

OFFERING MEMORANDUM

SILVERDALE AUTOMOTIVE CENTER

10726 SILVERDALE WAY NW | SILVERDALE, WA 98383

EXCLUSIVELY LISTED BY

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Marcus & Millichap

TERMS OF THE OFFERING



**10726 SILVERDALE
WAY NW, SILVERDALE**

ADDRESS

\$2,605,000

PRICE

6.25%

CAP RATE

7.07%

**CAP RATE
(PROFORMA)**

15,308 SF

BUILDING SIZE

\$170.17

PRICE/SF

1.07 ACRES

LOT SIZE

INVESTMENT OVERVIEW

Marcus & Millichap has been exclusively selected to market for sale the Silverdale Automotive Center in Silverdale, Washington. The property is comprised of a 15,308 square foot building occupied by four tenants. Goodyear, Midas and Safelite AutoGlass anchor the property and all three have recently executed lease renewals showing their commitment to the location. Midas executed a 10-year lease renewal, while Goodyear and Safelite executed 5-year leases. Additionally, Goodyear and Midas have a 30-year operating history, and Safelite has been a tenant for nearly 7 years.

The property benefits from below-market rents, which average \$11.43/sf/yr + NNN. Comparable retail centers in the immediate trade area are generating rents between \$16 - \$21/sf/yr + NNN. Furthermore, Bella Cupcakes occupies approximately 10% of the GLA and is on a month-to-month lease at \$11.43/sf/yr Full Service. Leasing this space up at market rent provides an investor with significant near-term NOI growth.

Benefiting from its location in the region's premier retail hub, Silverdale Automotive is in close proximity to dozens of major retailers such as Costco, Best Buy, Home Depot, Lowe's, Sportsman's Warehouse, and Target. Within blocks is CenterCal's new retail development, The Trails at Silverdale, which is anchored by Home Goods, Total Wine & More, Ulta Beauty, Old Navy, and Marshall's. Moreover, CHI Franciscan is expanding its medical campus with the development of a \$500,000, 9-story hospital tower with over 262 beds. The first phase of construction is slated for 2020.



RETAIL TRADE MAP



INVESTMENT HIGHLIGHTS



NATIONALLY RECOGNIZED ANCHORS

Goodyear, Midas and Safelite are leading brands in the automotive industry and make-up 90% of the total GLA



30-YEAR OPERATING HISTORY

Goodyear and Midas have operated in this location for over 30 years each and Safelite has been a tenant for nearly 7 years



RECENT LEASE EXTENSIONS

Midas recently renewed its lease for 10 years, while Goodyear and Safelite renewed for 5, showing the tenants commitment to the location



BELOW MARKET RENT

Features an average rent of \$11.09/sf/yr + NNN. Comparable retail rents range from \$16 - \$22/sf/yr + NNN



SIGNIFICANT NEAR-TERM NOI GROWTH

Bella Cupcakes, currently on a month-to-month lease, pays \$11.43/sf/yr Full Service, providing for a substantial opportunity to quickly increase overall cash flow



STRONG RETAIL TRADE AREA

Situated in the region's most prominent retail shopping destination and adjacent to the Kitsap Mall, Costco, Home Depot, Lowe's, Best Buy, Target, as well as CenterCal's new retail development, The Trails at Silverdale



HOSPITAL EXPANSION

Slated for completion in 2020, the first phase of the Harrison Medical Campus will consist of a 9-story, 500,000 sf, state-of-the-art hospital tower with 262 beds

