



CVS-Omnicare Flex Building

Mission Critical Distribution Facility – Salt Lake City
Confidential Offering Memorandum
2280 Alexander Street, West Valley City, UT 84119



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The terms and conditions set forth above apply to this Offering Memorandum in its entirety.



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*Executive
Summary*

04

The Offering

JLL is pleased to offer for sale the fee-simple interest in a single-tenant industrial pharmacy fulfillment center (the “Property” or the “Asset”) located in West Valley City, UT just minutes from downtown Salt Lake City. Leased to Omnicare, a wholly-owned subsidiary of CVS Health Corporation (S&P: ‘BBB’), the facility is home to over 40 employees and has served as a key regional location for 20 years.

The Property possesses outstanding accessibility for industrial users in the area. Sitting off of Interstate 215 (102,000 daily vehicles), and just south of Route 201 (94,000 daily vehicles), the immediate market serves as a manufacturing and shipping hub for the greater region with leading companies like FedEx, UPS, Owens & Minor, and many more significant capital investment into the area. With over 56 million square feet of industrial inventory within a 3-mile radius, the Salt Lake City market has continued to show strong rental growth, limited vacancy, and overall tenant demand.

Tenant snapshot

Omnicare, Inc. operates as a healthcare services company that specializes in the management of pharmaceutical care in the United States. The company’s Long-Term Care Group segment offers pharmaceuticals, and related pharmacy and ancillary services to long-term care facilities; and chronic care facilities and other settings. Its Specialty Care Group segment provides specialty pharmacy and commercialization services for the biopharmaceutical industry; and provides brand support services, supply chain solutions, patient support services, and specialty pharmacy platforms. This segments specialized drugs deal primarily with drugs and disease states



RECENT TENANT EXTENSION BACKED BY INVESTMENT-GRADE CREDIT



IDEAL POSITION FOR OFFICE & INDUSTRIAL PRODUCT WITH CLOSE PROXIMITY TO HIGHWAY



MISSION CRITICAL OFFICE FLEX SPACE WITH SUBSTANTIAL TENANT OPERATING HISTORY



SIGNIFICANT TENANT INVESTMENT IN OPERATIONAL INFRASTRUCTURE



CONCENTRATED INDUSTRIAL MARKET & OPPORTUNITY ZONE DESIGNATION



Executive Summary

OFFERING TERMS

| | |
|------------|---------------------|
| Price | Unpriced |
| Year 1 NOI | \$335,120 \$11.80 |

PROPERTY PROFILE

| | |
|--------------------|---|
| Address | 2280 Alexander Street West Valley City, UT 84119 |
| Site Area | 1.74 Acres |
| Current Occupancy | 100% |
| Ownership Interest | Fee-Simple |
| Property Size | 28,400 SF |
| Parcel Numbers | 15-21-427-004 |
| Zoning | M (Heavy Industrial) |
| Opportunity Zone | Yes |

LEASE PROFILE

| | |
|---------------------------|---------------------------------------|
| Tenant ¹ | Superior Care Pharmacy |
| Option Commencement | 2/1/2019 |
| Current Lease Expiration | 1/31/2024 |
| Escalations | 3% in 2021 and 2024 |
| Lease Structure | NN |
| Landlord Responsibilities | Roof, Structure, and Building Systems |
| Renewal Options | 1 x 5 year |

¹ Superior Care Pharmacy is a wholly owned subsidiary of CVS

RENT SCHEDULE

| START | END | ANNUAL | MONTHLY | PSF | GROWTH |
|----------|-----------|-----------|----------|---------|--------|
| 2/1/2019 | 1/31/2020 | \$335,120 | \$27,927 | \$11.80 | - |
| 2/1/2020 | 1/31/2021 | \$335,120 | \$27,927 | \$11.80 | - |
| 2/1/2021 | 1/31/2022 | \$335,120 | \$27,927 | \$11.80 | - |
| 2/1/2022 | 1/31/2023 | \$345,174 | \$28,764 | \$12.15 | 3.0% |
| 2/1/2023 | 1/31/2024 | \$345,174 | \$28,764 | \$12.15 | - |



Investment Highlights



RECENT TENANT EXTENSION BACKED BY INVESTMENT-GRADE CREDIT

- Guarantee from Omnicare, fully owned subsidiary of CVS Health Corp (S&P: 'BBB')
- Positive parent financial trends (4.1% YoY increase in revenue)
- 2015 acquisition by CVS has allowed Omnicare to significantly expand operations and reach
- Very rare low price point for investment grade industrial inventory in a leading market



