

NGVC: 63+ Years in Business | \$90,000 Household Income (3-Miles)

# Natural Grocers

10520 West 13th Street North | Wichita, Kansas



**PEGASUS**  
INVESTMENTS

Actual Property



Serving Affluent \$90,000 Income Demographics



Huntington Park  
Apartments



Grassland  
Estates



Maize Road  
West 13th Street North







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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 the fee simple interest in a single tenant Natural Grocers ("NGVC") in a thriving high-income area of Wichita, Kansas. The subject property is 100% occupied and maintained pursuant to a triple net lease by Natural Grocers, a 63-year-old natural grocery and dietary supplement market with 152 stores in 19 states. Natural Grocers is publicly traded on the New York Stock Exchange under the ticker NGVC.

Newly constructed in 2015 by one of Natural Grocer's highly reputable preferred developers, the 15,000 SF building is subject to a 15-year NNN lease with approximately 11.25 years remaining. All day to day maintenance such as lawn care and porter service are borne by NGVC. Additionally, NGVC is also responsible for real estate taxes, carrying property and liability insurance and any upkeep, repairs and maintenance of the premises, including the roof and parking lot. The landlord's sole responsibility is the structure. This landlord friendly lease structure allows for one of the most passive forms of ownership available while allowing the owner to take advantage of depreciation.







**\$5,029,600**

Price



**6.00%**

Cap Rate



**\$301,776\***

Net Operating Income

\*Of the 15 NGCV's surveyed, the subject property's rent is \$78,000/year or 20% less than its counterparts, resulting in a savings of \$1.1M over the life of a 15 year lease.

Prominently located at the highly trafficked signalized intersection of N. Maize Road and West 13th Street North, the property benefits from shared access to the northwest corner with Credit Union of America. The property was newly constructed in 2015 to NGVC's exact specifications and is situated on a generous 1.64 AC parcel with 74 dedicated parking spots. Other tenants located at the intersection include CVS, QuikTrip and another fuel station operated by a regional grocer. Trade area demographics are impressive, with average household incomes exceeding \$90,000 annually, making this area of Wichita one of its wealthiest neighborhoods.



Of significance to this investment is its low basis compared to most other NGVC's, which is directly attributable to the relatively low rent being paid. A recent survey of fifteen (15) freestanding Natural Grocers revealed the subject property displayed the (a) lowest price point, (b) lowest price/SF, (c) lowest annual rent, and (d) lowest rent per SF. The low basis is not only fundamentally important to the investor, but the tenant as well. On average, NGVC is paying \$78,000 per year less at the subject property, translating into a total occupancy cost savings of \$1.1M over the life of a 15-year lease. This savings helps bolster the tenant's margins and secure a low operating cost, while at the same time offers security to the landlord when renewal options present themselves.



## Investment Highlights

### Lowest Cost Basis Natural Grocers On Market / Recently Sold

Among the recently surveyed Natural Grocers sites that have sold since 2017 or are currently being marketed, competing sites on average pay a 25% premium in rent over the subject property (\$302,000/yr vs. \$380,000). This savings to the tenant of \$78,000/yr over the life of a 15-year lease translates into total occupancy cost savings of \$1.1M. At the asking price, the subject property is priced \$1M below the average asking or sold price of other Natural Grocers (\$5.029M vs. \$6.067M). The Wichita Natural Grocers rent/SF is also 22% below similar sites (\$20.12/SF vs \$25.60/SF). With land prices escalating and construction costs surging, replacing the subject property at these rents will prove incredibly difficult.

Lowest Rent Natural Grocers Among 12 Surveyed On Market and Recently Sold Properties







### **\$90,000 Average Household Incomes**

Natural Grocers is known for its extremely selective site selection and willingness to go head to head with competing supermarkets and gourmet food retailers. The company relies on two industry leading consumer analytic firms to assist with targeting markets and site selection, alongside their 63 years of grocery experience. The Wichita location on Maize is positioned between two retail nodes consisting of ALDI, Walmart Neighborhood Market and Dillon's all less than 1.5 miles away. The one and three-mile average household incomes exceed \$90,000 and there are more than 107,000 residents within five miles. NGVC perfectly serves this affluent demographic which tends to favor healthy, organic, fresh food over discounted, mass produced food.

