

STARBUCKS

4209 SPRING STREET, LA MESA, CALIFORNIA 91941

▶ **BRAND NEW 2019
CONSTRUCTION**

▶ **SINGLE-TENANT NET
LEASE INVESTMENT**

▶ **BRAND NEW 10-YEAR
CORPORATE LEASE**



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Exclusively Listed By:

ALEX KOZAKOV

Senior Vice President

+1 213 613 3031

Lic. 01416489

alex.kozakov@cbre.com

PATRICK WADE

Senior Vice President

+1 213 613 3071

Lic. 01454690

patrick.wade@cbre.com

MATT LOPICCOLO

First Vice President

+1 858 546 4641

Lic. 01835052

matt.lopiccolo@cbre.com

CBRE

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Executive Summary

CBRE is pleased to exclusively offer for sale a brand-new Starbucks drive-thru restaurant, which is ideally positioned in the affluent City of La Mesa within San Diego submarket. The Tenant, Starbucks, has executed a new 10-year corporate guaranteed lease, which features 10% rent increases every 5 years throughout the primary term and option periods. This provides a new investor the ability to own a real estate asset that is both secure and stable.

The property is strategically situated less than 0.2 miles from HWY 94 and HWY 125 on/off ramps, which features over 85,000 CPD, and is immediately adjacent to the intersection of Spring Street and Palm Avenue. Additionally, the nearest Starbucks is located over a mile away, indicating likely robust sales at the location.





Investment Summary



PURCHASE PRICE
\$4,050,000



CAP RATE
3.85%



CURRENT NOI
\$156,000



BUILDING SIZE
1,850 SQ. FT.



LAND AREA
24,393 SQ. FT.



YEAR BUILT
2019



PARKING
23 SPACES



ZONING
C



APN
499-483-04-00



TRAFFIC COUNTS
27,057 CPD (Spring St & Spring Gardens Rd)
16,892 CPD (Spring St & Gateside Rd)
188,000 CPD (94FWY @ Lemon Grove)
159,000 CPD (125FWY @ Merritt Blvd)

Investment Highlights

IDEAL 1031-EXCHANGE NET-LEASE INVESTMENT WITH STRONG CORPORATE GUARANTEE

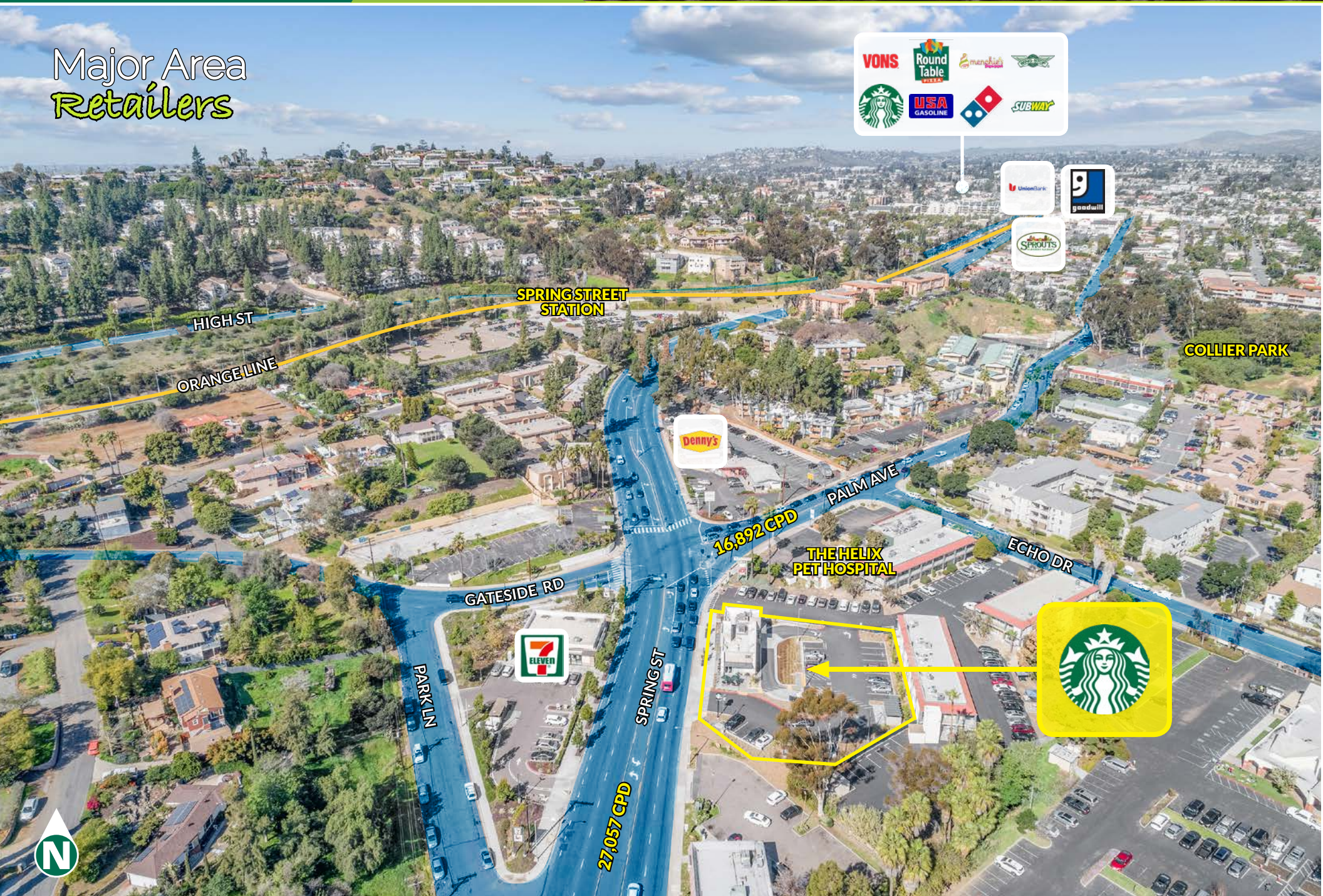
- **Brand New Construction Starbucks with Drive-Thru** – Brand New 2019 Construction in La Mesa (San Diego County) Submarket with Desirable Drive-Thru.
- **Corporate Guaranteed Lease** – The Lease is Corporately Guaranteed by Starbucks. As of August 2019, it Operates Over 28,800+ Stores Worldwide.
- **Limited Landlord Responsibilities** – The Tenant is Responsible for Most Expenses and Maintenance. Responsibilities of Roof and Structure is Mitigated by Recent 2019 Construction. There is a 20-Year Roof Guarantee Currently in Place.