IDEAL POSITION FOR OFFICE & INDUSTRIAL PRODUCT WITH CLOSE PROXIMITY TO HIGHWAY

- Asset positioned adjacent to I-215 (102,000 daily vehicles) and near Route 201 (94,000 daily vehicles)
- Strategic position allows for seamless access throughout region and will continue to bolster the local market's intrinsic real estate value
- Well-below market rental rates provide downside protection in event of tenant exit



Investment Highlights



MISSION CRITICAL OFFICE FLEX SPACE WITH SUBSTANTIAL TENANT OPERATING HISTORY

- Tenant has operated at this location since 1999 in an office, warehouse, and distribution capacity
- Tenant has executed two, 5-year renewal options thus far with one, 5-year extension remaining upon the current expiration in 2024
- 3% rental increases in 2021 and 2024 (if tenant elects to renew their final option)



CONCENTRATED INDUSTRIAL MARKET & OPPORTUNITY ZONE DESIGNATION

- Industrial Market
 - 131+ million SF; 5+ million under construction; 4.3% vacancy rate (2.9% in WV submarket)
- Office Market
 - 6 million SF; 2 million SF under construction; 6.3% vacancy rate (5.6% in WV submarket)
- Property sits within opportunity zone, offering attractive redevelopment potential down the road
- Superb surrounding market presents easy backfill in event of a tenant exit upon expiration



SIGNIFICANT TENANT INVESTMENT IN OPERATIONAL INFRASTRUCTURE

- Substantial on-site investment & upgrade over Omnicare's operating history
 - 100% tenant-funded, further demonstrating location viability through capital commitment





Tenant Overview **16**

OMNICARE OVERVIEW

Omnicare, Inc. operates as a healthcare services company that specializes in the management of pharmaceutical care in the United States. The company's Long-Term Care Group segment offers pharmaceuticals, and related pharmacy and ancillary services to long-term care facilities; and chronic care facilities and other settings. Its Specialty Care Group provides specialty pharmacy and commercialization services for the biopharmaceutical industry; and provides brand support services, supply chain solutions, patient support services, and specialty pharmacy platforms. Omnicare provides pharmacy consulting, including monthly patient drug therapy evaluations, as well as case management services for retirees, employees and dependents who have drug benefits under corporate-sponsored health care programs.

With the addition of the LTC operations, CVS enhanced their service offerings to address the needs of an aging population throughout the continuum of senior care.

2015 CVS ACQUISITION

In May 2015, CVS Health acquired Omnicare for approximately \$12.7 billion. The rationale behind the deal from CVS' perspective was to capture market share across their senior care and assisted living businesses. Additionally, CVS aimed to expand its reach in the rapidly-growing "specialty pharmacy" business which entails rare and/or complex disease treatment. As the government's share of healthcare spending accounts for nearly 20% of the country's GDP, industry leaders expect margins on said spending to compress. This acquisition acted as a protection against these declining margins with increased scale and geographic coverage.

Omnicare's financial impact are rolled up into CVS' Retail/Long-Term Care segment. The Retail/LTC segment sells prescription drugs and conducts long-term care pharmacy operations, which include long-term care pharmacies.



**Advanced
Digital Tools**



**Daily
Delivery**

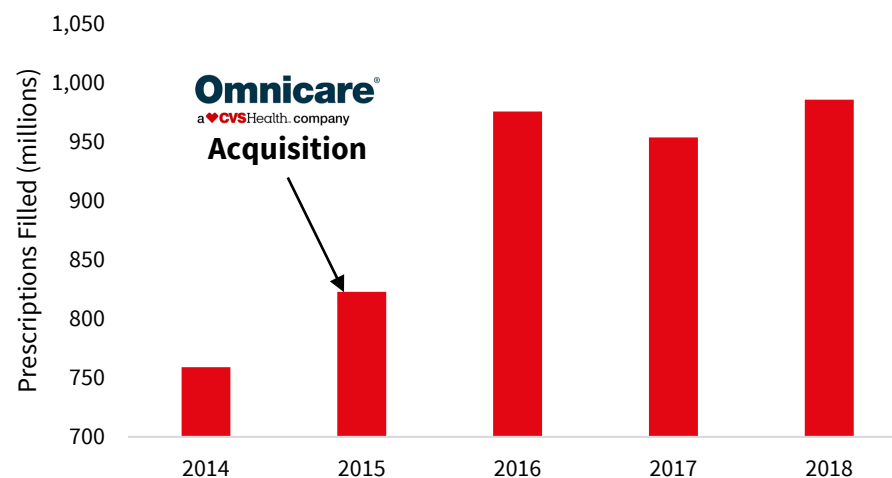


**Cost Management
Programs**



**24/7
Access**

Retail/LTC Prescriptions Filled (millions)



