



11 YEARS ON LEASE – WALGREENS EXTENDED LEASE

OFFERING MEMORANDUM

PRESERVE  
WEST  
CAPITAL



Walgreens  
San Francisco, CA | 9th & Clement

[www.preservewestcapital.com](http://www.preservewestcapital.com)



PROPERTY HIGHLIGHTS	1	AERIALS	4
PROPERTY INFORMATION	2	ABOUT THE AREA	6
TENANT INFORMATION	3	DEMOGRAPHICS	9

## Disclaimer

Michael Maffia ("Broker") has been retained on an exclusive basis to market the property described herein ("Property"). Broker has been authorized by the Seller of the Property ("Seller") to prepare and distribute the enclosed information ("Material") for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

## John Schaefer

Executive Vice President  
415.299.6855  
john.schaefer@am.jll.com  
CA RE License #01251740

## Putnam Daily

Partner - Brokerage Division  
415.445.5107  
putnam@preservewc.com  
CA RE License #01750064

## Michael Maffia

Managing Partner  
415.373.4060  
mike@preservewc.com  
CA RE License #01340853





### Property Highlights

- Long Term Corporate Net Leased Walgreens in Trophy Infill San Francisco Location with 11 Years Remaining
  - Tenant Extending Lease Early, Demonstrating High Commitment to Site
  - Rare 10% Rental Escalation at Option
  - Walgreens Boots Alliance is Rated BBB by S&P
  - Ranked 17 in the Fortune 500
- Ideal Inner Richmond Location
  - Clement Street Corridor Becoming Hip Retail Hub with Numerous Quality Restaurants, Shops and Bars
- Excellent Access and Visibility Adjacent to Junction of Prominent Arterials
  - Combined AADT of 124,247 at Geary and Park Presidio Intersection Adjacent to Site
- Dense, Affluent Demographics
  - Average Household Income of \$135,488 Within 3 Miles of Site
  - 7th Most Affluent County in the U.S.
  - Median Home Price Has Increased 14.5% In First 2 Quarters of 2018
  - Total Daytime Population of 1,005,266 within a Five Mile Radius
- Strong Intrinsic in Market Where Demand for Real Estate far Exceeds Supply
  - Rare Corporate Net Lease Asset Given City Restrictions on New "Chain Retail"
- Irreplaceable Infill Site in Second-Most Densely Populated City in the U.S.
- San Francisco is at the Heart of the Bay Area Economic Hub
  - GDP of \$820.9 Billion within San Jose-San Francisco-Oakland Combined Statistical Area
  - Major Companies Headquartered in San Francisco Include Salesforce, Dropbox, PG&E, Yelp, Twitter, Uber, Lyft, Mozilla, Airbnb, and more
- Neighbors Numerous Major Medical Centers, Drawing Additional Traffic to Site
  - Kaiser Permanente, Sutter Health, & UCSF Hospitals and Medical Campuses all within 2 Miles of Site
- Less than One Mile from The Presidio, Golden Gate Park, de Young Museum, and California Academy of Sciences
  - California Academy of Sciences and de Young Museum Draw Nearly 2.5 Million Visitors a Year
- 1.4 Miles from University of San Francisco Campus - Enrollment of 11,080



## Location

The property is located at 745 Clement Street in San Francisco, California.

## Lot Size

Approximately 0.40 acres, or 17,244 square feet.

## Improvements

A 10,386 square foot retail condominium for **Walgreens**.

## Lease

Leased to **Walgreen Co.** for 60 years from July 20, 2002 through August 31, 2062, at an current annual rent of \$555,000. Tenant originally had the right to terminate the lease with twelve months' notice in year 20, but has recently signed a lease amendment extending the lease for an additional 8 years, with tenant's first right to terminate the lease occurring in year 28 on July 31, 2030 and every five years thereafter. Rent is to increase by 10% in year 29.

The lease is net with tenant responsible for taxes, insurance, and maintenance, excluding roof and structure. Though the tenant reimburses for the portion of HOA fees attributable to insurance, they do not reimburse the full HOA fee, resulting in annual slippage of approximately \$14,726.

## Percentage Rent

The tenant pays the higher of fixed rent or percentage rent. This lease has the standard Walgreens percentage rent clause. The percentage rent is calculated as 2% of general sales and 0.5% of food and prescription sales (excluding third-party prescription plans), minus real estate taxes and insurance costs.

