



TESLA
Center

**12.5-Year Modified Triple-Net (NNN)
Lease with Tesla, Inc.**



Aerial Drone Video



OFFERING MEMORANDUM

exclusive net-lease offering

**2590 U.S. Highway 61
Maplewood, MN 55109
(Minneapolis MSA)**

Marcus & Millichap

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Investment Highlights

PRICE: \$10,000,000 | CAP: 5.85% | RENT: \$585,000



About the Investment

- ✓ Approximately 11.5 Years Remaining on an Original 12.5-Year Modified Triple-Net (NNN) Lease
- ✓ Three (3), Five (5) Year Tenant Renewal Options
- ✓ Two Percent (2%) Annual Rental Increases Beginning in Lease Year 3
- ✓ 2018 Complete Remodel with State of the Art Improvements

About the Location

- ✓ Excellent Demographics With Over 266,191 Individuals in a Five-Mile Radius
- ✓ Strategically Positioned On U.S. Highway 61 – Strong Traffic Counts of 36,941
- ✓ Dense Mix of Leading National Retailers in Prestigious Automotive Brands in the Surrounding Area
- ✓ Average Household Income of over \$75,000 Within a Five-Mile Radius – Allowing Tesla to Capitalize on the Affluent Consumer Base

About the Tenant/Brand

- ✓ Tesla, Inc. founded in 2003, is an American multinational corporation that specializes in electric vehicles lithium-ion battery energy storage, and solar panel manufacturing.
- ✓ \$54 Billion Market Cap – '18 Q2 Revenue of \$4 Billion (43.47% Increase YoY)
- ✓ Since their founding, Tesla has broken new barriers in developing high-performance automobiles that are not only the world's best and highest-selling pure electric vehicles—with long range and absolutely no tailpipe emissions—but also the safest, highest-rated cars on the road in the world.
- ✓ Model 3 Production Has Exceeded 5,000 Vehicles Per Week as of Q2 2018
- ✓ Tesla has a Positive Free Cash Flow as of Q3 2018



INVESTMENT OVERVIEW



Marcus & Millichap is pleased to exclusively market for sale the newly renovated Tesla Center located at 2590 Highway 61 in Maplewood, Minnesota. The property is made up of a 18,787 square foot building and is situated on 3.12 acres of land. The investment opportunity is subject to a 12.5-year modified triple-net (NNN) lease with 11.5 years remaining. The current rent is \$585,000 and is subject to 2% annual rental increases beginning in the third year of the lease. There are three, five-year tenant renewal options which are also subject to the two percent annual rental increases. The lease is guaranteed by Tesla, Inc.

Tesla, Inc. founded in 2003, is an American multinational corporation that specializes in electric vehicles lithium-ion battery energy storage, and solar panel manufacturing. As of June 2018 Tesla sells the Tesla Model S, Model X, Model 3, Powerwall, and Powerpack batteries, solar panels, solar roof tiles, and related products. The company's Model S was the world's best selling plug-in electric car in 2015 and 2016.





Financial Analysis

PRICE: \$10,000,000 | CAP: 5.85% | RENT: \$585,000

Property Description

Property	Tesla Center
Property Address	2590 U.S. Highway 61
City, State, ZIP	Maplewood, Minnesota 55109
Year Renovated	2019
Building Size	18,797 Square Feet
Lot Size	+/- 3.12 Acres
Type of Ownership	Fee Simple

The Offering

Annual Rent	\$585,000
CAP Rate	5.85%
Purchase Price	\$10,000,000
Price / SF	\$532
Rent / SF	\$31.12

Lease Summary

Property Type	Net Leased Automotive
Tenant / Guarantor	Tesla Inc.
Ownership Type	Public (NASDAQ: TSLA)
Original Lease Term	12.5 Years
Lease Commencement	November 21 st , 2017
Rent Commencement	December 12 th , 2018
Lease Expiration	June 9 th , 2031
Lease Term Remaining	~11.5 Years
Lease Type	Modified Triple-Net (NNN)
Roof & Structure	Landlord Responsible
Rental Increases	2% Annually Beginning in LY3
Options to Renew	Three (3), Five (5) Year Options

