



1885 W. Route 89A  
Sedona, AZ 86336

Confidential Offering Memorandum  
Rare Freestanding Drive-Thru | Centralized Location | Minimal Landlord Responsibilities







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# Summary

## Investment Summary

Starbucks – Sedona, AZ

### INVESTMENT HIGHLIGHTS

GENERATIONAL  
ASSET



MOST BEAUTIFUL PLACE  
IN AMERICA



HIGH BARRIERS  
TO ENTRY



IRREPLACEABLE  
LOCATION



# The Offering

JLL is pleased to offer for sale the fee simple interest in a recently constructed, freestanding single-tenant Starbucks (the “Property” or “Asset”) strategically located on the primary thoroughfare in Sedona, Arizona. The Property is subject to a NN lease from Starbucks Corporation, Inc. (the “Tenant” or “Starbucks”) possessing 10% rental escalations. Starbucks Corporation operates under the investment-grade backing of a corporate guarantee from the largest coffee provider in the world. As the only freestanding drive-thru Starbucks in the heart of Sedona, which draws over three million tourists over the course of the entire year, the Property possesses strong real estate fundamentals and long-term intrinsic value. The offering presents the opportunity to acquire a Property leased to the preeminent coffee operator on one of the most frequented thoroughfares of Sedona, Arizona.

## INVESTMENT HIGHLIGHTS

- The Asset is the **only** freestanding, drive-thru Starbucks in Sedona. The Sedona municipality has implemented **significant restrictions** on future developments with drive thru access. The drive-thru provides exceptional long-term value by allowing for **seamless ingress and egress** adjacent to Route 89A.
- Sedona is an extremely high barrier to entry retail market with **limited investment opportunities**, providing a truly **generational investment** in this unique global tourism destination.
- Recent renovations in 2015 **limits capital expenditures** for prospective investors during an extended hold period.
- The Property is strategically positioned on the **primary local thoroughfare** (30,000+ daily vehicles) alongside **national brands** such as Whole Foods, Safeway, Walgreens, and several others.
- Sedona’s affluent local population (AHHI > \$97,000) and growing tourist base fall directly in line with Starbucks’ **target customer demographic**.
- The Asset operates under Starbucks’ **investment-grade** corporate guarantee (Moody’s: Baa1) with **minimal landlord responsibilities** and 10% rental escalations every 5 years.
- As the **world’s leading coffee provider**, Starbucks, is poised to capitalize on the annual coffee production industry growth of 3.8% since 2010.
- Tourism, the **primary industry in Sedona**, draws consumers to the city through recreation, resort, retirement, and art centers opportunities.
- Surrounded by 1.8 million acres of national forest land, Sedona was named the **Most Beautiful Place in America** by USA Weekend.

## PROPERTY SUMMARY

Address	1885 W. Route 89A, Sedona, AZ 86336
Price	\$3,475,000
Cap Rate	4.40%
NOI*	\$152,900
Lease Type	NN (Roof and Structure)
Square Footage	+/- 2,947 SF
Site Size	+/- 0.64 AC
Year Built / Renovated	1984 / 2015
Tenant	Starbucks Corporation
Ownership Interest	Fee-Simple
Rent Commencement	9/21/2015
Lease Expiration	2/28/2026
Term Remaining	6.4 Years
Renewal Options	4 x 5-Year Options
Rent Escalations	10% Every 5 Years

\*As of 3/1/2021; Seller will credit difference in rental income from close of escrow date through 3/1/2021

# Property

## Property Overview

Starbucks – Sedona, AZ





# Property

The Property features frontage along the primary retail thoroughfare of Sedona, West AZ-89A, exposed to 31,184 vehicles passing the storefront per day. Adjacent from a Bashas' grocery-anchored center, the Property sits among premier national grocery brands such as Safeway and Whole Foods, both located within 0.5 miles of the Property. Additionally, a plethora of retailers operates within the immediate vicinity of the Asset including Walgreens, Domino's Pizza, Bank of America, Hampton Inn & Suites, and Verizon Wireless which combine to provide a steady revenue stream for Starbucks.