Notwithstanding the above, it is unlikely Walgreens will ever pay percentage rent, for this store or any other store. The calculated percentage rent excludes prescriptions covered by insurance, HMO's, or Medicare, and is thus far too difficult to reach.

## PRICE

# \$10,805,000

## 5.00% Return

## Annual Rent

Years	Annual Rent	HOA Fees (Non-Reimbursable)	NOI	Return
1-28	\$555,000	\$14,726	\$540,274	5.00%
Options	\$610,500	\$14,726	\$595,774	5.51%

## Financing

This property will be delivered free and clear of permanent financing.

A possible non-recourse loan is available at approximately 50% loan to value fixed for 10 years interest only at a 4.25% interest rate. Other attractive options deliverable.

## Right of First Refusal

Walgreens has waived its right of first refusal for 12 month period through March 2020. Following this period, Walgreens shall have the right of first refusal to purchase the property on the same terms and conditions of those of any bona fide offer received by the landlord within thirty (30) days of notice of such offer.





# Walgreens

Walgreens Boots Alliance, Inc  
S&P Rated “BBB”

**Walgreens (NYSE:WBA)** is one of the largest retail pharmacy, health, and drug store chains in the U.S. and Europe. The company operates 8,100 drugstores in fifty states, the District of Columbia, Puerto Rico, and the US Virgin Islands under the brands Walgreens and Duane Reade. Approximately 400 of these locations also provide in-store healthcare clinics or other provider retail healthcare clinic services. Walgreens and its parent companies together have a presence in more than 25 countries, employ more than 385,000 people, and operate more than 12,800 stores in 11 countries. Walgreens is a market leader in the U.S. retail pharmacy space, with approximately 76% of the country's population living within five miles of a Walgreens or Duane Reade retail pharmacy.

In 2014, the company agreed to purchase the remaining 55% of Switzerland-based Alliance Boots that it did not already own to form a global business. Under the terms of the purchase, the two companies merged to form a new holding company, **Walgreens Boots Alliance Inc.**, on December 31, 2014. Walgreens became a subsidiary of the new company, which retains its Deerfield headquarters and trades on the Nasdaq under the symbol “WBA”.

On October 27, 2015, Walgreens announced that it would acquire its rival Rite Aid for \$17.2 billion to widen its footprint in the United States and gain an advantage in negotiating for lower drug costs. However, following regulatory feedback, the companies terminated the merger agreement in June 2017, instead entering into a real estate purchase agreement by which Walgreens acquired 1,932 existing Rite Aid stores and three distribution centers for \$4.375 billion in cash and other consideration. These store transfers have allowed Walgreens to expand its U.S. footprint as desired.

In March 2017, Walgreens Boots Alliance and pharmacy benefit manager Prime Therapeutics LLC closed a transaction to form a combined central specialty pharmacy and mail services company, AllianceRX Walgreens Prime. The merger was intended to promote greater efficiency, provide cost-saving opportunities for patients, and improve care coordination.

Walgreens Boots Alliance carries a credit rating of BBB by Standard and Poors and Baa2 from Moody's. For the second quarter of 2018 the company reported revenue of \$34.6 billion, net income of \$1.03 billion, and total stockholder equity of \$28.3 billion.