Rent Schedule

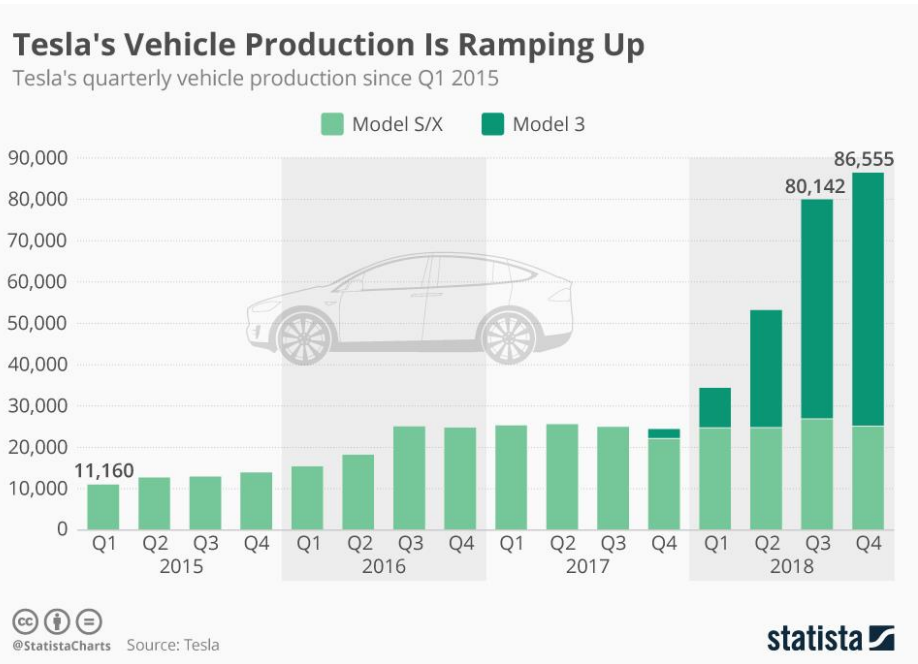
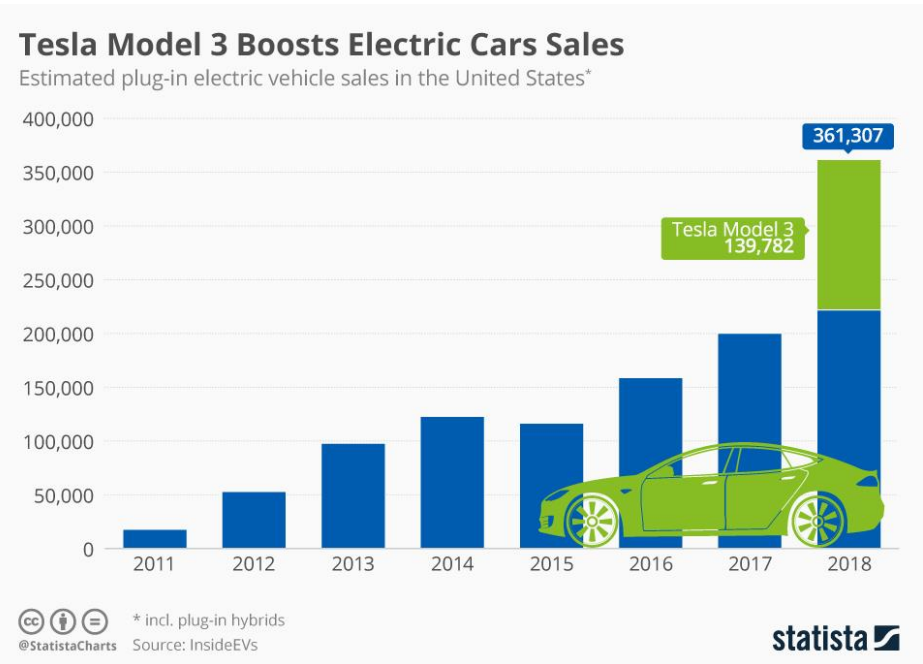
Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation (%)
Year 1	\$585,000	\$48,750	-
Year 2	\$585,000	\$48,750	-
Year 3	\$596,700	\$49,725	2%
Year 4	\$608,634	\$50,720	2%
Year 5	\$620,807	\$51,734	2%
Year 6	\$633,223	\$52,769	2%
Year 7	\$645,887	\$53,824	2%
Year 8	\$658,805	\$54,900	2%
Year 9	\$671,981	\$55,998	2%
Year 10	\$685,421	\$57,118	2%
Year 11	\$699,129	\$58,261	2%
Year 12	\$713,112	\$59,426	2%
Year 13 (6mo)	\$363,687	\$60,615	2%
Option Period 1			
Year 14	\$736,648	\$61,387	2%
Year 15	\$749,341	\$62,445	2%
Year 16	\$764,327	\$63,694	2%
Year 17	\$779,614	\$64,968	2%
Year 18	\$795,206	\$66,267	2%
Option Period 2			
Year 19	\$811,110	\$67,593	2%
Year 20	\$827,333	\$68,944	2%
Year 21	\$843,879	\$70,323	2%
Year 22	\$860,757	\$71,730	2%
Year 23	\$877,972	\$73,164	2%
Option Period 3			
Year 24	\$895,531	\$74,628	2%
Year 25	\$913,442	\$76,120	2%
Year 26	\$931,711	\$77,643	2%
Year 27	\$950,345	\$79,195	2%
Year 28	\$969,352	\$80,779	2%



Tesla's mission is to accelerate the world's transition to sustainable energy. Since their founding in 2003, Tesla has broken new barriers in developing high-performance automobiles that are not only the world's best and highest-selling pure electric vehicles—with long range and absolutely no tailpipe emissions—but also the safest, highest-rated cars on the road in the world. Beyond the flagship Model S sedan as well as the falcon-winged door Model X sports utility vehicle, they launched their Model 3 sedan this year at a base price of \$35,000; we expect to truly propel electric vehicles into the mainstream.

In addition, with the opening of the Gigafactory and the acquisition of SolarCity, Tesla now offers a full suite of energy products that incorporates solar, storage, and grid services. As the world's only fully integrated sustainable energy company, Tesla is at the vanguard of the world's inevitable shift towards a sustainable energy platform.

