

**PETSMART**

**HOBBY  
LOBBY**

# TWO TENANT NET LEASE INVESTMENT PREMIER RETAIL TRADE DESTINATION

1732-1734 Mall Drive | Duluth, MN | 55811





## PROPERTY OVERVIEW

Colliers is pleased to present to qualified investors, PetSmart & Hobby Lobby, located at 1732 - 1734 Mall Drive within the Village Mall complex in Duluth, Minnesota. The property is comprised of a 84,841 SF retail building situated on 7.96 acres of land. Hobby Lobby has 7.5 years left on their lease with two, five-year options while PetSmart has 9 years left on their lease with four, five-year options to renew. The site is located in a premier shopping destination in Northern Minnesota and benefits from significant traffic exposure and strong visibility.

## PRICING DETAILS

List Price	\$10,595,000
CAP Rate	7.45%
Annual Rent	\$789,385
Taxes	NNN
Insurance	NNN
CAM	NNN
NOI	\$789,385



## LONG TERM LEASE IN PLACE

After 4 years at the property, Hobby Lobby amended their lease on 7/26/16 extending the term through 7/1/2026. The amended lease includes two, five-year options. PetSmart has a new lease that expires on 3/31/27 with four, five-year renewal options. These two long-term leases provide long-term cash flow for years to come.

## LIMITED COMPETITION

Hobby Lobby and PetSmart both hold an excellent market position with limited competition within close proximity. Hobby Lobby's only direct competition in the trade area is Michaels, while PetSmart's only competition is Petco.

## STRONG CORPORATE TENANTS

Hobby Lobby is a closely-held, privately-owned chain of retail arts and crafts stores based in Oklahoma City, Oklahoma. They operate more than 750 stores in 47 states. Hobby Lobby is a highly successful big box retailer with a conservative corporate strategy that holds little corporate debt. PetSmart is the largest specialty pet retailer of services and solutions for the lifetime needs of pets with 1,500 pet stores in the United States, Canada, and Puerto Rico. PetSmart earned \$7 Billion in revenue for 2017 and has an S&P rating of B+.

## GROCERY ANCHORED TENANT

PetSmart and Hobby Lobby benefit from the international grocery chain Aldi located on site. Aldi is currently on its first year of a 15-year ground lease.

## TRAFFIC COUNTS

Over 40,000 VPD provide the space excellent market exposure.



## LEASE ABSTRACT: HOBBY LOBBY

Tenant Trade Name	Hobby Lobby
GLA	59,537 SF
Rent Commencement	September 28, 2012
Lease Expiration	January 31, 2026
Lease Term	14
Term Remaining On Lease	7.5
Base Rent	\$404,852

Lease Years	PSF	Monthly	Annually
2/1/17 - 1/31/26	\$6.80	\$33,738	\$404,852

Renewal Options Two (2) consecutive option periods of five (5) years each

Lease Years	PSF	Monthly	Annually
2/1/26 - 1/31/31	\$7.30	\$36,218	\$434,620
2/1/31 - 1/31/36	\$7.80	\$38,699	\$464,389

Lease Type	NN Lease
Roof & Structure	Landlord

## LEASE ABSTRACT: PETSMART

Tenant Trade Name	Petsmart
GLA	25,304 SF
Rent Commencement	March 13, 2017
Lease Expiration	March 31, 2027
Lease Term	10
Term Remaining On Lease	9
Base Rent	\$403,346

Lease Years	PSF	Monthly	Annually
3/13/17 - 3/31/22	\$15.94	\$33,612	\$403,346
4/1/22 - 3/31/27	\$16.94	\$35,721	\$428,650

Renewal Options Four (4) consecutive option periods of five (5) years each.