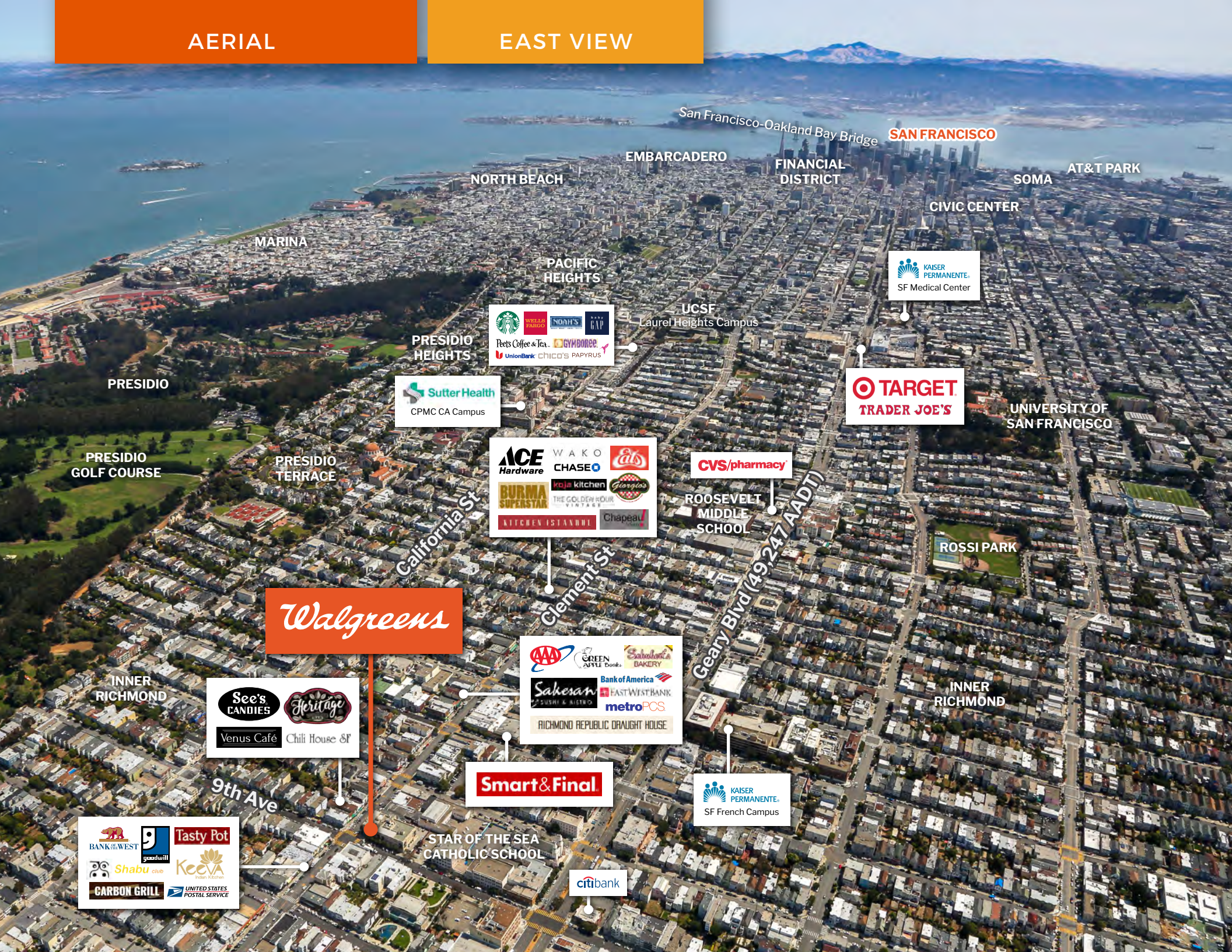
**Walgreen Co.**, the lease entity is a wholly owned subsidiary of **Walgreens Boots Alliance, Inc.**

For additional information, see [www.walgreens.com](http://www.walgreens.com).



# AERIAL

# EAST VIEW



San Francisco-Oakland Bay Bridge

**SAN FRANCISCO**

EMBARCADERO

FINANCIAL DISTRICT

SOMA

AT&T PARK

CIVIC CENTER

KAISER PERMANENTE  
SF Medical Center

UCSF  
Laurel Heights Campus

Starbucks  
Peet's Coffee & Tea  
UnionBank  
WOLFE'S  
NOAH'S  
GYMDORCE  
CHICO'S PAPER

PRESIDIO HEIGHTS

Sutter Health  
CPMC CA Campus

**TARGET**  
**TRADER JOE'S**

UNIVERSITY OF  
SAN FRANCISCO

PRESIDIO

PRESIDIO GOLF COURSE

PRESIDIO TERRACE

ACE Hardware  
WAKO  
CHASE  
BURMA SUPERSTAR  
WOLFE'S KITCHEN  
THE GOLDEN HOUR VINTAGE  
Chapeau

CVS/pharmacy  
ROOSEVELT MIDDLE SCHOOL

ROSSI PARK

*Walgreens*

INNER RICHMOND

See's CANDIES  
Heritage  
Venus Café  
Chili House SF

AAA  
GREEN APPLE Books  
Sakuram  
Bank of America  
FAST WEST BANK  
metroPCS  
RICHMOND REPUBLIC DRAUGHT HOUSE

INNER RICHMOND

**Smart & Final**

KAISER PERMANENTE  
SF French Campus

9th Ave

STAR OF THE SEA  
CATHOLIC SCHOOL

citicbank

BANK OF WEST  
Shabu club  
CARBON GRILL  
Tasty Pot  
KeoVa  
UNITED STATES POSTAL SERVICE