### **Newly Constructed, Freestanding Triple Net Leased Investment**

The subject property was newly constructed in 2015 under the watchful eye of one of NGVC's preferred developers. The site was built to the tenant's desired 15,000 SF prototype, which continues to be its sought-after footprint. The lease places all day-to-day responsibilities including lawncare and repair/replacement of the roof on the tenant, resulting in one of the most passive forms of ownership available. Landlord obligations are limited only to structure, providing the owner with virtually zero management or capital responsibilities.

## 63+ Years of Successful Operation, Founded in 1955

Natural Grocers was founded in 1955 in Colorado where it continues to operate. Since that time the company has undergone a methodical expansion to 152 stores in 19 states with further expansion underway. In 2012 the company listed publicly on the New York Stock Exchange under the ticker NGVC, which has a current market capitalization of \$400M. In its entire history the company has only closed one store (in Oklahoma), an incredible testament to the strength of management and long term viability of the company.

## Strong Recent Earnings Reported

In its most recent earnings announcement (Q1 2019), Natural Grocers net sales increased \$19M or nearly 10%, with daily average comparable store sales increasing another 5.50%. EBITDA for the quarter also increased 17.8%. For 2019 Natural Grocers plans on opening 7 to 9 new stores.

## “Natural Grocers Shrug Off Amazon-Whole Foods Threat” – Wall Street Journal

According to a recent WSJ article, sales at Natural Grocers and other gourmet markets has surged since the acquisition of Whole Foods by Amazon. The article cites Natural Grocers continued efforts to source local product and its emphasis on customer service as reasons for the absorption, while Whole Foods is suffering a lack of direction and perceived “mainstream appearance.” This competitive edge over Whole Foods has manifested in NGVC’s corporate valuation, which is up 367% in the past 12 months versus other large format grocers like Kroger (up 31%).

## Focus on Organic, Locally Sourced Product



Actual Property



## Annualized Operating Data

	Monthly Rent	Annual Rent	Rent/SF	Increase (\$)	Cap Rate
Current - 6/30/2025	\$25,148	\$301,776	\$19.94	-	6.00%
7/1/2025 - 6/30/2030	\$26,398	\$316,776	\$20.93	\$15,000	6.30%
Option 1: 7/1/2030 - 6/30/2035	\$27,648	\$331,776	\$21.92	\$15,000	6.60%
Option 2: 07/1/2035 - 06/30/2040	\$28,898	\$346,776	\$22.91	\$15,000	6.89%
Option 3: 07/1/2040 - 06/30/2045	\$30,148	\$361,776	\$23.90	\$15,000	7.19%
Option 4: 07/1/2045 - 6/30/2050	\$31,398	\$376,776	\$24.89	\$15,000	7.49%

Strong  
Corporate  
Backed Lease  
From Publicly  
Traded  
Company



## Tenant Summary

Lessee Name	Vitamin Cottage Natural Food Markets, Inc. a Colorado corporation
Type of Ownership	Fee Simple (Land & Building)
Entity Type	Corporate
Lease Type	NNN*
Roof and Structure	Roof is Tenant, Structure is Landlord
Term Remaining	± 11.25 Years
Lease Commencement Date	February 9, 2015
Lease Expiration Date	June 30, 2030
Increases	\$15,000 in 2025 and Every 5 Years Thereafter
Options	Four, 5-Year Options

