



CBRE

CAPITAL MARKETS | NATIONAL RETAIL PARTNERS-WEST



AT RITA RANCH

10105 EAST OLD VAIL ROAD, TUCSON, AZ



INVESTMENT SUMMARY

OFFERING PRICE	\$2,002,000
CURRENT OCCUPANCY	100%
NOI (YEAR 1)	\$100,088
CAP RATE (YEAR 1)	5.00%
TOTAL BUILDING AREA	824 SF
TOTAL LAND AREA	10,038 SF (±.23 acres)
PARKING SPACES	18 (±22 spaces per 1,000 SF)
WEBSITE	www.nrpwest.com/tucsondutchbros

INVESTMENT HIGHLIGHTS

Credit Tenant NNN STNL Investment

- **Corporate NNN Lease – 100% NNN** leased to Dutch Bros. Coffee, the largest privately held drive-through coffee chain in the United States
 - » Dutch Bros. operates over **328** stores, has a revenue of **\$495 million** and employs over **9,000 people**
 - » Dutch Bros. recently incorporated a minority stake investment from TSG Consumer Partners, which will support in their endeavor to add **500 new stores** by 2024
- **Long Term Lease** – Dutch Bros. is on a new, long-term **15-year lease** with three, 5-year options renew
- **Ample Rent Growth** – There are **10%** increases every five years, including the options, providing the landlord with a strong hedge against inflation

High Identity, High Traffic Location

- **Residential and Commercial Density** – Proximity to one of Tucson's fastest growing residential areas, keeping the property busy throughout the day, every day of the week
- **High Visibility, High Traffic Location** – Dutch Bros. is located at Old Vail Rd. and S Houghton Rd. (**25,526 cars per day**) optimized by its frontage along Old Vail Rd
- **Point of Destination Food and Service Oriented Shopping Center** – Dutch Bros. is joining an all-star tenant lineup at Las Plazas at Old Vail including **Taco Bell, Arby's, Big O Tires, Baggin's Gourmet Sandwiches, Freddy's Frozen Custard and Steakburgers, Rancho Rustico** and **Native Grill & Wings**



● EMPIRE HIGH SCHOOL

RanchO
RústicoO

BAGGIN'S
Gourmet Sandwiches

DUTCH BROS
Coffee

at Rita Ranch

NORTHWEST
MEDICAL CENTER

EAST OLD VAIL ROAD (±4,526 CPD)



INVESTMENT HIGHLIGHTS

(CONTINUED)

Excellent Real Estate Fundamentals

- **Brand New 2019 Build-to-Suit** – This high image drive through Dutch Bros. is newly constructed as a build-to-suit development and was delivered to the tenant in February 2019
- **Ample Parking** – Dutch Bros. supplies more than **18** parking spaces (21: 1,000 SF)— creating a meaningful amenity for customers throughout the day

Affluent, Tucson Demographics

- More than **18,318** people in a 3-mile radius with an Average Household Income of **\$99,700**
- More than **40,895** people in a 5-mile radius with an Average Household Income of **\$99,200**
- More than **210,337** people in a 10-mile radius with an Average Household Income of **\$74,200**

Ideal 1031 Exchange Upleg

- **Recently Constructed** – High-quality, **2019 construction** with no deferred maintenance in the next several years
- **Coupon Clipper** – NNN leased investment with a long-term lease to a **national credit tenant** with minimal landlord management or maintenance obligation
- **Debt Free** – Dutch Bros. is offered **free and clear of existing financing**, allowing a potential purchaser an opportunity to customize debt to achieve optimal returns





SNAPSHOT: TUCSON AREA

The Tucson Metro area boasts over 1,000,000 residents and continues to rapidly grow. In the last year alone, the population growth and demand for homes in Tucson helped to push the average home value up by almost 5% according to Zillow. This growing demand for housing has prompted several new developments across the city in recent years, most notably in the community of Rita Ranch, where Dutch Bros. is located. Two prominent housing developments in the area are Encantada at Rita Ranch, a 312-unit luxury apartment complex, and Saguaro Trails, a residential neighborhood that will eventually encompass hundreds of houses over 173 acres.