STRATEGIC REAL ESTATE LOCATION IN SOUTHERN CALIFORNIA

- **Highly Strategic Net Lease Location** – The Property is Ideally Situated Less than 0.2 Miles North of HWY 94 and HWY 125 On/Off Ramps (Over 85,000 CPD) and Immediately Adjacent to the Intersection of Spring Street and Palm Avenue, Providing Convenient Regional Accessibility.
- **Limited Competition** – The Nearest Starbucks is Over a Mile Away. Additionally, it is Located on the Morning Commute Side of the Road and is Also the Only Drive-Thru on that Side of the Expressway.
- **Commercial and Residential Proximity** – Starbucks is Conveniently Surrounded by Residential, Churches, and Commuters that Starbucks Targets, Meaning Staple Coffee Location for the Surrounding Area. Additionally, the property has a Large Employer Draw and is Within Close Proximity to Several Colleges (SDSU, Grossmont College, Cuyamaca College) and Medical Centers (Grossmont Hospital).
- **Outstanding Transit Oriented and Commuter Location** – Property is Located Near Public Transportation, only a Few Blocks Away from the Orange Line of the San Diego Trolley system, making Starbucks Appealing to High Net Worth Investors. Commuters from East County (El Cajon, Lemon Grove, La Mesa) Working Downtown Will Benefit the Most.
- **Exceptional Southern California Demographics** – Starbucks is Ideally Situated in the Heart of a Dense, Infill Trade Area Featuring Over 18,416 Residents and Average Household Incomes Exceeding \$96,932 Within a 1-Mile Radius and Over 458,183 Residents and Average Household Incomes Exceeding \$87,543 within a 3-Mile Radius.