Tesla delivered “approximately 97,000” cars around the world in the third quarter of 2019, slightly edging out the previous record of 95,356 the company set in the second quarter. That brings Tesla's delivery total for the year up to around 255,000 vehicles, meaning the company has already shipped more cars in 2019 than it did all of last year. But it also means Tesla needs to set another record in the fourth quarter (and then some) if it wants to reach the low end of the estimate it offered at the beginning of the year, which was that the Silicon Valley automaker would deliver between 360,000 and 400,000 cars in 2019. Tesla is expected to start production at its third Gigafactory in China by the end of the year, which could help the company meet that goal





Tesla Third Quarter 2019 Update

- \$383M increase in our cash and cash equivalents balance to \$5.3B
- \$371M operating cash flow less capex (free cash flow)
- \$143M GAAP net income; \$342M non-GAAP net income ex-SBC
- \$3.0B of cash and cash equivalents at Q3-end, increased by \$731M in Q3
- Gigafactory Shanghai ahead of schedule, trial production started
- Model Y ahead of schedule, production expected by summer 2020
- Record vehicle production of 96k and deliveries of 97k

Last year, our story was about ramping the Model 3. While total volumes are expected to grow by approximately 50% in 2019, this year our focus has been cost control and preparing for our next phase of growth. Despite reductions in the average selling price (ASP) of Model 3 as global mix stabilizes, our gross margins have strengthened. Additionally, operating expenses are at the lowest level since Model 3 production started. As a result, we returned to GAAP profitability in Q3 while generating positive free cash flow. This was possible by removing substantial cost from our business. We have also dramatically improved the pace of execution and capital efficiency of new production lines. Gigafactory Shanghai was built in 10 months and is ready for production, while it was ~65% less expensive (capex per unit of capacity) to build than our Model 3 production system in the US. Continued volume growth and cost control are an important combination for achieving sustained, industry-leading profitability.

Product Update

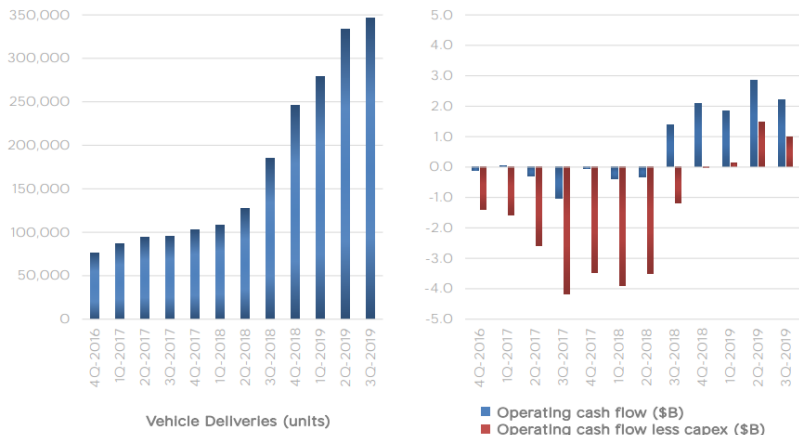
Trial production of Model 3 in Shanghai has begun, ahead of schedule. We are also ahead of schedule to produce Model Y and now expect to launch by summer 2020. We are planning to produce limited volumes of Tesla Semi in 2020 and are hoping to announce soon the location of our European Gigafactory for production in 2021.

Shanghai Production

We are already producing full vehicles on a trial basis, from body, to paint and to general assembly, at Gigafactory Shanghai. We have cleared initial milestones toward our manufacturing license and are working towards finalizing the license and meeting other governmental requirements before we begin ramping production and delivery of vehicles from Shanghai.

China is by far the largest market for mid-sized premium sedans. With Model 3 priced on par with gasoline powered mid-sized sedans (even before gas savings and other benefits), we believe China could become the biggest market for Model 3.

KEY METRICS TRAILING 12 MONTHS (TTM)
(Unaudited)



