



*BJ's Wholesale Club*  
*Avon (Cleveland MSA), OH*  
*Confidential Offering Memorandum*



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# I. Executive Summary

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## 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 a high-performing suburb of Cleveland, Ohio. BJ's Wholesale Club, Inc. (the "Tenant", "Company", or "BJ's") has occupied this site for twenty years and took action to further extend the lease with the first of four renewal options commencing this November. The Property is nearly 110,000 rentable square feet and generates annual NOI of \$1,048,196 (\$9.63 PSF), a substantially below market rate.


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 NNN lease ensures no landlord responsibilities and a passive investment structure, featuring potentially 20 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

<b>Price</b>	<b>\$15,529,000</b>
<b>Price PSF</b>	<b>\$143</b>
<b>Cap Rate</b>	<b>6.75%</b>
<b>Tenant (NASDAQ)</b>	BJ's Wholesale Club, Inc. (BJ)
<b>Lease Structure</b>	NNN
<b>Initial Lease Commencement</b>	5/13/1999
<b>Lease Expiration<sup>2</sup></b>	11/19/2024
<b>Remaining Lease Term<sup>2</sup></b>	5.3 Years
<b>Rentable Area</b>	108,903 SF
<b>Site Area</b>	14.96 Acres
<b>Annual NOI<sup>1</sup></b>	\$1,048,196
<b>Annual NOI PSF<sup>1</sup></b>	\$9.63
<b>Rental Escalations</b>	Every Five Years; Lesser of CPI Increase or 6.0%
<b>Renewal Terms<sup>2</sup></b>	3 x 5 Years

1) As of November 20, 2019

2) BJ's has exercised their first five-year renewal option, commencing 11/20/2019

							
Address	City	State	Year Built	Rentable Area (SF)	Site Size (Acres)	NNN Rent PSF	Annual NOI
38292 Colorado Ave	Avon	Ohio	1999	108,903	14.96	\$9.63	\$1,048,196



## 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 immediately adjacent to Interstate 90 (70,000+ VPD).
- Annual net absorption in the Cleveland retail market has averaged 990,000 square feet over the 2014 – QTD 2019 timeframe.



Rent Schedule						
Period	Lease Year	Annual Rent	Monthly Rent	% Increase	Rent PSF	Year Ending
Primary Term	16	\$988,865	\$82,405	6.0%	\$9.08	Nov 2015
	17	\$988,865	\$82,405	0.0%	\$9.08	Nov 2016
	18	\$988,865	\$82,405	0.0%	\$9.08	Nov 2017
	19	\$988,865	\$82,405	0.0%	\$9.08	Nov 2018
	20	\$988,865	\$82,405	0.0%	\$9.08	Nov 2019
Renewal Term 1	21	<b>\$1,048,196</b>	<b>\$87,350</b>	<b>6.0%</b>	<b>\$9.63</b>	<b>Nov 2020</b>
	22	\$1,048,196	\$87,350	0.0%	\$9.63	Nov 2021
	23	\$1,048,196	\$87,350	0.0%	\$9.63	Nov 2022
	24	\$1,048,196	\$87,350	0.0%	\$9.63	Nov 2023
	25	\$1,048,196	\$87,350	0.0%	\$9.63	Nov 2024
Renewal Term 2	26	\$1,111,088	\$92,591	6.0%	\$10.20	Nov 2025
	27	\$1,111,088	\$92,591	0.0%	\$10.20	Nov 2026
	28	\$1,111,088	\$92,591	0.0%	\$10.20	Nov 2027
	29	\$1,111,088	\$92,591	0.0%	\$10.20	Nov 2028
	30	\$1,111,088	\$92,591	0.0%	\$10.20	Nov 2029
Renewal Term 3	31	\$1,177,753	\$98,146	6.0%	\$10.81	Nov 2030
	32	\$1,177,753	\$98,146	0.0%	\$10.81	Nov 2031
	33	\$1,177,753	\$98,146	0.0%	\$10.81	Nov 2032
	34	\$1,177,753	\$98,146	0.0%	\$10.81	Nov 2033
	35	\$1,177,753	\$98,146	0.0%	\$10.81	Nov 2034
Renewal Term 4	36	\$1,248,418	\$104,035	6.0%	\$11.46	Nov 2035
	37	\$1,248,418	\$104,035	0.0%	\$11.46	Nov 2036
	38	\$1,248,418	\$104,035	0.0%	\$11.46	Nov 2037
	39	\$1,248,418	\$104,035	0.0%	\$11.46	Nov 2038
	40	\$1,248,418	\$104,035	0.0%	\$11.46	Nov 2039

## II. Asset Analysis

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## II. Asset Analysis

### Investment Thesis

#### Strong Demographics

- The Property's immediate area is home to over 32,000 residents within a three-mile radius, possessing an average household income of nearly \$100,000.
- Avon, OH features an educated & well-staffed population, with over 74% of the residents possessing a level of college education and touting a compressed unemployment rate of 3.6%.

