

OFFERING MEMORANDUM

STARBUCKS

1808 SOUTH ARLINGTON HEIGHTS ROAD | CHICAGO, ILLINOIS

Video



PEGASUS
INVESTMENTS

Downtown Chicago
24 Miles

O'HARE
INTERNATIONAL
AIRPORT
3rd Busiest Airport in the U.S.



Elk Grove Village
3,600 Businesses | 100,000+ Employees



Market Place



Mount Prospect Center



Golf Plaza II Shopping Center



The UPS Store



ROBERT MORRIS UNIVERSITY
ILLINOIS



Holmes Junior
High School
Forest View
Elementary School



International Plaza Shopping Center



Subject
Property



DEAL TEAM

DAVID CHASIN

Managing Director

david@pegasusinvestments.com
O 310.691.1350 x 101
LIC # 01513027 (CA)

TONY VEILLER

Senior Associate

tveiller@pegasusinvestments.com
O 310.691.1350 x 113
LIC # 01995952 (CA)

BRAD KRITZER

Managing Director

bkritzer@pegasusinvestments.com
O 310.691.1350 x 106
LIC # 01918111 (CA)

STEPHEN APFEL

Senior Analyst

sapfel@pegasusinvestments.com
O 310.691.1350 x 119
LIC # 02076409 (CA)

DAYLIN ACKERMAN

Vice President

dackerman@pegasusinvestments.com
O 310.691.1350 x 114
LIC # 02011508 (CA)

JORDAN SHTULMAN

Broker of Record

LIC # 481012052 (IL)



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EXECUTIVE SUMMARY

OFFERING SUMMARY

Pegasus Investments Real Estate Advisory Inc., as exclusive investment sale advisor to seller, is pleased to offer an exceptional opportunity to acquire a drive-thru Starbucks (the “Property”), positioned as an outparcel to a Jewel-Osco anchored shopping center in the affluent Chicago suburb of Arlington Heights, Illinois. The Property is comprised of a freestanding 2,647 SF drive-thru building situated on 0.47 acres, and is 100% leased on a triple net basis (see landlord obligations) to Starbucks Corporation with 10% rent increases every five (5) years. The Property is strategically situated on the desirable morning commute side of Arlington Heights Road with prime visibility and access to traffic counts of 65,000+ ADT at the intersection of Golf Road.

Commensurate with signing the Starbucks lease in 2014, the Property underwent an extensive renovation to convert it from its previous use as a bank branch, providing Starbucks with a rare opportunity to occupy a large outparcel to a grocery anchored center in a key Chicago suburb. In contrast to most other Starbucks offerings which measure 1,800 SF, the subject Starbucks is a large format store designed to handle more seating capacity, throughput, and extended product offerings. Further, this larger building footprint appeals to a much broader scope of future tenants, enhancing the long term value of the asset and adding greater downside protection for its landlord.

PRICE
\$2,550,000

CAP RATE
5.40%

NOI
\$137,496





INVESTMENT HIGHLIGHTS

PROMINENT OUTPARCEL TO STRONG PERFORMING JEWEL-OSCO GROCERY ANCHORED CENTER

Situated as one of only two outparcels to a 60,000+ SF Jewel-Osco grocery anchored shopping center, the Property benefits from its convenient access which allows its customers to freely travel to and from the grocery store. Illinois-based Jewel-Osco is one of the Midwest's dominant grocery chains and is widely considered the #1 grocer in the Chicago metro. Located approximately six miles from Jewel-Osco's corporate headquarters, the Arlington Heights Jewel-Osco center was acquired in 2018 by Inland Real Estate Group – one of the largest institutional investors of shopping centers in the country with over \$7B in assets under management. According to a press release at the time of the acquisition, the Arlington Heights store was achieving strong annual sales volume of \$27-\$33M . Strong sales volumes can be attributable to its strategic location at the intersection of two major thoroughfares, Arlington Heights Road & Golf Road, which sees combined traffic counts at the intersection exceeding 65,000 ADT.