TESLA PRODUCTS

Model S



Roadster



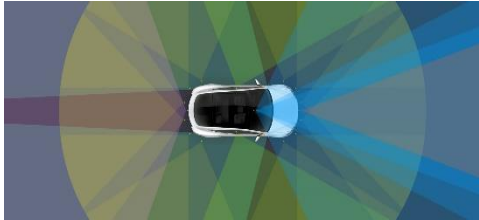
Powerwall/Powerpack



Model 3



Autopilot



Solar Roofs



Model X



Semi-Truck



Gigafactory



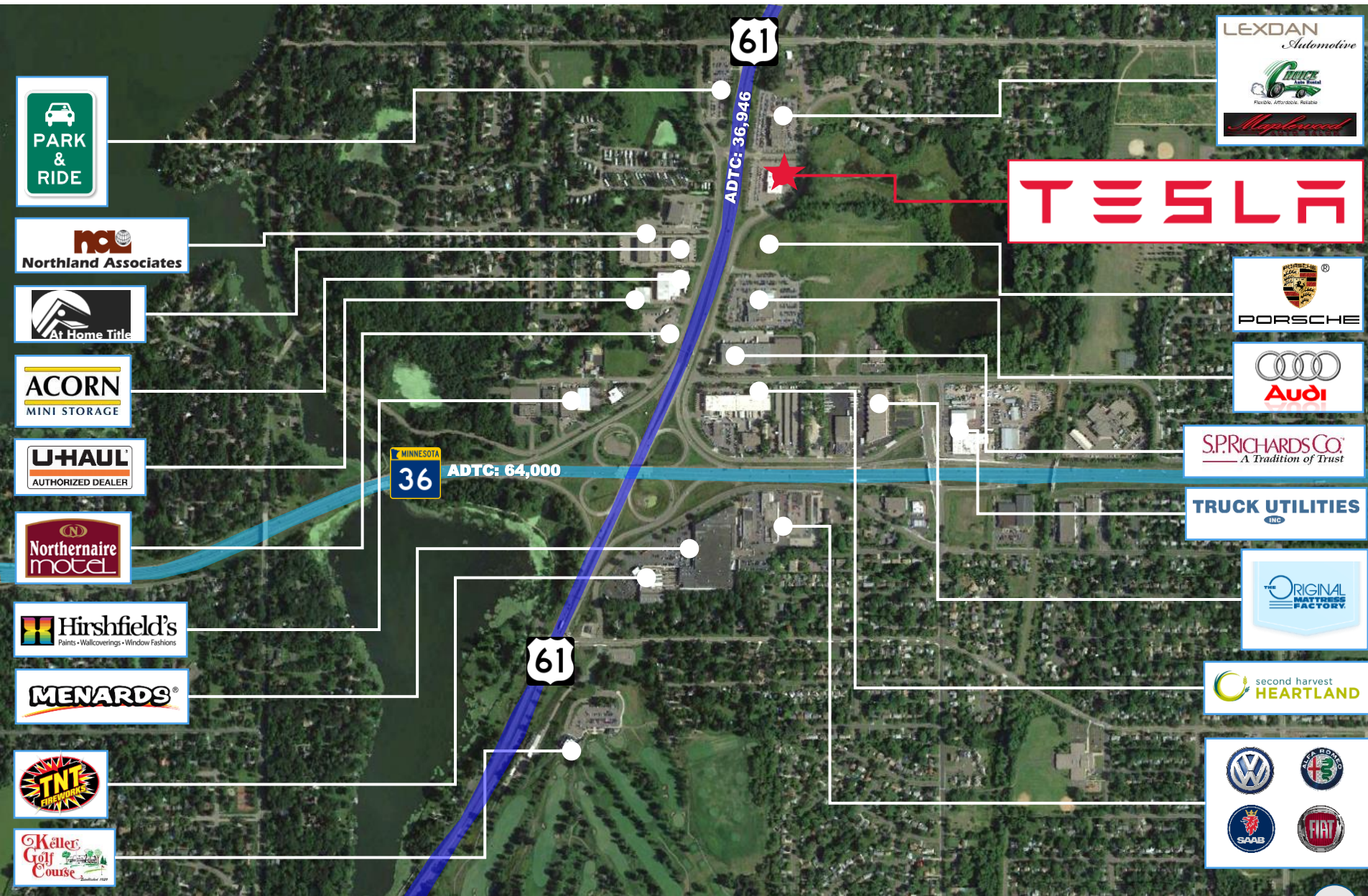
Surrounding Area

The map shows a suburban area with a grid of streets. A red star marks the location of Tesla. White dots are placed at various locations, with lines connecting them to callout boxes containing logos for nearby businesses. The callout boxes are arranged around the map, with some containing multiple logos. The map also shows major roads, including Interstate 694 and Highway 61, and a large body of water in the upper left.

Callout Boxes:

- Top Left:** HYUNDAI, ACURA, MITSUBISHI MOTORS
- Top Right:** Sam's Club, planet fitness, N
- Middle Left:** Mercedes-Benz, TOYOTA, LEXUS, VOLVO, NISSAN, CARMAX
- Middle Right:** Denny's, LA FITNESS, DSW, Party City, bakers square, BEST BUY, HOBBY LOBBY, RED LOBSTER, petco, JO-ANN, Burlington, Marshalls, AVIS, DOLLAR TREE, KOHL'S, sears, Olive Garden, JCPenney, Arby's, macy's
- Bottom Left:** COSTCO WHOLESALE
- Bottom Center:** St. John's Hospital
- Bottom Right:** VW, PORSCHE, Audi, SAAB, FIAT, ALFA ROMEO
- Bottom:** TESLA, McDonald's, CVS pharmacy, FedEx, THE HOME DEPOT, PETSMART, AutoZone, BURGER KING, TARGET

