



BJ's Wholesale Club
Akron, Ohio
Confidential Offering Memorandum

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I. Executive Summary

I. Executive Summary

The Offering

JLL is pleased to offer for sale the fee-simple interest in a long-term tenanted BJ's Wholesale Club in Akron, Ohio, the fifth largest city in the state. BJ's Wholesale Club, Inc. (the "Tenant", "Company", or "BJ's") has occupied this site for over twenty years and took action to further extend the lease with the first of four renewal options commencing in August 2018. The Property is nearly 110,000 rentable square feet and currently generates annual NOI of \$1,102,931 (\$10.06 PSF).

Investors have the rare opportunity to purchase an Asset leased to an industry leader in the US Warehouse Club Market, having exhibited Adjusted EBITDA CAGR of 12.5% since 2015. The in-place NN lease ensures minimal landlord responsibilities and a passive investment structure, featuring potentially 19 more years of lease term escalating in line with inflation. The Offering represents a unique opportunity to purchase an attractive cash in-flow tenanted by a growing, profitable industry leader in a rebounding MSA.

Investment Overview

Price	\$15,213,000
Price PSF	\$138
Cap Rate	7.25%
Tenant (NASDAQ)	BJ's Wholesale Club, Inc. (BJ)
Lease Structure	NN (Roof & Structure)
Initial Lease Commencement	8/2/1998
Lease Expiration²	8/2/2023
Remaining Lease Term²	4.0 Years
Building Size	109,593 SF
Site Area	10.6 Acres
Annual NOI¹	\$1,102,931
Annual NOI PSF¹	\$10.06
Rental Escalations	Every Five Years; Lesser of CPI Increase or 6.0%
Renewal Terms²	3 x 5 Years

1) As of August 15, 2019

2) BJ's has exercised their first five-year Renewal Option, commencing 8/3/2018



Address	City	State	Year Built	Building Size (SF)	Site Area (Acres)	NNN Rent PSF	Annual NOI
1677 Home Avenue	Akron	Ohio	1998	109,593	10.6	\$10.06	\$1,102,931

I. Executive Summary

Investment Highlights

- The Property is located in a demographically strong retail corridor with positive population growth fundamentals and a wealthy, average household income profile.
- The Tenant is an industry leader with over \$13 Billion in 2018 revenue, also possessing strong adjusted EBITDA growth to the factor of a 12.5% CAGR from 2015 to 2018.
- The US Warehouse Club market has grown by a 4.5% CAGR from 2007 to 2017 and is expected to capitalize on the continued positive tailwinds. BJ's stands to capture a sizable portion of future industry gains due to their strong brand loyalty, membership retention rates, and diverse product offerings.
- The Property has strong infrastructural connectivity positioned in close proximity to State Route 59 (101,000+ VPD).
- Annual net absorption in the Akron retail market over the trailing twelve months reached over 970,000 square feet.



Rent Schedule						
Period	Lease Year	Annual Rent	Monthly Rent	% Increase	Rent PSF	Year Ending
Renewal Term 1	21	\$1,102,931	\$91,911	6.0%	\$10.06	Aug 2019
	22	\$1,102,931	\$91,911	0.0%	\$10.06	Aug 2020
	23	\$1,102,931	\$91,911	0.0%	\$10.06	Aug 2021
	24	\$1,102,931	\$91,911	0.0%	\$10.06	Aug 2022
	25	\$1,102,931	\$91,911	0.0%	\$10.06	Aug 2023
Renewal Term 2	26	\$1,169,107	\$97,426	6.0%	\$10.67	Aug 2024
	27	\$1,169,107	\$97,426	0.0%	\$10.67	Aug 2025
	28	\$1,169,107	\$97,426	0.0%	\$10.67	Aug 2026
	29	\$1,169,107	\$97,426	0.0%	\$10.67	Aug 2027
	30	\$1,169,107	\$97,426	0.0%	\$10.67	Aug 2028
Renewal Term 3	31	\$1,239,253	\$103,271	6.0%	\$11.31	Aug 2029
	32	\$1,239,253	\$103,271	0.0%	\$11.31	Aug 2030
	33	\$1,239,253	\$103,271	0.0%	\$11.31	Aug 2031
	34	\$1,239,253	\$103,271	0.0%	\$11.31	Aug 2032
	35	\$1,239,253	\$103,271	0.0%	\$11.31	Aug 2033
Renewal Term 4	36	\$1,313,608	\$109,467	6.0%	\$11.99	Aug 2034
	37	\$1,313,608	\$109,467	0.0%	\$11.99	Aug 2035
	38	\$1,313,608	\$109,467	0.0%	\$11.99	Aug 2036
	39	\$1,313,608	\$109,467	0.0%	\$11.99	Aug 2037
	40	\$1,313,608	\$109,467	0.0%	\$11.99	Aug 2038