STARBUCKS' VALUATION INCREASED BY 70% IN THE 12 MONTHS ENDING JUNE 2019

With over 30,000 locations worldwide and a market capitalization of \$100B, Starbucks Corporation (NASDAQ: SBUX) is not only one of the most highly sought-after tenants in the single tenant triple net leased industry, but also one of the most successful and valuable companies in the world. SBUX carries an investment grade credit rating (S&P "BBB+") and completed a transformative year in 2018, highlighted by double digit topline revenue growth of \$24.7B, up 10% over the prior year. The company's continued growth is due in large part to the success of its loyalty program which grew to 16.8 million active members in the U.S., up 13% over last year. Starbucks currently serves approximately 75 million customers throughout the U.S., accounting for between 30% and 40% of total company wide sales. With same store sales at existing domestic stores up 4% year over year, Starbucks continues to achieve ongoing sales growth and customer retention that exceed expectations.



POSITIONED ON THE “MORNING COMMUTE” SIDE OF THE STREET

In order to achieve its best positioning within the market, Starbucks selected the Property due to its strategic location along the morning commute side of Arlington Heights Road. The Property benefits from easy right-hand turn access from Arlington Heights Road, which captures the regions heavy morning commuter traffic flow of roughly 33,000 ADT heading toward I-90. Starting as a preference and then evolving to what is now practically a prerequisite during site selection, Starbucks and its competitors have shifted their focus to certain sides of major thoroughfares specifically to achieve maximum convenience for its daily customers during peak business hours.

RARE 2,650 SF BUILDING SIZE OFFERS SUPERIOR FLEXIBILITY VERSUS STARBUCKS’ TYPICAL 1,800 SF FORMAT

LARGE FORMAT STARBUCKS DRIVE-THRU OFFERS SIGNIFICANT ADVANTAGES TO LANDLORDS

While most freestanding drive thru Starbucks measure approximately 1,800 SF, the subject property is significantly larger at 2,647 SF. This is a crucial differentiator for several reasons. First, it follows a trend from Starbucks which favors larger footprints enabling it to cater to a larger audience by offering broader menu selections, including beer & wine. Second, it provides the landlord with significantly more flexibility in the future when re-tenanting the Property. There are far more replacement tenants requiring 2,600 SF buildings than there are tenants seeking an 1,800 SF building. First built as a bank branch, the subject Property underwent an extensive remodel in 2014 in preparation for Starbucks’ occupancy. Significant interior, exterior and site work upgrades were performed. Finally, the subject Property has significant parking available, provided by incremental onsite parking from the bank conversion and cross easement parking with the Jewel-Osco center.



PROXIMITY TO I-90, DIRECT ACCESS TO DOWNTOWN CHICAGO & O'HARE INTERNATIONAL AIRPORT

The subject Property is located on Arlington Heights Road, less than one mile from Interstate-90 ("I-90"). Arlington Heights Road has on/off ramp access to I-90, which is one of Chicago's primary interstates experiencing daily traffic counts exceeding 130,000 ADT. I-90 is particularly important because it is the primary commuter highway for residents of the affluent northwest suburbs to downtown Chicago and O'Hare International Airport, the third busiest airport in the United States with approximately 83 million passengers in 2018.

\$95,000 AVERAGE HOUSEHOLD INCOME AND 113,000 POPULATION (3-MILE RADIUS)

Arlington Heights is a large municipality within Illinois and is located approximately 25 miles from downtown Chicago. Retailers and restaurants in the Arlington Heights community benefit from exceptional demographics highlighted by its 113,000 residents earning an average household income exceeding \$95,000 annually (3-mile radius from subject property).



MAJOR DEVELOPMENTS COMING TO ARLINGTON HEIGHTS

There are three major developments underway in Arlington Heights which stand to have a significant impact on the area. First, Arlington 425 - the largest development project for Downtown Arlington Heights in two decades. The \$150M project recently received approval to construct 361 residential units across three towers in addition to a six-story parking garage. Second, the Algonquin & Arlington Heights redevelopment – a 17-acre site which recently received new zoning approval from the village board that will pave the way for its developer to build a “24/7” mixed use district at the Arlington Heights’ southern entry way. With the new zoning, the developer proposes to build a mixed-use development which will include plaza space for entertainment, restaurants, offices and a hotel. Third, Arlington Downs – a project six years in the making which will total roughly \$320M. The development recently received approval for its latest phase of the project which will include a 116-key hotel, 263-unit apartment building, and a climbing gym. Future plans for the project include four retail complexes totaling 40,000 SF and two additional residential buildings.