Surrounding Area





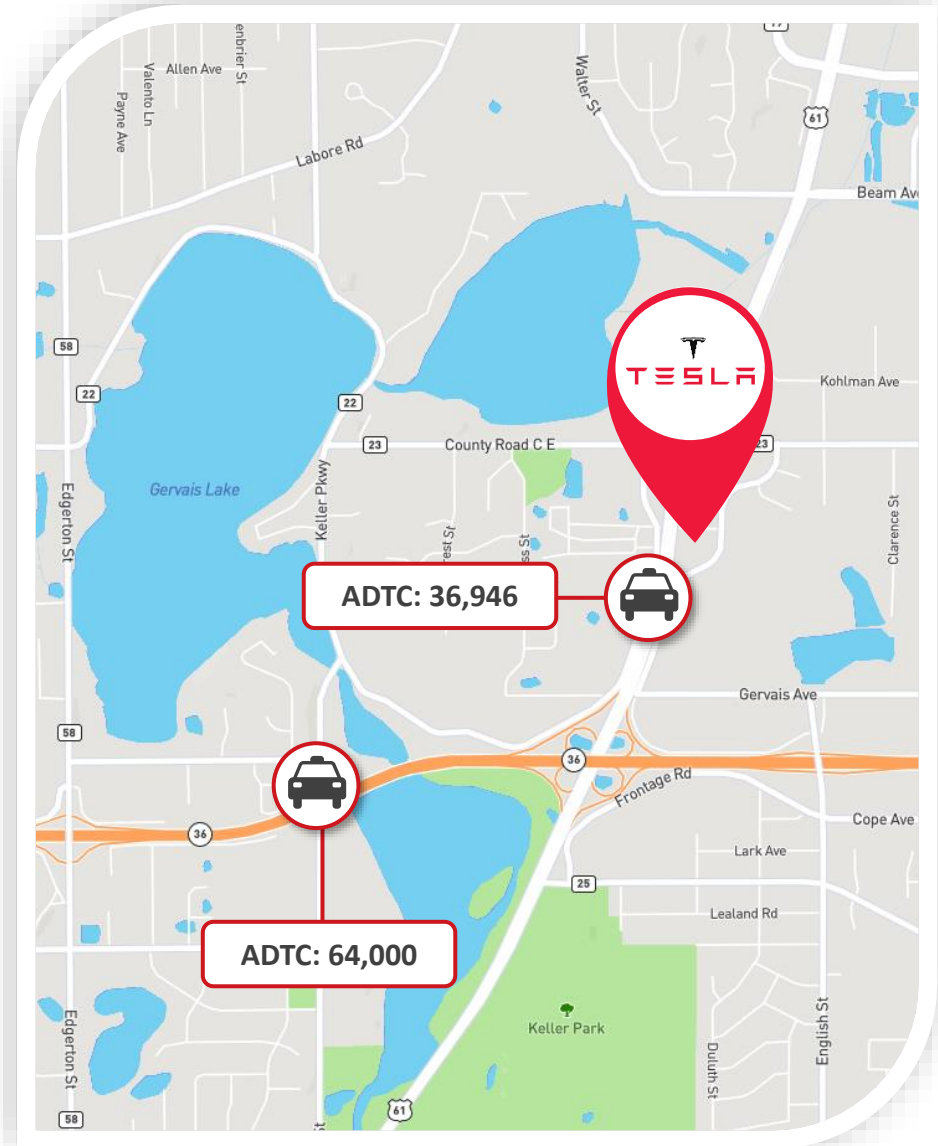
Location Overview

This Tesla Center is located at 2590 U.S. Highway 61 in Maplewood, Minnesota. Maplewood is a city in Ramsey County, Minnesota. The city stretches along most of the northern and eastern borders of Saint Paul, and is located approximately ten minutes away from downtown Saint Paul. Maplewood is home to the corporate headquarters and main campus of 3M Corporation. The city is also home to the Maplewood Mall and St. John's Hospital (184 licensed beds).

The subject property is strategically located on U.S. Highway 61 situated between dealerships of many of the world's most prominent automotive brands. Dealerships in the surrounding area include: Porsche, Audi, Mercedes-Benz, Alfa Romeo, Saab, FIAT, Volkswagen, Lexus, Toyota, Volvo, Nissan, Honda, Acura, Hyundai, and Mitsubishi. Additionally, there is a strong presence of major national retailers in the surrounding area. National tenants include: Costco, Menard's, Sam's Club, Home Depot, PetSmart, AutoZone, Target, McDonald's, Chipotle, NAPA Auto Parts, CVS Pharmacy, FedEx, Sam's Club, Planet Fitness, Northern Tool + Equipment, LA Fitness, Best Buy, Ashley Furniture Homestore, Kohl's, Macy's, Sears, JCPenney, PetCo, Red Lobster, Hobby Lobby, as well as many others.

There are approximately 87,871 people within a three-mile radius of this property and 266,191 within a five-mile radius. The property is situated on U.S. Highway 61 North, which has an average daily traffic count of 36,946 vehicles. The subject property also benefits from its close proximity to Minnesota State Route 36, which has an average daily count of 64,000 vehicles per day.