HARRISON
MEDICAL CENTER
Part of Franciscan Health System

COSTCO
WHOLESALE

LOWE'S

SPORTSMAN'S
WAREHOUSE

CHUCK E CHEESE'S

RE/MAX

KAISER
PERMANENTE

H&R BLOCK

GOODYEAR

EVER STRONG

SILVERDALE WAY NW



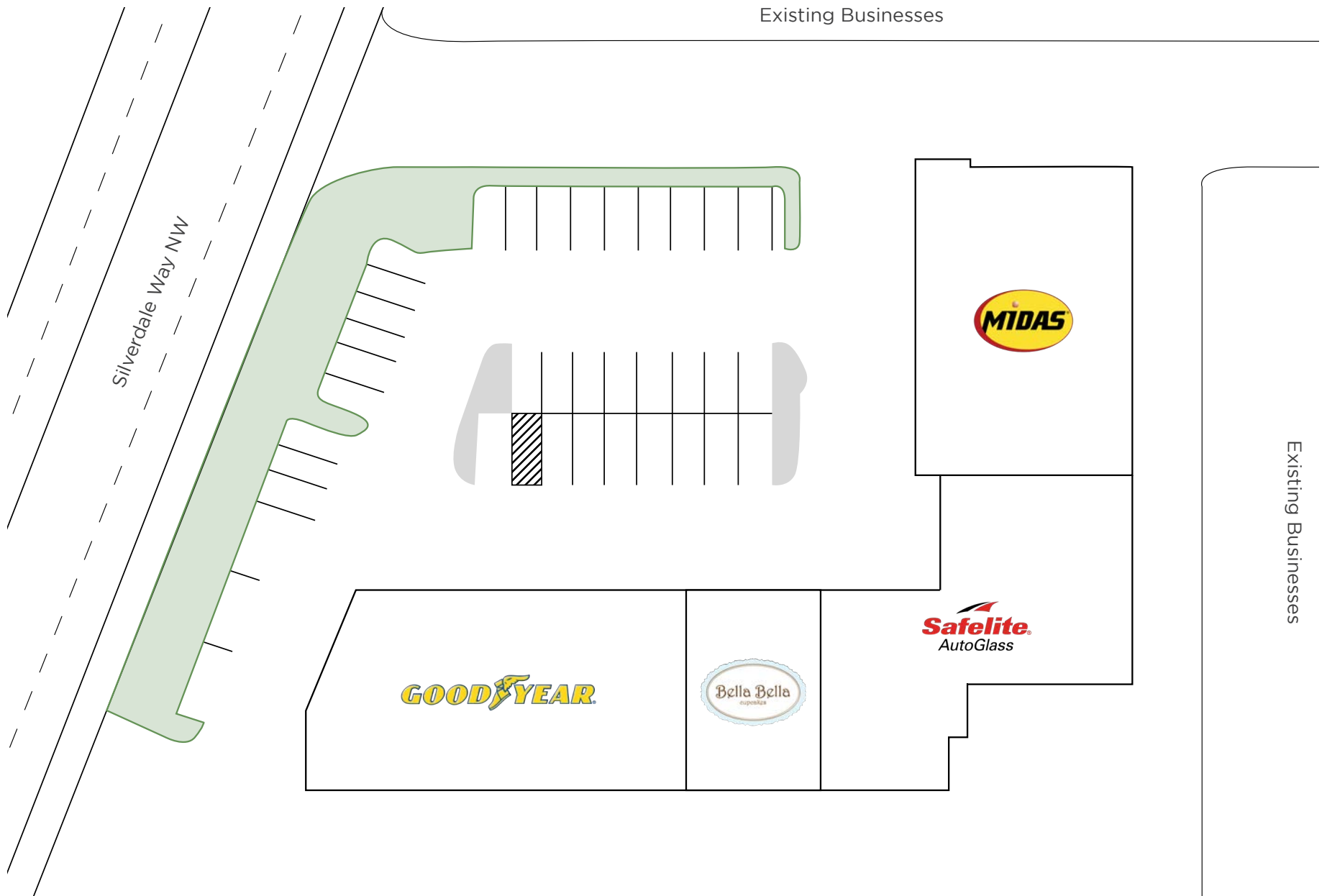
KITSAP MALL		
KOHL'S	★ macy's	TJ-maxx
sears	DICK'S SPORTING GOODS	H&M
JCPenney	Michaels MAKE CREATIVITY HAPPEN	BARNES & NOBLE