Major Area Retailers





Direct Competitors

5 MILE RADIUS (Entire Population 5 Miles 458,183)



STARBUCKS

% of Business Current 17%
of Consumers Represented 80,137



MCDONALDS

% of Business Current 39%
of Consumers Represented 180,557



7 ELEVEN

% of Business Current 24%
of Consumers Represented 108,554



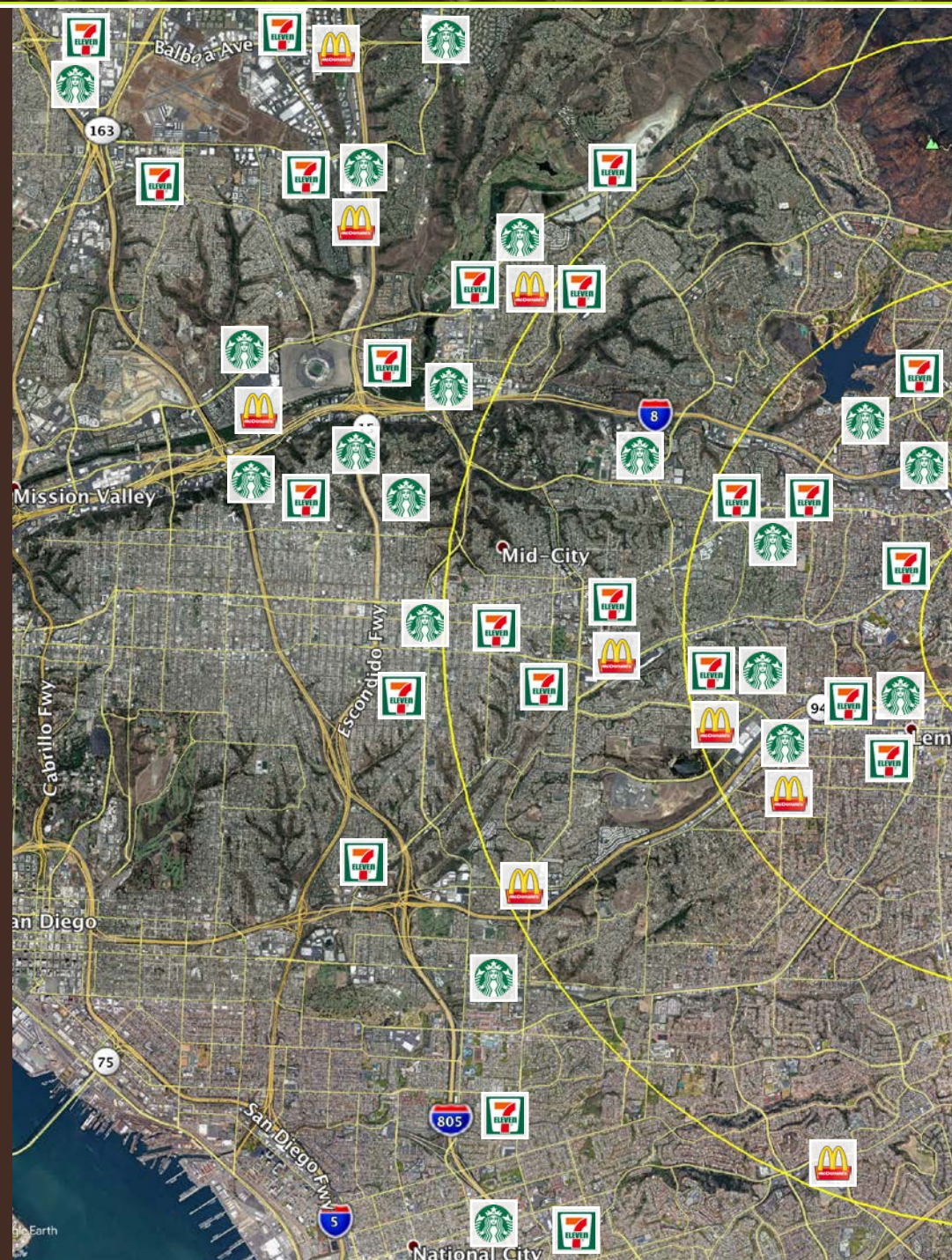
DUNKIN DONUTS

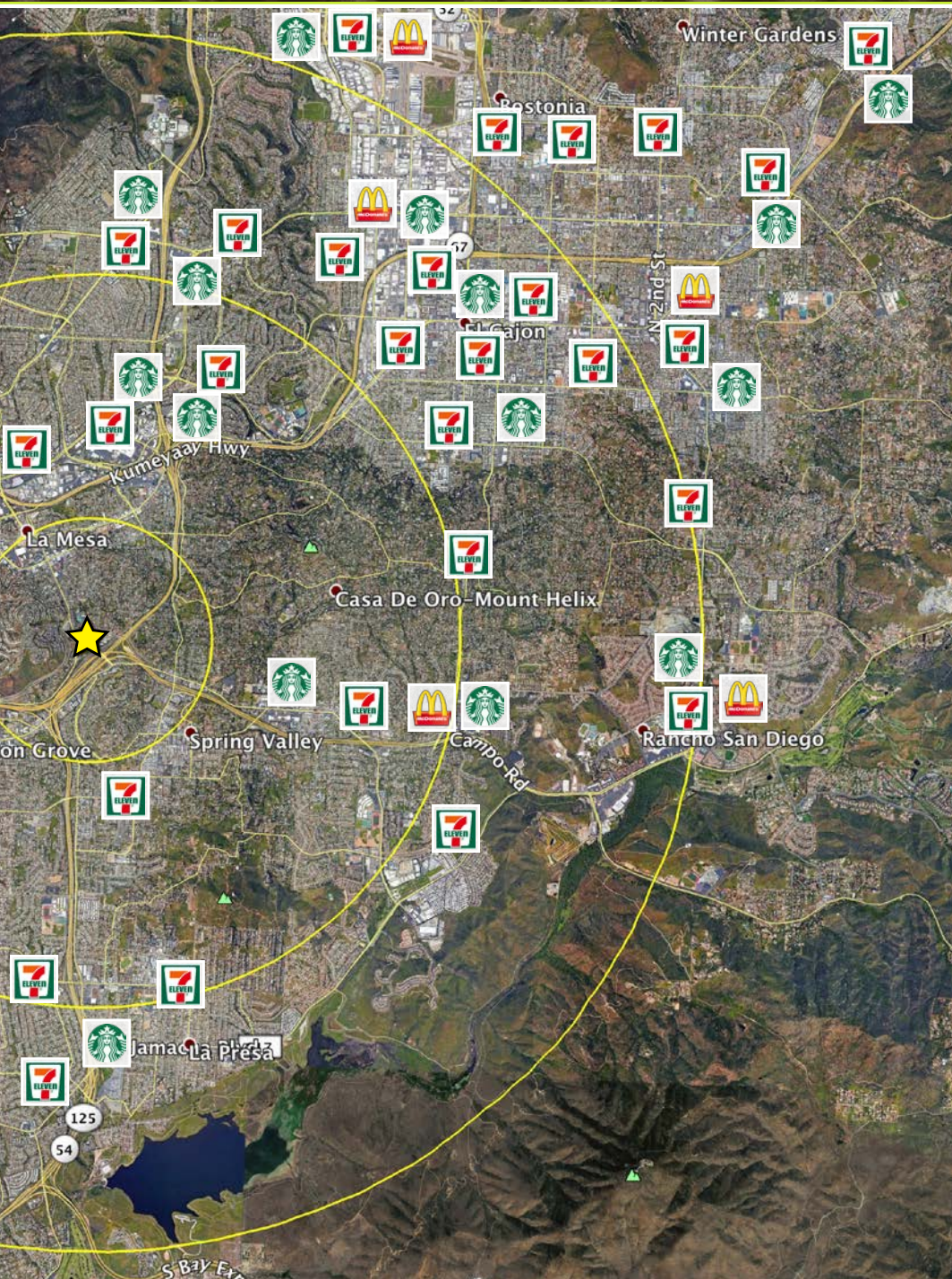
% of Business Current 13%
of Consumers Represented 57,544



KRISPY KREME

% of Business Current 5%
of Consumers Represented 21,685





171,306
TOTAL POPULATION
WITHIN 3-MILE RADIUS



\$89,177
AVERAGE HOUSEHOLD INCOME
WITHIN 3-MILE RADIUS



47,757
OF EMPLOYEES
WITHIN 3-MILE RADIUS



140,370
DAYTIME POPULATION
WITHIN 3-MILE RADIUS



722
FOOD SERVICES AND DRINKING PLACES
WITHIN 3-MILE RADIUS

SALES	\$245,598,509
POTENTIAL	\$231,890,333
GAP*	-\$13,708,176
FACTOR	-2.90

* Retail MarketPlace Gap represents the shortage of supply for Food Services and Drinking places within the 3-Mile Radius demand area based the specific populations consumption.

Financial Analysis

Lease Abstract

LEASE ABSTRACT:		STARBUCKS		
TERMS	Commencement:	9/26/19		
	Termination:	2/28/30		
	Lease Term:	10 years		
	Remaining Term:	10 years		
	Options:	4 x 5 year options		
RENT	Current Rent:	\$156,000/year	\$13,000/month	
	Rent Increases:	10% every five (5) years		
Rent Schedule:		Year	Month	% Increase
9/26/19 - 2/28/25		\$156,000.00	\$13,000.00	
3/1/25 - 2/28/30		\$171,600.00	\$14,300.00	10.00%
Option 1 (3/1/30 - 2/28/35)		\$188,760.00	\$15,730.00	10.00%
Option 2 (3/1/35 - 2/29/40)		\$207,636.00	\$17,303.00	10.00%
Option 3 (3/1/40 - 2/28/45)		\$228,396.00	\$19,033.00	10.00%
Option 4 (3/1/45 - 2/28/50)		\$251,232.00	\$20,936.00	10.00%