This Tesla Center is located approximately thirteen miles from downtown Minneapolis. Minneapolis is the county seat of Hennepin County, and the larger of the Twin Cities, the 16th-largest metropolitan area in the United States. As of 2017, Minneapolis is the largest city in the state of Minnesota and the 45th-largest in the United States. Renowned for its strong music and performing arts scenes, Minneapolis is home to both the award-winning Guthrie Theater and the historic First Avenue nightclub. The city serves as the primary business center between Chicago and Seattle, with Minneapolis proper containing America's 10th-highest concentration of Fortune 500 companies. Five Fortune 500 companies make their headquarters within the city limits of Minneapolis: Target, U.S. Bancorp, Xcel Energy, Ameriprise Financial and Thrivent Financial. There are also several professional sports teams that call Minneapolis home, including: the Minnesota Lynx of the Women's National Basketball Association, the Minnesota Timberwolves of the National Basketball Association, the Minnesota Twins of Major League Baseball, Minnesota United FC of Major League Soccer, and the Minnesota Vikings of the National Football League. As an integral link to the global economy, Minneapolis is categorized as a global city, with strengths in business, medicine, sports, manufacturing, culture, education, and research.





Property Overview

The Owner has completely redeveloped the property to update a former car sales and service center. The entire slab in the original service center area was removed and lowered one-foot to accommodate the new tenant's required minimum clear height throughout the premises. Five (5) existing overhead doors were replaced with new hi-speed roll-up doors, and an additional hi-speed roll-up door was added at the south elevation to provide for improved vehicle access and circulation. All the exterior Alucobond panels were replaced to align with the new tenant's branded color scheme. Other enhancements to the property include the following:

Site Improvements:

- Milled, overlaid and restriped all existing asphalt parking areas
- Excavated, compacted and graded site, as necessary, to access the lowered service area slab and improve drainage throughout the site
- Provided new trench drain structures and tied into the existing system for proper site drainage
- Removed all site light fixtures and replaced with thirty-two (32) new LED site light fixtures throughout the parking lot
- Installed conduit under the parking lot for six (6) future supercharger and signage locations
- Enhanced existing landscaping with shrubs and foundation plantings
- Installed decorative fencing at ramped garage entryways
- Replaced damaged sidewalks and curbs around building and landscape islands
- Replaced all chain-link dumpster corral fences with fencing and gates
- Upgraded Xcel transformer for new power requirements

Building Improvements

- Installed an additional 2" of isocyanate insulation to achieve R-30 and a new 60-mil TPO roofing system with a twenty (20) year warranty
- Provided five (5) new Carrier HVAC units totaling fifty-two (52) tons of AC
- Upgraded all utilities per Tenant's requirements including fire service
- Provide new screening at all rooftop HVAC equipment per tenant's custom colors
- Upgraded building electrical with 480V, 3 phase, 4-wire, 2000 AMP service
- Modified fire sprinklers and installed new Fire Alarm system
- Modified storefront at south and west elevations for vehicle access
- Provided new roof access platform and stairs