Tucson has seen its own share of job growth over the last year as well. This growth has been aided by the expansion of business operations in the city, including Amazon's construction of a brand new 855,000 SF warehouse and a new federally-designated 112-acre mixed-use "opportunity zone" called The Bridges. The opportunity zones have already proven themselves as major drivers of business in Southern Arizona as Geico recently expanded their operation in Tucson and brought 1,500 jobs to The Bridges complex. These jobs are bolstered by the top-notch talent produced by the nearby University of Arizona. The university is one of the top-rated universities in the nation and boasts an enrollment of over 45,000 students. Some of the more popular majors are business, health-related, and computer science degrees, which feed into the popular industries of the surrounding area. Tucson's access to top talent and successful efforts to attract new business have put the city in a strong position to continue its growth.



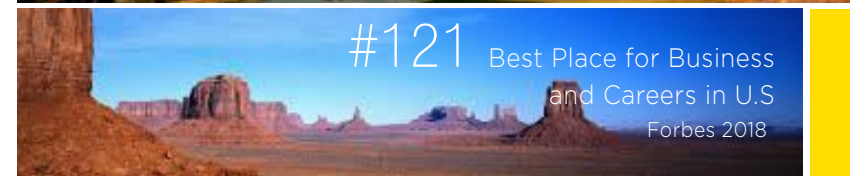
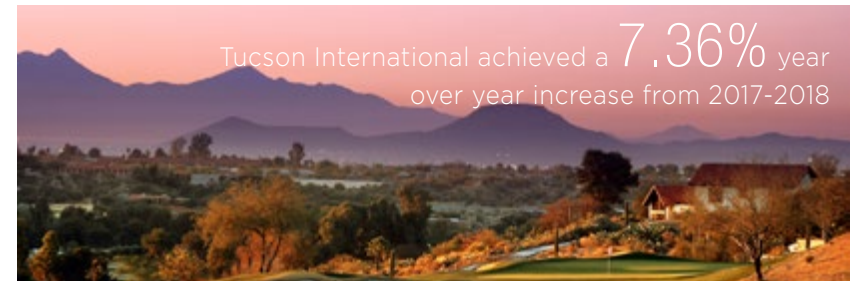
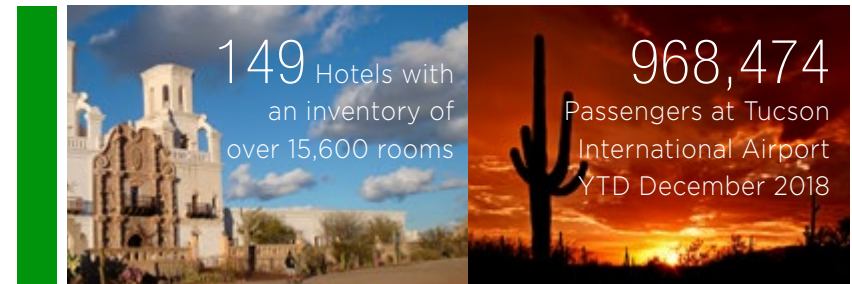
WEATHER