PARENT OVERVIEW

- **Investment Grade Tenancy** – CVS maintains a S&P investment grade credit rating of BBB, providing investors with a reliable stream of bondable cashflows. Dividends have been paid 22 years straight.
- **Established Industry Leader** – CVS Health is the largest pharmacy health care provider in the USA by total prescription revenue. The Company manages 92 million PBM plan members, over 9,900 retail locations, and filled 2.6 billion prescriptions as of Q4 2018.
- **Growth Opportunities** – Acquiring Aetna led to a newly created Health Care Benefits segment, responsible for \$5.5B of 2018 revenue. Besides for existing segment growth avenues, the introduction of end-to-end healthcare service and improved vertical integration is expected to drive further membership and revenue growth for the business.
- **Strong historical and projected financials** – CVS has grown revenue at an 8.3% CAGR from 2015-18, achieving \$194.6B in 2018 sales. Analysts forecast revenue to explode in 2019 reaching over \$251B, reflecting a 29% YOY increase. Profitability is strong with an average 16.3% gross profit margin over the prior four years. EBITDA took a hit in 2018 due to the Aetna acquisition but averaged 7.5% from 2015-2017 and is expected to rebound up to 6.9% in 2019.



- **Largest US Pharmacy by total prescription revenue**
- **2.6 billion prescriptions filled or managed**



- **92 million PBM plan members**
- **22 million medical benefit members**
- **Over 9,900 retail locations**



- **290,000 employees across all 50 states**
- **#7 on Fortune 500 list (\$194B 2018 revenue)**
- **89 straight quarters of dividends paid**