# STARBUCKS®

## BUILDING AND LEASE SPECIFICATIONS

Address	1885 W. Route 89A, Sedona, AZ 86336
Year Built / Renovated	1984 / 2015
Ownership Interest	Fee-Simple
Parcel Size (Acres)	0.64
Property Type	Freestanding Retail
Property Size (Square Feet)	+/- 2,947 SF
Drive-Thru	Yes
Parking	+/- 33 Spaces
Tenant	Starbucks Corporation
Lease Type	NN (Roof and Structure)
Lease Term Remaining	6.4 Years
Net Operating Income*	\$152,900
Rental Increases	10% Every 5 Years
Extension Options	4 x 5-Year Options

\*As of 3/1/2021; Seller will credit difference in rental income from close of escrow date through 3/1/2021





## Local Aerial Facing North





*Local Aerial Facing South*





*Local Aerial Facing East*





*Local Aerial Facing West*





## Local Aerial

Situated on W AZ-89, the Property sees heavy traffic on the primary thoroughfare which bisects the city of Sedona. The local community boasts an average household income of \$93,781, with **over 1,100 families** residing within a one-mile radius. Three major grocers, **Safeway, Bashas', and Whole Foods Market** are all located within the immediate vicinity of the Asset and serve as a major draw for customers to the **sole** drive-thru Starbucks within Sedona.





*Property Photography*





## *Property Photography*





# Location

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## Location Overview

Starbucks – Sedona, AZ





# Location

## Sedona, AZ - Overview

Located in Arizona’s northern desert under the towering southwestern rim of the vast Colorado Plateau, the city of Sedona is home to a population of approximately 10,400 people. Established in 1902 and incorporated in 1988, Sedona is one of Arizona’s premier tourism, recreation, resort, retirement, and art centers. Its location offers breathtaking panoramas, a mild climate, plenty of sunshine and clean, fresh air at the mouth of scenic Oak Creek Canyon in the center of the state’s legendary Red Rock Country.

Tourism plays an essential role in Sedona’s economic base, with over three million visitors per year. The industry has an annual economic impact of roughly \$1 billion and supports 10,000 area jobs and nearly \$200 million in wages, according to a study from Yavapai College. Visitors have added \$14.5 million in local tax dollars, generating over 66% of the city’s sales tax revenues. Through May 2018, retail, restaurant, hotel, and amusement sales are up 10%, 17%, 26% and 11% year-over-year, respectively. The immense growth within the tourism industry has increased average HHI of a 5-mile radius encompassing Sedona to nearly \$100k.

Sedona draws a plethora of tourists from across the country each year. Fall is the most popular tourist season, as it boasts Sedona’s most pleasant climate, with average temperatures ranging from the mid-60s to low-80s. Hikers adore this time of year, as flourishing desert flowers add a pop of color to the rust-colored trails. The beauty of the city has drawn celebrity residents including Lucille Ball, Orson Welles, Jane Russell, and Walt Disney. Phoenix residents migrate north to Sedona during the summer months for the cooler climate. Fall is another ideal time for outdoor activities due to mild weather and Sedona’s Jazz on the Rocks festival.



