



# ***LITTLE HAVANA • DOLLAR TREE***



Marcus & Millichap



***1043-1049 W. Flagler • Miami, Florida***

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Dollar Tree Stores, Inc  
Miami, FL  
ACT ID ZAA0390615

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Marcus & Millichap

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# INVESTMENT OVERVIEW



## LEASE ABSTRACT

Tenant Trade Name	Dollar Tree Stores, Inc.
Tenant	Dollar Tree
Ownership	Fee Simple
Gross Leasable Area	13,751 SF
Year Built / Renovated	1924 / 2016
Lot Size	29,000 SF
Guarantor	Corporate Guarantee
Lease Type	NN - <i>see footnote</i>
Lease term	10 Years
Rent Commencement Date	April 21 <sup>st</sup> , 2016
Expiration Date of Base Term	April 30 <sup>th</sup> , 2026
Roof & Structure	Landlord Responsibility
Term Remaining on Lease	6.75 Years
Options	2-Five Year(s)
Option to Purchase	No

## OFFERING SUMMARY

Price	\$4,600,000
Net Operating Income	\$253,293
CAP Rate	5.51%
Price per SF	\$334.52

*Section F. 1: Throughout the Lease Term Tenant, at its expense, shall operate and maintain and perform routine maintenance on the Common Areas and Landlord, at Landlord's expense, shall remain responsible to perform any extraordinary repairs and/or replacements to the Common Areas, so as to maintain a clean, safe and secure Shopping Center, consistent with the standards of operation and maintenance of a first class Shopping Center. Without limiting the foregoing, Tenant shall be solely responsible for the maintenance and routine repair of the sidewalks and parking areas; provided however, Landlord shall be responsible for any replacement of the sidewalks, landscaping, parking areas, parking lot lighting, handicap ramps, speed bumps, access ways, common portions of all utility systems and connections located outside of the Premises and other Common Areas and for sweeping and clearing snow, ice and debris from the Common Areas.*

*Section K. 1: In addition to Landlord's obligations to repair and/or replace the Common Areas in accordance with Section F of this Lease, as of the Effective Date Landlord shall keep the foundations, roof, floor, floor slab, walls and other structural portions of the Premises in good repair, shall keep and maintain the sprinkler system {including but not limited to the sprinkler monitoring panel or sub-panel and costs incurred for all required inspections and any telephone lines to the central monitoring station) serving the Premises in good order and repair and in compliance with Applicable Laws, and shall keep the exterior of the Building free of graffiti.*



Created on July 26, 2019

1 Miles

3 Miles

5 Miles

## POPULATION

2023 Projection

67,176

323,335

553,325

## EMPLOYMENT

2018 Daytime

76,171

478,933

845,876

## HOUSEHOLDS

2023 Projection

27,309

135,711

232,648



## Investment Overview

Marcus & Millichap is pleased to present this Dollar Tree at 1043-1049 West Flagler Street. Centrally located in the thriving Little Havana market, just West of Downtown Miami, and Brickell. The subject property consists of 13,751 square feet of gross leasable space, situated on 29,000 square feet of land. It is exposed to over 20,000 vehicles daily and has a population of over 513,000 within a five mile radius.

The asset is tenanted by Dollar Tree, who executed a 10 year lease in 2016, with two five year options. This lease is structured as a double-net (NN) providing for minimal landlord responsibilities. This lease calls for the Tenant, at its expense, to operate and maintain and perform routine maintenance on the Common Areas and Landlord, at Landlord's expense Dollar Tree has an investment grade credit rating of BBB- per Standard and Poors. This asset affords an investor a great opportunity, to acquire a property in one of Miami's fastest growing submarkets, with intrinsic value due to its high density zoning. In 2019 Dollar Tree acquired it's rival Family Dollar for \$8.5 billion. A true testament to their belief in the Little Havana market, Family Dollar executed a 10-year lease in the adjacent property, and is set to open doors at the end of the third quarter 2019.