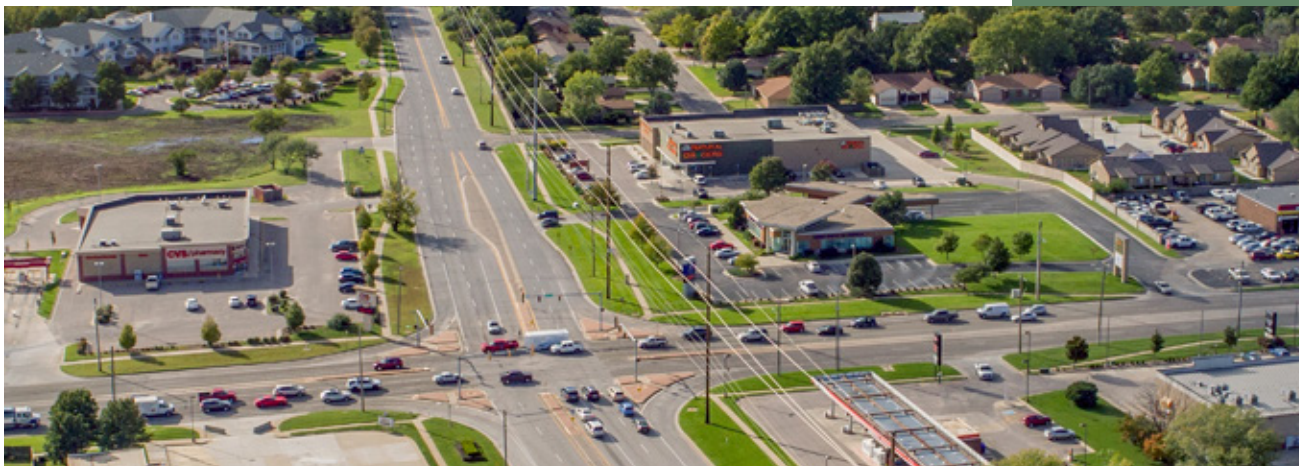


# Physical Description

## Building & Site Profile

Property Name		Natural Grocers	Year Built		2015
Address		10520 West 13th Street North Wichita, KS 67212	Number of Stories		1
Assessor's Parcel Number (APN)		133-07-0-41-04-026.05	Number of Buildings		1
Zoning		LC - Limited Commercial District*	Parking Spaces		± 74 Surface Spaces
Gross Leasable Area		± 15,137 SF <small>(per ALTA survey)</small>	Parking Ratio		4.89 : 1,000 SF
Lot Size		± 1.64 Acres (71,439 SF)			

\* Retail, commercial, office and other complementary land uses



Large 1.64  
Acre Parcel with  
Multiple Points  
of Access Along  
Maize & West 13th



# Tenant Profile



## Natural Grocers

Subsidiary of Vitamin Cottage | NYSE: NGVC  
[www.naturalgrocers.com](http://www.naturalgrocers.com)

# of Locations	± 152
# of Employees	± 3,000
Headquartered	Lakewood, CO
Year Founded	1955

### Overview

Based in Colorado, Natural Grocers by Vitamin Cottage is a rapidly expanding specialty retailer of natural and organic groceries and dietary supplements that operates in the natural and organic retail stores segment. Natural Grocers' selection of products includes bulk food and private label products, dry, frozen and canned groceries, meats and seafood, dairy products and dairy substitutes, prepared foods, bread and baked goods, and beverages. With a focus on minimally processed and single ingredient products, the company and its third-party manufacturers produce groceries and dietary supplements under private-label brands, including Builders Foundation, Clarion, Natural Grocers, and Vitamin Cottage. As the company's home state, Colorado is understandably its largest market; Texas, Kansas, Montana and New Mexico are its other major markets.

### Strategy

Natural Grocers' strategy throughout fiscal year 2018 has consisted of expanding its store base, achieving daily average comparable store sales growth of 1% to 3% and refining its own inventory management and replenishment strategies. In Q3 of 2018, the company opened two new stores and moved one store; it intends to open eight or nine more by the end of the year.

Tenant  
Founded 63  
Years Ago



*Actual Property*



# Market Area & Location



## Wichita, Kansas

Located in the heart of the Midwest along the banks of the Arkansas River, Wichita is the largest metropolitan area and business hub in the state of Kansas. An industrial hub as well as a center for trade, media and culture, Wichita boasts a wide array of diverse activities and a population equally eclectic in background and lifestyle. Wichita has seen tremendous growth and success over the past century; today it has a booming population of nearly 400,000 people. From perusing modern and contemporary art at Wichita State University's Ulrich Museum of Art to imbibing in homemade beer at the River City Brewery, residents and visitors are always entertained by the city's vibrant culture and history. A four-time designated All-American City, Wichita is consistently ranked high among the top cities for quality of life per its affordable living costs and high level of public safety. With the 9th lowest cost of living in America and a steady job growth, Wichita was ranked #7 by Farmers Insurance Group in its Most Secure U.S. Places to Live in.

