

- SINGLE-TENANT NET LEASED INVESTMENT
- 11 YEARS OF LEASE TERM REMAINING
- RARE 12% INCREASES





OFFERING MEMORANDUM

REDLANDS, CALIFORNIA

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EXCLUSIVELY LISTED BY:

Jeff Lefko

Executive Vice President
jlefk@hanleyinvestment.com
949.585.7682 | BRE #01942025

Bill Asher

Executive Vice President
basher@hanleyinvestment.com
949.585.7684 | BRE #01318078



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REAL ESTATE ADVISORS



LOCATION

Starbucks
625 East Redlands Boulevard
Redlands, CA 92373

OFFERING SUMMARY

Price:	\$2,870,000
Net Operating Income (NOI):	\$107,735
Capitalization Rate:	3.75%
2026 Net Operating Income:	\$120,663
2026 Capitalization Rate:	4.20%
Net Rentable Area:	1,804
Year Built:	2016
Lot Size (Acres):	0.35

FINANCING SUMMARY

All Cash or Cash to New Financing
(Contact Hanley Investment Group for Further Details)





- **Single-Tenant Corporate Starbucks Drive Thru:**
 - Corporate guaranteed lease
 - 11 years of lease term remaining
 - One of the only locations in California to have a 12% increase (next increase is in 2026)
 - Three 5-year options with 12% rent increases
- **Starbucks Executed First 5-Year Option within Three Months of Operation Showing the Strength of the Location**
- **Proven Track Record as A Drive-Thru Restaurant:** The subject property has a 60+ year track record operating as a drive-thru restaurant concept demonstrating the demand for retailers looking for a drive-thru on Redlands Boulevard
- **Award Winning Design with Highly Visible “New Neon” Sign:** Reconstruction preserving retro nature of the building garnered the American Planning Association’s Urban Design of the Year Award (see page 16 for more details)



- **High Daytime Draw From Nearby Education Institutes:**
 - **University of Redlands:** Located less than a mile northeast of the subject property, the private liberal arts university is home to more than 4,500 students
 - **Redlands High School:** The oldest public high school in California is home to more than 2,300 students in walking distance of the subject property
- **Lack of Competition in the Trade Area:** Only 1 other freestanding Starbucks drive-thru locations in a 2-mile radius of the subject property which services the entire south region of the trade area
- **Major Quick Service Restaurants Located on the Same Block:** Including McDonald's, Jack in the Box, Del Taco, KFC, and Dairy Queen
- **Dense, Affluent Trade Area:** Over 136,000 people in a 5-mile radius and an average household income in excess of \$97,000 in a 3-mile radius
- **Historic Downtown Redlands Location:** Downtown Redlands is a destination shopping location filled with boutique shops and gourmet restaurants
- **Redlands Passenger Rail Project:** Less than 1 mile from recently extended public transportation





LEASE SUMMARY (1)

Tenant:	Starbucks Corporation	Rental Increases:	March 2026: 12%
Lease Commencement:	March 1, 2016	Renewal Options:	Three 5-Year @ 12% Increases
Lease Expiration:	February 28, 2031	Property Taxes:	Tenant Responsibility
Lease Type:	NNN	Insurance:	Tenant Responsibility
Net Operating Income:	\$107,735	Common Area Maintenance:	Tenant Responsibility
Mar. 2026 Net Operating Income:	\$120,663	Repairs & Maintenance:	Tenant Responsibility
Net Rentable Area:	1,804	Roof & Structure: (2)	Landlord Responsibility

NOTES

- (1) All lease provisions to be independently verified by Buyer during the Due Diligence Period.
- (2) The property was reconstructed in 2016 including a new roof with a 15-year warranty (11 years remaining).