ANNUALIZED OPERATING DATA

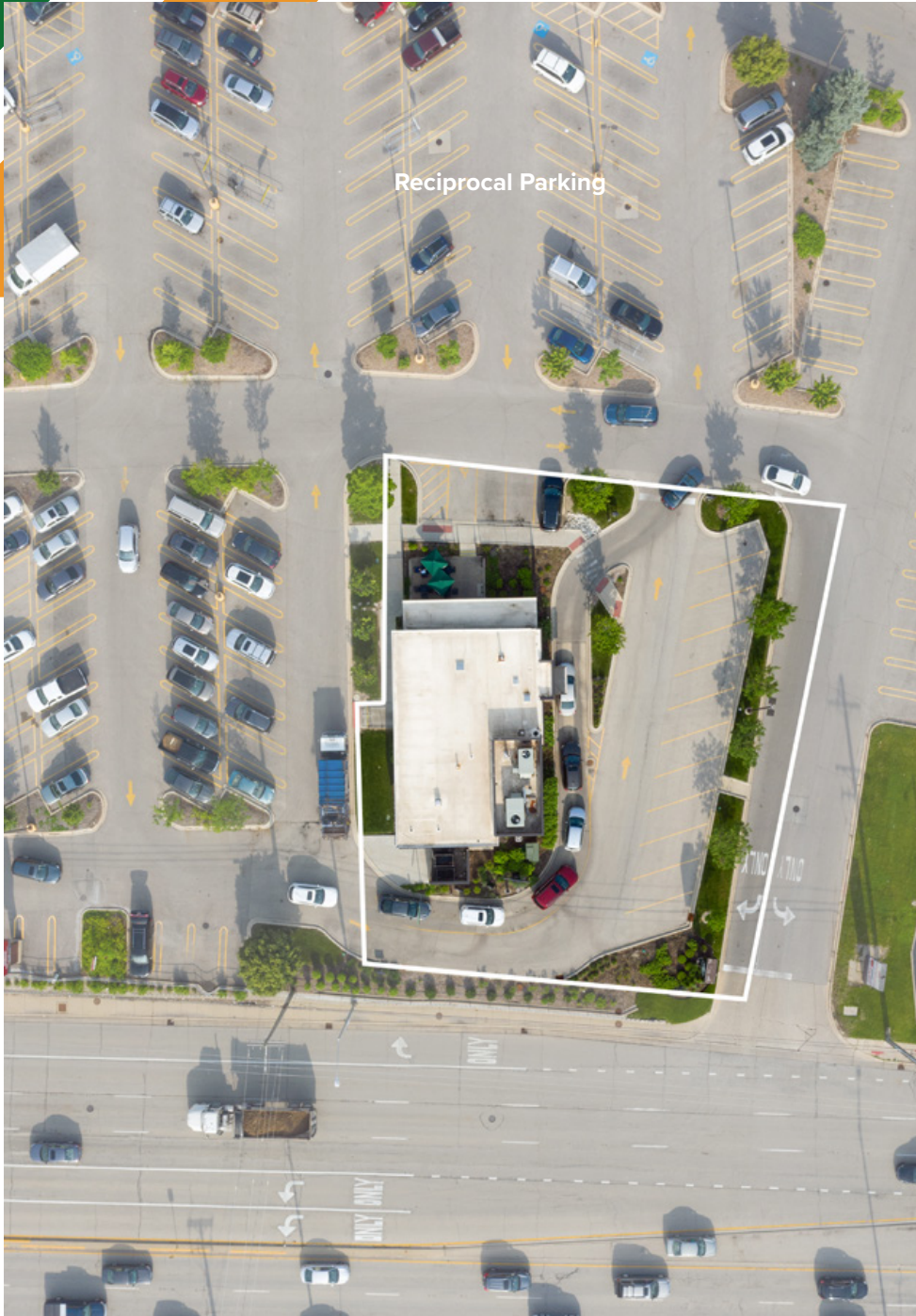
	ANNUAL RENT	MONTHLY RENT	CAP RATE
3/1/2020 - 2/28/2025	\$137,496	\$11,458	5.40%
Option 1: 3/1/2025 - 2/28/2030	\$151,248	\$12,604	5.93%
Option 2: 3/1/2030 - 2/28/2035	\$166,380	\$13,865	6.52%
Option 3: 3/1/2035 - 2/29/2040	\$183,012	\$15,251	7.18%
Option 4: 3/1/2040 - 2/28/2045	\$201,312	\$16,776	7.89%