EXPENSES	Lease Structure:	NN
	Roof:	Landlord
	Structure:	Landlord
	HVAC:	Tenant
	CAM:	Tenant
	Parking:	Tenant
	Property Taxes:	Tenant
	Utilities:	Tenant
	Insurance:	Tenant
	Pylon Signage:	Tenant
	Other:	Fee Simple
	Tenant:	Starbucks
LEASE INFO		Guarantor: Corporate
	ROFR:	Tenant does not have a ROFR
	Sales Reporting:	No



Tenant Overview

Starbucks Corporation, known as Starbucks Coffee, is an American global coffee company and coffee house chain based in Seattle, Washington. Starbucks is the largest coffee house company in the world, ahead of UK rival Costa Coffee, with 24,000 stores in 68 countries and territories, including 12, 218 in the United States, and 1,716 in China, 1,330 in Canada, 1,079 in Japan and 808 in the United Kingdom. Starbucks serves hot and cold beverages, whole-bean coffee, micro ground instant coffee, full-leaf teas, pastries and snacks. From Starbucks' founding in 1971 as a Seattle coffee bean roaster and retailer, the company has expanded rapidly. Between 1987 and 2007, Starbucks opened an average of two new stores every day. The company is widely regarded as the Gold Standard in the coffee industry in regards to innovation and consistency.

The first Starbucks was opened in Seattle, Washington, in March 1971 by three partners who met while they were students at the

University of San Francisco. Originally, the company was to be called Pequod, after a whaling ship from Moby Dick, but this name was rejected by some of the co-founders. The company was instead named after the chief mate on the Pequod, Starbuck.

In 2010, the company began its Starbucks Reserve program for single-origin coffees and high-end coffee shops. Starbucks operates six roasteries with tasting rooms and 43 coffee bars as part of the program. At the end of 2019, Starbucks opened its largest store ever in Chicago on the Magnificent Mile as the sixth roastery location. The store is open seven days a week and has 200 employees.

As of November 2019, Starbucks is present on 6 continents and in 78 countries and territories, with approximately 31,256 locations.



Public/Private:
Credit Rating:
Ticker Symbol:
Industry:
Corporate HQ:
Founded:
Employees:
Number of Locations:
Sales (TTM):
Website:

Public
BBB+ (S&P); Baa1 (Moody's)
NASDAQ: SBUX
Coffee Shop
Seattle, WA
1971
291,000+
31,256 (Worldwide)
\$26.97 Billion
www.starbucks.com



Market Share **39.8% Nationally**

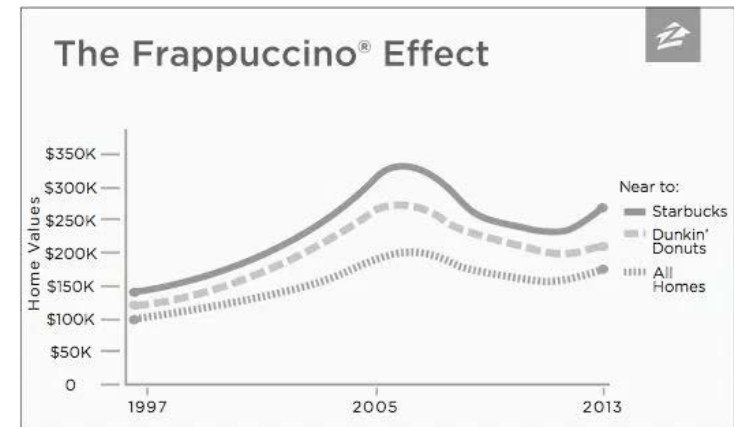
29,324 Worldwide Stores / 14,606 US Stores

State	# of Stores in State	% of Starbucks in US	State Population
California	2,821	19.31%	39.85M
Texas	1,042	7.13%	28.449M
Florida	694	4.75%	21.003M
New York	645	4.42%	19.89M
Illinois	575	3.94%	12.816M

“**Starbucks** global market planning manager Patrick O’Hagan for instance, told conference attendees that Starbucks uses an in-house mapping and business intelligence platform called Atlas to determine where to open new locations. Atlas is used worldwide; for opening new branches in China for instance, O’Hagan’s team uses the platform to have local partners evaluate nearby retail clusters, public transportation stops, and neighborhood demographics.”

