; food manufacturing; sheet metal manufacturing; machine shops; communications equipment manufacturing; other electrical equipment and component manufacturing; professional, scientific and technical services; and health services.

### Education

There are 15 public schools in the Gilroy Unified School District. Enrollment in the district is about 11,400 students. The School Board, which sets policy, adopts the budget and hires personnel, is made up of seven members elected to 4-year terms. The district has about 1,100 employees. Five private schools serve an additional 400 students, and approximately 4,500 students attend Gavilan College.



# RETAIL MARKET

- Much of Gilroy's retail support includes regional spending from residents living in surrounding communities, overnight visitors and day travelers.
- The strongest performing categories in Gilroy are apparel stores, service stations, eating places, and general merchandise stores.
- Geographically, Premium Outlets, Gilroy Crossing, and Pacheco Pass Center alone account for half of Gilroy's total taxable sales.
- The Premium Outlets represent Gilroy's largest taxable sales generator with nearly \$287 million in 2012. The outlet center also showed strong growth, even during the recession and now accounts for 23.6 percent of the citywide taxable sales.

# RETAIL MARKET

- Gilroy currently has a net capture of regional sales in all retail categories except for florists, nurseries, second hand stores, specialty food stores, and full-service restaurants (including both restaurants with full bar service, and restaurant sales from hotels)
- With full-service restaurants, the leakage is not especially large, and fast-food and limited-service restaurants show a large net capture of sales. However, with Gilroy's large net capture in other retail categories, full-service restaurants could be a potential area of focus.
- The outlets in particular are a significant visitor attraction, while Gilroy Crossing and Pacheco Pass Center function as highway commercial centers for travelers heading along CA-152.