LEASE SUMMARY

Lessee Name	Starbucks Corporation
Type of Ownership	Fee Simple
Lessee Entity Type	Corporate
Lease Type	NN
Roof and Structure	Landlord Responsible
Term Remaining	± 5.5 Years
Lease Commencement Date	8/1/2014
Lease Expiration Date	2/28/2025
Increases	10% Increases Every 5 Years
Options	Four, 5-Year Options





PHYSICAL DESCRIPTION

BUILDING & SITE PROFILE

Property Name	Starbucks
Address	1808 South Arlington Heights Road Arlington Heights, IL 60005
Assessor's Parcel Number (APN)	08-09-400-061
Zoning	B-2 General Business District with SUP 14-017
Gross Leasable Area	± 2,647 SF
Lot Size	± 0.467 Acres (20,342 SF)
Year Built / Renovated	1982 / 2014
Number of Stories	1
Number of Buildings	1
Parking Spaces	± 16 Surface Spaces Plus Reciprocal Parking
Parking Ratio	6.0: 1,000 SF

All parcel map lines are estimated, buyer to verify actual property boundaries.

TENANT PROFILE

STARBUCKS

Public | NASDAQ: SBUX
www.starbucks.com



# of Locations	± 30,184
# of Employees	± 291,000
Headquartered	Seattle, WA
Year Founded	1985

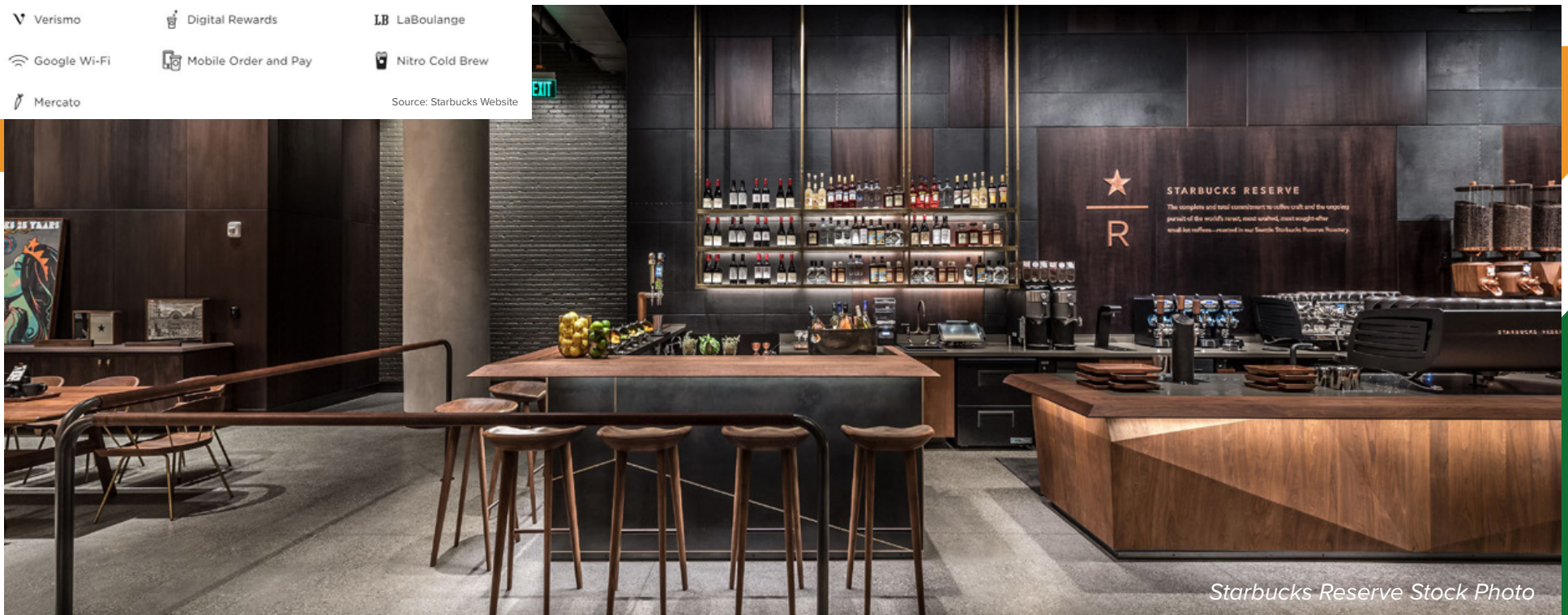
AMENITIES AT THIS LOCATION

Drive-Thru	Starbucks Reserve-Clover Brewed	Oven-warmed Food
Verismo	Digital Rewards	LaBoulangerie
Google Wi-Fi	Mobile Order and Pay	Nitro Cold Brew
Mercato	Source: Starbucks Website	

OVERVIEW

As the world's #1 specialty coffee retailer, Starbucks Corporation, together with its subsidiaries, operates as a roaster, marketer, and retailer of specialty coffee worldwide. Once a simple chain of coffeehouses, Starbucks has become a force of nature in the retail business, one that is constantly in pursuit of the best quality products for its award-winning coffee. Retail locations offer specialty coffee drinks, hand-crafted coffee, Italian-style espresso beverages, cold blended beverages, premium teas, frappuccinos and breakfast items, as well as roasted beans, coffee accessories, and teas. The company has also used its chain to branch out into other retail segments, including teas, CDs, books, and similar lifestyle products.

2018 brought about substantial change and growth for Starbucks both financially and globally: the company added 220 international locations to its roster and saw its net earnings almost double from \$2.88B in 2017 to \$4.52B. Starbucks' most significant milestone was initiating the expansion of its unique Starbucks Reserve Roastery concept, which up until September 2018 had been only at two locations, one in Seattle and one in Shanghai. Completely unlike a typical Starbucks, Reserve Roastery format locations are larger, showcase specialty Starbucks Reserve coffee, sell more varied food, and contain trendy bars. By the end of 2019, there will be a total of six Reserve Roasteries, at which point Starbucks will determine whether or not to ramp up expansion of the store design and product.