Lease Years	PSF	Monthly	Annually
4/1/27 - 3/31/32	\$17.95	\$37,851	\$454,207
4/1/32 - 3/31/37	\$18.96	\$39,980	\$479,764
4/1/37 - 3/31/42	\$19.96	\$42,089	\$505,068
4/1/42 - 3/31/47	\$20.97	\$44,219	\$530,625

Lease Type	NN Lease
Roof & Structure	Landlord





## General Assumptions

Commencement	January 1, 2019
End Date	December 31, 2028
Term	10 Years
General Inflation	3.00%

## PROPERTY SIZE AND OCCUPANCY

Property Size	84,841 SF
Land Area	7.96 Acres
Occupancy	100%
Year Built	1975
Parking	332 Stalls



## NOTES TO CASH FLOW ASSUMPTIONS

1. Tenants are assumed to exercise their options to renew upon expiration.
2. Operating Expenses are from the 2018 budget and assume a 3% management fee.
3. Grandma's Restaurant pays \$2,400 annually for driveway access per an easement agreement.





## CASH FLOW

	Year 1 Dec-2019	Year 2 Dec-2020	Year 3 Dec-2021	Year 4 Dec-2022	Year 5 Dec-2023	Year 6 Dec-2024	Year 7 Dec-2025	Year 8 Dec-2026	Year 9 Dec-2027	Year 10 Dec-2028
For the Years Ending										
Potential Gross Revenue										
Base Rental Revenue	\$808,198	\$808,198	\$808,198	\$827,176	\$833,502	\$833,502	\$833,502	\$860,790	\$882,437	\$888,827
SCHEDULED BASE RENTAL REVENUE	808,198	808,198	808,198	827,176	833,502	833,502	833,502	860,790	882,437	888,827
TOTAL REIMBURSEMENT REVENUE	180,292	185,700	191,270	197,012	202,920	209,007	215,277	221,733	228,388	235,242
GRANDMA'S EASEMENT INCOME	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
POTENTIAL GROSS REVENUE	990,890	996,298	1,001,868	1,026,588	1,038,822	1,044,909	1,051,179	1,084,923	1,113,225	1,126,469
EFFECTIVE GROSS REVENUE	990,890	996,298	1,001,868	1,026,588	1,038,822	1,044,909	1,051,179	1,084,923	1,113,225	1,126,469
Operating Expenses										
Maintenance & Repair	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
Landscaping	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133
Electric	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Lot Sweeping	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
Snow Removal	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
Snow Removal - Other	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610
Irrigation	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567
Stormwater Facilities Maintenance	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Management Fee	29,727	29,889	30,056	30,798	31,165	31,347	31,535	32,548	33,397	33,794
Real Estate Taxes	57,660	59,390	61,171	63,007	64,897	66,844	68,849	70,915	73,042	75,233
Insurance	23,618	24,326	25,056	25,808	26,582	27,380	28,201	29,047	29,918	30,816
Total Operating Expenses	201,505	206,820	212,294	218,504	224,504	230,486	236,645	243,814	251,000	257,925
NET OPERATING INCOME	789,385	789,478	789,574	808,084	814,318	814,423	814,534	841,109	862,225	868,544
CASH FLOW BEFORE DEBT SERVICE	\$789,385	\$789,478	\$789,574	\$808,084	\$814,318	\$814,423	\$814,534	\$841,109	\$862,225	\$868,544





1

SuperOne  
Foods

SALLY BEAUTY

OSAKA

DOLLAR TREE

Dunham's

PLATO'S

HARBOR  
FREIGHT  
TOOLS

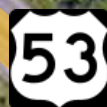
BEST  
BUY



TARGET

T.J. maxx

DAVID'S  
BRIDAL



MILLER TRUNK HWY. 20,800 VPD

MAPLE GROVE ROAD

MALL DRIVE

HOBBY LOBBY

HOBBY LOBBY

PETSMART

PETSMART

savers

HOBBY  
LOBBY

PETSMART



DI

verizon wireless

Panera  
BREAD

Vitamin  
Marketplace

Wendy's

CRITTY'S

Miller Hill Mall

maurices



BARNES & NOBLE  
BOOKSELLERS

DICK'S  
SPORTING GOODS

sears



BURNING TREE ROAD









## TENANT OVERVIEW

PetSmart, Inc. is the largest specialty pet retailer of services and solutions for the lifetime needs of pets.