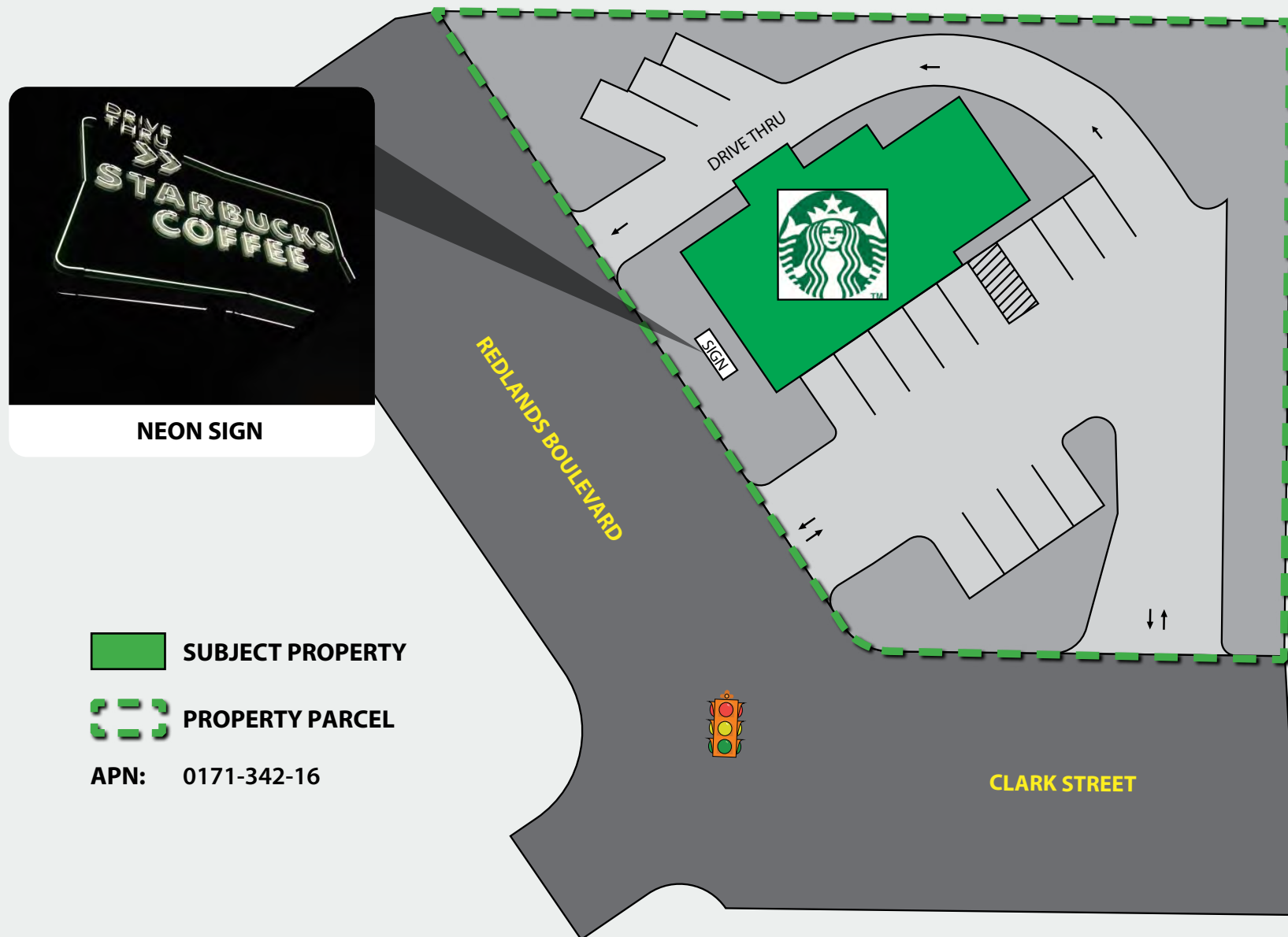


SITE PLAN / PARCEL MAP

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SURROUNDING TENANTS | NAP