## EXECUTIVE SUMMARY



## Investment Highlights

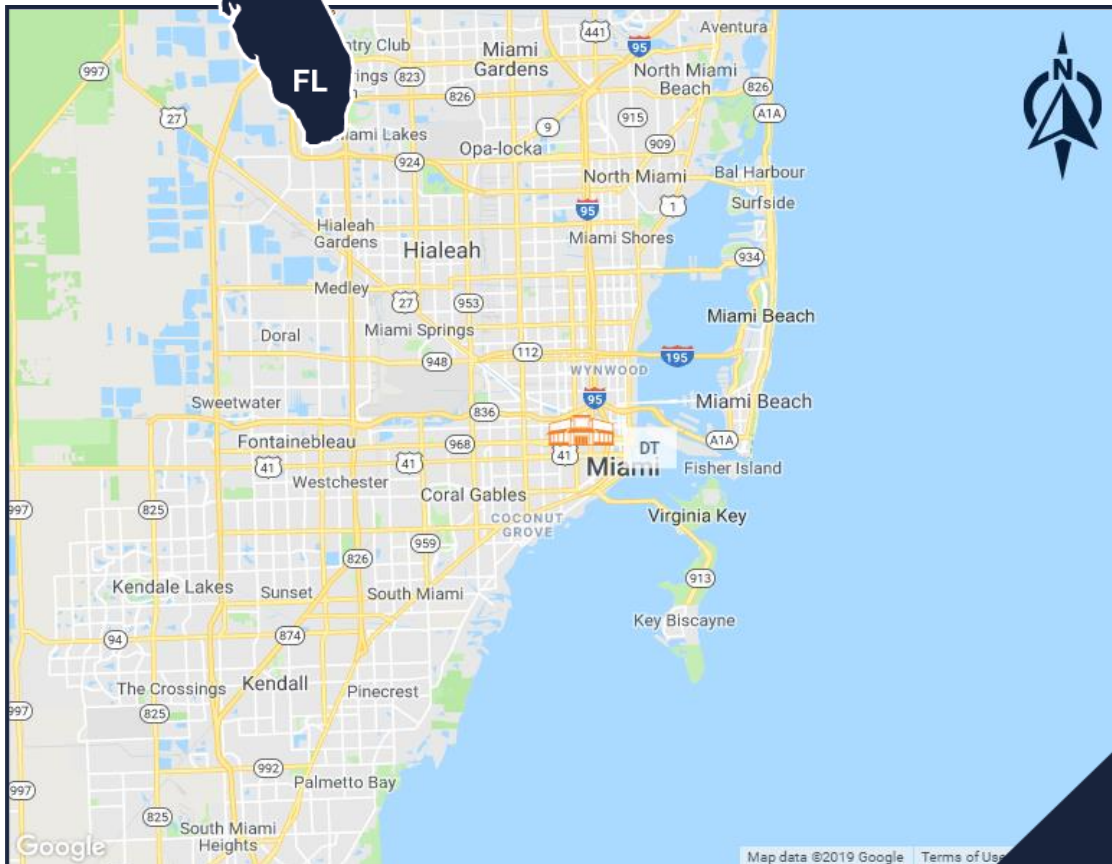
- Located in East Little Havana's with a daytime population of over 478,000 people
- Corporately Guaranteed by BBB- Investment Grade Credit Tenant
- Fortune 500 Company with Over 13,600 stores nationwide and \$8.6 billion in 2018
- Family Dollar Recently Executed 10 year lease in the adjacent property demonstrating the sustainability of discount stores in Little Havana
- Flagler will be going through a \$22mm streetscape project
- Zoned T6-12- O which allows for 150 dwellings per acre





Dollar Tree, Inc. (NASDAQ: DLTR) is an American chain of discount variety stores that sells every item for \$1.00 or less. A Fortune 500 company, Dollar Tree is headquartered in Chesapeake, Virginia and operates over 15,000 stores throughout the 48 contiguous U.S. states and in Canada. Its stores are supported by a nationwide logistics network of twelve distribution centers. The company operates dollar stores under the names of "Dollar Tree" and "Dollar Bills". The company also operates a multi price-point variety chain under the name "Deal\$". Dollar Tree competes in the dollar store and low-end retail markets. Each Dollar Tree stocks a variety of products including national, regional, and private-label brands. Departments found in a Dollar Tree store include health and beauty, food and snacks, party, seasonal decor, housewares, glassware, dinnerware, household cleaning supplies, candy, toys, gifts, gift bags and wrap, stationery, craft supplies, teaching supplies, automotive, electronics, pet supplies, and books. As of February 2, 2019, they have freezers and coolers in approximately 5,665 of our Dollar Tree stores to sell frozen foods and dairy items such as milk, eggs, pizza, ice cream, frozen dinners, and pre-made baked goods.

General Information	
Tenant Name	Dollar Tree Stores, Inc.
Website	<a href="https://www.dollartree.com/">https://www.dollartree.com/</a>
Parent Company	SKM Partners
Headquartered	Chesapeake, VA
No. of Locations	13,600
Property Type	Net Leased Discount Store
Total net Rentable Area	13,751 SF
Ownership	Public
Sales Volume	Over \$8.6 Billion
Stock Symbol	DLTR
Credit Rating	Baa3/BBB-

**1043 W FLAGLER , MIAMI, FL 33128**

- Over 16,900 Cars Daily on W. Flagler St.
- Over 513,000 People Within 5 Mile Radius
- Over 210,000 Households Within 5 Miles

This property is located in the East Little Havana District of Miami. East Little Havana is a part of the larger Miami submarket of Little Havana. Little Havana is one of Miami's top tourist destinations and is one of Miami's rapidly developing neighborhoods. Over the last couple of years, Little Havana has undergone a major change with new capital and businesses moving into the area. As one of the Miami's oldest districts, Little Havana has become a top tourist destination where thousands of people come into the district weekly.

There are over 63,000 people with 1 mile and over 513,000 within 5 miles of the subject as of 2014. The subject also has over 210,000 households in a 5-mile radius. West Flagler Street experiences an average of traffic count of 16,900 per day. Currently, West Flagler Street is undergoing major renovations to widen the road which should increase traffic flow around the subject.