The company employs approximately 53,000 associates, operates approximately 1,466 pet stores in the United States, Canada and Puerto Rico and approximately 203 in-store PetSmart® PetsHotel® dog and cat boarding facilities. PetSmart provides a broad range of competitively priced pet food and pet products and offers dog training, pet grooming, pet boarding, PetSmart Doggie Day Camp day care services and pet adoption services in-store. The portfolio of digital resources for pet owners – including PetSmart.com, PetFoodDirect.com, Pet360.com, OnlyNaturalPet.com and petMD.com – offers the most comprehensive online pet supplies and pet care information in the U.S.

Expert veterinarian care is available in many of the PetSmart stores, where Banfield Pet Hospital® operates full-service pet hospitals. These in-store pet hospitals operate independently of PetSmart and employ veterinarians who provide a full range of health care and emergency services.

Through the in-store pet adoption partnership with independent nonprofit organizations, PetSmart Charities® and PetSmart Charities™ of Canada, PetSmart helps to save the lives of more than 500,000 homeless pets each year.



Ownership: Private  
Year Founded: 1985  
Headquarters: Phoenix, AZ  
Employees: 53,000  
Locations: 1,466





## TENANT OVERVIEW

Hobby Lobby is the largest privately owned arts-and-crafts retailer in the world with approximately 32,000 employees and operating in forty-seven states with more than 800 stores. Corporate headquarters are located in Oklahoma City, and include a 9.2 million-square-foot manufacturing, distribution, and office complex. Hobby Lobby also maintains offices in Hong Kong, Shenzhen, and Yiwu, China.

Hobby Lobby is primarily an arts-and-crafts store but also includes hobbies, picture framing, jewelry making, fabrics, floral and wedding supplies, cards and party ware, baskets, wearable art, home accents and holiday merchandise.

Affiliated companies include Hemispheres, carrying unique home furnishings and accessories from around the world, and Mardel Christian and Education Supply, offering books, Bibles, gifts, church and education supplies as well as homeschooling curriculum.

What began as a \$600 start-up, continues to grow and expand -enabling customers across the nation to live a creative life®.



Ownership: Private  
Year Founded: 1972  
Headquarters: Oklahoma City, OK  
Employees: 32,000  
Locations: 800





## DULUTH OVERVIEW

Duluth, Minnesota is located at the western part of Lake Superior. Together with Superior, Wisconsin, this area makes up the largest freshwater port in the entire world. By way of the other Great Lakes and the Saint Lawrence Seaway, Duluth is connected to the Atlantic Ocean. In addition to strong coal/taconite/steel/limestone/cement import and export business, Duluth is the major regional center for healthcare, higher education, retail, and business services for Northern Minnesota, Western Wisconsin, and the Western Upper Peninsula of Michigan.

Many attractions are located throughout the community including the United States' only all-freshwater aquarium, the Aerial Lift Bridge, which spans the Duluth Ship Canal into the Duluth-Superior Harbor; and Minnesota Point (known locally as Park Point), the world's longest freshwater baymouth sandbar, spanning 6 miles.

The city is an extremely popular tourist destination in Minnesota. Tourism is one of the city's largest industries, creating well over \$950 million in annual direct economic impact. Duluth is a convenient base for trips to the scenic North Shore to go fishing, hiking, camping, and canoeing. Tourists also may drive on the North Shore Scenic Drive to Gooseberry Falls State Park, Baptism Falls (Minnesota's largest waterfall), the vertical cliff of Palisade Head, Isle Royale National Park (reached via ferry), Grand Portage National Monument in Grand Portage, and High Falls of the Pigeon River (on the Canada-US border).

### Duluth Tourism



**\$950M Annual  
Economic Impact**



**6.7M Visitors  
Per Year**



**5,000 Hotel  
Rooms**





## DULUTH RETAIL ECONOMY

Positioned on Lake Superior, Duluth is one of the most vital seaport cities in the country and a major regional center. It is the fifth-largest city in Minnesota with a population of 86,293. With all of the activities and attractions located in its city limits, Duluth enjoys 6.7 million tourists each year. Furthermore, Duluth is home to two region-serving hospitals (St. Luke's and Essentia Health), which together, host 750,000 annual health visits per year. These individuals, along with 25,000 students from the local colleges in the area, contribute to the health of the city's retailers.