NW MYHRE RD

SILVERDALE WAY NW

SITE PLAN



RENT ROLL

TENANT NAME	SF	% BLDG SHARE	LEASE DATES		ANNUAL					
			COMM.	EXP.	RENT/SF	TOTAL RENT/MO.	RENT/YEAR	LEASE TYPE	RENTAL INCREASES	RENEWAL OPTIONS (OPTION RENT)
Goodyear	4,832	31.6%	6/16/86	2/28/22	\$13.56	\$5,460	\$65,522	NNN	None	2 x 5 Years (5% Increase Each Option)
Midas	4,400	28.7%	3/23/86	12/31/27	\$12.68	\$4,650	\$55,796	NNN	CPI Annual	2 x 5 Years (Adjusts to FMV with CPI annual increases)
Safelite AutoGlass	4,426	28.9%	2/1/13	7/31/23	\$10.51	\$3,876	\$46,509	NNN	1.5% Annual	1 x 5 Years (Adjusts to FMV)
Bella Cupcakes	1,650	10.8%	10/1/10	MTM	\$11.43	\$1,572	\$18,864	Gross	NA	MTM
Total	15,308				\$12.20	\$15,558	\$186,690		\$51,024	



TENANT OVERVIEWS



GOODYEAR

Goodyear is one of the world's leading tire companies, with one of the most recognizable brand names and operations in most regions of the world. Together with its U.S. and international subsidiaries, Goodyear develops, manufactures, markets and distributes tires for most applications.

Goodyear also manufactures and markets rubber-related chemicals for various applications. It is one of the world's largest operators of commercial truck service and tire retreading centers. In addition, it operates approximately 1,000 tire and auto service center outlets where it offers its products for retail sale and provides automotive repair and other services.

Goodyear manufactures its products in 47 facilities in 21 countries. It has marketing operations in almost every country around the world.



MIDAS

Midas is an industry-leading tire and auto-repair franchise, offering comprehensive automotive services: oil change, brakes, tires, exhaust, steering & suspension, wheel alignment and more. Midas Fleet Services offer one of the most comprehensive fleet management systems available, with web-based fleet management capabilities, universal credit products and a premier network of service locations.

Since opening their first repair shop in 1956, Midas' "customer first" approach has made the brand one of the largest automotive service providers in the world. More than 60 years later, a strong commitment to trust, service, and reliability continue to fuel the brands growing success today.

Midas operates over 2,100 franchised, licensed and company-owned stores in 14 countries, including over 1,200 in the United States and Canada.



SAFELIGHT AUTOGLASS

With over 70 years of service, Safelite was founded at a single location in Wichita, Kansas in 1947 and has grown to become the largest auto glass specialist company in the United States with more than 720 locations nationwide. It is a member of the Safelite Group, the world's largest family of retail auto glass companies. Safelite Group, a subsidiary of Belron, is a multifaceted auto glass and claims management service organization composed of three major business operations, which include Safelite Fulfillment, Inc., Safelite Solutions LLC, and Service AutoGlass®.