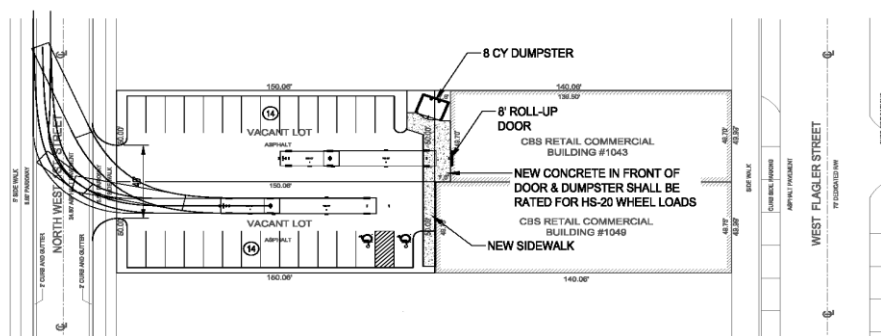
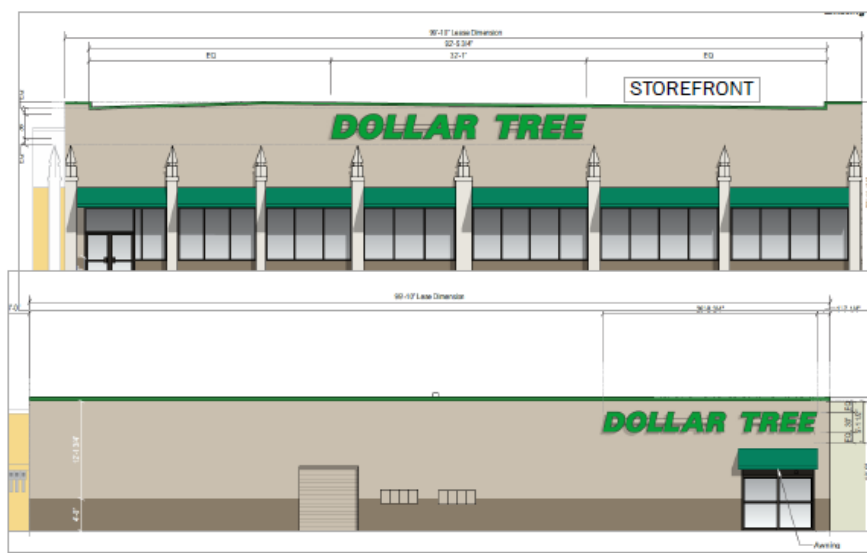
**CLOSE PROXIMITY TO:****Downtown****Major Highway****Airport**

**1043 W FLAGLER , MIAMI, FL 33128**

As of July 26<sup>th</sup> , 2019, the Flagler Street project was approved \$22.5 million in funding. The developer, Moishe Mana, and Zyscovich Architects will be in charge of development.

The new development will include widened sidewalks, additional valet parking spaces, and larger shade areas similar to that of Michigan Avenue in Chicago or Rodeo Drive in Los Angeles. The city of Miami, Miami-Dade County and the Downtown Development Authority are funding construction which has been contracted out to Lanzo Construction.

Mana currently owns roughly 45 properties on and near Flagler Street. Mana's plans include creating a startup hub and creating a "gallery row" nearby on Southeast First Street. The second phase of planning calls for converting the old Flagler Station into a food court and tech incubator similar to Station F in Paris.