The city's thriving retail market is driven by baby boomers and millennials who are choosing to live in Duluth for the lifestyle and employment opportunities. The rising occupancy levels are driving development causing the demand for retail to increase. These benefits are being felt in every retail submarket including the Miller Hill Mall retail market.

The Duluth retail market is comprised of five distinct submarkets:

1. Downtown; 2. Miller Hill; 3. East Duluth; 4. West Duluth and Superior.

## MILLER HILL RETAIL MALL

This investment is located at the leading shopping destination for Northern Minnesota. Duluth separates its retail business into 5 core retail submarkets. Aldi is located in what is call the Miller Hill Retail Market. This market is comprised of over 375 stores that fits all needs and is anchored by the 780,000+ SF Miller Hill Shopping Center. The retail market benefits from its connections to US-53, MN-194, and I-35 which brings in over 30,000 vehicles today. The areas accessibility attracts both regional and national brands.



**Miller Hill Mall | More than 100 Stores**



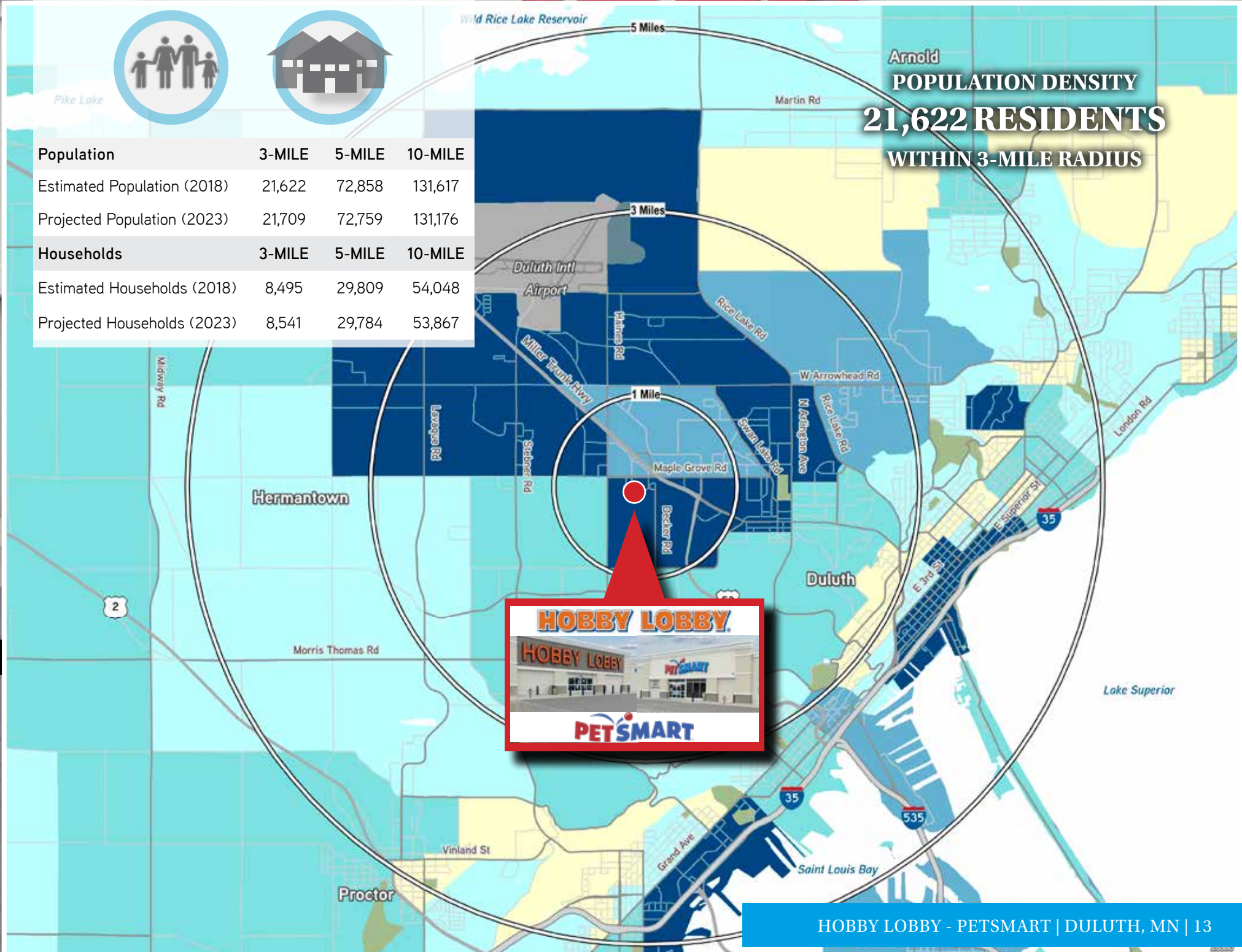




Pike Lake

Population	3-MILE	5-MILE	10-MILE
Estimated Population (2018)	21,622	72,858	131,617