II. Asset Analysis

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Investment Thesis

Dense Retail Corridor

- The Property's immediate area features national credit tenants including The Home Depot, Target, and Sam's Club, providing strong residual value.
- The Asset benefits from its proximity to State Route 59, which experiences over 101,000 vehicles per day, less than a half mile from the site.

Stable Cash Flow from a Revered Net Lease Tenant

- The Property will produce an annual NOI of \$1,102,931 during its remaining lease term, providing investors keen to this deal profile a significant rental stream across a four-year horizon. The lease includes three additional five-year options with approximate 6.0% escalations.
- BJ's Wholesale Club Holdings (S&P: B+) is positioned as one of the most appealing big-box retailers to net lease investors. Initial confidence in the tenant's credit profile from major rating agencies provides investors with a stream of reliable cashflows.

Significant Population Density

- The five-mile radius around the Property includes over 224,000 residents, allowing BJ's to capture increased market share through improved marketing and adoption of their strategic expansion plans.



Property Overview

Address	1677 Home Avenue Akron, OH 44310
Tenant	BJ's Wholesale Club, Inc.
Property Type	Retail
Ownership Interest	Fee-Simple
Year Built	1998
Building Size	109,593 SF
Parcel Size	10.6 AC
Lease Type	NN (Roof & Structure)
Initial Lease Commencement	8/2/1998
Lease Expiration	8/2/2023
Remaining Lease Term ¹	4.0 Years
Annual NOI ¹	\$1,102,931
Rent PSF ¹	\$10.06
Rent Escalations	Every Five Years; Lesser of CPI Increase or 6.0%
Renewal Options	3 x 5 Years