WORLD'S MOST
ADMIRED COMPANIES
Fortune Magazine

#3

MOST INNOVATIVE
COMPANIES
Fast Magazine



WORLD'S MOST
VALUABLE BRANDS
Forbes Magazine

100

BEST COMPANIES FOR
IT INNOVATION
CIO Magazine



100 BEST CORPORATE CITIZENS
Corporate Responsibility Magazine





Location and Market
Overview **16**



94,000 VPD

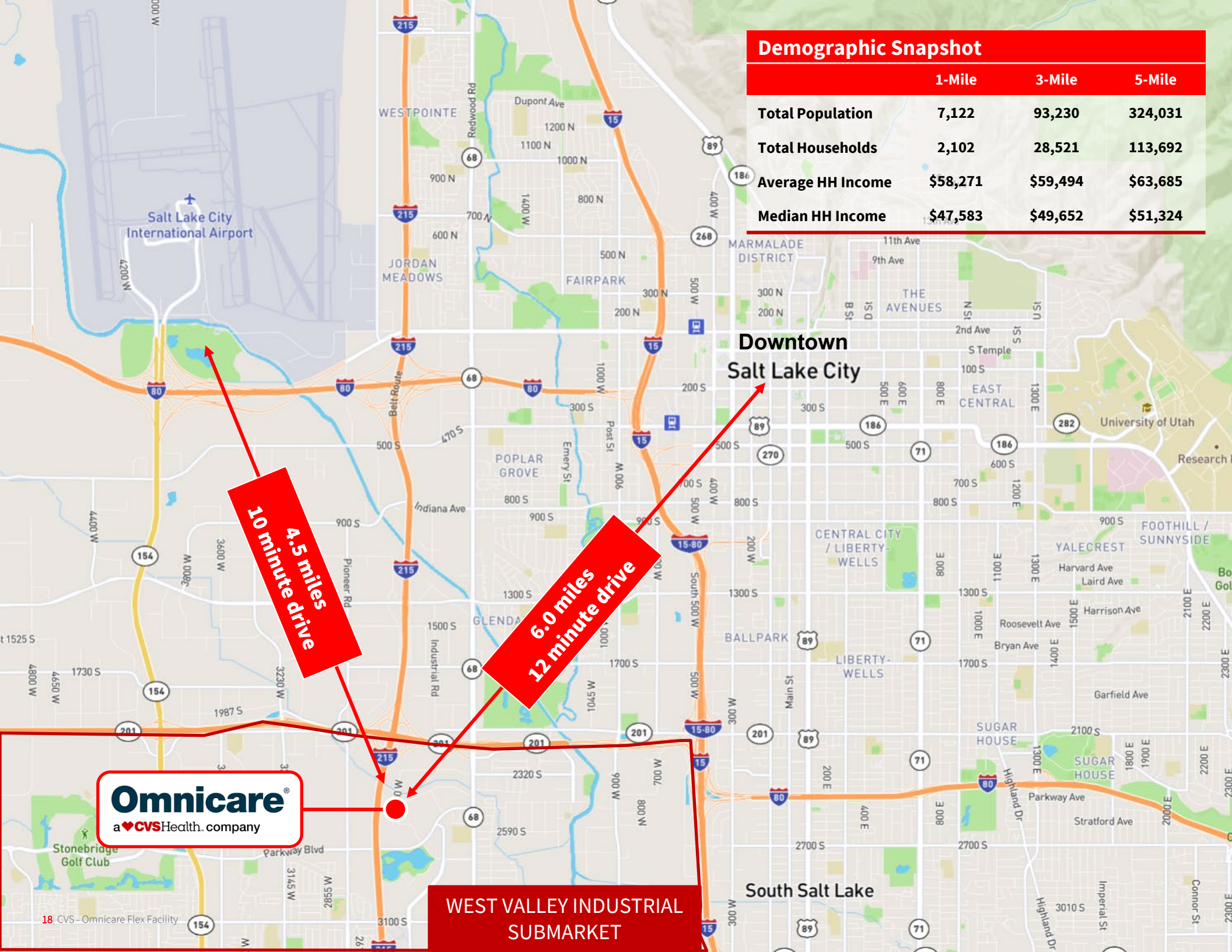


102,000 VPD



West Valley Industrial submarket contains over 6 million SF of industrial product

| Demographic Snapshot | | | |
|----------------------|----------|----------|----------|
| | 1-Mile | 3-Mile | 5-Mile |
| Total Population | 7,122 | 93,230 | 324,031 |
| Total Households | 2,102 | 28,521 | 113,692 |
| Average HH Income | \$58,271 | \$59,494 | \$63,685 |
| Median HH Income | \$47,583 | \$49,652 | \$51,324 |



4.5 miles
10 minute drive

6.0 miles
12 minute drive

Omnicare
a CVS Health company

WEST VALLEY INDUSTRIAL
SUBMARKET

18 CVS - Omnicare Flex Facility

SALT LAKE CITY OVERVIEW

Salt Lake City is a unique fusion of metropolitan city and quaint mountain town; the towering Wasatch Mountains that embrace Salt Lake City offer a dramatic backdrop to the vibrancy and activities in downtown. From world-class skiing and outdoor recreation to a thriving cultural arts scene, Salt Lake City has established itself as a major outdoor destination in a cosmopolitan setting. It has become an ideal rail and highway transportation hub as a result of its location, almost equidistant in travel time between the southern California ports and the busy northern markets of Chicago. Easily accessible from anywhere in the country, Salt Lake City continues to attract visitors from around the world that have returned time and again to experience what this mountain metropolis offers.

INVESTMENT & GROWTH

Salt Lake City has experienced a period of unprecedented growth. In the last ten years, the Central Business District (“CBD”) received approximately \$5 billion in public and private investment. There is no period in the history of downtown Salt Lake City that has seen equivalent investment activity in such a concentrated time frame. The previous “downtown boom” ran from 1990 to the 2002 Olympic Winter Games and involved \$1.4 billion in new investment. During this period, investment included both major public (Matheson Court Complex and Salt Lake City Library) and private (The Gateway) projects. Spurred by its hosting role in the 2002 Olympics, Salt Lake City has reinvented itself over the past decade with a focus on local entrepreneurship blended with a global perspective. The recent renaissance targeted improved infrastructure, including rebuilt freeways, airport and convention center expansions, and a major light rail system. All of these features have made the city more accessible and desirable than ever, and the future of Salt Lake City continues to be bright.