Projected Population (2023)	21,709	72,759	131,176
Households	3-MILE	5-MILE	10-MILE
Estimated Households (2018)	8,495	29,809	54,048
Projected Households (2023)	8,541	29,784	53,867

Arnold  
**POPULATION DENSITY**  
**21,622 RESIDENTS**  
**WITHIN 3-MILE RADIUS**







Income	3-MILE	5-MILE	10-MILE
Avg. Household Income (2018)	\$76,852	\$66,243	\$69,585
Median Household Income (2018)	\$57,184	\$43,774	\$50,321
Business Facts	1-MILE	3-MILE	5-MILE
Total # of Businesses (2018)	472	1,269	6,234
Total # of Employees (2018)	6,651	19,301	80,717

**AVERAGE HOUSEHOLD INCOME**  
**\$76,852**  
**WITHIN 3-MILE RADIUS**





This Offering Memorandum contains select information pertaining to the business and affairs of Hobby Lobby / Petsmart - Duluth, MN. 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.

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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.

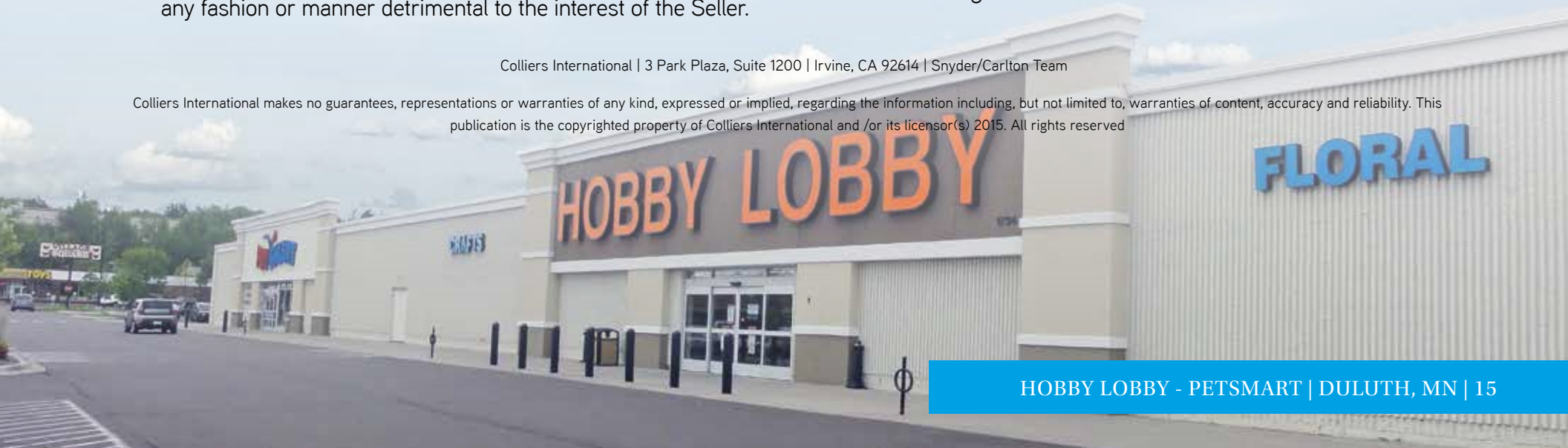
If you wish not to pursue negotiations leading to the acquisition of Hobby Lobby / Petsmart - Duluth, MN or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

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.

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