Edgewater

Downtown

Brickell

Subject



W. Flagler Street VPD - 20,000

Mc. Donald's

Downtown

Brickell





# MARKET COMPARABLES

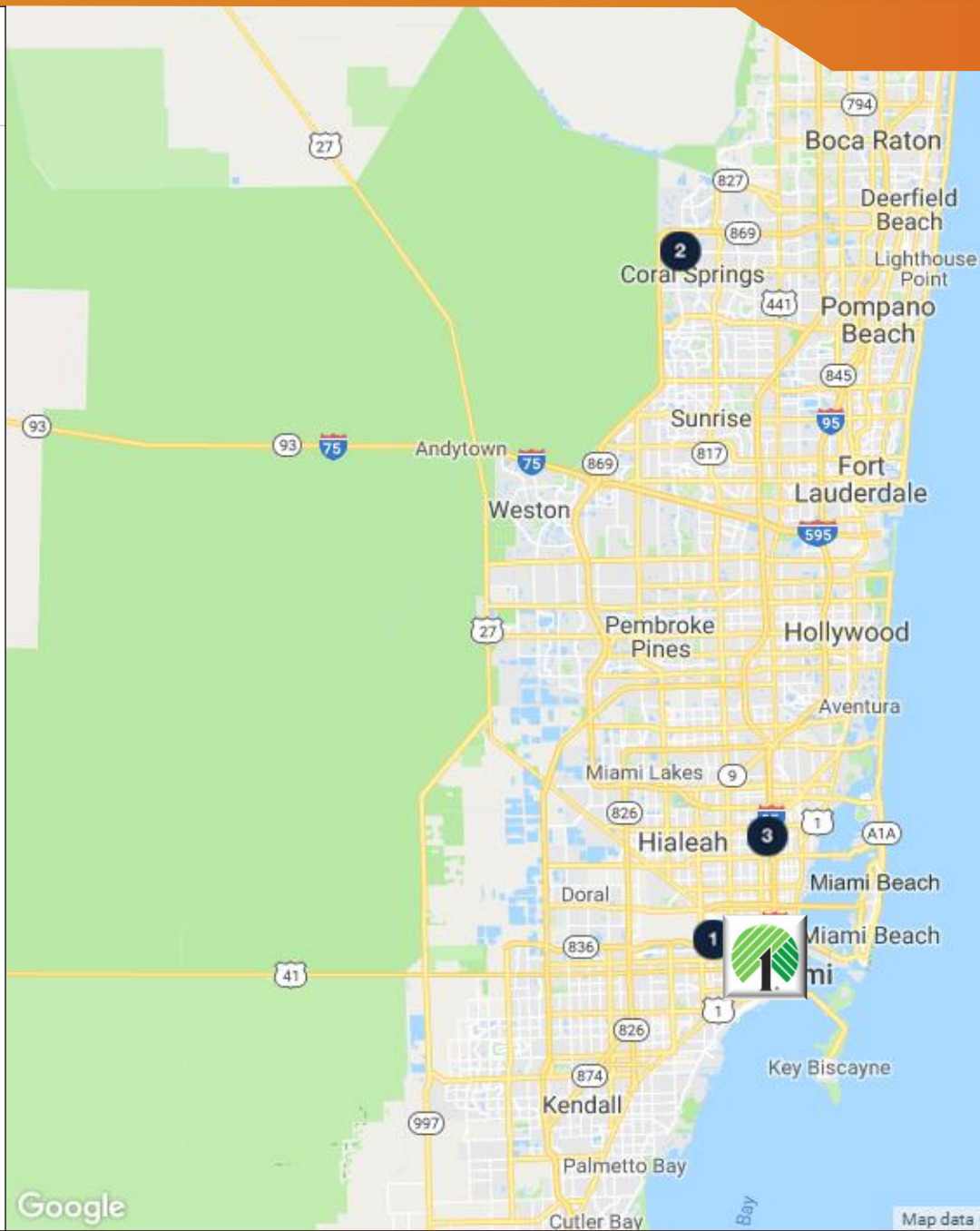




**Dollar Tree  
(SUBJECT)**

- 1** Dollar Tree - Miami
- 2** Dollar Tree - Coral Springs
- 3** Dollar General

● SALES COMPARABLES



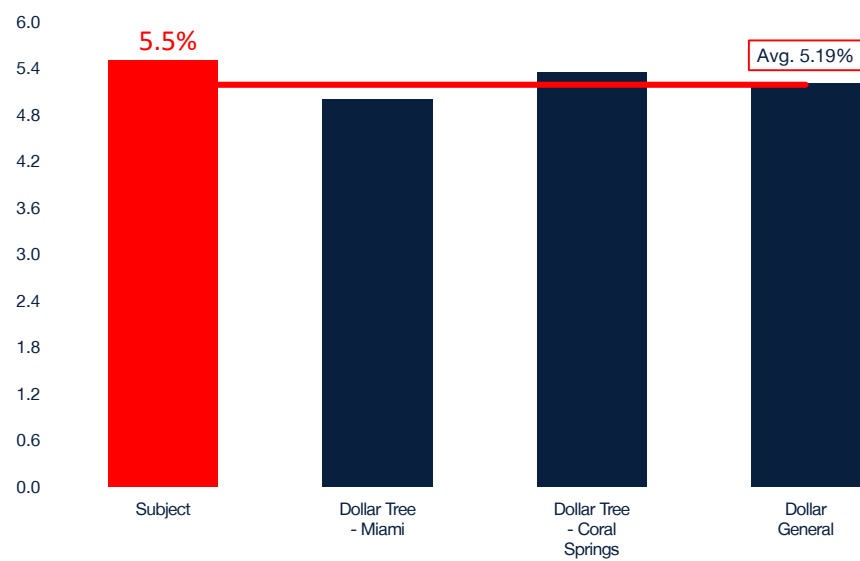
Google

Map data ©2019 Google, INEGI Terms of Use Report a map error

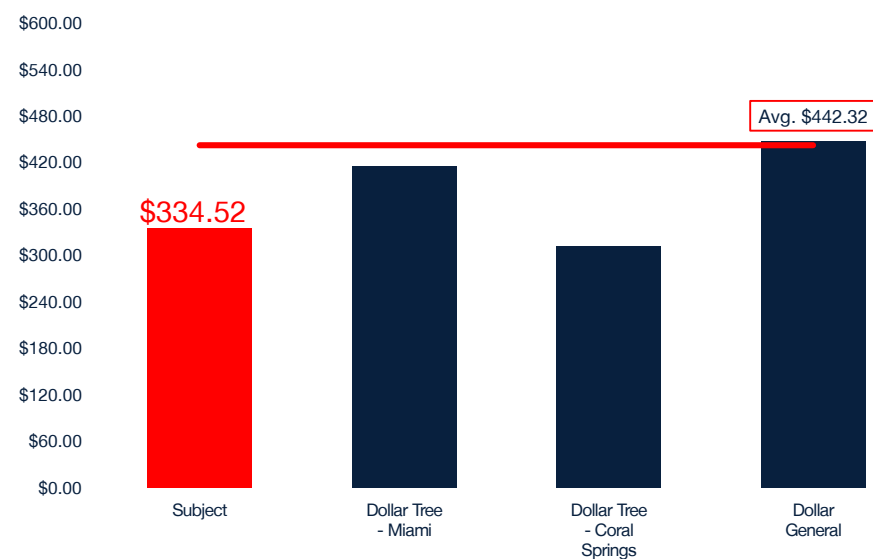
SALES COMPARABLES

SALES COMPS AVG

Average Cap Rate



Average Price Per Square Foot



## SALES COMPARABLES

**Dollar Tree**

1043 W FLAGLER, MIAMI, FL, 33128

**SUBJECT PROPERTY**

Price/SF	\$341
Lot Size	29,000 SF

**DOLLAR TREE - MIAMI**

3631 W Flagler St, Miami, FL, 33135



Close Of Escrow	5/8/2019
Sales Price	\$4,394,720
Price/SF	\$415
CAP Rate	5%
GLA	10,570 SF
Year Built	2017