#1

Pro Business State
– *Forbes*

3rd

Best Economies
– *Wallet Hub*

8th

Best Place to Find a Job – *Business Insider*

3rd

Best Place for RE Investment– *ULI*

#1

Where Young People Want to Be –*Realtor.com*

#1

Fiscally Fit Cities –*State Farm & BestPlaces*

#1

Tomorrow's Tech Meccas - *Forbes*

10th

America's Fastest Growing Cities – *Forbes*

2nd

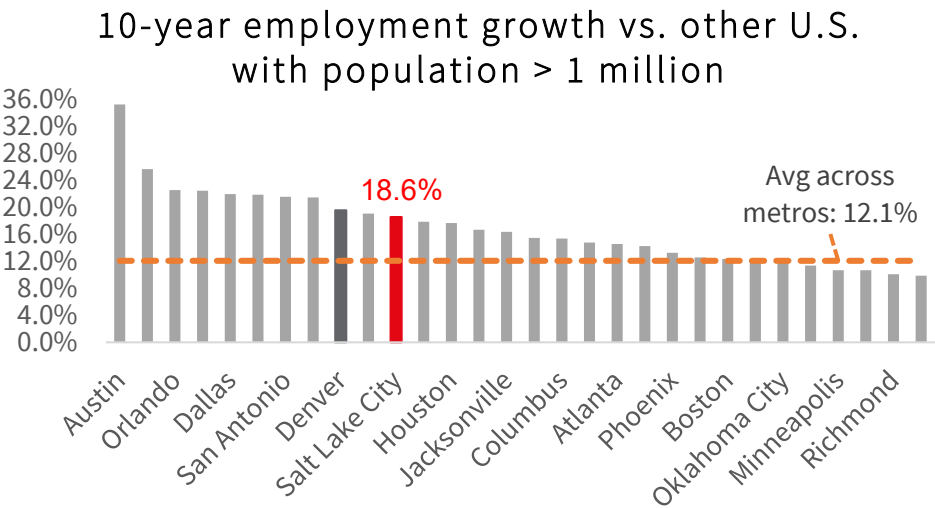
Friendliest Cities
– *Travel & Leisure*

6th

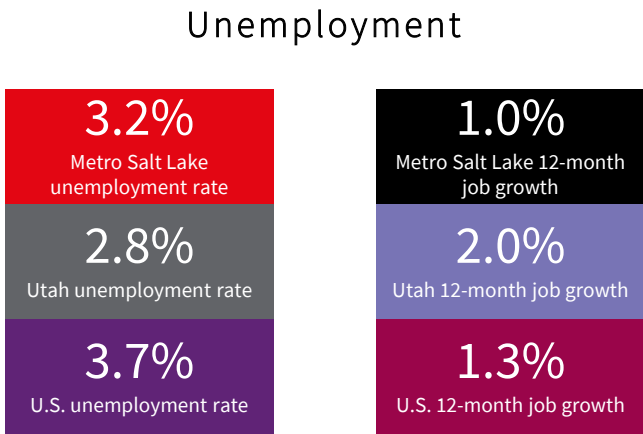
2018 Top Housing Markets – *Realtor.com*

SALT LAKE CITY – EMPLOYMENT TRENDS

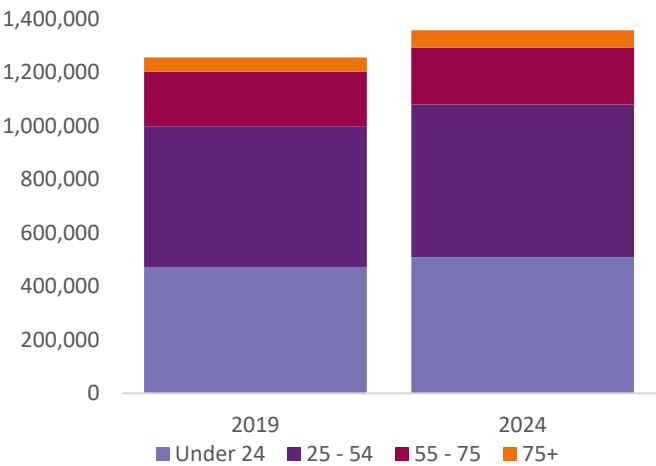
Salt Lake City’s job market remains robust: Since 2012, the city added 125,800 employees to payroll. The positive employment growth trends have historically been above the national average and are projected to continue due to the city’s young, educated and growing workforce.