CONFIRMED: STARBUCKS KNOWS THE NEXT HOT NEIGHBORHOOD BEFORE EVERYBODY ELSE DOES

Here’s what we can tell you: Starbucks equates with venti-sized home-value appreciation. Moreover, Starbucks seems to be fueling—not following—these higher home values.



Home Values: Starbucks vs. Dunkin' Donuts

Home Types	1997 to Peak (April 2007)	Peak to Bottom (April 2007 to Jan 2012)	1997 to 2013
All Properties	92%	49%	65%
Near a Starbucks	139%	67%	96%
Near a Dunkin' Donuts	136%	70%	80%

True, properties near Starbucks locations tend to start out more expensive. But as you can see, these properties appreciate at a faster rate than US housing on the whole. Interestingly, they’re also recovering much more quickly from the housing bust.



Area Overview

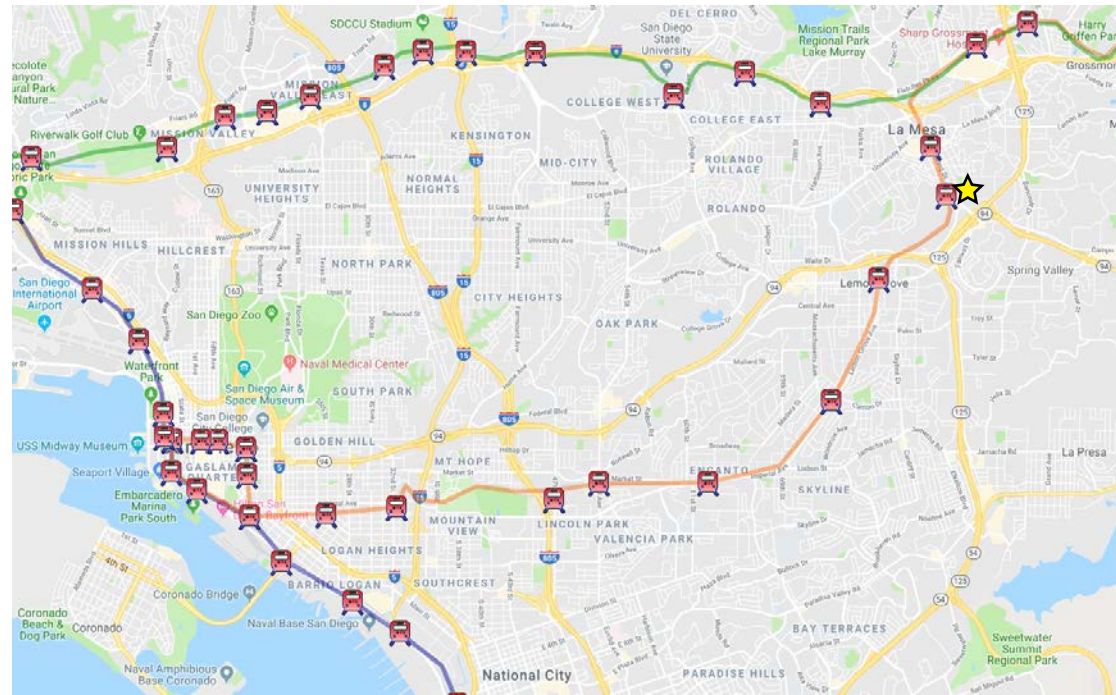
LA MESA, CA

The City of La Mesa is regarded as the Gateway to the East County – and the most desirable of the East County communities in which to live. Its location provides an alternative to the congestion of Mission/Fashion Valley, and convenient access to major employment corridors and education centers. La Mesa is located only 11 miles from downtown San Diego and 15 miles to the Pacific Ocean – a straight shot down Interstate 8. The City of La Mesa prides itself on being a green, sustainable and smart growth city with an emphasis on walkability in the downtown core and public transportation everywhere possible. The La Mesa Village is the historical center of La Mesa, with 5 blocks of tree-lined streets and quaint shopping and dining establishments, many of which are housed in original buildings from the 1910's.

TRANSPORTATION ACCESS – The intersection of Spring Street & Palm Ave is located 1/4 mile from the Spring Street Trolley Station (Orange Line) and less than a minute from the 94/125 freeways, providing immediate access to the broader metropolitan area and to major employers in San Diego County. It is within minutes of some of the area's major business centers, which include downtown San Diego, Mission Gorge, City Heights/University, Mission Valley, and Kearny Mesa submarkets.