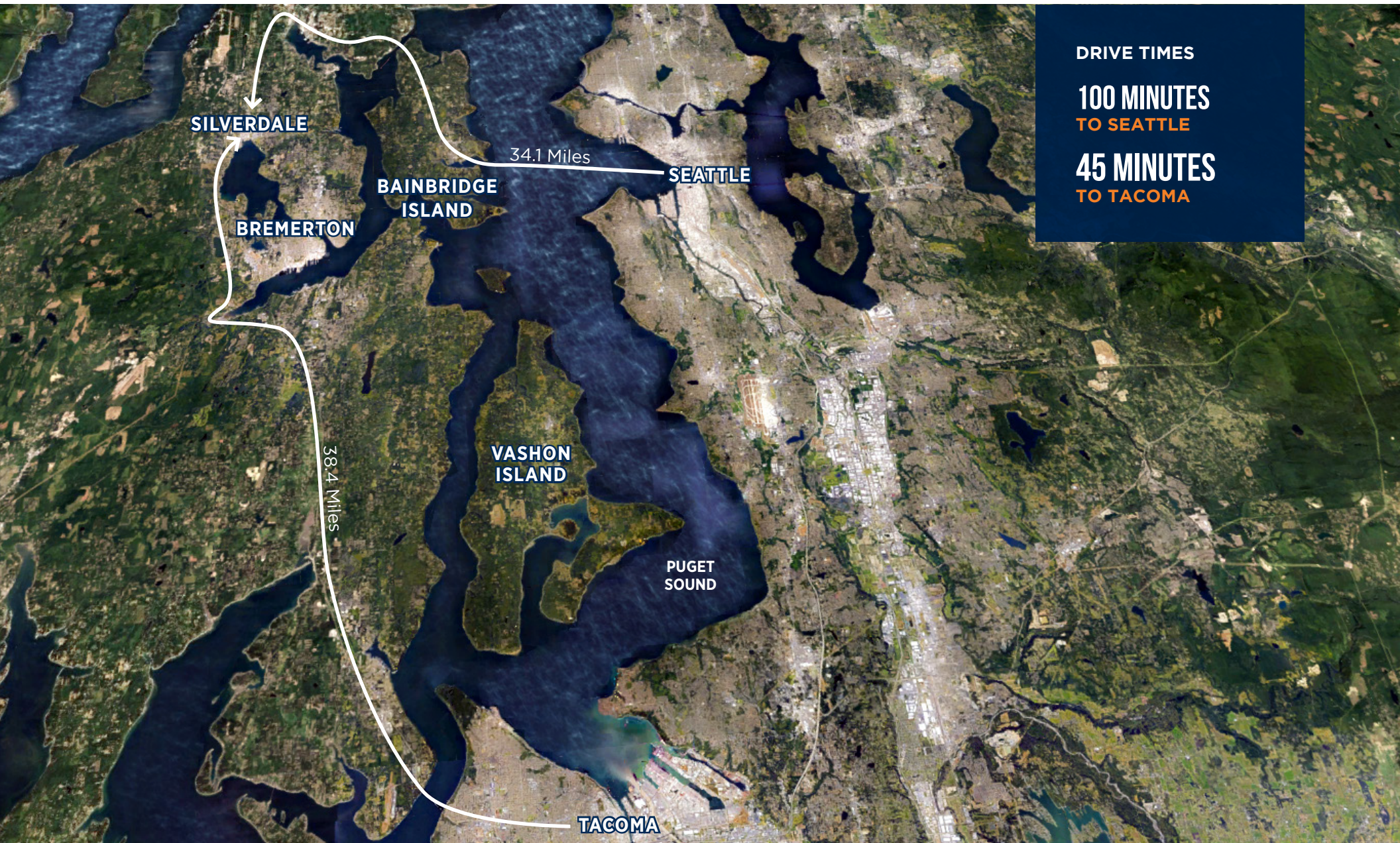
The retail auto glass division of Safelite specializes in replacing all types of vehicle glass damage. As the largest auto glass repair and replacement organization in the U.S., the company's 6,000 technicians serve 6 million customers each. Safelite AutoGlass provides convenient mobile auto glass repair and replacement services, available to 97% of drivers in all 50 states.