AERIAL

NORTH VIEW

MARIN COUNTY

Golden Gate Bridge

101

CRISSY FIELD

PRESIDIO

BAKER BEACH

PRESIDIO GOLF COURSE

Veterans Blvd

MOUNTAIN LAKE

RICHMOND DISTRICT

Park Presidio Blvd

SUTRO ELEMENTARY

Walgreens

INNER RICHMOND

PRESIDIO HEIGHTS

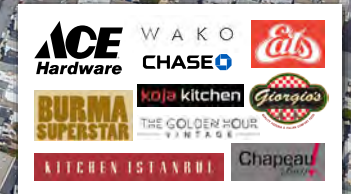
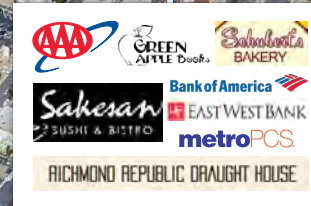
California St

Clement St

9th Ave

STAR OF THE SEA CATHOLIC SCHOOL

Geary Blvd (49,247 AADT)





**ABOUT THE AREA**

The map displays Northern California, highlighting the project site's location near San Francisco. Major cities shown include Sacramento, San Francisco, San Jose, and Modesto. Key highways such as I-5, I-805, I-880, and I-580 are marked. The site is indicated by an orange dot and labeled 'SITE' in an orange callout box.

# General Overview

The consolidated City and County of San Francisco is home to 852,469 residents (2014 estimate) and is the second-largest city in the San Francisco Bay Area, behind San Jose. With nearly 18,187 people per square mile, San Francisco is the second-most densely populated city in the U.S., second only to New York City. It is ranked as the seventh most affluent county in the U.S. by personal income. San Francisco is the traditional focal point of the San Francisco Bay Area, and is a principal city of the San Jose-San Francisco-Oakland Combined Statistical Area, the second largest combined statistical area in California and the fifth largest in the U.S., with a gross domestic product of \$820.9 billion.