AERIAL OVERVIEW

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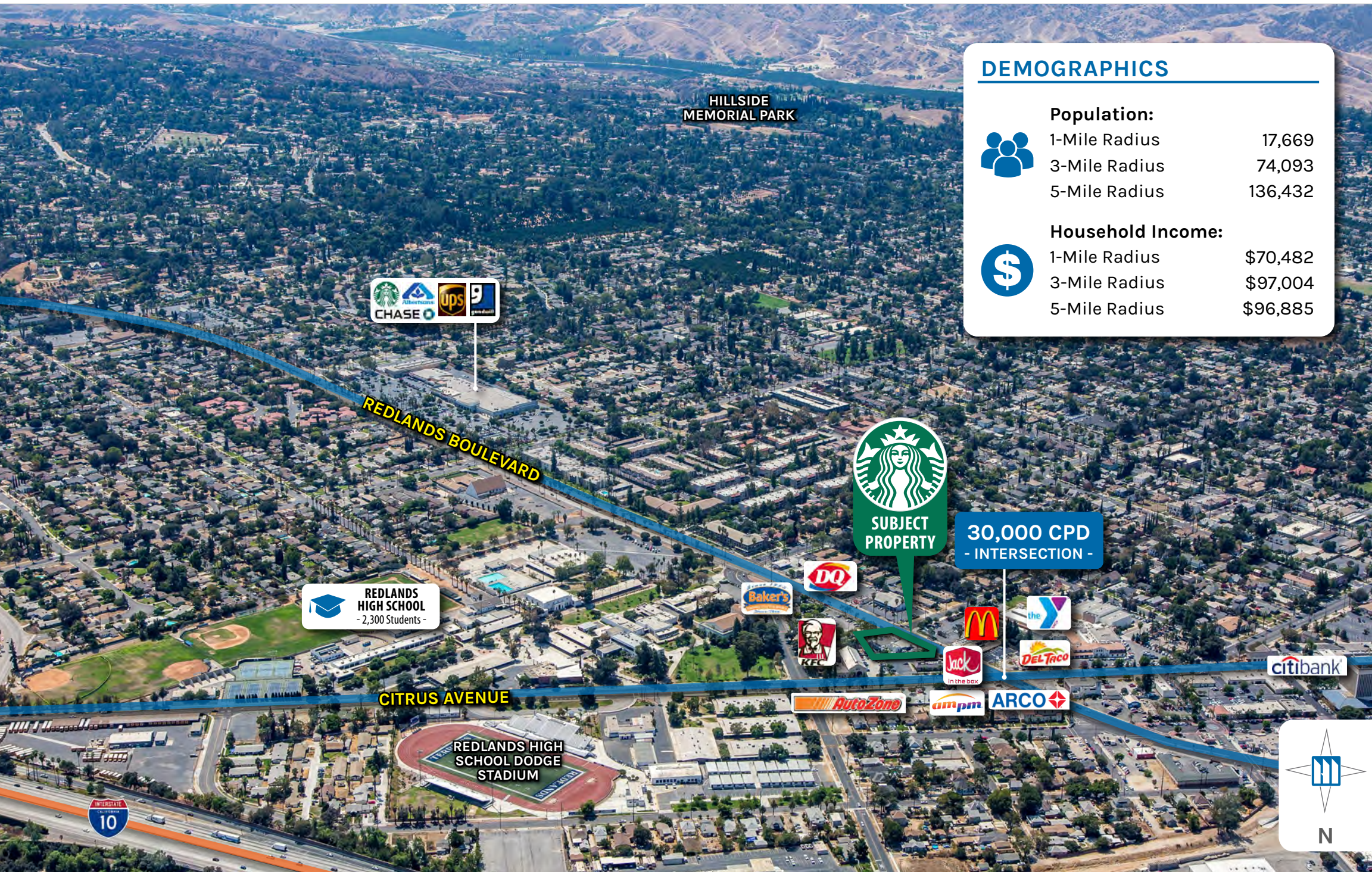