48% has bachelor’s degree or higher



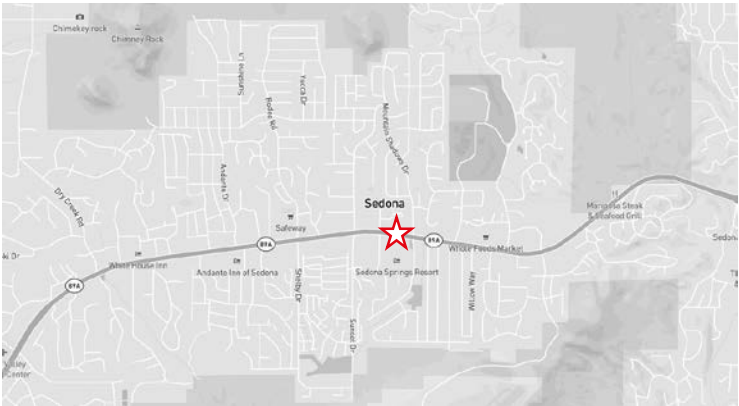
\$510,501 median home value



City Center has highest housing appreciation since 2000



71% of total employment consists of white-collar jobs



DEMOGRAPHIC INFORMATION				
	1-Mile	3-Mile	5-Mile	
Population				
2019 Population	4,509	11,075	12,078	
2019 Number of Households	2,179	5,547	6,088	
2024 Proj. Population	4,645	11,470	12,508	
2024 Proj. Households	2,252	5,766	6,327	
Income				
Average HH Income	\$83,909	\$97,000	\$98,421	
Median HH Income	\$55,714	\$58,626	\$59,025	
Less than \$35,000	27.7%	28.3%	28.3%	
\$35,000 - \$49,999	15.5%	13.5%	13.3%	
\$50,000 - \$74,999	21.6%	18.6%	18.2%	
\$75,000 - \$99,999	12.1%	12.0%	11.7%	
More than \$100,000	23.1%	27.6%	28.5%	



# Location

## *Sedona, AZ - Overview Continued*

Though Sedona has been named the “Most Beautiful Place in America” by USA Weekend, there is much more than meets the eye to this enlightening location. The city draws travelers from across the globe to experience the mysterious cosmic forces that emanate from the red rocks. Sedona vortexes are believed to be swirling centers of energy that guide healing, meditation, and self-exploration. Vortexes are places where the earth seems uniquely alive with energy where many people feel inspired, recharged, or uplifted after visiting.

Sedona has developed a universal allure as a hub of enlightenment. The city is home to a community that encourages a plethora of alternative healing and spiritual practices. Although the entire city is considered to be a vortex, there are specific sites where the energy is most potent. The most significant Sedona vortexes are Airport Mesa, Cathedral Rock, Bell Rock, and Boynton Canyon. These areas are said to produce vertical energy flowing upward while others believe the energy spirals downward towards the earth.