Starbucks Reserve Stock Photo

MARKET AREA & LOCATION

CHICAGO, ILLINOIS

Situated on the southwestern shore of Lake Michigan, Chicago is the third largest city in the United States and the most populous city in the Midwest. The metropolitan area associated with the city of Chicago and its suburbs is informally known as Chicagoland, with the region including areas beyond its corresponding MSA, as well as portions of the greater CSA.

Chicago has one of the world's largest and most diversified economies; it has been listed as an alpha global city by the Global Cities Index, indicating the city's role as a key player in every sector from risk management innovation and information technology to manufacturing and health services. Chicago is specifically a major hub for telecommunications and infrastructure and is considered one of the world's top global financial centers.



ECONOMIC SNAPSHOT

Chicago is an efficient economic powerhouse that embodies the values of America's heartland integrity. It is a city at the center of global trade, transit and data networks thanks to its central location. This level of diversification has earned Chicago the designation of having the most balanced economy in the United States. More than 400 major corporate headquarters are established in the Windy City, including those of 31 Fortune 500 companies.

Boeing, United Continental Holdings, Inc., Exelon Corporation, R.R. Donnelley & Sons Company and Archer Daniels are just a few of the Fortune 500 Companies based in the area. Motorola Solutions, Inc. intends to move their headquarters from Schaumburg, IL to Chicago in the coming future. McDonald's is the latest Fortune 500 Company to establish its presence in Chicago, as it moved its headquarters from Oak Brook, IL to its newly constructed \$250M, 608,000 SF facility in the windy city's Near West Side neighborhood in 2018.

**3RD LARGEST CITY IN
THE U.S.**



CHICAGO O'HARE INTERNATIONAL AIRPORT

Chicago O'Hare International Airport is located on the far northwest side of the city, about 17 miles northwest of the Loop. Just eight miles southeast of the subject property, O'Hare is the primary airport of the Chicago metropolitan area. As the fourth-busiest airport in the world by passenger traffic, O'Hare is a major hub for American Airlines, United Airlines and Air Choice One. With eight runways, more than any major international airport, O'Hare has direct service to 210 destinations.