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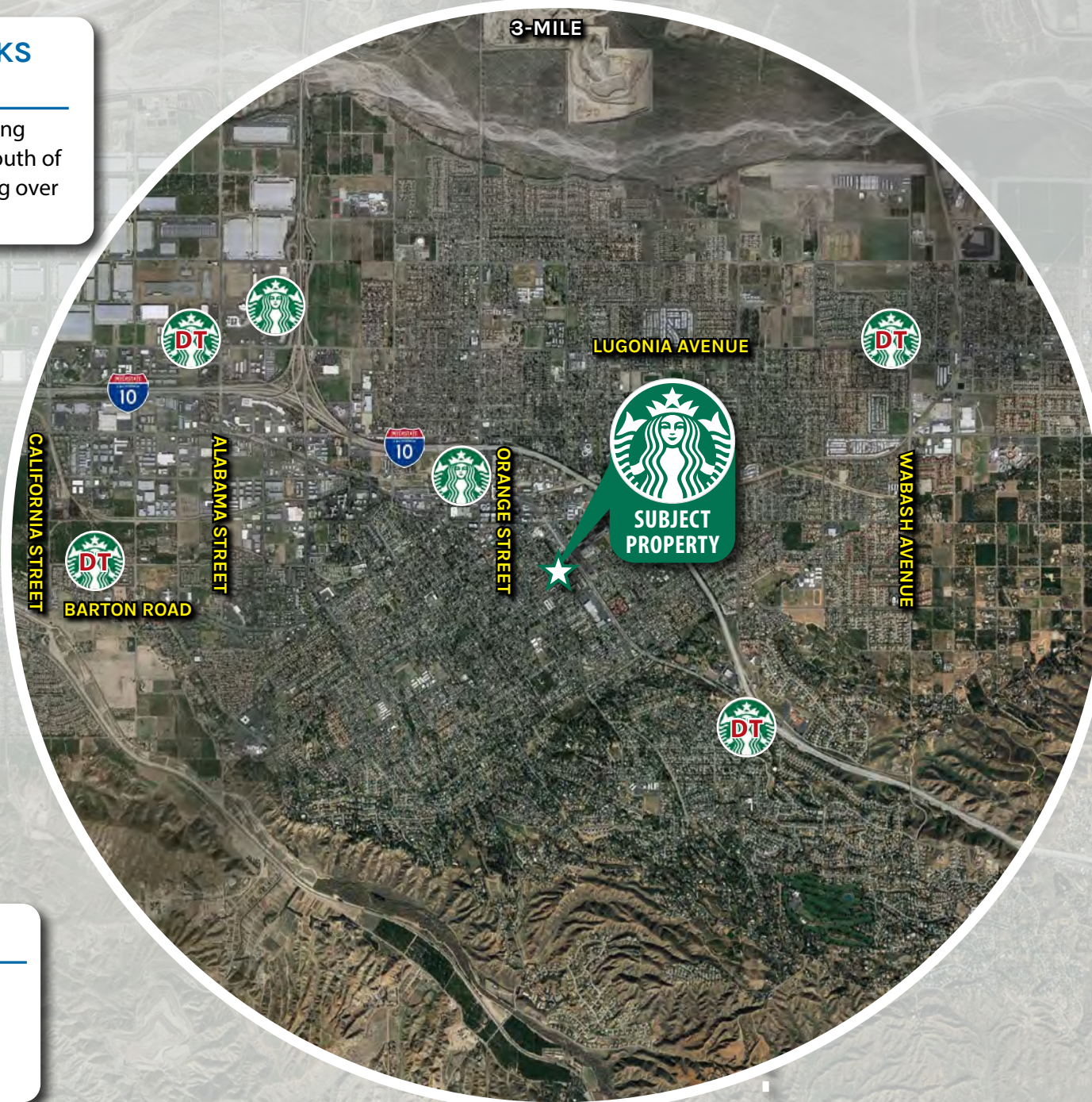


DEMOGRAPHICS

	Population:	
	1-Mile Radius	17,669
	3-Mile Radius	74,093
	5-Mile Radius	136,432
	Household Income:	
	1-Mile Radius	\$70,482
	3-Mile Radius	\$97,004
	5-Mile Radius	\$96,885

LIMITED STARBUCKS COMPETITION

Only one other freestanding Starbucks drive-thru to the south of the subject property servicing over 12,000 households