1) As of August 15, 2019

2) BJ's has exercised their first five-year renewal option, commencing 8/3/2018



II. Asset Analysis

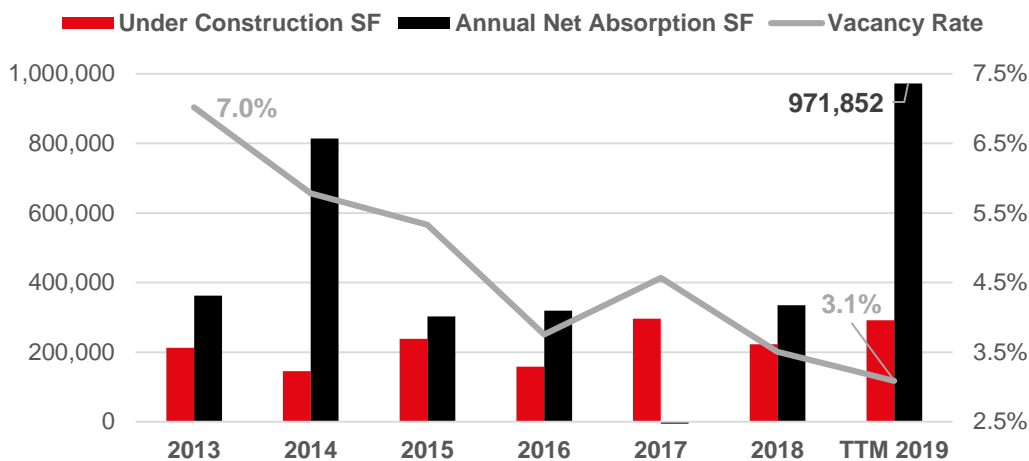
Key Asset Highlights

- Long-term occupancy at an established location, with 250 feet of frontage on Home Avenue (16,000+ VPD)
- Adjacent to The Plaza at Chapel Hill Shopping Center, a modern, regional shopping center with GLA over 458,000
- Property's layout can accommodate numerous reuses with loading docks situated in the back of the building
- Parking lot and building have been well maintained with little need for maintenance or extensive redesign
- Retail market fundamentals are showing resilience with significant amounts of construction, absorption, and decrease vacancy over recent history



Akron's Retail Market Experiencing a Strong Recovery

Tight vacancy, average 200,000+ SF of construction annually since 2013, and 971,000 SF of Positive Net Absorption over the prior 12 months



Note: In 2017, Annual Net Absorption = (177,749) SF
Source: CoStar



II. Asset Analysis

Aerial Map: BJ's – Akron, Ohio



III. Tenant Overview

III. Tenant Overview

BJ's Wholesale Club

- Since their 1984 founding, BJ's Wholesale Club has grown to become one of the largest membership-only warehouse club chains in the United States. BJ's warehouses offer customers a diverse product line of groceries, cleaning supplies, health & beauty products, home goods, computers, electronics and much more. Headquartered in Westborough, MA, BJ's has expanded throughout the United States thanks to robust brand loyalty and industry leading membership programs.
- The Company operates 216 stores in 16 states from Maine to Florida and westward to Ohio, with a dedicated focus on opening 3-4 stores annually. BJ's differs from its competitors in that it has no membership qualifications or restrictions, resulting in a membership base comprised predominantly of individual consumers. This is in contrast to the small business clientele of some competitors.
- S&P's recently upgraded B+ rating recognizes BJ's formidable competitive position in its chosen markets, which has been aided by Walmart's shuttering of 25 Sam's Club warehouse stores in BJ's markets. The stable outlook reflects S&P's expectation that BJ's will continue to de-lever its balance sheet.
- The Company performed an Initial Public Offering in June 2018, selling 37.5 million shares resulting in net proceeds raised of \$637.5 million. Since the initial pricing of \$17.00 per share, the stock has risen by 41.2% to settle at \$24.00 per share as of 8/7/19.

BJ's Overview

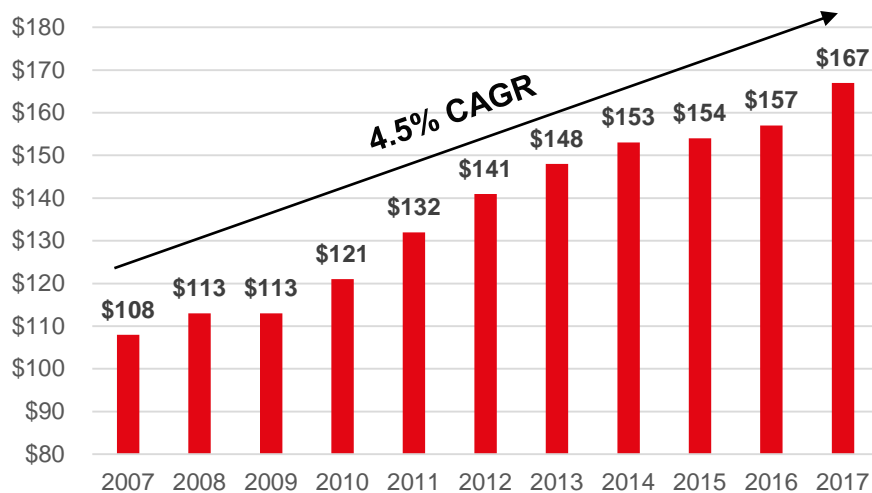
Company	BJ's Wholesale Club Holdings, Inc. (BJ)
NASDAQ Ticker / Mkt. Cap	BJ / \$3.34 billion
Credit Rating / Outlook (S&P)	B+ / Stable
Industry	Specialty Retail
Founded	1984
FY 2018 Revenue	\$13.0B
FY 2018 Adj. EBITDA	\$578 million
Adj. EBITDA 2015-2018 CAGR	12.5%
Headquarters	Westborough, Massachusetts
Employees	25,000+
# of Locations	216
Company Website	www.BJs.com