ARLINGTON HEIGHTS

Arlington Heights is Chicago's largest northwest suburb and one of the largest municipalities in Illinois. Just 24 miles from downtown Chicago and eight miles northwest of O'Hare International Airport, the community has easy access to Chicago and the rest of Illinois. Featuring a unique blend of old and new, Arlington Heights offers abundant opportunities for residents, especially young families, to establish their roots in the northwestern part of the Chicago metro.

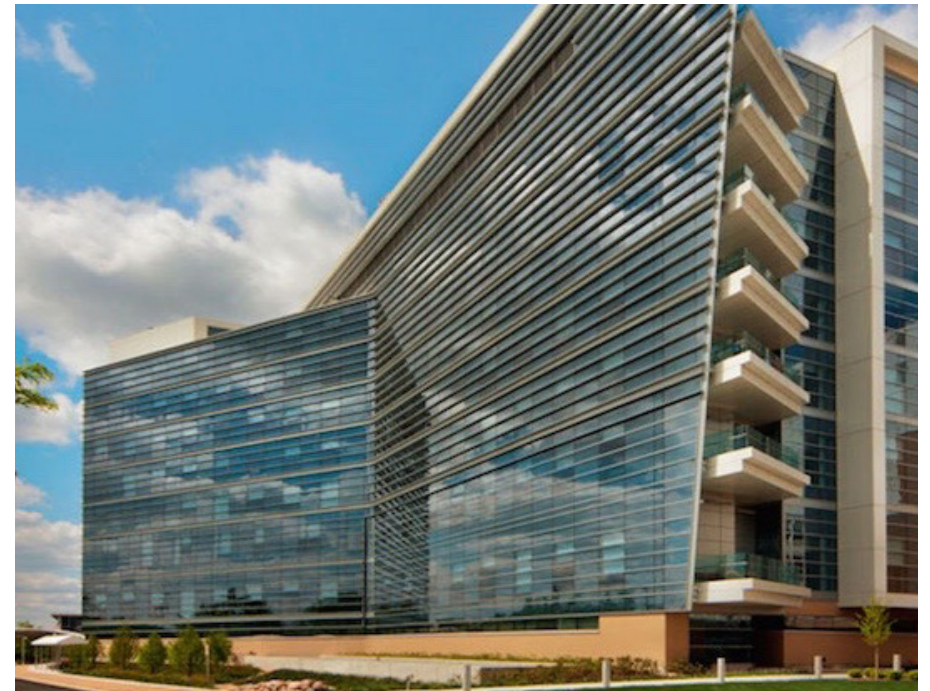
AFFLUENT CHICAGO SUBURB

ARLINGTON 425

Estimated to cost \$150M, Arlington 425 is a highly anticipated development project set to transform the face of downtown Arlington Heights. The proposed venture is to be the largest development in the community within the last two decades: it is designed as a three-building residential and commercial campus. Upon completion, Arlington 425 will include a four-story, 54-unit residential building; a nine-story, 182-unit apartment building with commercial space on the bottom floors; and a 13-story, 125-unit apartment with a six-story parking garage.

NORTHWEST COMMUNITY HOSPITAL

Northwest Community Hospital is an award-winning hospital offering a full range of medical specialties and services administered by nationally recognized physicians with state-of-the-art technology and equipment. The 489-bed hospital has over 1,200 physicians and 3,800 employees dedicated to providing quality care to patients. Over the years, the hospital has processed approximately 350,000 outpatient visits. In 2018, it contributed \$50.9M in programs and services that greatly benefited the community.