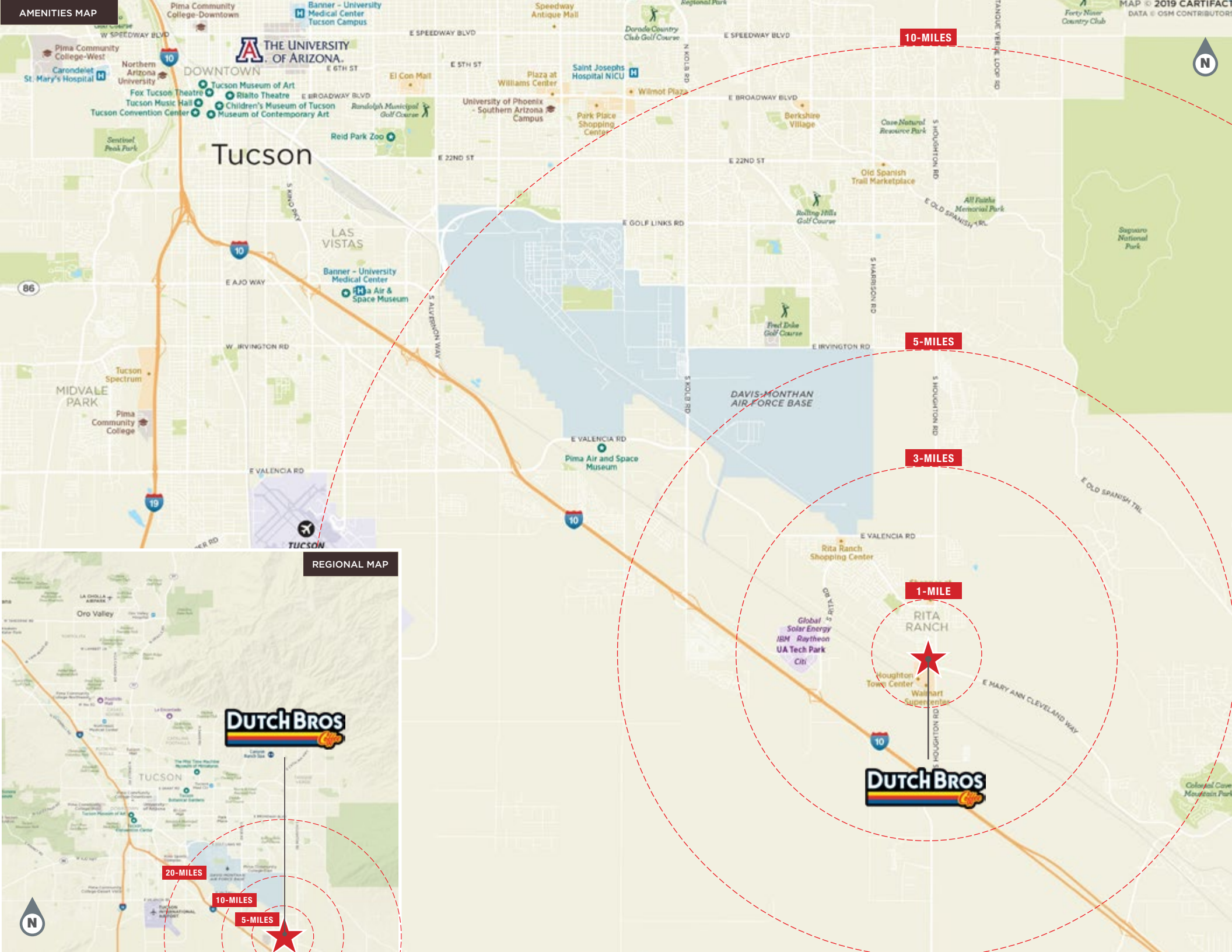
TOP EMPLOYERS IN TUCSON

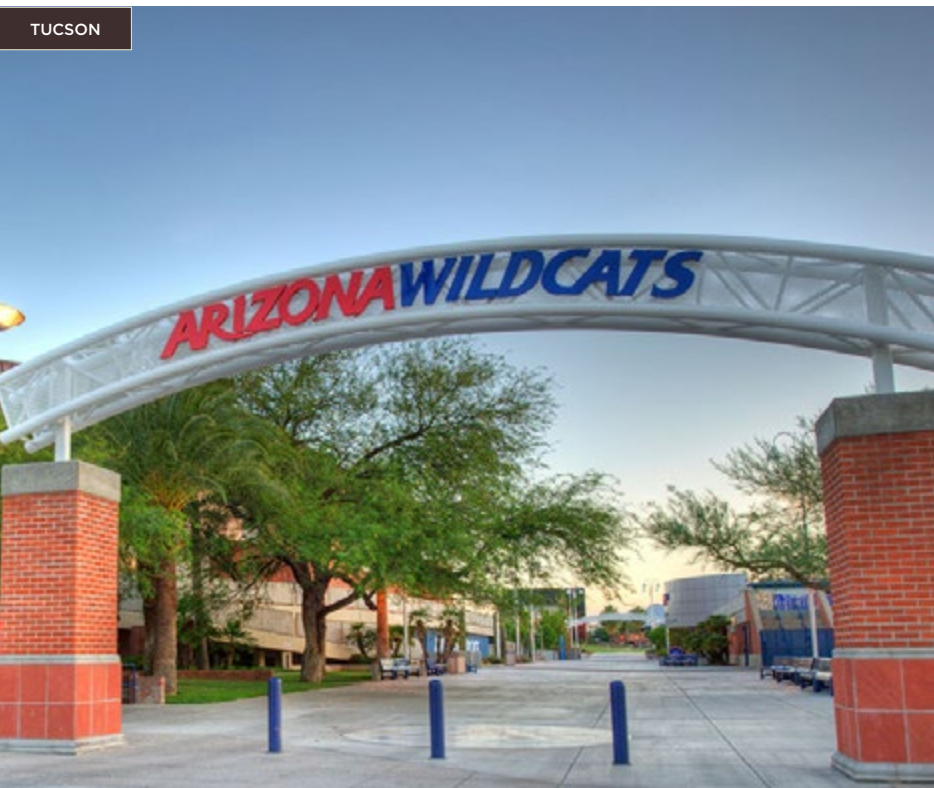


TUCSON FACT FILE



AMENITIES MAP



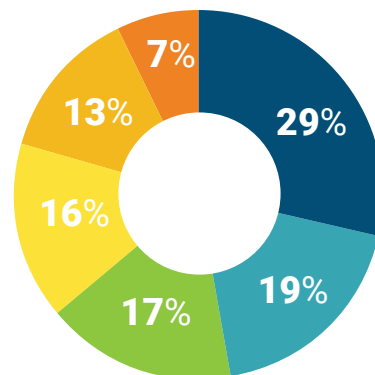


SNAPSHOT: TUCSON AREA

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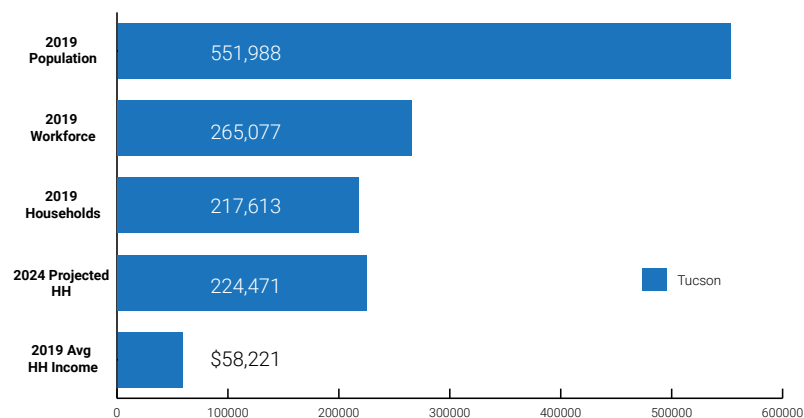
TOP EMPLOYMENT



- Business and Finance
- Manufacturing, Trade and Transportation
- Educational and Health Services
- Food and Entertainment
- Mining Agriculture and Construction
- Public Administration and Utilities



TUCSON DEMOGRAPHICS



PROPERTY OVERVIEW

LOCATION

10105 E. Old Vail Rd
Tucson, AZ 85747

SITE

Dutch Bros. Coffee is located at the NW corner of E. Old Vail Rd. and S. Houghton Rd. in the city of Tucson, AZ.

LAND AREA

The listing consists of 1 parcel (APN 141-18-5870) totaling approximately 0.23 acres or 10,038 SF of land area.

BUILDING AREA

The subject consists of 1 retail building totaling approximately 824 SF of net rentable area.

FRONTAGE & ACCESS

Access points into the center include 1 entrance off E. Old Vail Rd.

PARKING

Dutch Bros. Coffee provides 18 parking stalls which equates to 22 spaces per 1,000 SF parking ratio.

TRAFFIC COUNTS

E. Old Vail Rd
S. Houghton Rd

±4,526 CPD
±21,000 CPD

BUILT

Dutch Bros. Coffee was built in 2019.

ZONING

Per the City of Tucson, the subject site is currently zoned as I-1 - Light Industrial.