**DOLLAR TREE - CORAL SPRINGS**

11530 W Sample Road, Coral Springs, FL, 33065



Close Of Escrow	3/29/2018
Sales Price	\$2,623,000
Price/SF	\$312.26
CAP Rate	5.35%
GLA	8,400 SF
Year Built	2015

## SALES COMPARABLES

**DOLLAR GENERAL**

801 NW 79th St, Miami, FL, 33150

3



Close Of Escrow	9/11/2018
Sales Price	\$3,400,000
Price/SF	\$447.07
CAP Rate	5.21%
GLA	7,605 SF
Year Built	2017

# FINANCIAL ANALYSIS



## THE OFFERING

Property	Dollar Tree
Property Address	1043 West Flagler St
Price	\$4,600,000
Capitalization Rate	5.51%
Price/SF	\$334.52

## PROPERTY DESCRIPTION

Year Built / Renovated	1924 / 2016
Gross Leasable Area	13,751 SF
Zoning	T6-12-O, T-4 R
Type of Ownership	Fee Simple
Lot Size	29,000 SF

## LEASE SUMMARY

Property Subtype	Net Leased Retail
Tenant	Dollar Tree Store, Inc.
Rent Increases	Per Each Option Renewal
Guarantor	Corporate Guarantee
Lease Type	Double Net (NN)
Rent Commencement	April 21, 2016
Lease Expiration	April 30, 2026
Lease Term	Ten Years
Years Remaining	6.75 Years
Renewal Options	2 - Five Year(s) Renewals
Landlord Responsibility	Roof and Structure
Tenant Responsibility	Taxes & Insurance
Right of First Refusal	Yes

## ANNUALIZED OPERATING INFORMATION

## INCOME

Net Operating Income	\$253,293
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## RENT SCHEDULE

YEAR	ANNUAL RENT	MONTHLY RENT	RENT/SF	CAP RATE
Current	\$253,293	\$21,107.75	\$18.42	5.51%
Year 2026 - 2031	\$260,169	\$21,680.75	\$18.92	5.66%
Year 2031 - 2036	\$267,044	\$22,253.67	\$19.42	5.81%



# MARKET OVERVIEW



## MIAMI-DADE OVERVIEW

Miami-Dade County is a gateway to South American and Caribbean markets and a tourist destination. The 2,400-square-mile county extends from the Florida Everglades east to the Atlantic Ocean. It is bordered to the north by Broward County and to the south by the Florida Keys. The main portion of the city of Miami lies on the shores of Biscayne Bay and is separated from the Atlantic Ocean by barrier islands, the largest of which holds the city of Miami Beach. The metro, with a population of roughly 2.7 million, is located entirely within Miami-Dade County. Miami is the most populous city, with slightly more than 443,000 residents, followed by Hialeah with roughly 237,000 people.

### METRO HIGHLIGHTS



#### BUSINESS-FRIENDLY ENVIRONMENT

The metro has no local business or personal income taxes, which attracts businesses and residents to the area.



#### INTERNATIONAL GATEWAY

Miami is a gateway for international trading activities, tourism and immigration, connecting to airports and ports around the world.



#### MEDICAL COMMUNITY

The county contains the largest concentration of medical facilities in Florida, drawing residents needing services throughout the state.