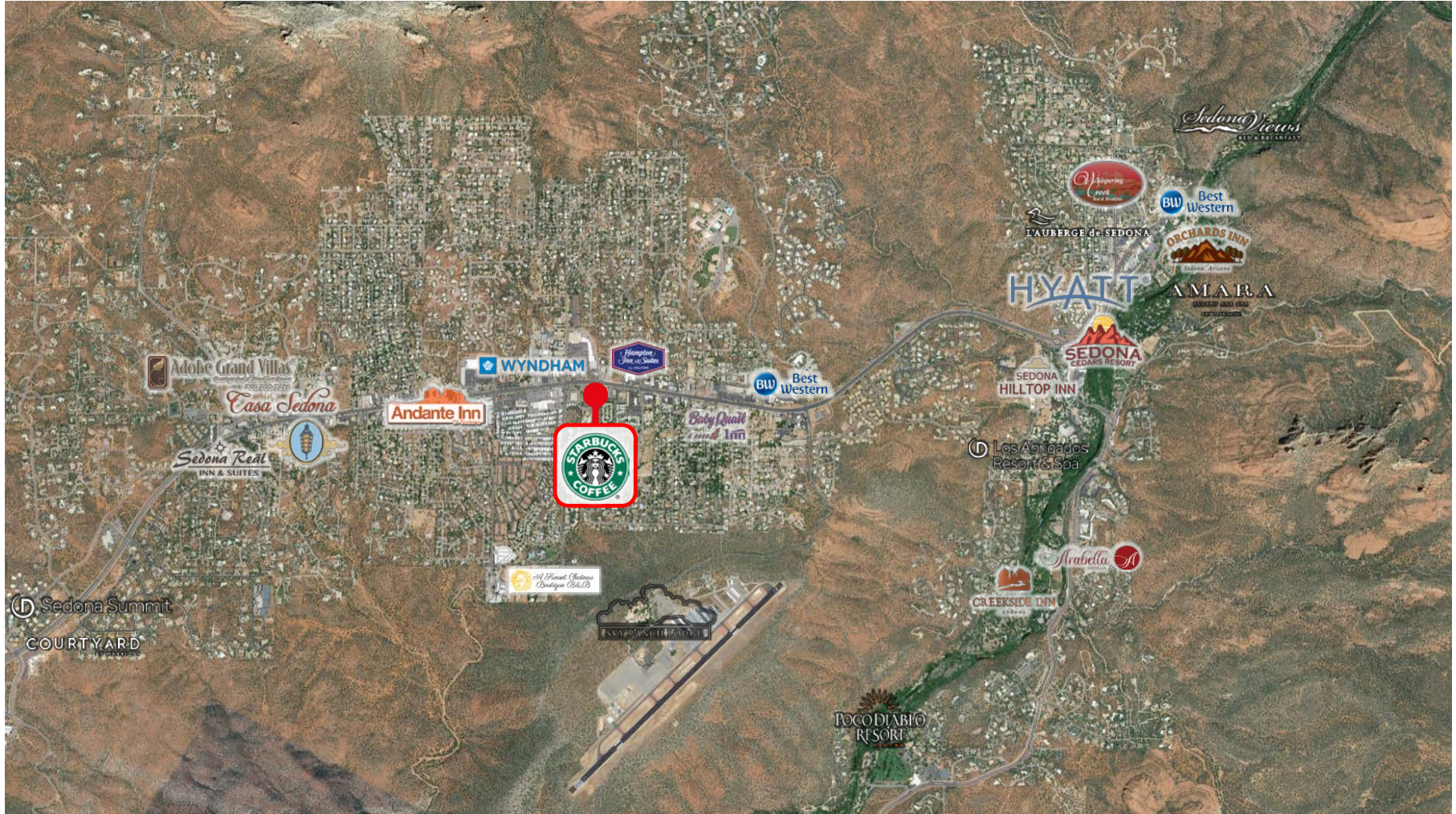


## *Location Photography*



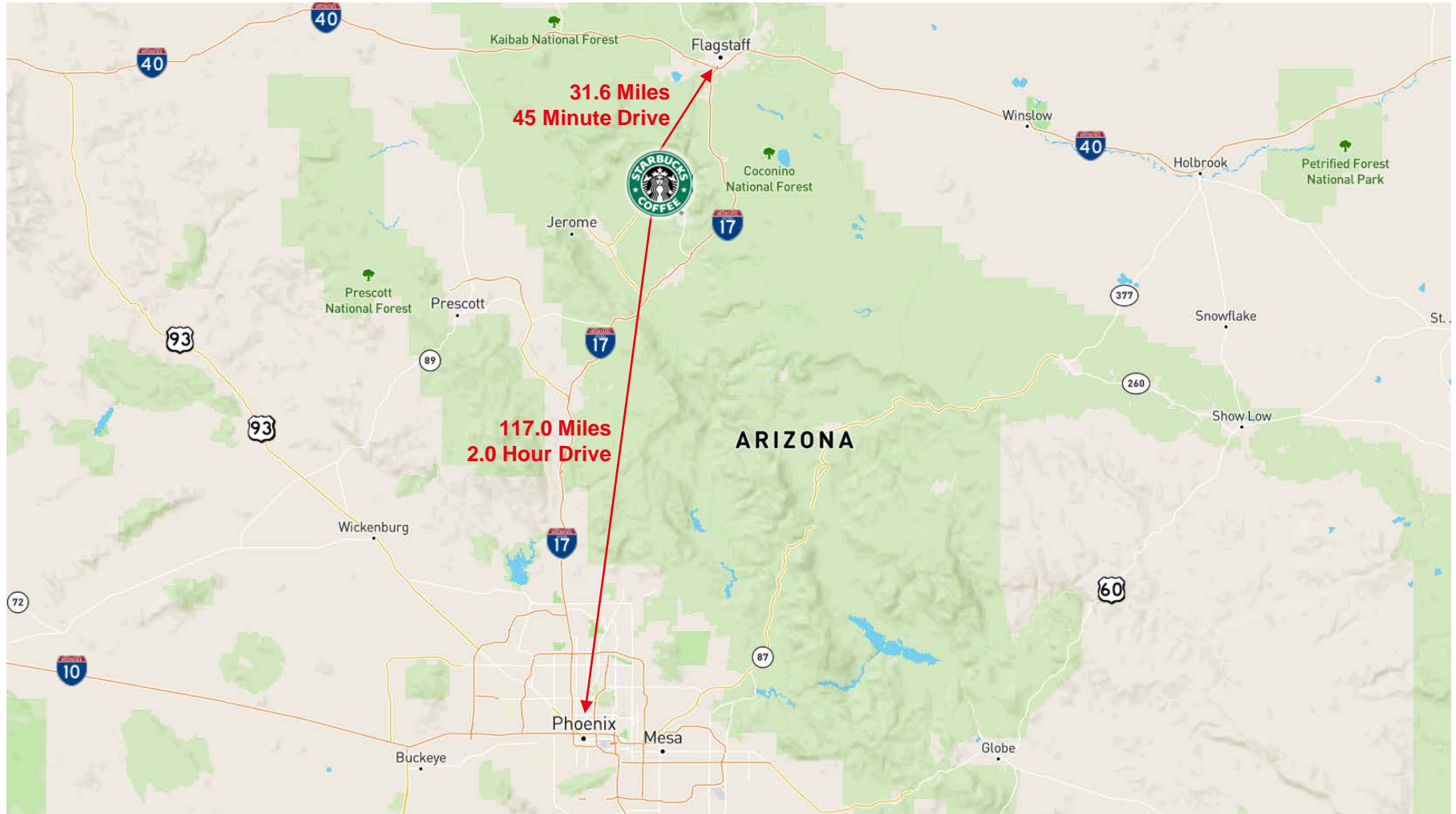


## Resorts and Hotels Across Sedona





### *Relative Location within Arizona*





# Tenant

## Tenant Overview

Starbucks – Sedona, AZ





# The Tenant

- As the preeminent coffee company and coffeehouse chain, Starbucks (NASDAQ: SBUX) operates over 30,600 locations in more than 75 countries and serves nearly five billion cups of coffee annually. Furthermore, the Company is the largest coffee provider in the world and benefits from its strong brand loyalty.

## Industry Overview

- The coffee production and coffee/snack shop industries have grown 3.8% and 3.0% since 2010, respectively.
- The global coffee market is expected to expand at 4.32% CAGR from 2018 to 2023, with a projected valuation of \$102.28 billion by 2023.
- The coffee production industry has performed well in recent years, exhibiting growth due to several increases in coffee commodity prices that were passed along to end consumers.
- The coffee industry in the next five years is expected to grow with an increased emphasis from consumers for premium-coffee products.

## Recent Performance

- Starbucks (Moody's rated "Baa1/stable") has performed very well in recent years, exhibiting steady growth in revenue and increases in all reportable segments. In fiscal 2018, Starbucks' total revenues increased 10.4% over fiscal 2017, up to \$24.7 billion. Moreover, global store sales grew 3% and were driven by a definitive increase in average purchases.
- During 2019, Starbucks has opened 2,000 company-operated stores with 600 in the Americas, 1,100 in Asia, and 300 licensed stores in EMEA.

## STARBUCKS OVERVIEW

Company	Starbucks Corporation
Ticker Symbol	NASDAQ: SBUX
Headquarters	Seattle, WA
Employees (9/24/19)	330,000+
Net Income (TTM 2019)	\$3.55 billion
Assets (TTM 2019)	\$20.89 billion
Market Cap (9/24/19)	\$107.50 billion
Moody's Rating	Baa1/Stable
Number of Locations (7/25/19)	30,600+
Business Summary	Coffee shop
Company Website	www.starbucks.com





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