



RITE AID

3282 Bethel Road SE, Port Orchard WA 98366

EXCLUSIVE NET-LEASED OFFERING



OFFERING MEMORANDUM

- Early 10 Year Lease Extension
- Rare Washington State Net Lease Asset
- Extremely High Sales

Confidentiality and Disclaimer

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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.

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Investment Highlights

PRICE: \$6,019,419 | CAP: 6.50% | RENT: \$391,262.26



About the Investment

- ✓ **Early Lease Extension** – Tenant Extended the Original 20 Year Term, 4 Years Early For an Additional 10 Years
- ✓ **21 Year Historical Occupancy**
- ✓ 9.6 Years Remaining on Double-NN Lease
- ✓ Early Extension Demonstrating Strong Commitment and Success at the Location
- ✓ **Corporate Guarantee:** The Lease is Subject to a Corporate Guarantee by Rite Aid Corporation – Investment Grade Credit Rating of “B-”
- ✓ **Washington Has No State Income Tax**

About the Location

- ✓ Dense Retail Corridor | Walmart, Walgreens, Staples, Big Lots, Starbucks, Wendy’s, UPS, and many more
- ✓ Robust Demographics | Population Exceeds 194,000 Individuals Within a Ten-Mile Radius
- ✓ Compelling Location Fundamentals | Less Than 15-Miles From Seattle, WA | Seattle–Tacoma International Airport | More Than 49,849,520 passengers in 2018
- ✓ Strong Traffic Counts | Over 15,380 Vehicles Per Day on SE Lund Ave

About the Tenant / Brand

- ✓ Rite Aid has 2,465+ Locations
- ✓ Rite Aid is the Third Largest Retail Drugstore Chain in the United States Based on Both Revenues and Number of Stores
- ✓ \$30.2B in Revenue in 2018
- ✓ Ranked #107 on Fortune 500
- ✓ S&P Credit Rating “B-”







Financial Analysis

PRICE: \$6,019,419 | CAP: 6.50% | RENT: \$391,262.26



Property Description

Property	Rite Aid
Property Address	3282 Bethel Road, SE
City, State, ZIP	Port Orchard, WA 98366
Year Built	1998
Building Size (SF)	16,750
Lot Size	2.00 Acres
Type of Ownership	Fee Simple

The Offering

Purchase Price	\$6,019,419
CAP Rate	6.50%
Annual Rent	\$391,262.26

Lease Summary

Property Type	Drug Store
Guarantor	Rite Aid Corporation
Original Lease Term	20 Years
Original Lease Commencement	8/6/1998
Date of Early Lease Extension	11/4/2014
Lease Expiration	2/27/2029
Lease Term Remaining	9.6 Years
Lease Type	Double-Net (NN)
Roof & Structure	Landlord Responsible
Rental Increases	4.2% in Option Periods
Options to Renew	Six, 5-Year Options

RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent
2/27/2019 – 2/26/2029	\$391,262.26	\$32,605.19
<u>Option Periods</u>		
2/27/2029 – 2/26/2034	\$408,012.26	\$34,001.02
2/27/2034 – 2/26/2039	\$424,762.26	\$35,396.86
2/27/2039 – 2/26/2044	\$441,512.26	\$36,792.69
2/27/2044 – 2/26/2049	\$458,262.26	\$38,188.52
2/27/2049 – 2/26/2054	\$475,012.26	\$39,584.36
2/27/2054 – 2/26/2059	\$491,762.26	\$40,980.19

INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive listing for the Rite Aid located at 3282 Bethel Road SE, Port Orchard, Washington. The original 20-year lease commenced on 8/6/1998. Four years prior to the original lease expiration, Rite Aid voluntarily extended the lease for another 10 years, to 2029, showing strong commitment and success at this location. The current annual rent is \$391,262.26 and will be subject to 4.2% rental escalations throughout each of the six, five-year tenant renewal option periods. The lease will have a corporate guarantee from Rite Aid Corporation.