#### Stable Cash Flow from a Revered Net Lease Tenant

- The Tenant exercised their first renewal option earlier this year after 20 years of tenancy. Upon the 11/20/2019 commencement, ownership will receive annual NOI of \$1,048,196, with future renewal options escalating by six percent.
- The Company's stock has gained 42% since their June 2018 IPO, reaching a Market Cap of \$3.34B with analysts forecasting continued gains.
- 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.

#### Strong Submarket Fundamentals

- Located within Lorain County submarket of the Cleveland MSA, the Property benefits from significant retail development and absorption in its surrounding proximity.
- Collectively, over 400,000 SF has been both developed and absorbed within the submarket, signaling investor confidence for retail assets within this geography.
- The Property features a below market rent, providing strong residual value and significant upside.

### Property Overview

Address	38292 Colorado Avenue Avon, OH 44011
Tenant	BJ's Wholesale Club, Inc.
Property Type	Retail
Ownership Interest	Fee-Simple
Year Built	1999
Building Size	108,903 SF
Parcel Size	14.96 AC
Lease Type	NNN
Initial Lease Commencement	5/13/1999
Lease Expiration <sup>2</sup>	11/19/2024
Remaining Lease Term <sup>2</sup>	5.3 Years
Annual NOI <sup>1</sup>	\$1,048,196
Rent PSF <sup>1</sup>	\$9.63
Rent Escalations	Every Five Years; Lesser of CPI Increase or 6.0%
Renewal Options <sup>2</sup>	3 x 5 Years

1) As of November 20, 2019

2) BJ's has exercised their first five-year renewal option, commencing 11/20/2019





### *Key Asset Highlights*

- NNN lease structure with zero landlord responsibilities
- Long-term occupancy at an established location
- Strong demographic profile in submarket
- Retail corridor features very limited vacancy and possesses leading tenants including Lowe's Home Improvement, Walmart, The Home Depot, Target, and Cabela's
- Asset's current rent PSF is below market average, limiting rent replacement & investment yield risks
- Additional consumer demand generated with BJ's Gas via its proximity to numerous automotive retail & dealerships tenancies





## II. Asset Analysis

### *Aerial Map: BJ's – Avon, Ohio*





## III. Tenant Overview

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### 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

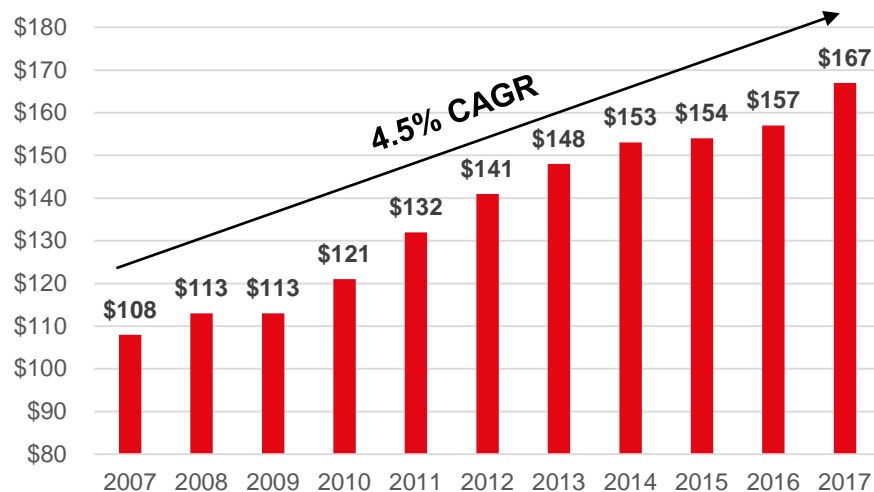
Company	BJ's Wholesale Club Holdings, Inc. (BJ)
NASDAQ Ticker / Mkt. Cap	BJ / \$3.34 billion
Credit Rating / Outlook (S&P)	B+ / Stable
Industry	Specialty Retail
Founded	1984
FY 2018 Revenue	\$13.0B
FY 2018 Adj. EBITDA	\$578 million
Adj. EBITDA 2015-2018 CAGR	12.5%
Headquarters	Westborough, Massachusetts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