TENANT OVERVIEW



Dutch Bros Coffee | www.dutchbros.com

Dutch Bros Coffee was founded in 1992 by two brothers of Dutch descent. Today, Dutch Bros Coffee is the country's largest privately held drive-thru coffee company, with 328 locations in seven states and over 9,000 employees. The company recently announced plans to add 500 more drive-thru coffee stands in the next five years after selling a minority stake in the business to private equity firm, TSG Consumer Partners. With its loyal customer base, Dutch Bros Coffee is primed to continue growing, and wherever it does, the love and smiles grow also.

Private
Ownership

328
Locations

9,000
Employees

Grants Pass, OR
Headquarters



LEASE ABSTRACT

Tenant:	BB Holdings AZ, LLC dba Dutch Bros. Coffee					
Date Of Lease:	September 13, 2018					
Rent Commencement:	March 6, 2019					
Lease Expiration:	March 31, 2034					
Renewal Options:	Three (3) - five (5) year options					
Rent/Yr:	Current - 3/31/24: \$100,000	4/1/24 - 3/31/29: \$110,000	4/1/29 - 3/31/34: \$121,000	Option 1: \$133,100	Option 2: \$146,410	Option 3: \$161,051
Permitted Use:	Tenant may use the Premises for a drive-through coffee outlet and related activities, or for any other lawful use.					
Real Estate Taxes:	Tenant will pay all Real Estate taxes and assessments levied, charged or assessed against the Premises. Real Estate Taxes include all taxes, public and governmental charges, including, without limitation all community assessments, betterments, sewer entrance fees and public charges, all business improvement district charges, and all extraordinary or special assessments levied, assessed or imposed by any governmental authority.					
Utilities:	Tenant will pay for utilities supplied to the Premises. Landlord will transfer all individually metered utilities into Tenant's name. For utilities that are not individually metered, Tenant will pay landlord for the utilities used within 30 days of receiving Landlord's invoice setting forth the amount to be paid.					
Common Area Costs:	<p>Tenant will pay its pro-rata share of reasonable and actual common area expense charges incurred by Landlord in maintaining the Common Areas.</p> <p>Landlord may not increase CAM (excluding real estate taxes, insurance and utilities for the Common Areas) by more than five percent (5%) in the aggregate in any five (5) year period.</p> <p>All property management, administrative, and similar fees, costs and expenses (whether paid to Landlord or a third-party) shall not exceed ten percent (10%) of total CAM (excluding any costs for utilities, taxes, and insurance).</p>					
Repairs and Maintenance:	<p>Landlord will repair and maintain, in good order and condition, and if necessary replace, during the Term: (i) the Building, including the roof, exterior walls, footings, foundation, subfloor, roof gutters and drains, and flashings; (ii) all items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles; (iii) all utility connections, conduits, sewers, and drains in, on, or about the vicinity of the Premises as are or may be installed by or are under the control of Landlord; and (iv) HVAC replacement. Landlord shall also repair and maintain all Common Areas of the Development.</p> <p>Tenant will repair and maintain, at its own cost, the drive through improvements on the Premises, as well as the Building's interior, any improvements constructed or installed on the Premises by Tenant, and HVAC system in good order and repair.</p>					
Tenant Assignment and Subletting:	Except for a Permitted Transfer, Tenant may not assign or sublease any part of the Premises without the prior written consent of Landlord, which Landlord may not unreasonably withhold, condition, or delay. Nothing in the assignment or sublease may alter, amend, or in any way change the terms of the Lease or relieve Tenant of its obligations under the Lease.					