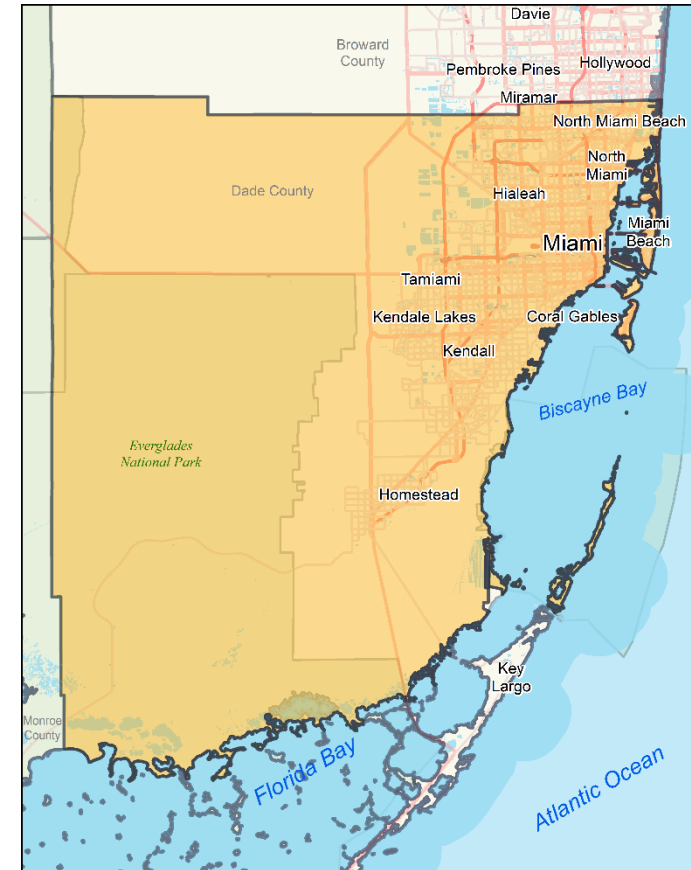
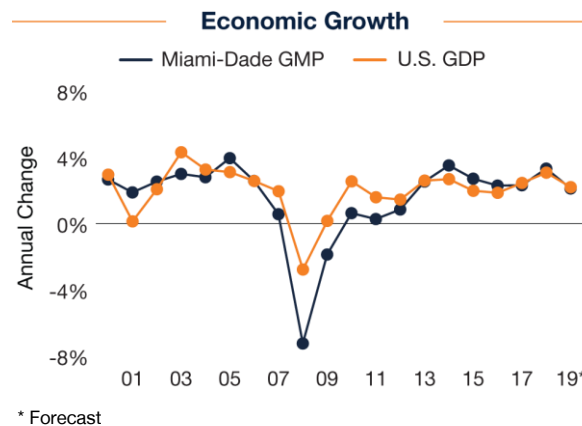


## ECONOMY

- Various industries provide a diverse economy. Trade, international finance, healthcare and entertainment have become major segments in the local business community.
- A strong tourism industry has developed with ties to Latin America and the Caribbean.
- Tourism and trade depend on a large transportation sector. PortMiami and Miami International Airport are both major contributors to employment and the economy.
- The Miami metro gross metropolitan product (GMP) expansion is expected to be on par with the U.S. GDP in 2019 and retail sales for the county are also rising.

### MAJOR AREA EMPLOYERS

Baptist Health South Florida
University of Miami
American Airlines
Miami Children's Hospital
Publix Supermarkets
Winn-Dixie Stores
Florida Power & Light Co.
Carnival Cruise Lines
AT&T
Mount Sinai Medical Center



## SHARE OF 2018 TOTAL EMPLOYMENT

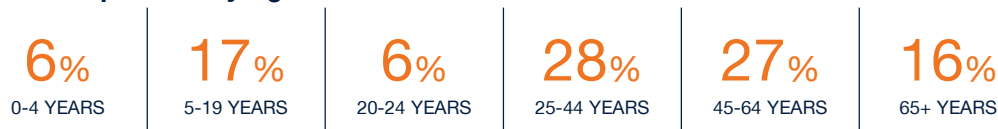




## DEMOGRAPHICS

- The metro is expected to add nearly 127,000 people over the next five years. During the same period, approximately 62,000 households will be formed, generating demand for housing.
- The homeownership rate of 53 percent is below the national rate of 64 percent, maintaining a strong rental market.
- The cohort of 20- to 34-year-olds composes 21 percent of the population.

### 2018 Population by Age



## QUALITY OF LIFE

Miami-Dade County has developed into a cosmopolitan urban area offering a vibrant business and cultural community. The metro has an abundance of popular attractions. Miami hosts the Capital One Orange Bowl and is home to several professional sports teams, including the Miami Dolphins, the Miami Marlins and the Miami Heat. The county has a broad array of cultural attractions, historic sites and parks. These include the Adrienne Arsht Center for the Performing Arts, Zoo Miami and Everglades National Park. The region is home to a vibrant and diverse culture, family-friendly neighborhoods, a plethora of shops and restaurants, and beautiful weather and beaches. It also offers easy access to Latin America and the Caribbean.

\* Forecast

Sources: Marcus & Millichap Research Services; BLS; Bureau of Economic Analysis; Experian; Fortune; Moody's Analytics; U.S. Census Bureau



## SPORTS



## EDUCATION



## ARTS & ENTERTAINMENT

**Adrienne Arsht Center**  
FOR THE PERFORMING ARTS OF MIAMI-DADE COUNTY



## Strong Tailwinds Continue to Propel Healthy Economy; New Tax Law May Encourage Investors to Refine Strategies

**Tax reform powers economic acceleration.** The new tax law has invigorated economic growth, boosting consumption and business investment. With optimism running high, many companies have generated new jobs, dropping the national unemployment rate below 4 percent. A tightening job market has supported increased wage growth, expanding personal disposable income more than 2 percentage points above the 10-year average to 5.4 percent. Because of this, core retail sales have benefited, rising by an average of 5.6 percent in May and June. The convergence of these factors has resulted in accelerated economic growth that climbed above 4 percent.