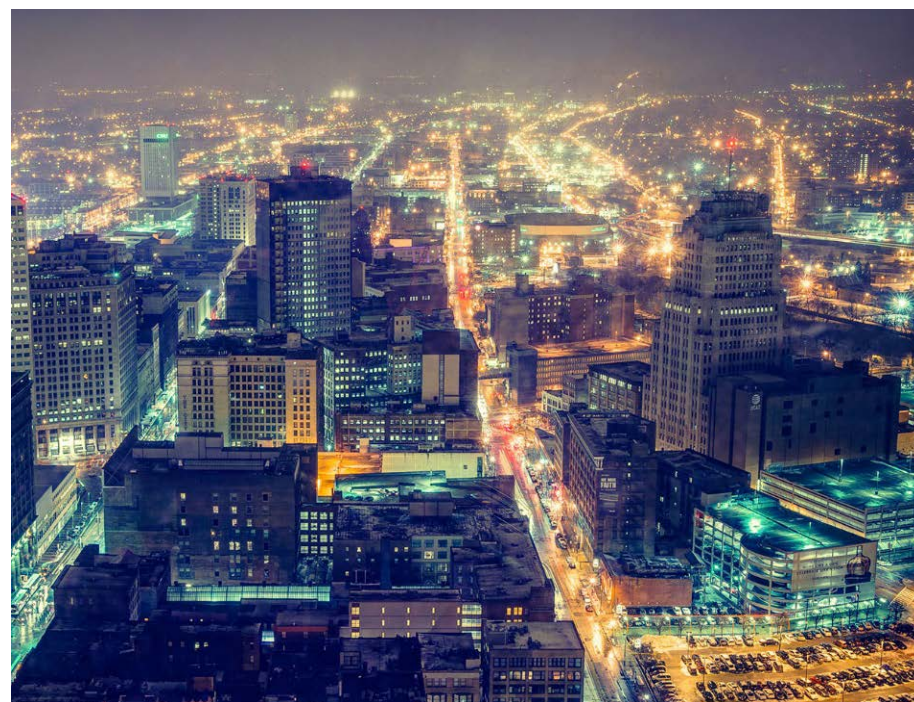
## IV. Market & Location Overview

### *Market Dynamics – Cleveland, OH*

- The Cleveland region, ranking as the 12th largest economic area in the U.S., is home to significant operation centers for 24 Fortune 500 companies, including Goodyear Tire, The J.M. Smucker Company, Progressive Insurance, Sherwin-Williams, and Travel Centers of America.
- Between 2000 and 2018, Cleveland's downtown population increased by over 85%. In addition to this rise in population, incomes have also risen significantly, and these demographic trends have spurred commercial development in the area.
- Cleveland has attracted people to the city by excelling in areas such as an overall cost of living 9.4% below the national average, short commutes, great schools and neighborhoods, and a growing cultural community.
- With net absorption in the market at a resounding 1.02 million SF year to date and more than 1.03 million SF under construction, the market displays several encouraging real estate fundamentals and benefits from strong surrounding demographics.
- In total, 29 projects with more than \$3.5 billion invested were completed between 2016 and 2018. This significant commercial expansion resulted in an addition of 3,315 residential units and 1,500 hotel rooms to downtown Cleveland.



Freestanding Retail Statistics	Lorain County	Cleveland
	Submarket	Market
Current # of Buildings	1,410	17,350
Total GLA (SF)	9,810,000	128,989,000
YTD Deliveries (SF)	235,800	1,123,000
YTD Net Absorption (SF)	172,000	1,028,800
Current Vacancy	2.1%	2.3%
Quoted Market Rent PSF	\$9.96	\$11.17