Tenant Overview

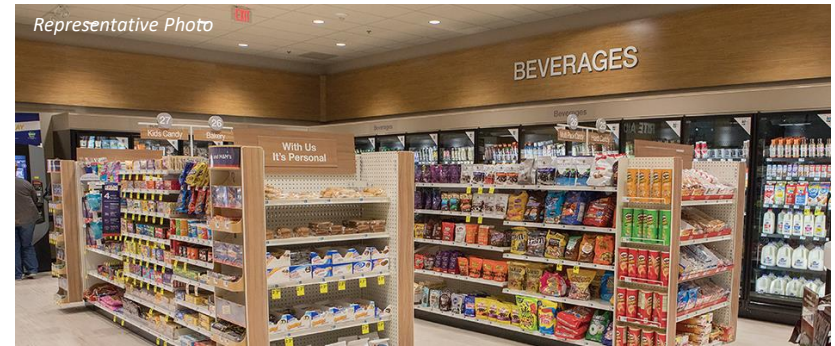


Tenant Summary

Rite Aid Corporation is a retail drugstore which operates over 2,465 stores in 18 states. The stores carry prescription drugs and an assortment of other merchandise including health and beauty items, convenience food. The stores also offer photo processing in addition to the other convenience services. The Company's stock is traded on the NYSE. Rite Aid is a Fortune 500 company headquartered in East Pennsboro Township, Cumberland County Pennsylvania, near Camp Hill. Rite Aid is the largest drugstore chain on the East Coast and the third largest drugstore chain in the United States.

"Rite Aid is the Third Largest Retail Drugstore Chain in the United States based on both Revenues and number of Stores."

CREDIT RATING: "B-"



Company Financial Highlights

Store Count (as of 6/1/2019)	2,500+
Annual Revenue (2018)	\$30,200,000,000
Stock Ticker	RAD
Average Store Size	12,600 Square Feet

General Information

Address	26817 88 th Ave, Stanwood, WA
Phone	(360) 629-9519
Website	www.riteaid.com



Surrounding Area

Property Address: 3282 Bethel Road South East, Port Orchard, WA 98366





Location Overview

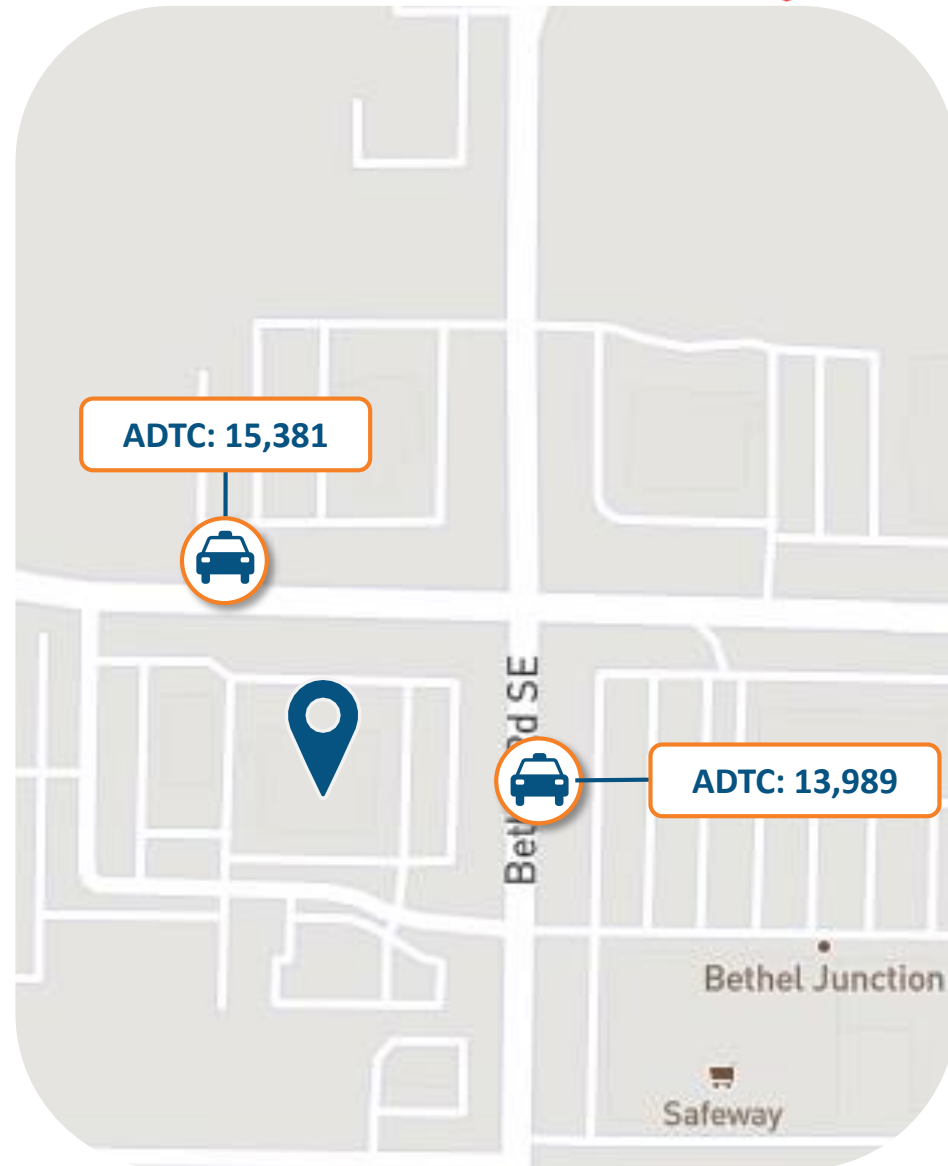
Property Address: 3282 Bethel Road South East, Port Orchard, WA 98366