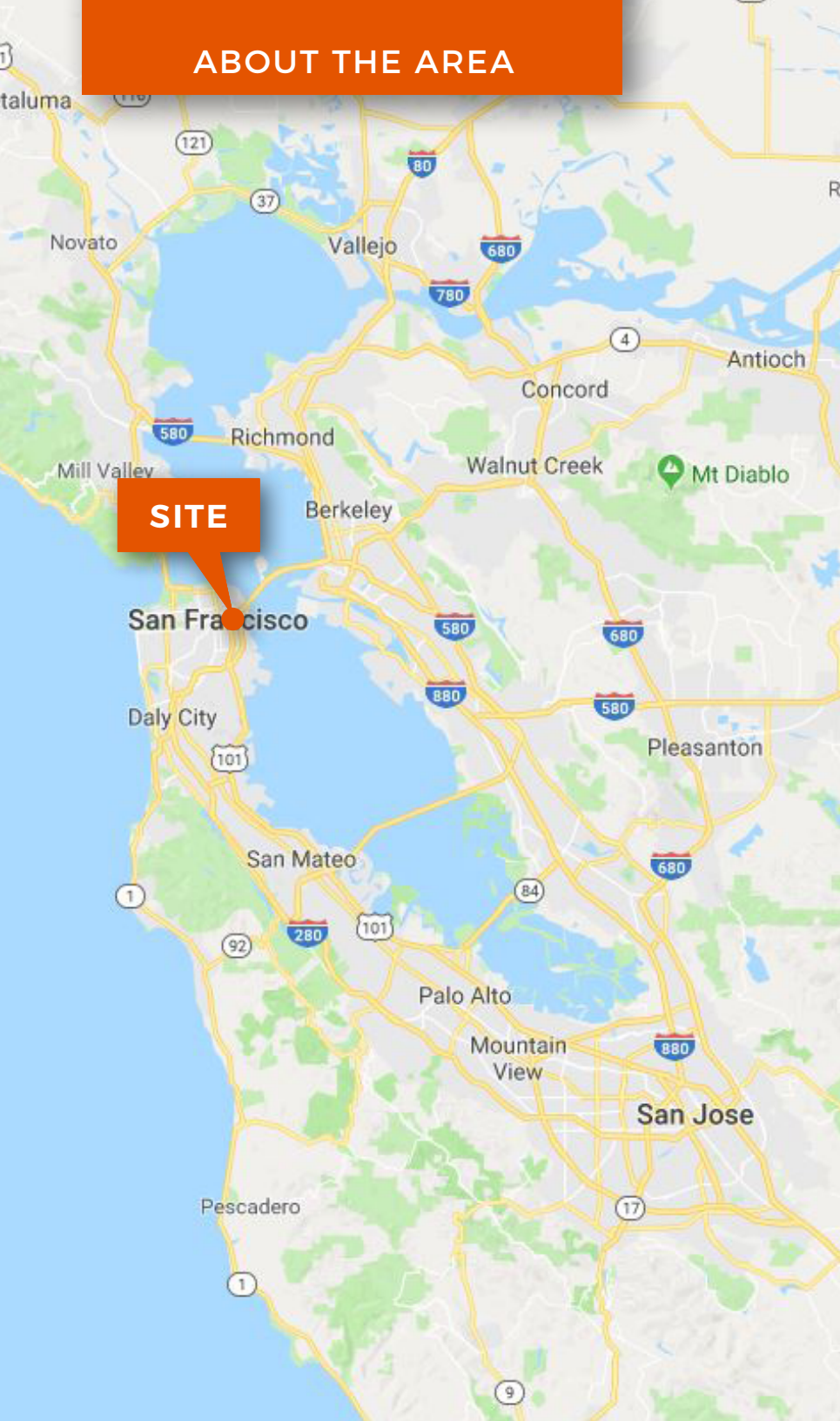
Strong high-tech employment and a high concentration of major companies and industries has resulted in a high concentration of wealth and significant population and economic growth. The technology industry draws many highly qualified international workers to the region, with net foreign migration of more than 22,200 annually. Though the San Francisco bay area region represents only 1.19% of California's land area and 7.8% of the population, it represents 15.3% of GDP, 50% of initial public offerings, 54.5% of patent registrations, and 71.5% of venture capital activity in the state. Job growth both within and outside of the technology sector has been strong, with more than 47,000 new jobs added to the region in 2017 and unemployment at 2.1% within San Francisco. Recent legally mandated increases in the minimum wage, as well as the region's consistent economic growth, have contributed to rising average wages within San Francisco as compared to the greater Bay Area.

Growth in the region has been a boon to real estate demand, driving historically low vacancy rates and substantial increases in value. Median home prices increased by 7.2% in 2017, and price increases are exacerbated by limited available housing stock. In the first six months of 2018, housing prices have risen even higher, with a \$205,000 increase, approximately 14.5%, in San Francisco's median housing price, the largest six month price gain in more than 25 years. Approximately 68,000 new residential units, primarily multi-family developments, are in the construction and development pipeline, as well as more than 4 million square feet of new commercial and retail development.

The region is home to numerous colleges and universities, including the University of California Berkeley, University of California Santa Cruz, Stanford University, Santa Clara University, San Jose State University, San Francisco State University, and more. The area boasts above-average levels of academic attainment, particularly due to the high concentration of technology-related jobs in the area. The area is also home to numerous federal research facilities including the NASA Ames Research Center, located within the larger Moffett Federal Airfield, Lawrence Livermore National Laboratory, and the Stanford Linear Accelerator center.



## ABOUT THE AREA



## Major San Francisco Bay Area Companies

The San Francisco Bay Area region is best known as a hotbed of high-tech innovation, and is home to a plethora of major companies. Fortune 1000 companies headquartered in the region include Adobe, Alphabet Inc, the parent company of Google, Apple, Facebook, Hewlett-Packard, Intel, Cisco, eBay, Applied Materials, Netflix, Oracle, NVIDIA, Tesla, Symantec, Visa, Electronic Arts, Salesforce, Advanced Micro Devices, Agilent Technologies, Intuit, Juniper Networks, KLA Tencor, Lam Research, LSI Logic, Marvell Semiconductors, National Semiconductor, NetApp, VMware, Western Digital Corporation, Xilinx, Yahoo, and more. Other notable companies with significant presence in the region include Amazon.com, Microsoft, LinkedIn, Twitter, Uber, Yelp, YouTube, Asus, Atari, Broadcom, Dell, E\*Trade, Fujitsu, IBM, Hitachi, Infosys, Nokia, Panasonic, Paypal, GoPro, Genentech, Charles Schwab Corporation, Gilead Sciences, Groupon, Pixar, Samsung, Siemens, SolarCity, TiVo, Qualcomm, SAP, Sony, Sun Microsystems, Square, Mozilla, McAfee, Logitech, SurveyMonkey, and Zynga. The region benefits from extensive presence of venture capital firms and investors, further fueling the growth and concentration of high-tech startups.