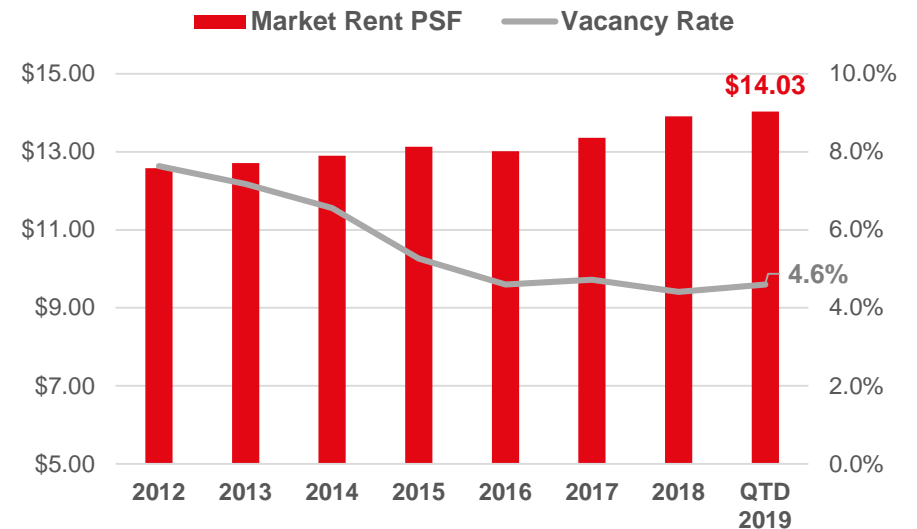




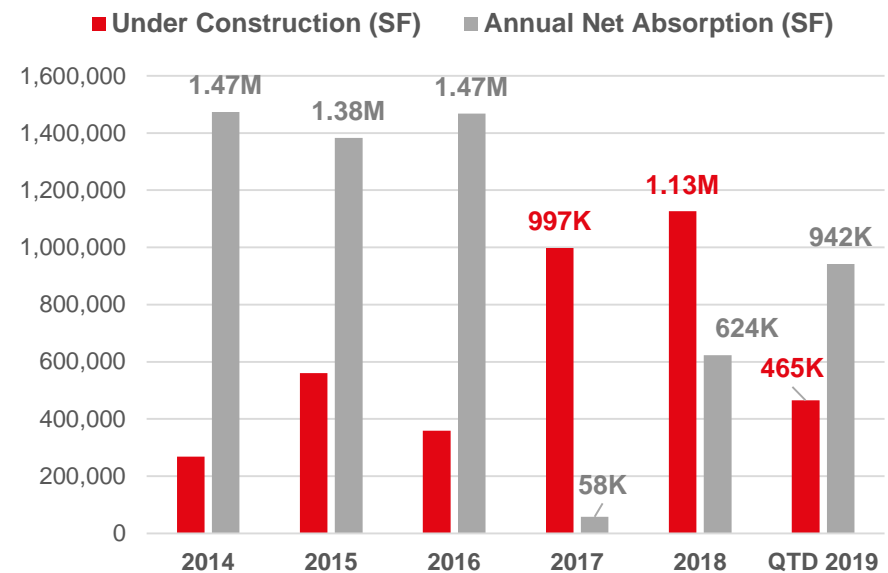
## IV. Market & Location Overview

### *Robust and Improving Retail Fundamentals in the Cleveland Market*

- Annual net absorption has totaled 5.95M SF since 2014, averaging ~990K over the 2014-2019 timeframe.
- Retail construction has shown strong performance as well, proving investor confidence in the market. Under Construction SF has averaged ~630K SF from 2014 – QTD 2019.
- Vacancy has dropped by 3.0% since 2012, remaining at an average 4.6% since 2016, which has increased market rent PSF to \$14.03 as of QTD 2019.
- The market rent in the Lorain County submarket sits at \$11.72 PSF, significantly lower than the adjacent West submarket at \$16.40 PSF, implying significant room for growth and development.



Source: CoStar; Market Rent is "gross"



## IV. Market & Location Overview

### Demographic Summary

#### Cleveland Hopkins Airport (CLE)

<b>Distance from BJ's</b>	~10 miles
<b>2018 # of Travelers</b>	9.64M
<b>National Ranking</b>	43 <sup>rd</sup> Busiest
<b>Y-o-Y Increase from 2017</b>	5.50% (502K)
<b>Daily Nonstop Departures</b>	156
<b>Public Parking Spaces</b>	6,000+



		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	Avon	4,330	1.49%	\$87,307	32,367	0.99%	\$98,269	105,792	0.63%	\$90,731

Source: Esri



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