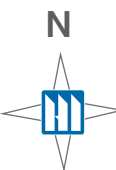
LEGEND



WITH DRIVE-THRU



NO DRIVE-THRU

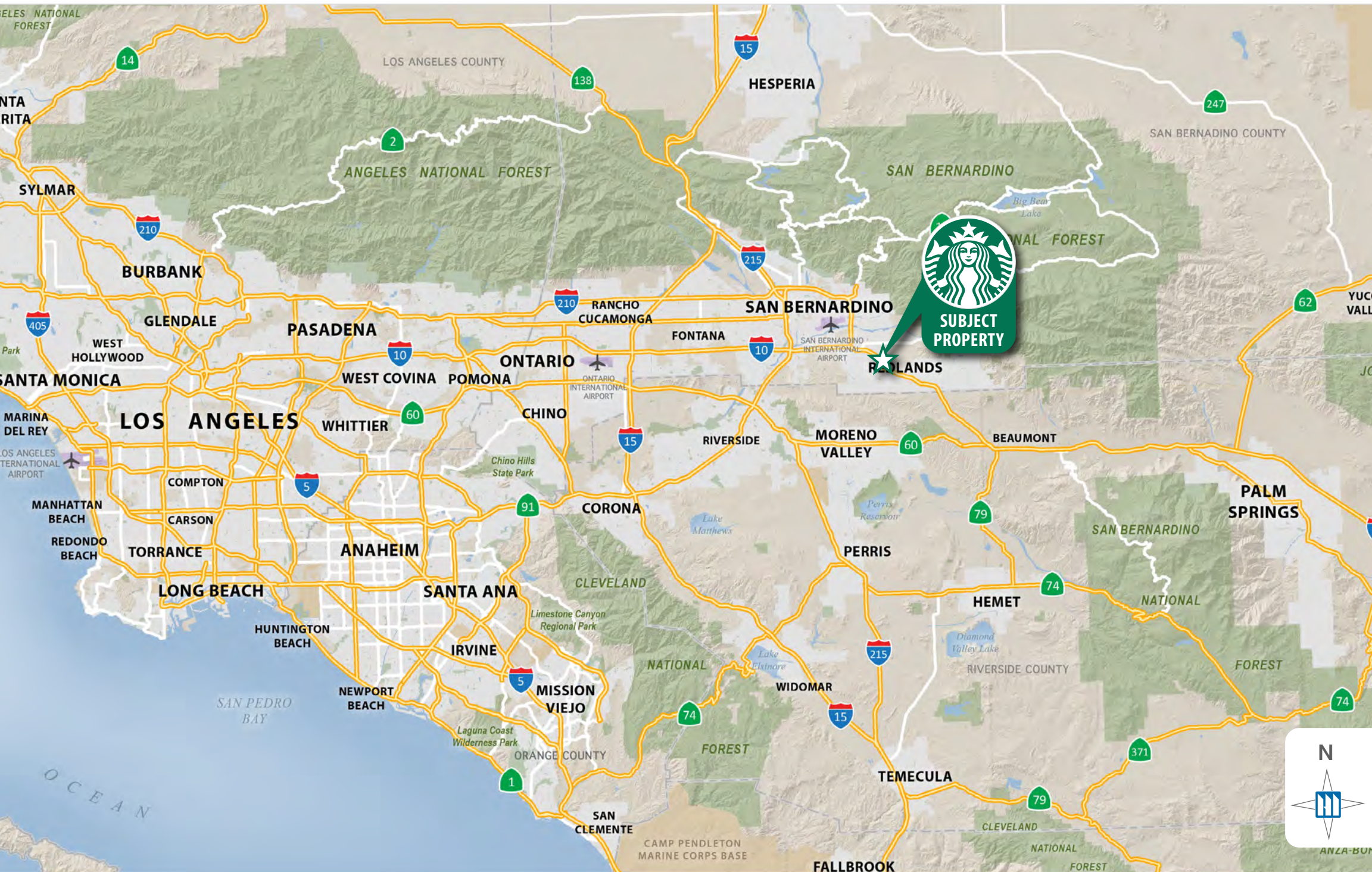


REGIONAL MAP

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The information contained herein has been obtained from sources we deem reliable. We cannot assume responsibility for its accuracy.



NEW BUILDING



ORIGINAL 1960'S BUILDING

New Starbucks Pays Tribute to Historic Baker's Roots

THE PRESS ENTERPRISE - FEBRUARY 4, 2016 - By Fielding Buck - The drive-through, at 625 E. Redlands Blvd., opened today, Feb. 4, after a grand opening party Wednesday night.

It was originally a 1960 Baker's Burgers, and its exterior resembles walk-up burger stands of that era.

The Starbucks project was approved by the city in June, according to a news release. Most of the existing building was torn down and rebuilt on the original footprint.

It has a slanted roof and tile under the picture windows that used to be walk-up windows for ordering food and now reveal the dining room inside.

A large green sign with white neon towers over the building, designed to resemble Baker's and La Rosita's signage.

Photos of Baker's and La Rosita are displayed inside with the words "Proud to be a part of your history."