## ABOUT THE AREA



## Site Information

The subject property is strategically located in a dense infill location with excellent access and visibility at the intersection of 9th Avenue and Clement Street near the junction of Geary Boulevard (49,247 AADT) and Park Presidio Boulevard (75,000 AADT) in San Francisco, California. The site benefits from robust, affluent demographics surrounding the site, with a population of 794,058 and total daytime population of 1,005,266 within a five mile radius. Average household income within three miles of the site is \$137,150; median home value within one mile of the site is \$1,376,962. San Francisco's robust economy has resulted in high demand for retail space with very low availability, ensuring long term tenancy and rapid lease-up in the event of vacancy.

The site is located in a dense commercial & residential area neighboring numerous major retail tenants and the Geary Boulevard retail corridor. The Clement street retail corridor features a number of hip local restaurants, bars, and shops, including Park Life, Chapeau, Georgios Pizza, Burma Superstar, and other new eateries. The corridor also features a dense collection of some of San Francisco's best Asian grocers and restaurants, as well as one of the most popular Sunday Farmer's Markets in the city. Major tenants neighboring the site include Smart & Final, CVS, Trader Joe's, Safeway, BevMo!, Ross, Lamps Plus, OfficeMax, AT&T, Chase Bank, and more. In addition, the site is located approximately 1.2 miles from a planned mixed-use retail and residential development at the current site of the UCSF Laurel Heights Campus; the development will include up to 750 new residential units upon completion.

The site is situated approximately two blocks from the Presidio and five blocks from Golden Gate Park, both of which draw substantial local and tourist traffic. Moreover, the site is located less than one mile from the de Young Museum and the California Academy of Sciences, which together draw nearly 2.5 million visitors annually. In addition, the property is located less than a mile and a half from the campus of the University of San Francisco, with more than 11,000 students enrolled.

The property also neighbors numerous medical offices and facilities, drawing additional traffic from patients, doctors, and staff to the site. The site is located less than one mile from Sutter Health's California Medical Center and satellite offices of Kaiser Permanente, two of the largest health systems in the region. In addition, the site is located approximately 1.4 miles from Kaiser Permanente's main San Francisco medical center, which provides emergency, urgent, and routine medical care and has been named a top teaching hospital, employing more than 4,000. The property also neighbors the University of California San Francisco's Mount Zion Medical Center and UCSF Benioff Children's Hospital, both major centers of medical research. All three hospital systems are among San Francisco's largest employers.





# 745 Clement St | San Francisco, CA 94118



2018 POPULATION  
**794,058**



MEDIAN HOME VALUE  
**\$1,376,962**



AVG. HOUSEHOLD INCOME  
**\$137,150**

Population Summary	1 Mile	3 Miles	5 Miles
2010 Total Population	51,150	398,444	728,231
2018 Total Population	53,931	429,171	794,058
2023 Total Population	55,914	448,594	837,680
2018-2023 Annual Rate	0.72%	0.89%	1.08%
Average Household Income			
2018	\$135,488	\$137,150	\$134,266
2023	\$165,198	\$164,248	\$160,528
Median Home Value			
2018	\$1,376,962	\$1,107,997	\$983,170
2023	\$1,379,032	\$1,126,121	\$995,189

## Major Employers in San Francisco # of Employees

City and County of San Francisco	28,846
University of California, San Francisco	24,304
San Francisco Unified School District	9,483
Wells Fargo & Co	8,245
California Pacific Medical Center	6,000
Salesforce	5,331
Kaiser Permanente	5,249
PG&E	4,381
Gap, Inc.	4,268
Dignity Health	2,550





**John Schaefer**

Executive Vice President  
415.299.6855  
john.schaefer@am.jll.com  
CA RE License #01251740

**Putnam Daily**

Partner - Brokerage Division  
415.445.5107  
putnam@preservewc.com  
CA RE License #01750064

**Michael Maffia**

Managing Partner  
415.373.4060  
mike@preservewc.com  
CA RE License #01340853

PRESERVE  
WEST  
CAPITAL