**Elevated Treasury rates placing upward pressure on yields.** A booming economy brings with it inflationary risk, prompting the Federal Reserve to tighten monetary policy. The single-tenant net-leased retail sector may be substantively impacted by a more disciplined monetary approach as assets are typically responsive to the 10-year Treasury due to their bondlike parallels. This will coalesce with other components such as brand, location and lease terms when determining going-in cap rates. For example, dollar store yields can vastly differ as a number of these assets are in rural locations, providing potential for higher returns. Conversely, yields for convenience stores and quick-service restaurants typically maintain a much smaller range due to their tempered sensitivity to key determinants of cap rates.



\* Forecast

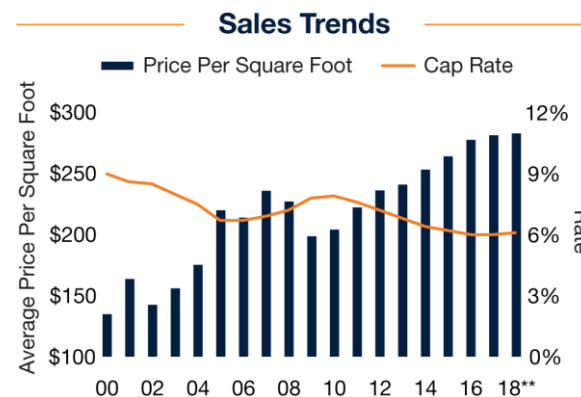
\*\* Through June

## Investment Highlights

Over the past year, transaction velocity eased modestly as investors awaited details on the new tax law. With much of that uncertainty now relieved, sales activity could accelerate. Furthermore, decreased taxes on pass-through entities could lead to repositioning efforts, bringing more assets online and elevating market liquidity.

The 1031 exchange was retained in the new tax law, remaining a commonly used practice for single-tenant net-leased investors. Investors favor this tax provision to swap out management-intensive assets for properties that involve a more passive approach while deferring the capital gains tax.

Under the new tax law, sale-leasebacks have become an increasingly popular tactic. With new restrictions on business interest deductibility, some retailers are selling the real estate in which they operate to investors, then leasing it back to maximize deductions. This process opens the door for reinvestment into existing assets and investment into future plans as more capital would be available.

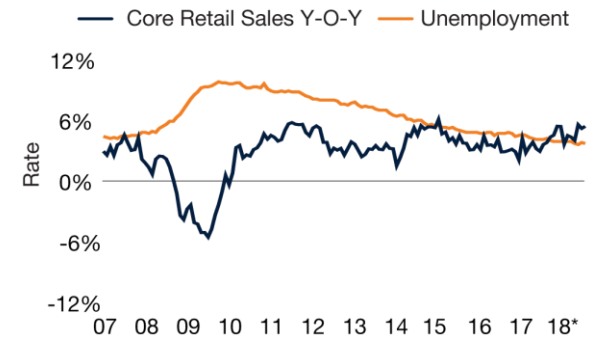


## New Tax Law Provides Spark to Investors; Sale-Leaseback Opportunities Could Increase

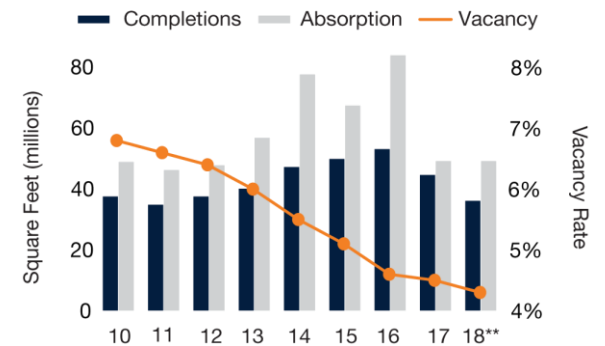
**New provisions, preservation of old ones may boost investor sentiment.** Changes to the tax code, as well as the retention key provisions like tax-deferred exchanges, real estate depreciation and mortgage interest deduction should keep investor sentiment high for single-tenant net-leased retail assets. Additionally, new pieces to the tax code should further boost the appeal of these relatively passive investments. For example, the new 20 percent pass-through deduction enables some active investors using an entity such as an LLC to boost after-tax yields. However, this deduction comes with restrictions based on income and asset base but offers strong potential for those who qualify. Additionally, bonus depreciation is a temporary provision allowing investors to increase their current cash flow by immediately expensing personal property in real estate assets acquired after Sept. 27, 2017.

**Changes to tax law could inspire owner/users to seek sale-leasebacks.** The most influential change to the tax code on the single-tenant net-leased retail sector may be new restrictions on business interest deductions. This provision could encourage companies to utilize sale-leasebacks as they shape their real estate strategies around lease expenses that remain fully deductible. For owner/users, selling the real estate in which they operate to investors and then leasing it back from them could maximize profitability, as well as unlock equity for reinvestment into current operations and funds for potential expansion plans. Also, the previous tax law allowed companies to deduct all of their interest expenses on their taxes, but the new provisions restrict the deductibility of business interest for companies with gross receipts in excess of \$25 million. Now, interest totaling just 30 percent of earnings before taxes, depreciation and amortization can be deducted on taxes, further incentivizing companies to pursue sale-leasebacks.