ASSUMPTIONS

GLOBAL		EXPENSES		SECOND GENERATION LEASING	
Analysis Period		Operating Expense Source	Estimated ^[2]	Retention Ratio	80%
Commencement Date	December 1, 2019				
End Date	November 30, 2029	Management Fee (% of EGR)	None	Financial Terms	
Term	10 Years			2019 Monthly Market Rent	\$10.15 PSF
		Real Estate Taxes Reassessed	No ^[3]	Rent Adjustment	10% Every 5 Yrs
Area Measures				Lease Term	10 Years
Building Square Feet (SF)	824 SF			Expense Reimbursement Type	NNN ^[4]
		FINANCING			
Growth Rates		For customized Debt Quotations, please contact:		Tenanting Costs	
Consumer Price Index (CPI)	3.00%	SHAUN MOOTHART		Rent Abatements	^[5]
Other Income Growth Rate	3.00%	+1 949 509 2111		New	3 Month(s)
Operating Expenses	3.00%	Lic. 01773201		Renewal	0 Month(s)
Real Estate Taxes	3.00%	shaun.moothart@cbre.com		Weighted Average	0.60 Month(s)
Market Rent Growth		CBRE Debt & Equity Finance (DEF) is a division of CBRE Inc. In the US, DEF represents approximately 300 lenders including: banks, life insurance companies, pension funds, CMBS lenders and a variety of other lending sources. DEF also acts as a correspondent for over 200 life insurance companies. The Quote above is an approximation of available terms.			
	CY 2020			Tenant Improvements (\$/SF)	
	CY 2021			New	\$30.00 PSF
	CY 2022			Renewal	\$6.00 PSF
	CY 2023			Weighted Average	\$10.80 PSF
	CY 2024				
	CY 2025			Commissions	^[6]
	CY 2026			New	6.00%
	CY 2027			Renewal	1.20%
	CY 2028			Weighted Average	2.16%
	CY 2029+				
General Vacancy Loss	None			Downtime	
				New	12 Month(s)
Capital Reserves (CY 2019 Value)	\$0.25 PSF ^[1]			Weighted Average	2 Month(s)

Notes: All market rent rates are stated on calendar-year basis.

[1] Capital Reserves do not inflate during the term of the analysis.

[2] Operating Expenses are estimated at \$3,871 /yr for CAM, \$1,769 /yr for Utilities, and \$0.25 /sf/yr for Insurance.

[3] Real Estate Taxes in this analysis are equal to the most recent available tax bills (plus estimated inflation). Each Investor should make their own assumption regarding the impact, if any, a sale has on tax amount.

[4] Future tenants are assumed to reimburse their pro rata share of all expenses.

[5] Rent Abatement includes NNN charges as well as base rent.

[6] Leasing Commissions are calculated by applying 100% of the rates shown above for lease years 1-5, and 50% of the above rates for lease years 6 and beyond.

You are solely responsible for independently verifying the information in this Memorandum. **ANY RELIANCE ON IT IS SOLELY AT YOUR OWN RISK.**