HOUSING MARKET – The average rent for La Mesa as a city is \$1,647. The average rent for the 4 newly constructed properties exceeds \$2,000. The average occupancy for La Mesa is currently 96.5% and has remained over 93% for the past ten years. Rents within the La Mesa submarket are expected to grow 4.1% in 2018.

LA MESA EMPLOYMENT – Located approximately 2.7 miles from Starbucks is Sharp Grossmont Hospital, the largest health care facility in East San Diego County with approximately 2,700 employees. It is known for outstanding programs in heart care, orthopedics, rehabilitation, robotic surgery, stroke care and women's health. San Diego State University, with over 33,000 students and 5,921 employees is only 4.6 miles northwest of the property, and Grossmont Community College is 5.3 miles north of the subject, with an enrollment of 18,241 students and nearly 800 employees.



Area *Overview*

ATTRACTIONS

La Mesa has a variety of different attractions that include many outdoor experiences. There is a total of 15 unique parks scattered throughout the city. Popular destinations such as Lake Murray and Mount Helix both call La Mesa their home and bring many people into the region. Direct access to Mission Trails Regional Park, home to Cowles Mountain (San Diego's most popular and scenic hike, offering 360-degree views from the top) and Mission Trails Golf Course, located just 3.5 miles from the center of La Mesa. Other attractions La Mesa has to offer emphasize the historic nature of this picturesque city, such as the Pacific Southwest Railway Museum, and home to Oktoberfest, the largest celebration west of the Mississippi. Nearby attractions also include: endless hiking trails, classic drive-in movie theater, and less than a ten-mile drive from San Diego's major tourist spots including: Downtown, Gaslamp District, Balboa Park, USS Midway Museum, San Diego Zoo, and Coronado Island.



GROSSMONT SHOPPING CENTER – Located within a ten-minute drive is the ±1 million square foot Grossmont Shopping Center. With over 150 stores and restaurants, it provides a variety of shopping as well as employment opportunities. In addition to the many businesses that make up the center there are 36 food, dining, and entertainment establishments, as well as, four anchor stores in Macy's, Restoration Hardware Outlet, Target, and Walmart. Grossmont Shopping Center has direct access to the Trolley and next to Sharp Grossmont Hospital. The center also frequently hosts many different events open to the public such as a gymnastic camp, holiday festivities, and live concerts or performances, among various others.

DOWNTOWN LA MESA – La Mesa Village is the Historic center of La Mesa and is home to many one-of-a-kind retail shops, craft coffeehouses, antique stores, local pubs, and chic storefronts. Known as a local foodie hot spot, you can enjoy French comfort food, fusion street tacos, farm-to-table delights all within walking distance. Many of the surrounding buildings remain as they were in 1912 when the City of La Mesa was incorporated. La Mesa Village business owners place an emphasis on high quality products and personalized, friendly service. The most popular event in La Mesa Village each year is the annual Oktoberfest celebration that draws in over 20,000 visitors during the event. There is a total of 96 different businesses that make up La Mesa Village including 8 art, antique or collectible stores, 18 bars and restaurants, 18 stores and shops, 6 apparel stores, and 46 other businesses.



LAKE MURRAY – Lake Murray is a popular destination for visitors to La Mesa as well as locals in the area located only 1.1 miles from the 8 freeway. The lake is very popular for bicycling, jogging, walking, rollerblading, and picnicking. Patrons can walk up and back down a 3.2-mile-long paved road. There are also 10 barbecues and 64 picnic tables at various locations around the lake. Lake Murray is open for fishing and there are boats and bait rented on the premises. In addition to fishing visitors can swim as they would like along the shores.

LA MESA POPULATION – Young parents who want to hold onto their hipster and chic style, modern boutiques, and trendy eateries, while still getting a taste for small town, family-friendly living. The mid-century homes, big yards, and wide pristine sidewalks have attracted people for decades. Expect your neighbors to span 7 to 70.