### Core Retail Sales vs. Unemployment Spending Rises as Job Market Tightens



### Single-Tenant Retail Supply and Demand



\* Through July

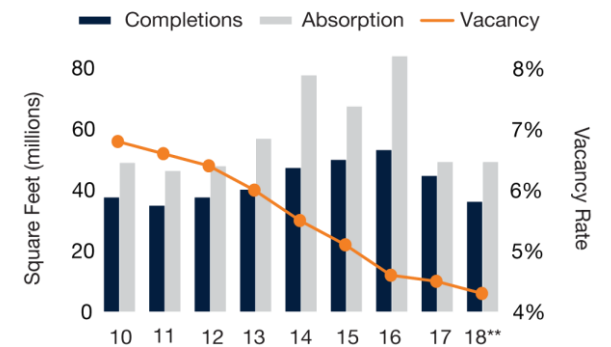
\*\* Forecast

## Solid Fundamentals Aided by New Concepts

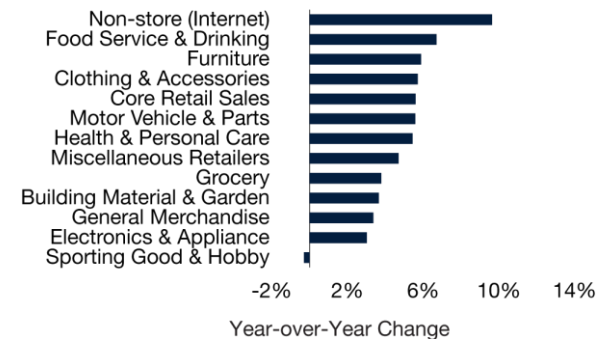
**Rents benefit from thinned construction pipeline.** Available space in the single-tenant net-leased sector will contract for the ninth consecutive year, pushing national vacancy down to 4.3 percent in 2018. Even though demand remains strong, construction will continue to taper this year, completing 36 million square feet. The percentage of single-tenant construction is reduced for the second year in a row as developers step back construction. With limited retail property completions, rent gains should be strong this year, advancing 4.2 percent to \$21.18 per square foot. This increase well exceeds the previous five-year average of 3.2 percent.

**Retailer strategies change to match consumer needs.** Convenience continues to emerge as a common theme in the single-tenant net-leased retail sector as several types of retailers have adopted this concept to drive foot traffic and sales. For example, drugstores have improved their product selection by including items historically purchased at convenience stores and grocery stores. This strategy has also helped these retailers improve front-store sales and hold a greater edge over online pharmacies. Additionally, dollar stores have added convenience to their affordable product mix by offering instant-consumption items, such as grab-and-go sandwiches and beverage bars.

### Single-Tenant Retail Supply and Demand



### Retail Sales Growth\*



\*\* Forecast

## Capital Markets

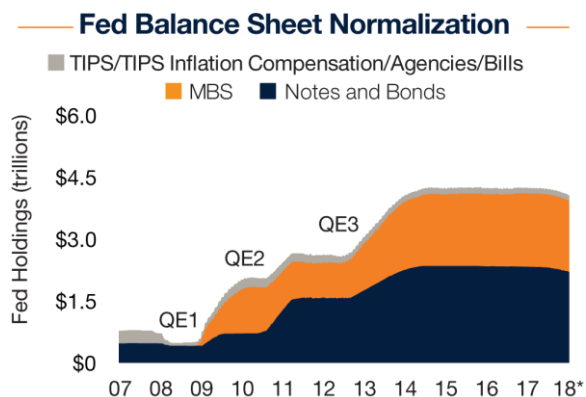
### Lenders Pursue Deals as Capital Plentiful; Caution Enforcing Underwriting

**Fed watchful as economic surge raises inflationary pressure.** Strengthened hiring amid exceptionally low unemployment levels have boosted wage growth, placing upward pressure on inflation. Amid this trend coupled with rising trade protectionism and tariffs, the Federal Reserve appears determined to head off inflation risk by continuing its quarterly increases of the overnight rate. These actions are lifting short-term interest rates while the 10-year Treasury rate remain range bound near 3.0 percent. Should the 10-year remain steadfast, Fed tightening could create an inverted yield curve in which short-term rates rise above long-term rates. Although this event has preceded every recession of the past 50 years, many economists suggest such an inversion this year could be an exception to the rule. Because of distortions caused by regulatory changes and quantitative easing, this inversion could be different. Nonetheless, the Fed's stated path does raise recessionary risk levels because it could weigh on confidence levels and restrain spending by consumers and businesses, thus slowing economic growth.

## 2018 Capital Markets Outlook

**10-Year Treasury still "sticky" at 3 percent.** After surging at the beginning of the year, the 10-year Treasury has been range bound near 3.0 percent. To create some headroom for its escalation of short-term rates, the Fed has tried to exert upward pressure on long-term interest rates by unwinding its balance sheet. This quantitative tightening has had little influence, particularly as foreign investors have enjoyed a yield premium relative to their native 10-year rates.

**Potential rapid interest rate escalation a downside risk.** Although capital remains plentiful, lending could tighten quickly for a short period if interest rates rise rapidly. As experienced in late 2016 when the 10-year rose by more than 80 basis points in 60 days, and again at the beginning of 2018 when there was a 60-basis-point surge, market liquidity could tighten if rates jump. Considering this has happened twice in the last two years, borrowers will likely benefit by taking a cautious approach with their lenders and lock in financing quickly.



\* Through July 20

\*\* As of Aug. 17