ARLINGTON DOWNS

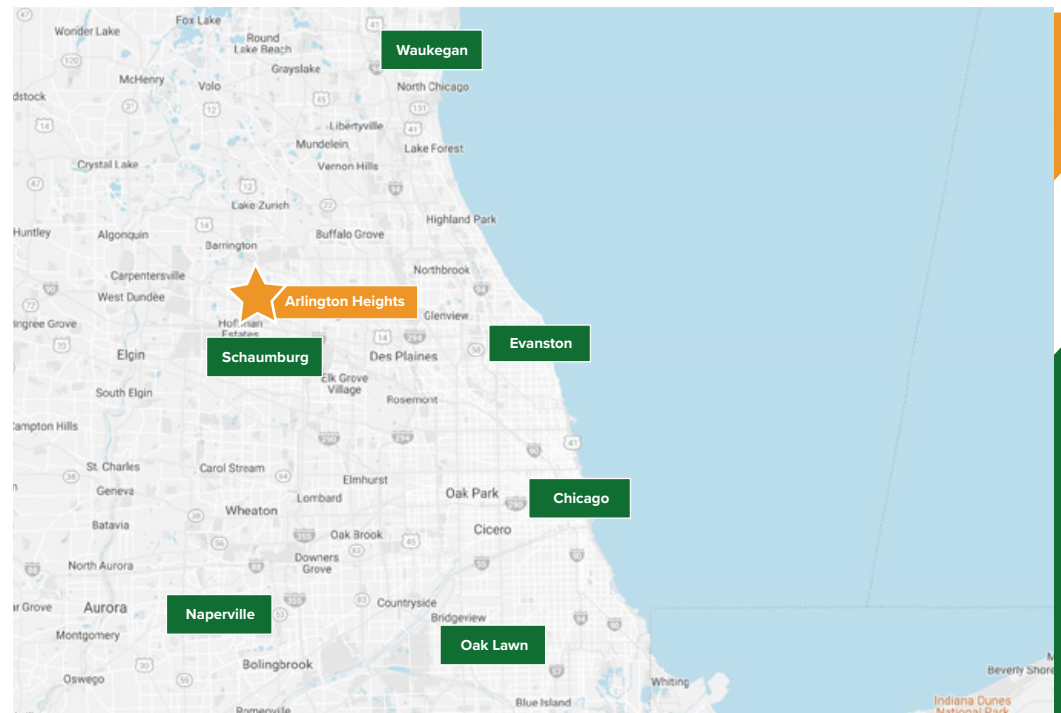
Initially proposed about six years ago, Arlington Downs is a massive \$320M mixed-use redevelopment project west of Arlington International Racecourse. The project's first phase, which was completed in 2015, saw the former Sheraton Hotel Euclid & Rohlwing Road converted into 214 apartments and a 12,000 SF co-working space. Construction on the project's second phase, which includes a 116-key hotel, 263-unit apartment building and a First Ascent Climbing Gym, is anticipated to begin by the end of Q3 2019. Additional future plans for the project include four retail complexes totaling 40,000 SF and two additional residential buildings.

ALGONQUIN & ARLINGTON HEIGHTS

The 17-acre southeast corner of Arlington Heights & Algonquin roads (approximately 1/2 mile south of the subject property) recently received approval from the village trustees to loosen zoning standards, which will pave the way for a local Chicago-based developer to build what they envision to be a "24/7" mixed use district at the town's southern entryway. With the new zoning, the developer proposes to build a mixed-use development which will include plaza space for entertainment, restaurants, offices and possibly a hotel.

PROPERTY DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE
2024 Projection	13,573	113,479	265,440
2019 Estimate	13,635	113,687	267,048
Growth 2010 - 2019	1.66%	3.10%	0.81%
HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2024 Projection	5,738	44,879	106,040
2019 Estimate	5,752	44,945	106,688
Growth 2010 - 2019	2.62%	3.35%	0.85%
INCOME	1-MILE	3-MILE	5-MILE
2019 Est. Average Household Income	\$86,141	\$95,463	\$97,503



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DEAL TEAM

DAVID CHASIN

Managing Director

david@pegasusinvestments.com
O 310.691.1350 x 101
LIC # 01513027 (CA)

BRAD KRITZER

Managing Director

bkritzer@pegasusinvestments.com
O 310.691.1350 x 106
LIC # 01918111 (CA)

DAYLIN ACKERMAN

Vice President

dackerman@pegasusinvestments.com
O 310.691.1350 x 114
LIC # 02011508 (CA)

TONY VEILLER

Senior Associate

tveiller@pegasusinvestments.com
O 310.691.1350 x 113
LIC # 01995952 (CA)

STEPHEN APFEL

Senior Analyst

sapfel@pegasusinvestments.com
O 310.691.1350 x 119
LIC # 02076409 (CA)

JORDAN SHTULMAN

Broker of Record

LIC # 481012052 (IL)



PEGASUS
INVESTMENTS

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The information contained herein is not a substitute for a thorough due diligence investigation. Pegasus Investments has not made any investigation, and makes no warranty or representation, with respect to the income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition of the business prospects of any tenants, or any tenant's plans or intentions to continue its occupancy of the subject property.