BUILDING SUMMARY

- New construction completed in February 2016 preserving historic nature of the building
- American Planning Association 2016 Urban Design of the Year Award
- Nominated for City of Redlands Historic and Scenic Preservation Award
- Large pylon neon sign (only Starbucks location in Southern California with neon sign)



TENANT PROFILE

STARBUCKS



STARBUCKS®

Starbucks Corporation is the world's largest roaster, marketer, and retailer of coffee. Each Starbucks location offers more than 170,000 ways to customize beverages, so that customers can create their own favorite drink that fits their individual needs. Over the past 5 years, the company has seen a doubling in market value and top-line revenue growth from \$14 billion to \$23 billion.

Starbucks consistently maintains top-line, double-digits sales growth, while the industry averages have gone as low as -3% at times. Despite being saturated in a plethora of markets, the company has been able to significantly outperform industry-level revenue growth. In 2018, Starbucks announced that fiscal 2018 was a transformative year, highlighted by double digit growth in top-line revenue of \$24.7 billion, up 10% over the prior year. The company delivered non-GAAP earnings per share growth of at least 10%.

One reason that the company continues to deliver record financial performances is because of their 3-fold strategy – increase digital engagement, grow relevancy in China, and promote the Starbucks Reserve brand as the company's innovation lab for the future. Perhaps its greatest opportunity lies in China where the number of stores have grown to 3,200 in the past 5 years, with an average of one new store opening every 15 hours. Starbucks has stated that it remains on track to open more than 5,000 stores in China by 2021.

Starbucks recently announced that the brand will focus on strengthening their drive-thru experience. It's become clear to the company that consumers prefer ease, convenience, and speed afforded by a drive-thru. Starbucks' reinvention of the drive-thru has initiated the largest capital expenditure in the company's history—an investment to ensure an aggressive expansion of the number of Starbucks locations with drive-thrus, anticipating that drive-thru sales will account for the majority of its business. More than 80% of stores built in the next few years will have a drive-thru.

Founded in 1971, Starbucks operates more than 30,000 stores in a total of 78 countries. As part of its long-term growth strategy, Starbucks announced their plans to open 12,000 new stores globally and 3,400 in the U.S., including 100 more U.S. military family stores to support military communities by 2021.

- **#5 "World's Most Admired Company"** – Fortune (2019)
- **#1 "Most Valuable Restaurant Brand in the World"** – QSR Magazine (2018)
- **#30 "World's Most Innovative Companies"** – Forbes (2018)
- **#34 "World's Most Valuable Brand"** – Forbes (2018)

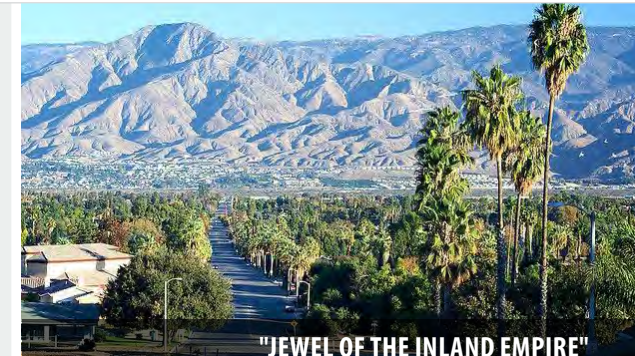
www.starbucks.com | Company Type: Public (NASDAQ: SBUX; S&P: BBB+) | Locations: 30,000+

Redlands

- City within San Bernardino County; part of the Inland Empire
 - Known as "Jewel of the Inland Empire"
- 70,700+ population
 - Middle-class community largely made up of families and young professionals
- Located 10 miles from downtown San Bernardino and about 60 miles east of downtown Los Angeles
 - Enjoys many recreational activities as it is an easy drive to the mountains, beach, or desert

ECONOMY

- The local economy is dominated by Healthcare and Social Assistance (6,151 employees), Educational Services (4,573 employees), and Retail Trade (3,501 employees)
 - As with much of the Inland Empire, the area is home to a thriving and still growing logistics industry with Amazon, Home Depot, Clorox, Kimberly-Clark, Beckton Dickinson, Payless, La-Z-Boy, and Pacer International all having large distribution centers within or immediately outside the city
- The average household income is \$98,755 and 30,400 residents comprise the labor force
 - 5 largest employers in the city are ESRI (2,525 employees), Redlands Unified School District (2,006 employees), Redlands Community Hospital (1,635 employees), Beaver Medical Group (995 employees), and Amazon Fulfillment Center (600 employees)
- 2.3% job growth last year; expected to grow an additional 39.5% over the next 10 years, outpacing the U.S. average of only 33.5% growth
- 3.2% unemployment rate as of January 2020 vs. 3.9% unemployment rate for San Bernardino County and 3.9% for the state of California during the same period