OPERATING STATEMENT

INCOME	YEAR 1		PER SF	YEAR 2		PER SF	NOTES
Scheduled Base Rental Income	186,981		12.21	203,493		13.29	
Expense Reimbursement Income							
CAM	16,140		1.05	18,413		1.20	
Insurance	6,419		0.42	7,339		0.48	
Real Estate Taxes	25,454		1.66	29,100		1.90	
Management Fees	3,011		0.20	4,031		0.26	
Total Reimbursement Income	\$51,024	80.6%	\$3.33	\$58,883	90.3%	\$3.85	
Potential Gross Revenue	238,005		15.55	262,376		17.14	
General Vacancy	(11,900)	5.0%	(0.78)	(13,119)	5.0%	(0.86)	
Effective Gross Revenue	\$226,105		\$14.77	\$249,257		\$16.28	
OPERATING EXPENSES	YEAR 1		PER SF	YEAR 2		PER SF	
Common Area Maintenance (CAM)							
Utilities	10,344		0.68	10,551		0.69	1
Repairs & Maintenance	1,206		0.08	1,230		0.08	1
Pest Control	1,443		0.09	1,472		0.10	1
Landscaping	4,260		0.28	4,345		0.28	1
Legal & Professional Fees	915		0.06	933		0.06	1
Insurance	7,195		0.47	7,339		0.48	1
Real Estate Taxes	28,529		1.86	29,100		1.90	2
Management Fee	7,900	3.5%	0.52	8,700	3.5%	0.57	3
Other Expenses - Non Reimbursable	1,531		0.10	1,531		0.10	4
Total Expenses	\$63,324		\$4.14	\$65,202		\$4.26	
Expenses as % of EGR	28.0%			26.2%			
Net Operating Income	\$162,781		\$10.63	\$184,055		\$12.02	

1. Based on 2020 Budget. Year 2 assumes 2% increase.
2. Based on 2019 Tax Assessment. Year 2 assumes 2% increase.
3. Based on 3.5% Effective Gross Income
4. Based on \$0.10 per square foot

REGIONAL AERIAL



DRIVE TIMES

100 MINUTES
TO SEATTLE

45 MINUTES
TO TACOMA

LOCATION OVERVIEW



SILVERDALE

Centrally located on the Kitsap Peninsula, Silverdale is the epicenter of the retail and healthcare industries of the region. Silverdale is home to the recently renovated and expanded, 850,000 square foot Kitsap Mall. The county's largest retail facility, Kitsap Mall is anchored by national retailers such as Dick's Sporting Goods, Macy's, JC Penny's, H&M and Koh's. The Trails at Silverdale, a new 200,000 square foot regional power and neighborhood center developed by CenterCal, adds to the city's strong retail presence in Kitsap. Additionally, Silverdale is a hub for the healthcare industry which is further solidified by the Harrison Medical Center Expansion. The new state of the art facility will include a 9-story, 500,000 square foot hospital with over 330 beds. Silverdale also offers scenic trails, award-winning breweries and beachfront

hotels with stunning views of Dyes Inlet, Mount Rainier and the Olympic Mountains, which make it an attractive place to live, work and visit.

KITSAP PENINSULA

Immediately west of Seattle, the Kitsap Peninsula is made up of such major cities as Bainbridge Island, Poulsbo, Bremerton and Port Orchard. Kitsap is an integral part of the Greater Seattle regional economy and a leader in several key industries in the region, including Military & Defense, Maritime, Healthcare, Advanced Manufacturing & Design, Technology, and Tourism.

Kitsap is home to over one third of the region's defense workforce with more than 33,800 daily workers, including 16,200 military personnel, 17,600 civilian personnel and 7,500 defense contractors. Kitsap's defense workforce is highly skilled, and includes the highest concentration of engineering talent in Washington State. Many large multi-



LOCATION OVERVIEW

national defense firms maintain significant operations in Kitsap, including; Lockheed Martin; Raytheon; Northrop Grumman /AMSEC, BAE, SAIC and Electric Boat (General Dynamics).

Kitsap is a leader in large and diverse regional maritime economy: Central Puget Sound region is home to one of the largest and most diverse maritime economies in the world, which includes Shipping, Fishing and Food Processing, Maritime Logistics, Naval Architecture, and Ship Building, Repair and Maintenance. Kitsap is the leader in the region's boat and ship building, repair and maintenance sub-sector cluster. With the largest employment base and economic output in ship building, repair and maintenance in region, Kitsap is home to Naval Base Kitsap and the Puget Sound Naval Shipyard and Intermediate Maintenance Facility, and the nation's largest ferry system main repair, maintenance and boatyard.