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ABOUT PEGASUS INVESTMENTS

Pegasus Investments Real Estate Advisory ("Pegasus Investments") represents a broad range of clients, from institutional investment firms to developers, high net worth individuals, family trusts and partnerships in connection with the purchase & sale and leasing of high quality investment properties nationwide. Pegasus Investments is one of the foremost leading advisory firms within the single tenant and multi-tenant triple net leased retail property category having completed in excess of \$1 billion in volume since 2014.

Pegasus Investments offers a highly differentiated advisory platform given its ability to collaborate within a vertically integrated environment with Pegasus Capital Markets and Pegasus Asset Management to ensure a seamless transaction for all parties involved. The result is highly customized, creative, streamlined execution.



PEGASUS
INVESTMENTS

1901 Avenue of the Stars, Suite 630
Los Angeles, CA 90067

www.pegasusinvestments.com
310.691.1350
LIC # 01961545 (CA)

DAVID CHASIN

Managing Director

david@pegasusinvestments.com
O 310.691.1350 x 101
LIC # 01513027 (CA)

KEN CHASIN

Founder

ken@pegasusinvestments.com
O 310.691.1350 x 100
LIC # 00776468 (CA)

TREVOR NELSON

Managing Director

tnelson@pegasusinvestments.com
O 310.691.1350 x 104
LIC # 01495150 (CA)

BRAD KRITZER

Managing Director

bkritzer@pegasusinvestments.com
O 310.691.1350 x 106
LIC # 01918111 (CA)

KEVIN SHELURN

Senior Vice President

kshelburn@pegasusinvestments.com
O 310.691.1350 x 105
LIC # 01861409 (CA)

DAYLIN ACKERMAN

Vice President

dackerman@pegasusinvestments.com
O 310.691.1350 x 114
LIC # 02011508 (CA)

KATHERINE WEAVER

Vice President

kweaver@pegasusinvestments.com
O 310.691.1350 x 115
LIC # 02004937 (CA)

TONY VEILLER

Senior Associate

tveiller@pegasusinvestments.com
O 310.691.1350 x 113
LIC # 01995952 (CA)

ANDREW COHEN

Senior Associate - Leasing

acohen@pegasusinvestments.com
O 310.402.0211
LIC # 01996379 (CA)

MARC MEINHARDT

Associate

mmeinhardt@pegasusinvestments.com
O 310.691.1350 x 122
LIC # 01865441 (CA)

STEPHEN APFEL

Senior Analyst

sapfel@pegasusinvestments.com
O 310.691.1350 x 119
LIC # 02076409 (CA)

MICHAEL SPECTOR

Director of Sales & Operations

mspector@pegasusinvestments.com
O 310.691.1350 x 109
LIC # 01969966 (CA)

ANDI BUSTAMANTE

Head of Marketing

abustamante@pegasusinvestments.com
O 310.691.1350 x 116

MADELINE ALGER

Marketing Associate

malger@pegasusinvestments.com
O 310.691.1350 x 121

DANIELLA MORENO

Marketing Coordinator

dmoreno@pegasusinvestments.com
O 310.691.1350 x 123

TALIA TONTI

Office Manager

ttonti@pegasusinvestments.com
O 310.691.1350 x 108

ABOUT PEGASUS

Pegasus is a boutique commercial real estate investment and advisory firm based in Los Angeles, California. Specializing in retail shopping centers, single tenant net leased and multifamily properties throughout the United States, Pegasus has consistently delivered on its 30 year reputation of providing high quality, white glove service throughout all stages of the investment sales process. Pegasus provides its clients, which include high net worth private investors, family trusts, private & public REITs, local and regional developers and syndicators with advisory services encompassing underwriting, market research, investment sales and asset management. Pegasus continues to set the bar for high quality, boutique investment sales brokerage and advisory by relying on its industry-leading talent, which include experienced institutional and private sector investors.