This subject Rite Aid benefits from being well-positioned in a highly dense retail corridor consisting of national and local tenants, shopping centers, and academic institutions. Major national tenants in the area include Walmart, Walgreens, Staples, Big Lots, Starbucks, Wendy's, UPS, and many more. The property is also within immediate proximity of several schools and hospitals. Harrison Medical Center, headquartered in Bremerton is a not-for-profit health system located less than 5-miles away from the subject property offering medical, surgical, and emergency services that is situated with 250 staffed beds. Most notable schools are Sidney Glen Elementary School and South Kitsap High School with 679 students and 2,290 students enrolled, respectively. Hospitality accommodations in the area include Days Inn by Wyndham and Comfort Inn On The Bay, both within a 2-miles distance of the subject Rite Aid.

This Rite Aid is situated at the intersection of Bethel Road South East and South East Lund Avenue. Bethel Road South East and South East Lund Avenue have average daily traffic counts of 13,989 and 15,381 vehicles, respectively. The population within a 10-miles radius is over 194,000.

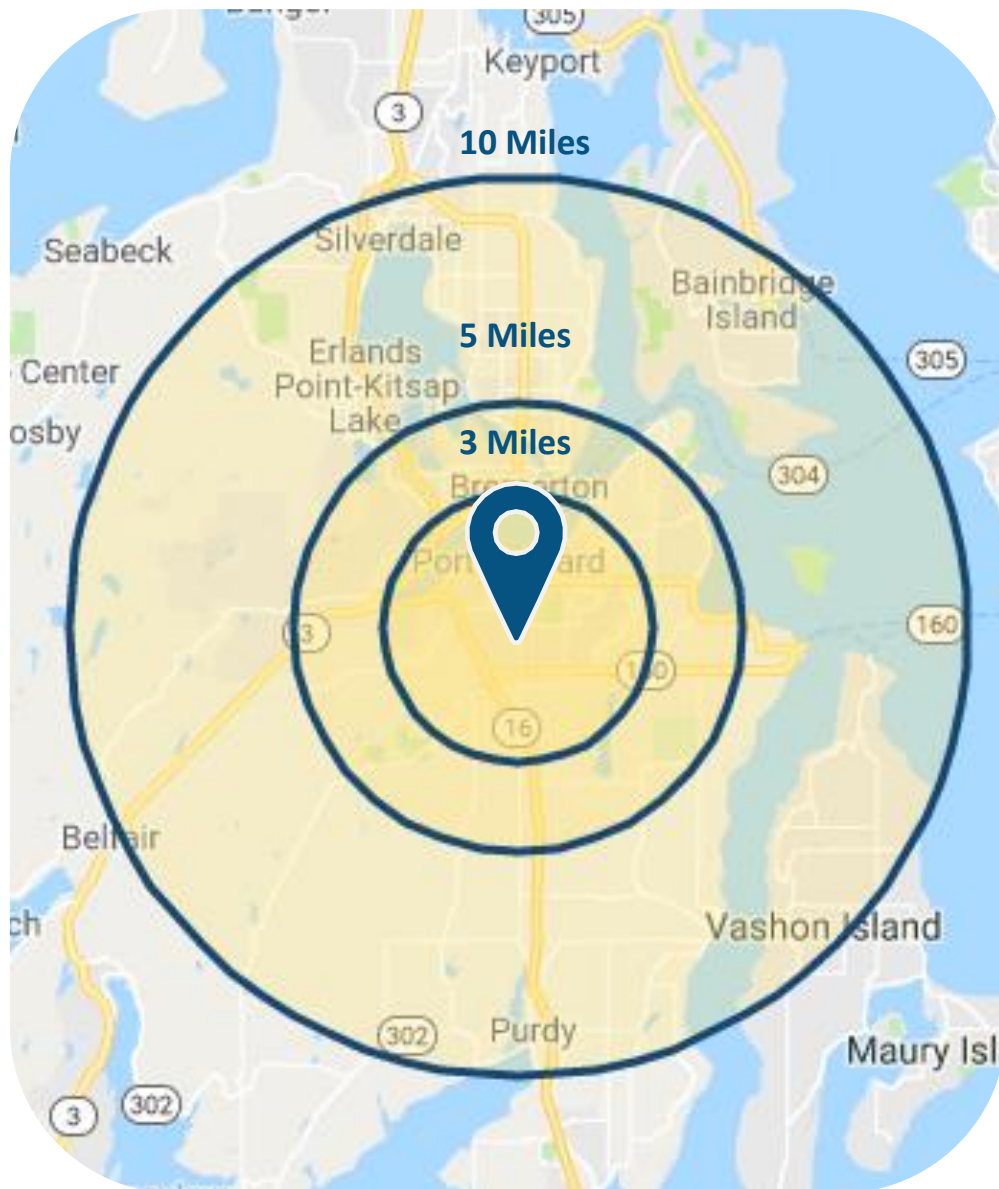
Port Orchard is a city in and the county seat of Kitsap County, Washington, United States. It is located 13 miles west of West Seattle and is connected to Seattle and Vashon Island via the Washington State Ferries run to Southworth. It is named after Port Orchard, the strait that separates Bainbridge Island from the Kitsap Peninsula. The passenger-only ferry, known as the "foot ferry", links the two cities. Marina Park, with its boardwalk and covered gazebo, offers beach access and is the site of the summer outdoor Farmer's Market. Today it's a busy waterfront community and popular tourist destination for business and leisure travelers. Bay Street, located a short block from the waterfront park, marina and foot ferry, is lined with antique, repurposed-redeemed and gift shops. The economy of Port Orchard, WA employs 5,070 people. The largest industries in Port Orchard, WA are Retail Trade, Health Care & Social Assistance, and Manufacturing, and the highest paying industries are Wholesale Trade, Finance & Insurance, and Professional, Scientific, & Technical Services. The USS Turner Joy DD-951 is a 418 foot historic U.S. Navy destroyer. She is located just an hour outside of Seattle in Bremerton, Washington. She is one of the most complete naval museum ships in the US offering a unique historical naval adventure taking visitors back to the Vietnam war.