Property Render





Property Photo





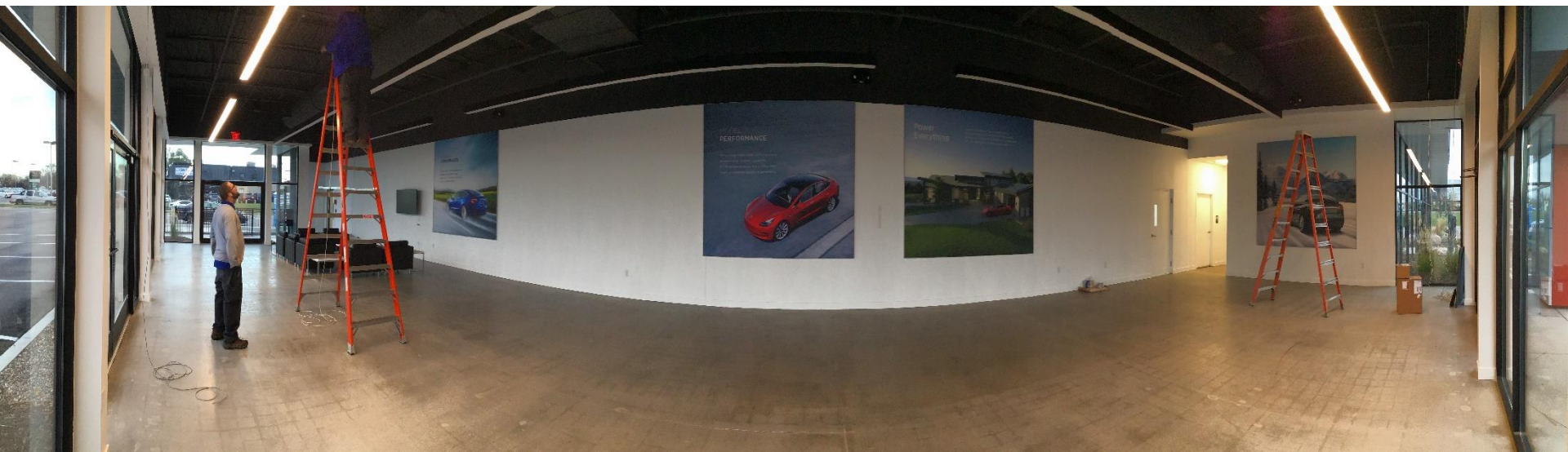
Property Photo

As of 9/20





Interior Photos





Surrounding Area Photos



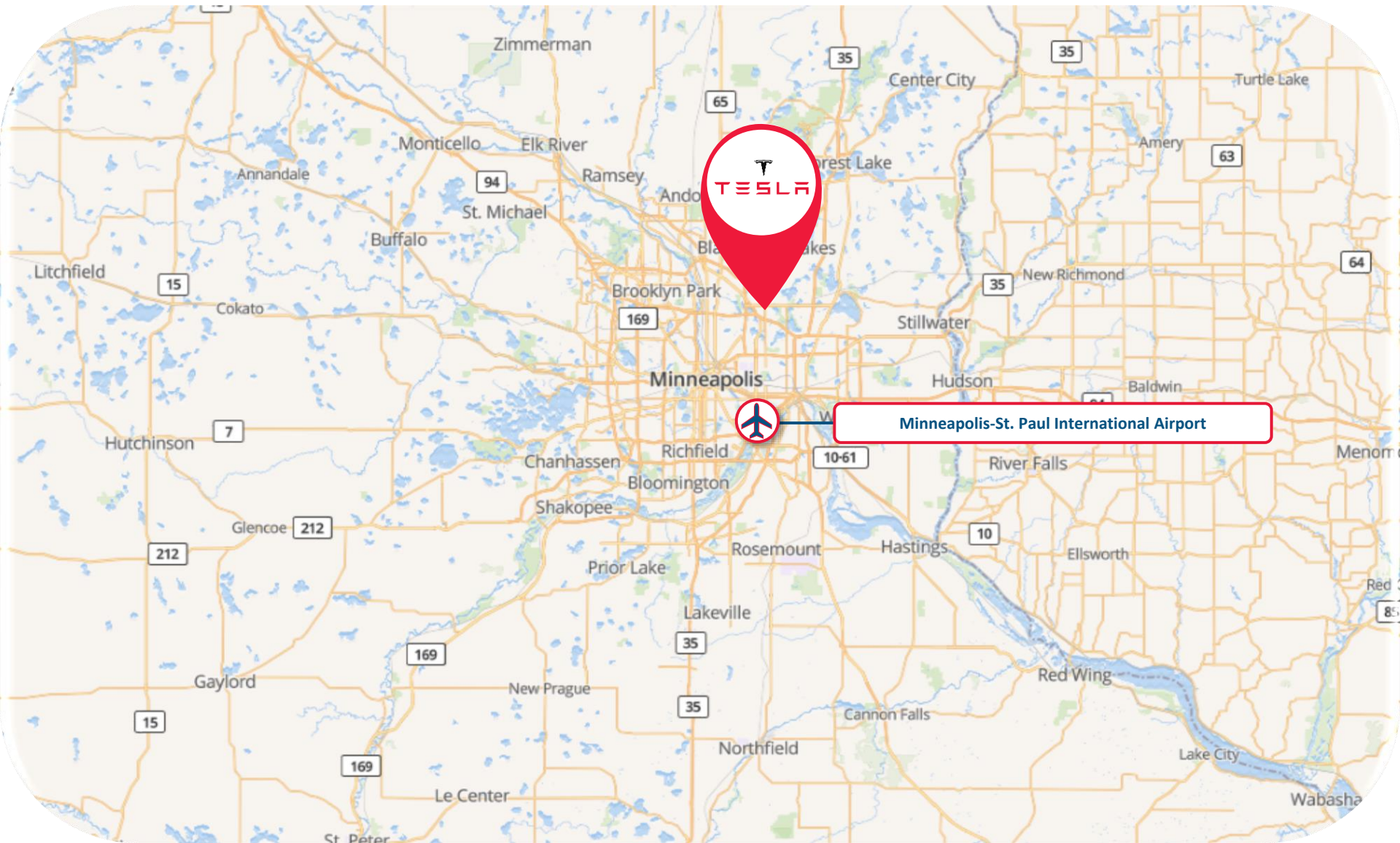


Surrounding Area Photos





Local Map



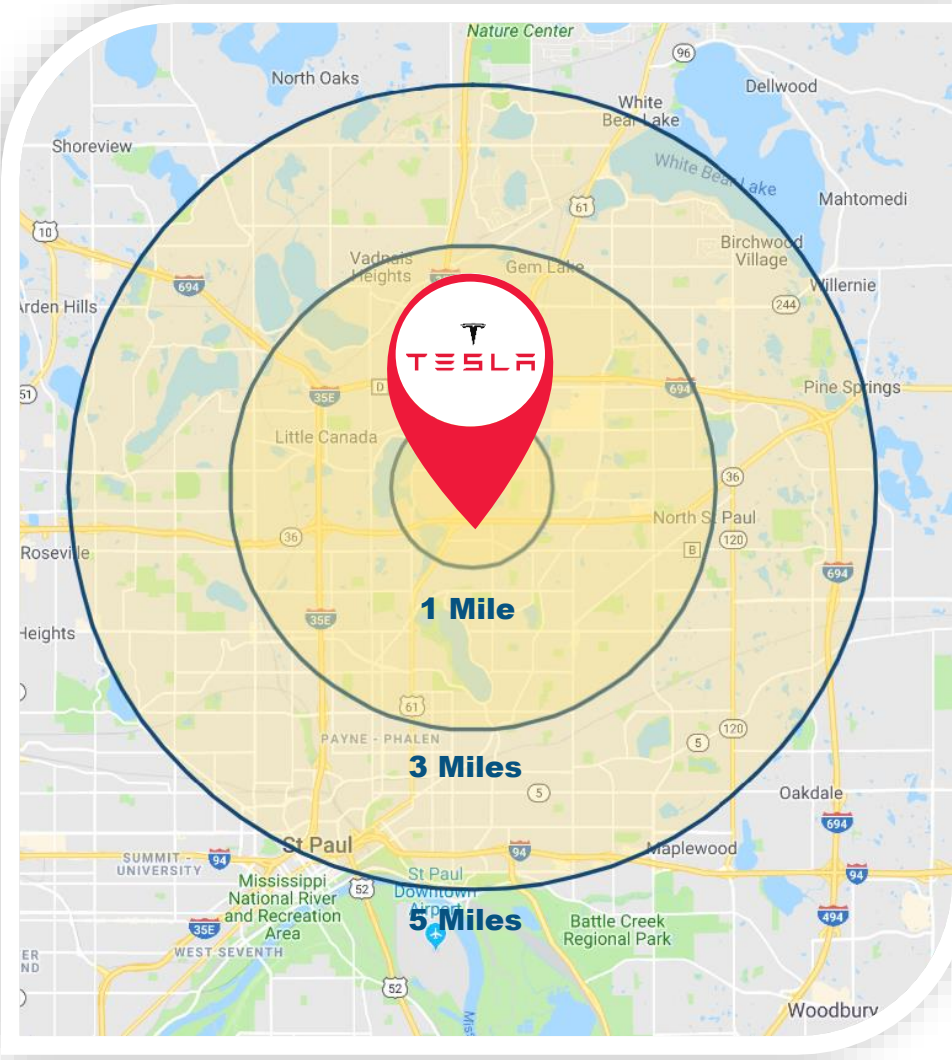


Regional Map





Demographics



1 Mile 3 Miles 5 Miles

Population Trends:

2023 Projection	4,632	91,022	275,882
2018 Estimate	4,504	87,871	266,191
2010 Census	4,413	82,539	249,700
Growth 2018-2023	2.84%	3.59%	3.64%
Growth 2010-2018	2.06%	6.46%	6.60%
2018 Population Hispanic Origin	215	6,916	22,801

Population by Race (2017):

White	3,270	56,458	169,081
Black	305	8,649	30,993
Am. Indian & Alaskan	23	829	2,957
Asian	792	18,841	53,398
Hawaiian & Pacific Island	3	82	240
Other	111	3,012	9,520

Household Trends:

2023 Projection	1,822	35,190	104,758
2018 Estimate	1,770	33,981	101,113
2010 Census	1,733	31,968	95,086
Growth 2018 - 2023	2.94%	3.56%	3.60%
Growth 2010 - 2018	2.14%	6.30%	6.34%
Owner Occupied	1,402	22,006	64,619
Renter Occupied	368	11,975	36,494

Average Household Income (2017):

\$85,091 \$72,882 \$75,046

Households by Household Income (2017):

<\$25,000	316	6,154	19,574
\$25,000 - \$50,000	309	8,474	23,865
\$50,000 - \$75,000	354	6,723	19,471
\$75,000 - \$100,000	251	4,681	13,421
\$100,000 - \$125,000	170	3,105	9,189
\$125,000 - \$150,000	170	1,963	6,308
\$150,000 - \$200,000	106	1,971	5,492
\$200,000+	94	911	3,794



Market Overview

City: Minneapolis | County: Hennepin | State: Minnesota