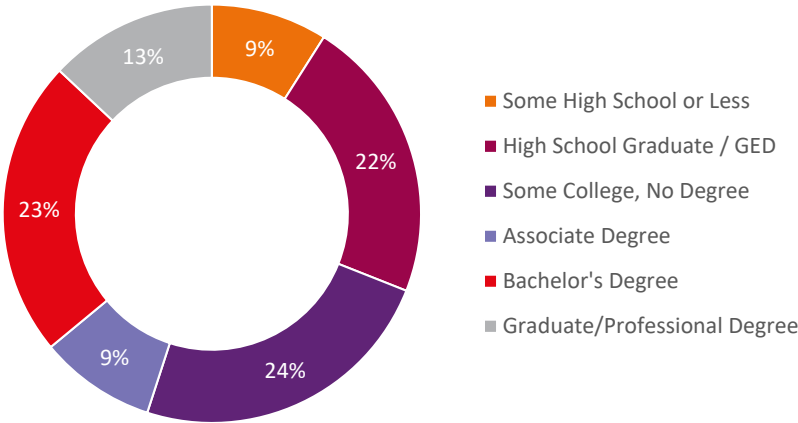
Sources: JLL Research, Bureau of Labor Statistics



Population demographics – SLC metro



Education demographics



SALT LAKE CITY – REAL ESTATE FUNDAMENTALS

Situated approximately six miles from downtown Salt Lake City, the subject property sits in a concentrated office-industrial park situated directly off of Interstate 215. With extensive inventory on all quadrants of I-215's junction with Route 201, the tenant is ideally positioned for seamless access in and around the Salt Lake City market.

The second biggest city in Utah behind Salt Lake City, West Valley City maintains a population exceeding 140,000 and is home to several significant office and industrial parks. Notably, the Lake Park Corporate Center, sitting under 3 miles west of the subject asset, is currently under construction and is expected to host at least 12,000 new employees upon its full completion.

VALUE DRIVERS



Over 54 million square feet in industrial inventory within a 3-mile radius of the asset with an additional 1 million square feet currently under construction



93,000+ residents within a 3-mile radius



102,000 daily vehicles along I-215 (0.3 miles west) and an additional 94,000 vehicles on Route 201 (0.7 miles north)



Nearly 6 million SF in office space within a 3-mile radius with an additional 250,000+ currently under construction

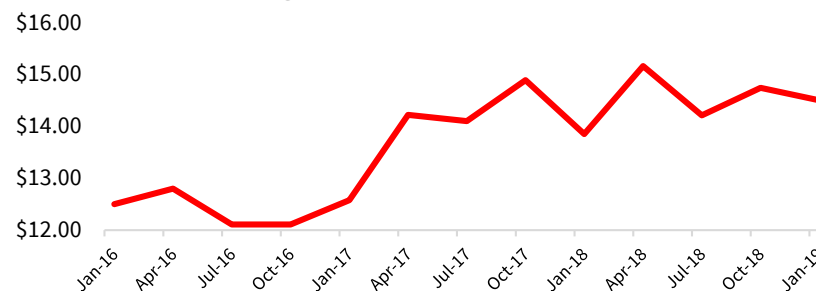
Office Statistics – Submarket vs. Market

| | West Valley | Salt Lake City |
|--------------------|-------------|----------------|
| Buildings | 186 | 2,660 |
| Existing SF | 6,104,924 | 72,271,218 |
| Under Construction | 255,085 SF | 1,595,024 SF |

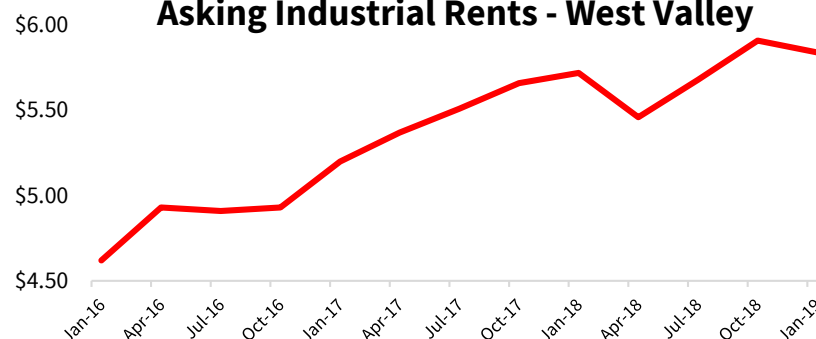
Industrial Statistics – Submarket vs. Market

| | West Valley | Salt Lake City |
|--------------------|-------------|----------------|
| Buildings | 487 | 3,900 |
| Existing SF | 19,732,058 | 131,297,116 |
| Under Construction | 634,260 SF | 5,153,751 SF |