39.5%

**EXPECTED JOB GROWTH
OVER THE NEXT 10 YEARS**

2

**AMAZON FULLFILLMENT
CENTERS WITHIN THE CITY**



**60 MILES TO DOWNTOWN
LOS ANGELES**

\$98,755

**AVERAGE
HOUSEHOLD INCOME**



DEVELOPMENTS

- **Arrow** - \$355.4 million, 9-mile extension from downtown San Bernardino to Redlands on the San Bernardino Metrolink line; under construction and expected to be completed in 2021
 - Expected to transport 1,120-1,340 riders on a daily basis
- **Liberty Lane Project** - \$36 million, 80-unit apartment project; approved
- **LuxView Living** - 328-luxury apartment complex; planned
- **The Summit Apartment Complex** - 17-building, 281-unit apartment complex featuring one-, two-, and three-bedroom layouts in a luxury setting with a resort-style pool that opened in late 2019; the project was part of the mixed-use land developed by Majestic Realty Co. that also constructed Mountain Grove and Citrus Plaza

TOURISM

- **Run Through Redlands** - Annual race held each spring offering kids runs, a 5k, a 10k, and a half-marathon; one of the biggest running events in the Inland Empire with 2000+ runners each year
- **Redlands Bicycle Classic** - 5-day/5-stage professional cycling race that covers approximately 350 miles each spring; the race is sponsored by the city and is capped at 200 racers from around the world
- **Redlands Bowl Summer Festival** - Oldest continuously running music festival in the U.S. where no admission is charged; the festival brings professional quality performing arts to the community every Tuesday and Friday evening during the summer, drawing approximately 100,000 people each summer

TRANSPORTATION

- Easy access to Southern California's major freeway system - Interstate 10 and 215, State Route 30 and 330, and California Highway 210
- Minutes to San Bernardino International Airport, 25 minutes from Ontario International Airport, and under 2 hours from Los Angeles International Airport



ARROW



MAJESTIC REALTY CO. PROJECT



REDLANDS BOWL SUMMER FESTIVAL

\$36M

80-UNIT APARTMENT
DEVELOPMENT

328

LUXURY APARTMENTS
AT LUXVIEW LIVING

100k

SUMMER FESTIVAL
ANNUAL ATTENDEES

\$355M

9-MILE METROLINK
LINE EXTENSION



- Omnitrans bus system serves the city as well as the rest of San Bernardino County, transporting 11 million passengers annually
- **San Bernardino International Airport (SBD)** - 6 miles from the city; newly designed international passenger terminals have the airport poised to become a thriving international airport
 - 2 million people that live within 30 minutes of the airport
 - **Eastgate Development** - \$300 million private development that would add a 658,500 square foot sorting, distribution, and office building, two 25,000 square foot maintenance buildings, taxi and parking lanes for an additional 14 planes, and ground support equipment (GSE) while creating 3,000+ permanent jobs over the next 5 years
- **Ontario International Airport (ONT)** - Serves 5+ million passengers and transports 751,000 tons of freight annually
 - Consistently ranked among the 100 busiest airports in the world

EDUCATION

- **University of Redlands** - Private liberal arts university on 160 acres offering 40+ undergraduate programs and 10+ graduate programs; the university has been rated within the top 25% of "America's Top Colleges" by Forbes
 - 4,598 student enrollment
- Redlands Unified School District operates 26 public schools educating students throughout the city and communities of Mentone, Loma Linda, and the eastern half of Highland
 - An additional 10 private schools are located in the city
 - 21,000+ students



**EASY ACCESS TO SOUTHERN
CALIFORNIA'S FREEWAYS**



**25-MINUTE DRIVE TO
ONTARIO INT'L AIRPORT**

11M

**ANNUAL OMNITRANS
PASSENGERS**

\$300M

**EASTGATE DEVELOPMENT
AT SAN BERNARDINO AIRPORT**



Inland Empire

- Comprised of Riverside and San Bernardino Counties, its borders span from the Orange and Los Angeles County lines on the west, and more than 100 miles east to the communities of Palm Desert
- Home to more than 4.6 M people; region is larger than 24 of the 50 U.S. states; \$195.3 billion gross metropolitan product
- \$7.7 billion total construction building permit valuation (combined residential and commercial) projected in 2019 (versus \$4.1 in 2010)