Demographics

Property Address: 3282 Bethel Road South East, Port Orchard, WA 98366



POPULATION

	3 Miles	5 Miles	10 Miles
2023 Projection	40,973	92,899	202,770
2018 Estimate	39,293	90,021	194,689
2010 Census	37,107	85,050	183,679
2000 Census	33,727	79,185	170,833

INCOME

	3 Miles	5 Miles	10 Miles
Average	\$71,591	\$70,742	\$85,589
Median	\$58,792	\$56,787	\$65,743
Per Capita	\$27,171	\$28,429	\$34,252

HOUSEHOLDS

	3 Miles	5 Miles	10 Miles
2023 Projection	15,025	36,432	80,982
2018 Estimate	14,172	34,845	76,633
2010 Census	13,376	32,887	72,025
2000 Census	12,144	30,445	65,069

HOUSING

	3 Miles	5 Miles	10 Miles
2018	\$253,701	\$259,314	\$296,150

EMPLOYMENT

	3 Miles	5 Miles	10 Miles
2018 Daytime Population	47,674	98,713	188,717
2018 Unemployment	5.21%	5.90%	5.10%
2018 Median Time Traveled	31	32	32

RACE & ETHNICITY

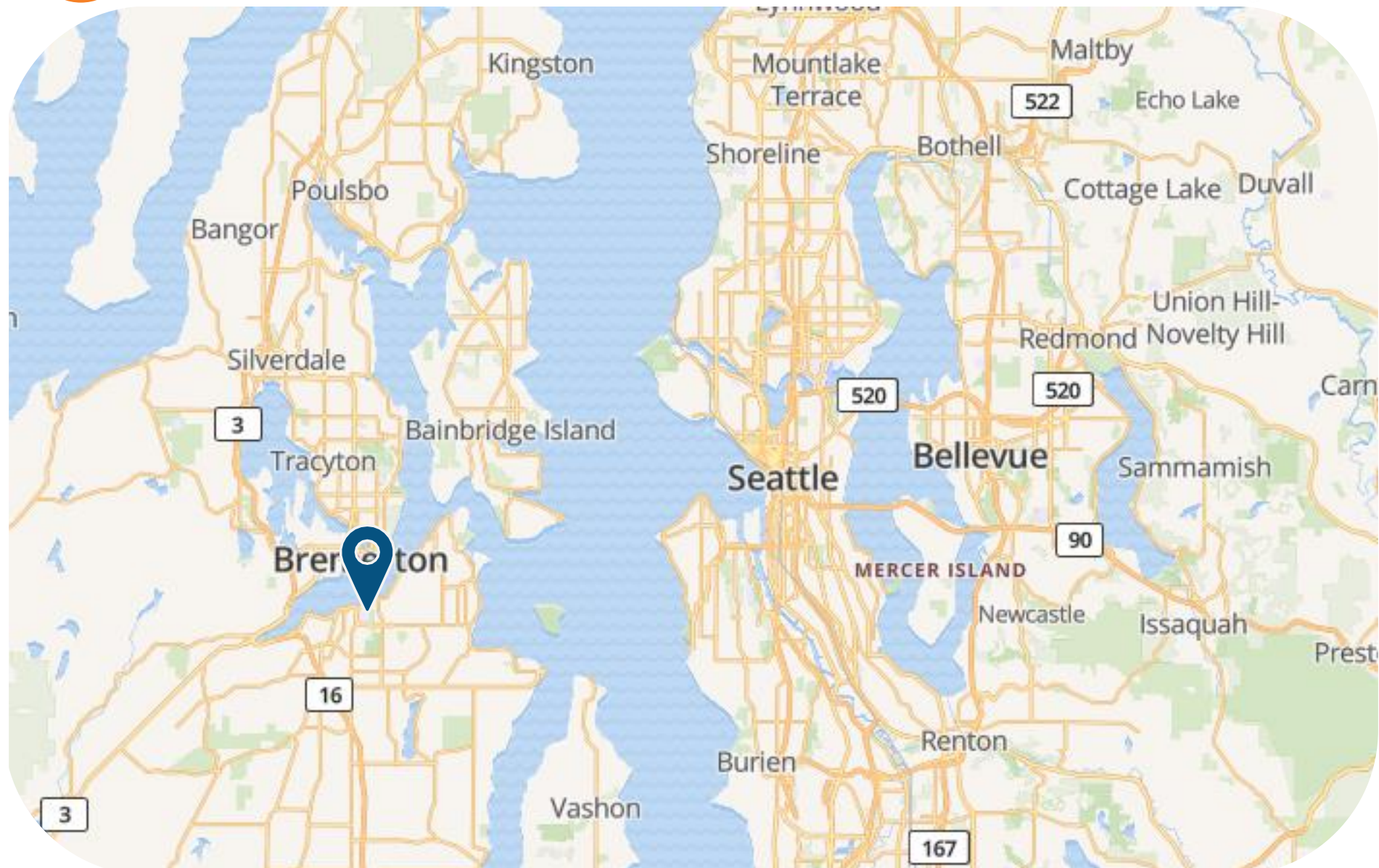
	3 Miles	5 Miles	10 Miles
White	79.78%	79.29%	80.03%
Native American	1.55%	1.28%	1.15%
African American	3.92%	4.07%	3.29%
Asian/Pacific Islander	4.95%	4.58%	5.70%