Largest  
Metro in  
Kansas



## Economic Snapshot

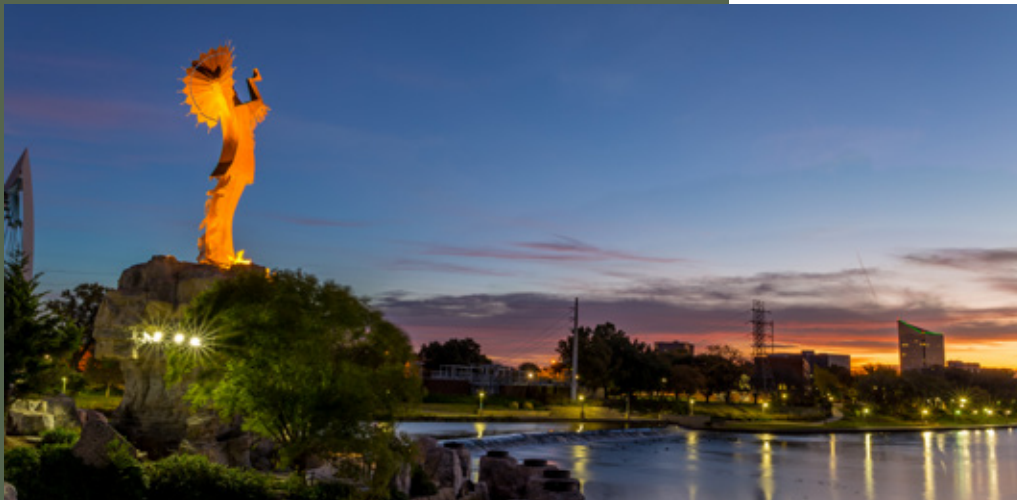
Known as “The Air Capital of the World”, Wichita is the U.S. aircraft production hub and a major center of the American aircraft industry. Home to McConnell Air Force Base, Airbus, Spirit AeroSystems etc., Wichita has gained great economic benefits from its manufacturing industry. Another important economic driver of the city is agriculture, which constitutes about 45% of the state’s total economy. With high-quality agricultural products such as wheat, beef, and soybeans exporting to countries all over the globe, the industry contributes more than \$65M worth of capital to the state annually. With its invulnerable central location and its recent downtown development, Wichita has seen a significant increase in the job market by 0.9% over the last year, along with a high projected job growth of 36.7% over the next ten years. The city’s unemployment rate has also been on a continuous decline since 2011.



## Downtown Development

### **Union Station Phase 2: Cost (Phase One and Two) - \$54M**

Renovation of one of Downtown Wichita’s most iconic buildings is underway. Developer Gary Oborny of Occidental Management identified \$54M of redevelopment and expansion projects for the Downtown Union Station campus, which includes the Wichita Historic train station, Union Station, Rock Island depot and baggage facility, and the former Wichita Grand Hotel. Over five acres of public space will include public streetscape and walking improvements. Phase Two plans are underway, and include renovating the Union Station terminal, and building an additional 150,000 SF of new office space. Phase Two redevelopment efforts will also provide a new 480-stall parking garage. The terminal and operations buildings will be a mix of commercial retailers, restaurants and office space.



### **Cargill Protein Group Headquarters: Cost - \$70M**

Cargill Protein Group’s new Downtown headquarters will be located on the site of the former Wichita Eagle Building at 825 E. Douglas. The new building will complement the warehouse character of Old Town through its use of similar materials while incorporating a modern design with an open floor plan and spaces for collaboration. Employees will also be able to utilize a private outdoor patio and courtyard spaces. The innovative new headquarters will also increase connectivity between INTRUST Bank Arena, Union Station and Old Town. Proposed completion is summer 2018.



## Wichita WaterWalk

The WaterWalk project creates a new destination for Downtown Wichita. The project offers commercial space, residential, plazas and gardens, destination retail/restaurant locations and direct connectivity to the Arkansas River. In November 2009, the first residents of WaterWalk Place moved into the condominiums. Other commercial developments such as Gander Mountain, the headquarters for the Wichita Area Association of Realtors and the WaterWalk Fairfield Inn have been completed.

## Ball Park Project

The City of Wichita announced that Triple-A minor league baseball team the New Orleans Baby Cakes have submitted a request to relocate to Wichita, spurring the development of a new baseball park. Plans include seating for 7,000 with a total capacity of around 11,000. The ballpark will host a wide variety of events and serve as a gathering place for the community. The new team and ballpark will also serve as a catalyst for continued growth along the riverfront. Estimated completion is 2020.