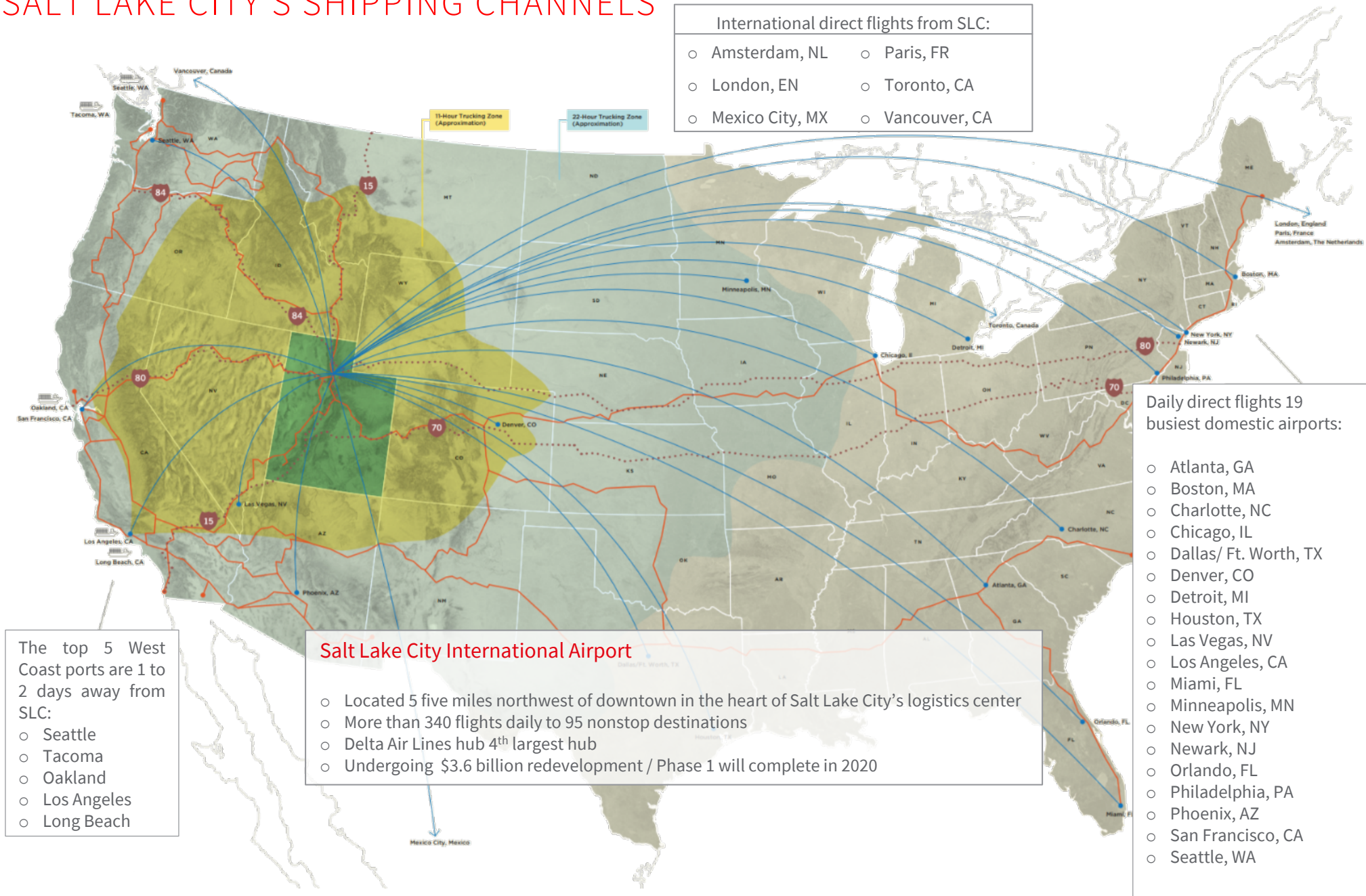
Asking Office Rents - West Valley



Asking Industrial Rents - West Valley



SALT LAKE CITY'S SHIPPING CHANNELS



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