CASH FLOW

Fiscal Year		12/19-11/20	12/20-11/21	12/21-11/22	12/22-11/23	12/23-11/24	12/24-11/25	12/25-11/26	12/26-11/27	12/27-11/28	12/28-11/29	12/29-11/30
Physical Occupancy		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Overall Economic Occupancy ^[1]		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Operating Expenses PSF Per Year		\$15.89	\$16.37	\$16.86	\$17.36	\$17.89	\$18.42	\$18.97	\$19.54	\$20.13	\$20.74	\$21.36
REVENUES	FY 2020 ^[2]											
	\$/SF/MO											
Scheduled Base Rent												
Gross Potential Rent	\$10.11	\$100,000	\$100,000	\$100,000	\$100,000	\$106,667	\$110,000	\$110,000	\$110,000	\$110,000	\$117,333	\$121,000
Absorption & Turnover Vacancy	0.00	0	0	0	0	0	0	0	0	0	0	0
Base Rent Abatements	0.00	0	0	0	0	0	0	0	0	0	0	0
Total Scheduled Base Rent	10.11	100,000	100,000	100,000	100,000	106,667	110,000	110,000	110,000	110,000	117,333	121,000
Expense Reimbursements	1.33	13,182	13,455	13,737	14,027	14,811	15,280	15,598	15,924	16,261	17,171	17,715
TOTAL GROSS REVENUE	11.45	113,182	113,455	113,737	114,027	121,478	125,280	125,598	125,924	126,261	134,504	138,715
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS REVENUE	11.45	113,182	113,455	113,737	114,027	121,478	125,280	125,598	125,924	126,261	134,504	138,715
OPERATING EXPENSES												
CAM	(0.40)	(3,977)	(4,097)	(4,220)	(4,346)	(4,477)	(4,611)	(4,749)	(4,892)	(5,039)	(5,190)	(5,345)
Utilities	(0.18)	(1,818)	(1,872)	(1,928)	(1,986)	(2,046)	(2,107)	(2,170)	(2,235)	(2,303)	(2,372)	(2,443)
Insurance	(0.02)	(212)	(218)	(225)	(231)	(238)	(245)	(253)	(260)	(268)	(276)	(284)
Real Estate Taxes	(0.72)	(7,087)	(7,300)	(7,519)	(7,745)	(7,977)	(8,216)	(8,463)	(8,717)	(8,978)	(9,248)	(9,525)
TOTAL OPERATING EXPENSES	(1.32)	(13,094)	(13,487)	(13,892)	(14,308)	(14,738)	(15,179)	(15,635)	(16,104)	(16,588)	(17,086)	(17,597)
NET OPERATING INCOME	10.12	100,088	99,968	99,845	99,719	106,740	110,101	109,963	109,820	109,673	117,418	121,118
CAPITAL COSTS												
Tenant Improvements	0.00	0	0	0	0	0	0	0	0	0	0	0
Leasing Commissions	0.00	0	0	0	0	0	0	0	0	0	0	0
Capital Reserves	(0.02)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)
TOTAL CAPITAL COSTS	(0.02)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)
OPERATING CASH FLOW	\$10.10	\$99,882	\$99,762	\$99,639	\$99,513	\$106,534	\$109,895	\$109,757	\$109,614	\$109,467	\$117,212	\$120,912
ACQUISITION & RESIDUAL SALE												
Purchase Price	(\$2,002,000)	0	0	0	0	0	0	0	0	0	0	
Tenant Improvements	0	0	0	0	0	0	0	0	0	0	0	
Leasing Commissions	0	0	0	0	0	0	0	0	0	0	0	
Net Residual Value ^[3]	0	0	0	0	0	0	0	0	0	0	2,001,080	All Cash IRR
CASH FLOW BEFORE DEBT	(\$2,002,000)	\$99,882	\$99,762	\$99,639	\$99,513	\$106,534	\$109,895	\$109,757	\$109,614	\$109,467	\$2,118,292	5.26%
NOI Return		5.00%	4.99%	4.99%	4.98%	5.33%	5.50%	5.49%	5.49%	5.48%	5.87%	
UNLEVERAGED Cash Return		4.99%	4.98%	4.98%	4.97%	5.32%	5.49%	5.48%	5.48%	5.47%	5.85%	
Rolling - All Cash IRR		N/M	N/M	N/M	2.09%	3.33%	3.71%	3.97%	4.17%	4.93%	5.26%	

[1] This figure takes into account vacancy/credit loss, absorption vacancy, turnover vacancy, and base rent abatements.

[2] Based on 824 square feet.

[3] Net Residual Value is calculated by dividing Year 11 NOI by the Residual Cap Rate of 5.75% and applying a 5.00% Cost of Sale.

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RENT ROLL

Suite	Tenant Name	Square Feet	% of Property	Lease Term		Rental Rates					Recovery Type	Market Assumption / Market Rent
				Begin	End	Begin	Monthly	PSF	Annually	PSF		
100	Dutch Bros	824	100.00%	Mar-2019	Mar-2034	Current	\$8,333	\$10.11	\$100,000	\$121.36	NNN + 10% Ad	Market
	Coffee					Apr-2024	\$9,167	\$11.13	\$110,004	\$133.50	(CAP)	\$10.15 NNN
						Apr-2029	\$10,083	\$12.24	\$120,996	\$146.84		

Notes:

Tenant has three (3) - five (5) year options at \$11,091.67, \$12,200.83, and \$13,420.92 /mo, respectively. Tenant has a 5% cap on CAM excluding Taxes, Insurance, and Utilities in any five (5) year period (hitting, modeled).

TOTALS / AVERAGES	824						\$8,333	\$10.11	\$100,000	\$121.36		
OCCUPIED SF	824	100.0%										
AVAILABLE SF	0	0.0%										
TOTAL SF	824	100.0%										



EXCLUSIVELY MARKETING BY

NRP-WEST

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John Eddy	Eric Shain
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CBRE



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If after reviewing this Memorandum, you have no further interest in purchasing the Property, kindly return it to CBRE, Inc.

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