ECONOMY

- #3 "Job Growth in the U.S." - Forbes (2018)
- 2nd fastest growing nonfarm employment rate among California's MSAs with job gains occurring in every sector
 - 3.3% annual job growth vs. in Orange County
- Projected to add 44,000 company payroll jobs in 2019, boosting its corporate employment to 1.54 million
- Transportation and warehousing have grown the fastest in the area, more than doubling from 60,000 to 128,000 between 2010-2017
- Healthcare is the 2nd largest employment industry; 22% employment growth in the last 6 years
- Total personal income for Inland Empire residents will hit a record \$200 billion in 2019
- Arrowhead Regional Medical Center, Stater Bros. Markets, County of San Bernardino, and Ontario International Airport
- \$260+ billion worth of cargo passes through the Port of Los Angeles each year; 80% of those goods pass through the Inland Empire, either on trucks or on trains

- Robust housing market with both rent and home prices increasing; region's affordability advantage, relative to higher-cost markets in Los Angeles and Orange County, has made the area an attractive destination for new residents
- Annual new-home permits projected to hit 14,100 in 2019 (up from 10,100 in 2014)
- Consumer spending continues to pump up demand for retail space with a 9.4% retail vacancy rate (as of Q3 2018)
- 300,000 square feet of retail space opened in the last year; \$23 per square foot average asking rate for retail space, a 1.7% increase from the year prior

LOGISTICS

- One of the nation's most important players in the logistics industry
- Amazon has 16,000 employees and 10 e-commerce centers in the Inland Empire with another opening in Beaumont
- Has more industrial space leased than Dallas and Atlanta combined, the 2nd and 3rd largest, busiest cities in the U.S.



TRADE AREA HIGHLIGHTS

22%
EMPLOYMENT GROWTH
IN THE PAST 6 YEARS

4.6M
PEOPLE LOCATED
IN THE REGION

\$200B
PERSONAL INCOME
RECORD INCOME FOR THE AREA



DOWNTOWN RIVERSIDE



PALM SPRINGS



RIVERSIDE COMMUNITY HOSPITAL





	<u>1-Mile</u>	<u>3-Mile</u>	<u>5-Mile</u>
Population			
2024 Projection	17,738	74,972	138,463
2019 Estimate	17,669	74,093	136,432
2010 Census	17,020	71,062	130,402
2000 Census	17,704	65,280	115,301
Growth 2010-2019	3.81%	4.27%	4.62%
Growth 2019-2024	0.39%	1.19%	1.49%
Households			
2024 Projection	6,647	27,642	48,776
2019 Estimate	6,610	27,255	47,975
2010 Census	6,241	25,639	45,101
2000 Census	6,762	24,177	41,013
Growth 2010-2019	5.91%	6.30%	6.37%
Growth 2019-2024	0.56%	1.42%	1.67%
2019 Est. Population by Single-Classification Race			
White Alone	11,711	48,516	81,668
Black or African American Alone	1,223	3,927	8,322
American Indian and Alaska Native Alone	194	689	1,173
Asian Alone	705	6,468	18,009
Native Hawaiian and Other Pacific Islander Alone	71	252	532
Some Other Race Alone	2,852	10,284	19,087
Two or More Races	882	3,788	7,289
2019 Est. Population by Ethnicity (Hispanic or Latino)			
Hispanic or Latino	6,915	26,789	49,203
Not Hispanic or Latino	10,754	47,304	87,229
2019 Est. Average Household Income	\$70,482	\$97,004	\$96,885

CONFIDENTIALITY AGREEMENT

STARBUCKS



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EXCLUSIVELY LISTED BY:

Jeff Lefko

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jlefk@hanleyinvestment.com
949.585.7682 | BRE #01942025

Bill Asher

Executive Vice President
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\$6+ BILLION
retail sales nationwide



SHARED DATABASE
collaborative proprietary database



TOP BROKERAGE GLOBALLY
in investment sales



COSTAR POWER BROKER
top sales brokers & firm in OC



NATIONWIDE REACH
retail & investors across the U.S.