TOP TAPESTRY SEGMENTATIONS	1 MILE		3 MILES		5 MILES	
8A (City Lights)	983	13.1%	8,806	13.80%	10,386	6.60%
2B (Pleasantville)	526	7.0%	5,883	9.20%	15,297	9.70%
7B (Urban Villages)	0	0.0%	4,677	7.30%	17,102	10.80%
11C (Metro Fusion)	166	2.2%	4,549	7.10%	13,743	8.70%
8B (Emerald City)	0	0.0%	4,152	6.50%	7,338	4.70%
1E (Exurbanites)	57	0.8%	3,890	6.10%	11,409	7.20%
8C (Bright Young Professionals)	965	12.8%	3,641	5.70%	5,850	3.70%

Area Demographics



POPULATION	1 MILE	3 MILES	5 MILES
2019 Population	18,416	171,306	458,183
2024 Population	19,056	176,660	469,910
2010 Population	17,280	161,501	437,230
Growth Rate: 2019 to 2024	0.69%	0.62%	0.51%



HOUSEHOLD	1 MILE	3 MILES	5 MILES
2019 Households	7,533	63,772	157,967
2024 Households	7,777	65,605	161,607
2010 Households	7,090	60,365	151,400
Growth Rate: 2019 to 2024	0.64%	0.57%	0.46%
Average Household Size	2.41	2.66	2.85



INCOME	1 MILE	3 MILES	5 MILES
2019 Average Household Income	\$96,932	\$89,177	\$87,543
2024 Average Household Income	\$115,072	\$104,756	\$102,217
2019 Median Household Income	\$70,203	\$68,820	\$65,282
2024 Median Household Income	\$81,809	\$80,795	\$77,265



HOUSING	1 MILE	3 MILES	5 MILES
2019 Housing Units	7,750	66,430	164,547
2019 Vacant Housing Units	217	2,658	6,580
2019 Occupied Housing Units	7,533	63,773	157,968
2019 Owner Occupied Units	3,537	32,867	82,198
2019 Renter Occupied Units	3,996	30,906	75,770



EDUCATION	1 MILE	3 MILES	5 MILES
2019 Population 25 and Over	13,016	117,999	305,134
Less than 9th Grade	302	6,169	22,480
9-12th Grade - No Diploma	706	7,215	21,118
High School Diploma	2,107	22,348	61,460
GED or Alternative Credential	392	2,726	7,636
Some College - No Degree	3,587	31,083	77,031
Associate's Degree	1,263	10,273	25,422
Bachelor's Degree	3,030	24,498	58,221
Graduate or Professional Degree	1,629	13,687	31,766



AGE	1 MILE	3 MILES	5 MILES
Age 0-4	1,174	10,421	28,828
Age 5-9	1,165	10,168	28,168
Age 10-14	1,115	10,107	28,431
Age 15-19	951	9,854	30,867
Age 20-24	994	12,757	36,755
Age 25-29	1,323	14,341	37,473
Age 30-34	1,517	13,767	35,352
Age 35-39	1,313	11,813	30,680
Age 40-44	1,076	10,000	25,959
Age 45-49	1,109	10,135	26,557
Age 50-54	1,154	10,436	26,843
Age 55-59	1,217	11,015	28,357
Age 60-64	1,184	10,171	26,030
Age 65-69	980	8,357	21,594
Age 70-74	766	6,322	16,575
Age 75-79	544	4,325	11,268
Age 80-84	380	3,137	8,204
Age 85 and Older	454	4,180	10,242



MARKET POTENTIAL 5 Miles — Consumer Spending index	Expected Number of Adults	Index (US = 100)	% of Population
Went to fast food/drive-in restaurant in last 6 mo	321,568	99	70%
Went to fast food/drive-in restaurant 9+ times/mo	137,463	98	30%
Fast food/drive-in last 6 mo: take-out/drive-thru	154,858	93	34%
Fast food/drive-in last 6 mo: take-out/walk-in	75,510	102	16%
Fast food/drive-in last 6 mo: breakfast	122,122	96	27%
Fast food/drive-in last 6 mo: weekday	200,050	95	44%
Fast food/drive-in last 6 mo: Dunkin' Donuts	57,544	119	13%
Fast food/drive-in last 6 mo: McDonald's	180,557	96	39%
Fast food/drive-in last 6 mo: Starbucks	80,137	121	17%

22% OF POPULATION
SPENDING \$50 OR
MORE A MONTH ON
FAST FOOD



PLACE OF WORK	1 MILE	3 MILES	5 MILES
2019 Businesses	937	5,813	13,013
2019 Employees	6,375	47,757	104,389



Exclusively Listed By:

ALEX KOZAKOV

Senior Vice President
+1 213 613 3031
Lic. 01416489
alex.kozakov@cbre.com

PATRICK WADE

Senior Vice President
+1 213 613 3071
Lic. 01454690
patrick.wade@cbre.com

MATT LOPICCOLO

First Vice President
+1 858 546 4641
Lic. 01835052
matt.lopiccolo@cbre.com



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