Local Map



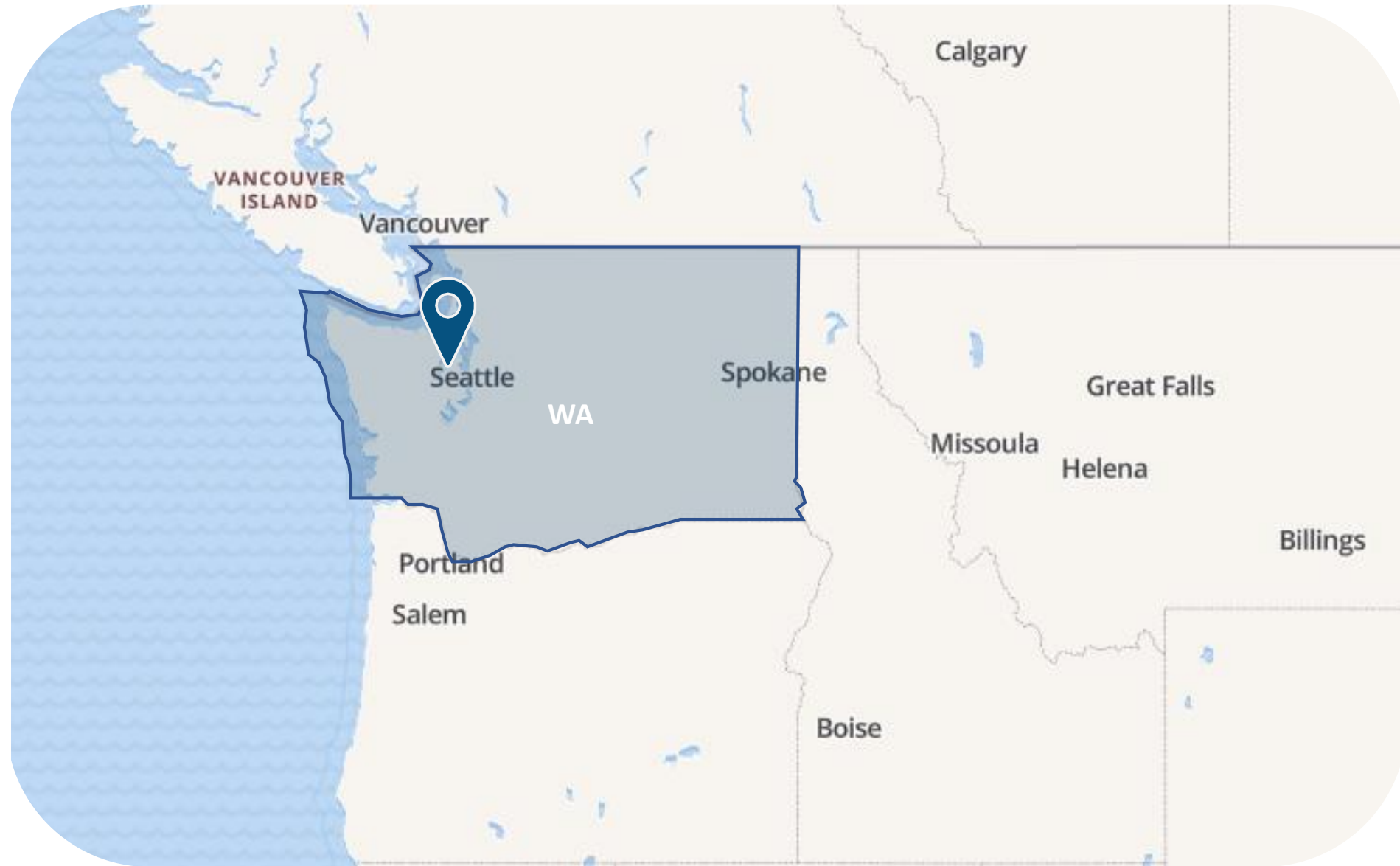
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Regional Map

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Market Overview

City: Seattle | County: King | State: Washington

Seattle, WA

Seattle Is located across Elliot Bay from Port Orchard sits Seattle, which is a seaport city on the West Coast of the United States and serves as the county seat of King County. Seattle is the largest city, in terms of population, in both the state of Washington, as well as the entire Pacific Northwest region of North America, and is the 15th largest city in the United States. The city is situated on an isthmus between the Puget Sound and Lake Washington, approximately 100 miles south of the United States-Canada border. Serving as a major gateway for trade with Asia, the city is home to the fourth-largest port in the United States of America. The Seattle economy is driven by a mix of older industrial companies, and “new economy” internet and technology companies, we well as service, design, and clean technology companies. The city remains as a hot-bed for start-up businesses, especially in green building and clean technologies. It was ranked as America’s #1 “smarter city” based on its government and green economy. Large companies continue to dominate the business landscape. Five companies on Fortune 500’s 2017 list of the United States’ largest companies are headquartered in Seattle: Internet retailer Amazon, coffee chain Starbucks, department store Nordstrom, freight forwarder Expeditors International of Washington, and forest products company Weyerhaeuser. The airport averages 200,000 takeoffs and landings each year and supports \$3.5 billion in local business. This in turn supports more than 16,000 jobs, creating \$2 billion in labor income in King County. Seattle–Tacoma International Airport, the eight busiest in the U.S. is approximately 15-miles east of the subject property and serviced more than 49,849,520 people in 2018

Major Employers

Employer	Estimated # of Employees
General Medical Surgical	2,400
Olympic College	1,007
Naval Hospital	800
Port Madison Gis	800
Harrison HealthPartners Cardiovascular	668
Morale Welfare & Recreation	650
Safeway	592
Department Corrections Washington State	573
Lowe's	468
Kitsap Transit	450
Walmart	423



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