PG. 16 | CHUCK E. CHEESE'S | GILROY, CA

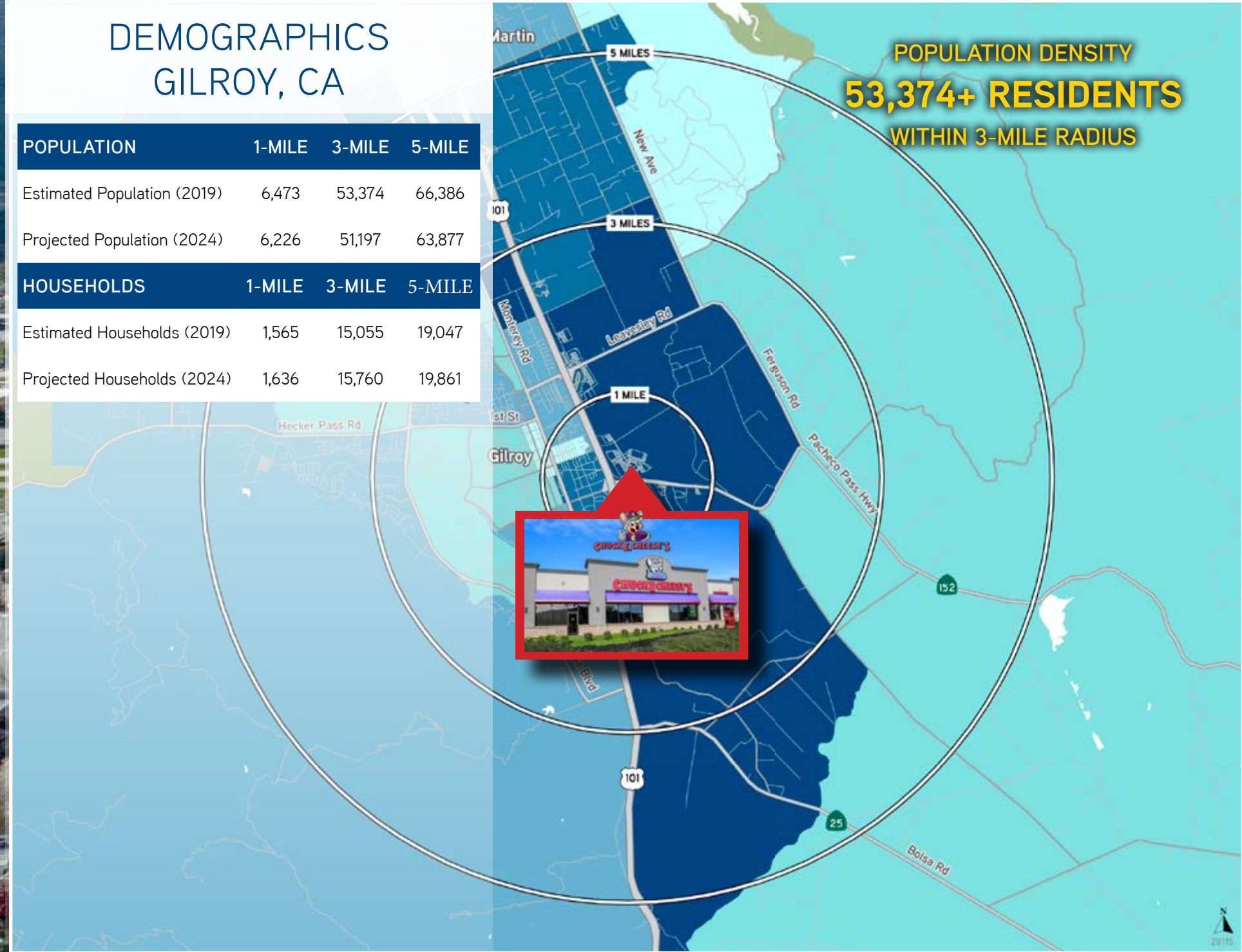


CHUCK E. CHEESE'S | GILROY, CA | PG. 17



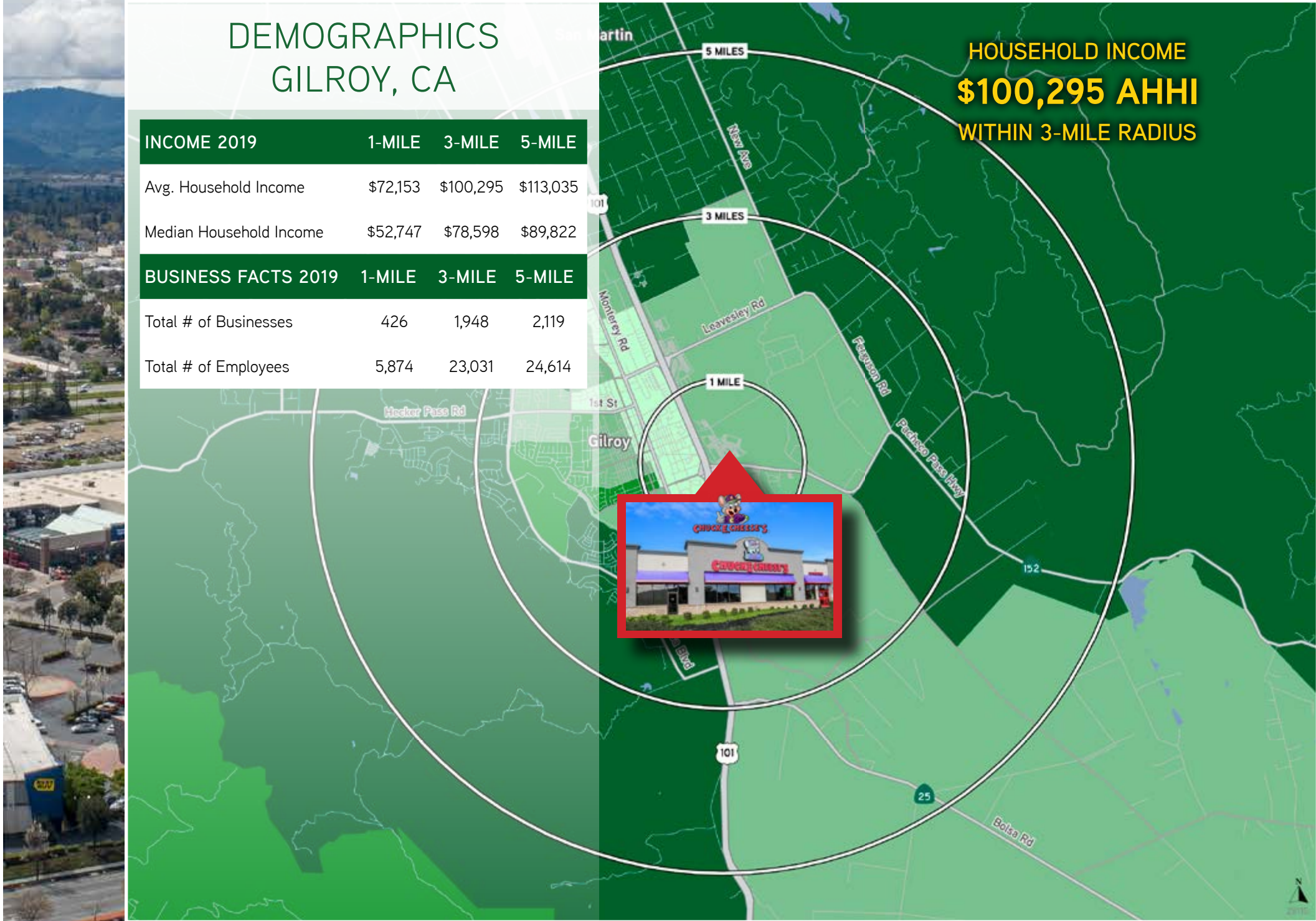
DEMOGRAPHICS  
GILROY, CA

POPULATION	1-MILE	3-MILE	5-MILE
Estimated Population (2019)	6,473	53,374	66,386
Projected Population (2024)	6,226	51,197	63,877
HOUSEHOLDS	1-MILE	3-MILE	5-MILE
Estimated Households (2019)	1,565	15,055	19,047
Projected Households (2024)	1,636	15,760	19,861



DEMOGRAPHICS  
GILROY, CA

INCOME 2019	1-MILE	3-MILE	5-MILE
Avg. Household Income	\$72,153	\$100,295	\$113,035
Median Household Income	\$52,747	\$78,598	\$89,822
BUSINESS FACTS 2019	1-MILE	3-MILE	5-MILE
Total # of Businesses	426	1,948	2,119
Total # of Employees	5,874	23,031	24,614





This Offering Memorandum contains select information pertaining to the business and affairs of Chuck E. Cheese's - Gilroy, CA. It has been prepared by Colliers International. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Colliers International. The material is based in part upon information supplied by the Seller and in part upon financial information obtained from sources it deems reliable. Owner, nor their officers, employees, or agents makes any representation or warranty, express or implied, as to the accuracy or completeness of this Offering Memorandum or any of its contents and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and conduct their own due diligence.

By acknowledging your receipt of this Offering Memorandum from Colliers, you agree:

1. The Offering Memorandum and its contents are confidential;
2. You will hold it and treat it in the strictest of confidence; and
3. You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Colliers International expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of Chuck E. Cheese's - Gilroy, CA or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Colliers International or any of their affiliates or any of their respective officers, Directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.

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