Kitsap is also home to Harrison Medical Center & The Doctors Clinic, providing top ranked clinical primary care and in a multitude of specialties. Hospitals, clinics, mental health facilities, assisted living centers, in-home health operations, physical therapy, homeopathic care, pharmacies, cancer-care facilities and medical laboratories help make up the healthcare sector in Kitsap.

Kitsap's idyllic setting and close proximity to the metro Seattle area makes Tourism one of Kitsap's top economic drivers. Easily accessible from Downtown Seattle via a 30-60 minute ferry, Kitsap offers limitless recreational and hospitality opportunities framed by 250 miles of salt water shoreline and 850 square miles of mature green canopy under the Olympic Mt. Range & National Park.



NEW DEVELOPMENT: HARRISON MEDICAL CAMPUS

\$500 MILLION HARRISON MEDICAL CENTER EXPANSION

Opening in late 2020, phase I of Harrison Medical Center's Silverdale campus expansion will improve access to high-quality health care on the Peninsula for the next century and beyond. The first phase will include a new 9-story, state-of-the-art hospital with 262 licensed beds, which will provide expanded critical and acute care services and accommodate more world-class outpatient medical and surgical services to better serve its patients. A second phase, scheduled for completion in 2023, will add 74 beds for a total of 336.

The new hospital will have private patient rooms with dedicated guest accommodations — most featuring views of the Olympic Mountains and Dyes Inlet. In addition, it will provide a connection to the outside world with a healing garden and the Clear Creek Trail running through the hospital grounds, encouraging walks and community connection as part of the healing process. This facility will be the most energy efficient hospital in Washington — and one of the most energy efficient in the US — consuming significantly less water and energy than the average hospital.



500,000
SF hospital
addition



144 new
acute care
beds



13 new
procedural
rooms



56-bay
Emergency
Services
department



Birth Center
with Level II
Special Care
Nursery



Surgical
services
including
robotic surgery



Award-winning
heart and
stroke care



Orthopedic
care

DEMOGRAPHICS

POPULATION	3 Miles	5 Miles	10 Miles
2023 Projection	38,193	74,097	201,843
2018 Estimate	36,696	71,508	193,789
2010 Census	35,377	68,428	184,374
2000 Census	33,999	64,479	172,863
INCOME			
Average	\$86,963	\$88,726	\$89,051
Median	\$70,647	\$70,761	\$67,054
Per Capita	\$33,204	\$34,221	\$35,619
HOUSEHOLDS			
2023 Projection	14,551	28,491	80,192
2018 Estimate	13,687	27,021	75,840
2010 Census	13,165	25,756	71,942
2000 Census	11,793	23,753	65,007
POPULATION AGE			
Under 20	23.58%	24.15%	22.81%
20 to 34 Years	27.77%	24.91%	23.79%
35 to 39 Years	5.79%	6.00%	5.93%
40 to 49 Years	10.15%	10.58%	10.88%
50 to 64 Years	18.08%	19.00%	19.96%
Age 65+	14.62%	15.35%	16.66%
Median Age	33.94	35.74	37.79



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The value of a net leased property to you depends on factors that should be evaluated by you and your tax, financial and legal advisors. Buyer and Buyer's tax, financial, legal, and construction advisors should conduct a careful, independent investigation of any net leased property to determine to your satisfaction with the suitability of the property for your needs.

Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other locations is an important consideration, it is not a guarantee of future success.

Similarly, the lease rate for some properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

By accepting this Offering Memorandum you agree to release Marcus & Millichap Real Estate Investment Services and hold it harmless from any kind of claim, cost, expense, or liability arising out of your investigation and/or purchase of this net leased property.

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