Minneapolis is the county seat of Hennepin County, and the larger of the Twin Cities, the 16th-largest metropolitan area in the United States. As of 2017, Minneapolis is the largest city in the state of Minnesota and the 45th-largest in the United States. Renowned for its strong music and performing arts scenes, Minneapolis is home to both the award-winning Guthrie Theater and the historic First Avenue nightclub. The city serves as the primary business center between Chicago and Seattle, with Minneapolis proper containing America's 10th-highest concentration of Fortune 500 companies. Five Fortune 500 companies make their headquarters within the city limits of Minneapolis: Target, U.S. Bancorp, Xcel Energy, Ameriprise Financial and Thrivent Financial. There are also several professional sports teams that call Minneapolis home, including: the Minnesota Lynx of the Women's National Basketball Association, the Minnesota Timberwolves of the National Basketball Association, the Minnesota Twins of Major League Baseball, Minnesota United FC of Major League Soccer, and the Minnesota Vikings of the National Football League. As an integral link to the global economy, Minneapolis is categorized as a global city, with strengths in business, medicine, sports, manufacturing, culture, education, and research.

Major Employers

Employer	Estimated # of Employees
Integrus Metals	2,400
Cummins	1,758
Ebersen Inc	1,500
Honeywell	800
RMS Company	700
Walmart	659
Target	600
Sysco	480
Medtronic	406
JC Imports	400
Social Svcs & Mental Hlth Dept	400
Spring Lake Park School Dst	400

TESLA

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