Key Investment Highlights

- **#1 Wholesale Club operator** in the Northeast.
 - BJ's operates 100 stores in New England and New York – more than Costco and Sam's Club combined.
 - **98% of clubs are profitable**
- **Member base** of approximately **10 million** shoppers brings annuity-like revenue stream.
- **Excellent membership retention** with a historical membership renewal rate of approximately **85%** according to Moody's
- **\$578 million Adj. EBITDA** in fiscal year 2018, reflective of a **12.5% CAGR** over the trailing five years
- **5.5 million paid members** as of FYE 2018, led to the generation of **\$283 million** in Membership Fee Income (~50% of EBITDA)
- Strong industry growth profile with tremendous upside as buyers continue to act cost consciously in low wage growth environment

*US Warehouse Club Market Size
(\$ in billions)*



Substantial Competitive Advantages

- **“Value” focused product offerings boosted by affordable groceries, creating a reason to stop in and shop**
 - Food accounts for approximately 75–80% of BJ's gross sales, which are sold at ~25% lower prices than typical grocery stores
 - BJ's offers extremely popular, consumer-focused private label products including Wellsley Farms & Berkley Jensen. These items accounted for 20% of total merchandise sales in 2018, 10% higher than 2012
- **BJ's Gas:** Top 10 on 100 US Best Value Brands for 2016 (GasBuddy)
 - 138 gasoline stations in service, adopting a below market pricing strategy to drive consumer traffic
- **Omnichannel Capabilities** – The Company has focused recent efforts on digitalization, new marketing methods and promotional tactics, and an increased focus on speed and convenience
- **Achievable Growth Initiatives**
 - Acquire and retain members through marketing & prospecting
 - Deliver value to get people shopping with relevant rewards and perks
 - Make everything more convenient – mobile app (1.5M+ downloads), 130M+ coupons clipped
 - Expand strategic footprint to new markets



IV. Market & Location Overview

IV. Market & Location Overview

Market Dynamics – Akron, Ohio

- Akron, the 5th largest city in the State of Ohio and located within the Cleveland MSA, is primarily known as a home to a significant manufacturing and plastics industry. The Goodyear Tire and Rubber Company and FirstEnergy are both headquartered in Akron and are members of the Fortune 500.
- Akron has proven in 2019 to be the most active market within the Cleveland MSA to apply for tax crediting generated by real estate development via the Ohio State Historic Preservation Tax Credits. The program aims to revitalize historic assets within the region through their redevelopment for adaptive use and residential projects. Akron has seen over \$7 million in applications placed in recent weeks, exceeding Cleveland's volume.
- In a similar light, Huntington Bank as of March 2019 has chosen to sell the 27-story Huntington National Bank Tower, which is the tallest office building in Downtown Akron. A bank spokesman stated a desire to redevelop the asset for mixed-use purposes is present among several development group, as Akron has recently become a target market for urban residential development.



Freestanding Retail Statistics	Summit County	Akron
	Submarket	Market
Current # of Buildings	1,410	4,411
Total GLA (SF)	9,810,000	25,413,600
YTD Deliveries (SF)	235,800	18,400
YTD Net Absorption (SF)	172,000	34,275
Current Vacancy	2.1%	2.0%
Quoted Market Rent PSF	\$9.96	\$10.07



IV. Market & Location Overview

Demographic Summary



		1-Mile Radius			3-Mile Radius			5-Mile Radius		
No.	City	Population	5-Yr Population Growth %	Average HHI	Population	5-Yr Population Growth %	Average HHI	Population	5-Yr Population Growth %	Average HHI
1	Akron	10,714	0.03%	\$51,959	89,918	0.09%	\$59,064	224,374	0.11%	\$60,766

Source: Esri

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