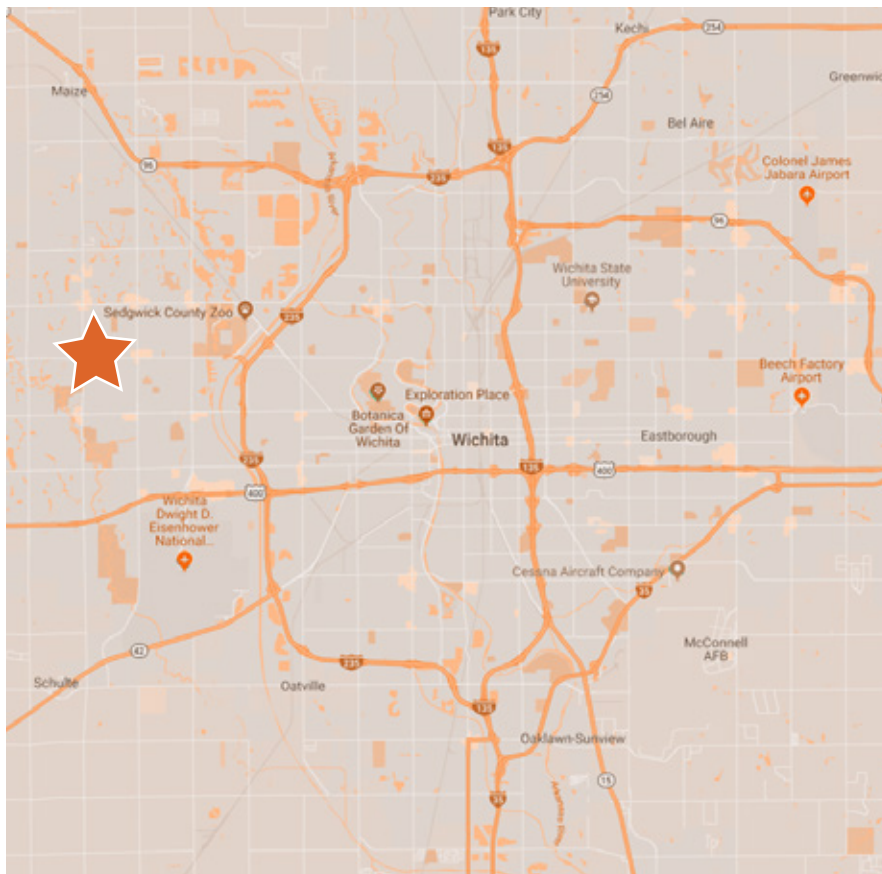
## Wichita Dwight D. Eisenhower National Airport

The largest and busiest airport in the state of Kansas, the Wichita Dwight D. Eisenhower National Airport has over 90 years of history and was named in honor of former president and Kansas native Dwight D. Eisenhower. Located merely 7 miles west of downtown Wichita, the airport covers 3,248 acres lands and serves more than 1.6 million residents and visitors each year. Ranked as the 4th best small hub airport in the nation, the Wichita Dwight D. Eisenhower National Airport is also home to the world's largest general aviation MRO facility and over 60 aviation-related businesses. With its state-of-the-art terminal and development facilities, the airport continues to advance itself as an industry leader while providing its guests an unparalleled aviation experience.



# Huntington Park Apartments

Located mere miles away from major shopping and entertainment venues such as the Westlink Shopping Center and the world class IMAX warren Theater, the Huntington Park Apartments sits at the heart of the Huntington Park district in West Wichita adjacent to the subject property. With easy access to I-35 and Highway 54, the property provides its residents stress-free commute across the city with its convenient location along the city bus route. An exquisitely landscaped community, the apartments is also in proximity with school districts where Bishop Carol Catholic High School, North West High School, Wilbur Middle School and McCollom Elementary are all within miles reach.



## Property Demographics

POPULATION	1-MILE	3-MILE	5-MILE
2023 Projection	11,697	66,609	109,394
2018 Estimate	11,631	65,806	107,756
Growth 2018 - 2023	0.57%	1.22%	1.52%
HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2023 Projection	4,401	25,686	42,102
2018 Estimate	4,375	25,381	41,486
Growth 2018 - 2023	0.59%	1.20%	1.48%
INCOME	1-MILE	3-MILE	5-MILE
2018 Est. Average Household Income	\$90,536	\$90,774	\$85,247



## Confidentiality & Disclaimer Statement

The information contained in this Offering Memorandum is proprietary and strictly confidential. It is intended to be reviewed only by the party receiving it from Pegasus Investments and should not be made available to any other person or entity without the written consent of Pegasus Investments. This Offering Memorandum has been prepared to provide summary, unverified information to prospective purchasers, and to establish only a preliminary level of interest in the subject property.

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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# Natural Grocers

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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.



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## 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.