



CHIPOTLE

MEXICAN GRILL



HEARTLAND DENTAL

- 2-TENANT HEARTLAND DENTAL & CHIPOTLE WITH “CHIPOTLANE” DRIVE-THRU •
- WALMART SUPERCENTER & ALDI ADJACENT •
- TWIN CITIES MSA WITH REGIONAL DRAW •



**CURRENTLY OPEN FOR
PICK-UP & DELIVERY**

**CURRENTLY OPEN FOR
EMERGENCY SERVICES**



In Association with Rob Wise CBRE | A Licensed Minnesota Broker #40309200

OFFERING MEMORANDUM
FOREST LAKE, MINNESOTA



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REAL ESTATE ADVISORS



OFFERING MEMORANDUM

FOREST LAKE, MINNESOTA

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OFFERING SUMMARY

CHIPOTLE & HEARTLAND DENTAL



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LOCATION

Chipotle & Heartland Dental
107 12th Street SW
Forest Lake, MN 55025

OFFERING SUMMARY

Price:	\$3,450,000
Current Net Operating Income:	\$212,091
Current Capitalization Rate:	6.15%
Year 5 Net Operating Income:	\$233,816
Year 5 Capitalization Rate:	6.78%
Net Rentable Area:	6,812
Year Built:	1984; R-2020
Lot Size (Acres):	1.05

FINANCING SUMMARY

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





- **Two-Tenant Heartland Dental and Chipotle With “Chipotlane” NNN Investment:**

- **Chipotle:**

- ◆ Brand new 10-year lease
- ◆ Many of Chipotle's top stores in the Midwest are in secondary markets that are part of bigger MSAs and have an average household income in excess of \$94,000 in a 3-mile radius
- ◆ Chipotle has modernized their drive-thru concept with “Chipotlanes” where customers can take advantage of online ordering and pick up their food almost instantly
- ◆ Chipotle finished Q1 2020 with \$909.2 million in cash, enough cash to sustain it for well over a year. Remarkably, Chipotle has zero debt.
- ◆ Perfect harmony of technology with real estate, and as a result, digital sales increased 78% in Q4 2019
- ◆ Over 2,600 stores in the U.S. and Canada, France, Germany, and the United Kingdom
- ◆ #12 “Top 500 Chain Restaurant Report” – Restaurant Business (2019)

- **Heartland Dental:**

- ◆ Due to the subject property's regional draw, the tenant strategically kept this location open for emergency services during COVID-19
- ◆ 8.5+ years remaining on the initial 10-year lease term
- ◆ Heartland Dental is the nation's largest dental support organization
- ◆ The company provides support services to 1,000 dental practices, including more than 1,600 dentists across 37 states
- ◆ Established location that draws patients from a large trade area of over 90,000 people



INVESTMENT HIGHLIGHTS

CHIPOTLE & HEARTLAND DENTAL



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- **Freeway Accessible:** The subject property is located next to I-35, a primary north/south freeway that connects Forest Lake to St. Paul and Minneapolis to the south
- **Regional Retail Destination Pulling from Large Trade Area:** Adjacent to Walmart Supercenter, ALDI, and Target anchored shopping centers which pull from a trade population of over 90,000 people that drive over 15 minutes to do their shopping
- **Affluent, High-Growth Demographics:** The subject property benefits from the regional trade area but also from the established, affluent population who live in Forest Lake and commute to Minneapolis for work; average household incomes are in excess of \$101,000 within a 5-mile radius and the number of households have increased by over 40% over the past 20 years
- **Forest Lake is Part of the Twin Cities MSA, One of the Strongest Midwest Economies:** Only a 30-minute drive to Downtown Minneapolis and less than a 40-minute drive to Minneapolis-Saint Paul International Airport (39.5 million passengers in 2019)
 - GDP is the second largest in the Midwest behind only Chicago
 - 15th largest economy in the nation
 - 10% population increase in Minneapolis since 2010
 - Strong population growth in a robust job market that is home to 19 Fortune 500 companies such as Target, General Mills, Best Buy, UnitedHealth Group, and 3M





LEASE SUMMARY (1)



Guarantor:	Chipotle Mexican Grill, Inc.	Heartland Dental, LLC
Rent Commencement:	March 31, 2020	December 10, 2018
Lease Expiration:	March 31, 2030	December 31, 2028
Lease Type:	NNN	NNN
Net Rentable Area:	2,577	4,235
Monthly Rent:	\$7,087	\$10,588
Annual Rent:	\$85,041	\$127,050
Rental Increases:	4/25 - \$94,061	10% Every 5 Years
Renewal Options:	Three 5-Year (2)	Two 5-Year @ 10% Increases

REIMBURSEMENTS

Property Taxes:	Tenant Reimburses	Tenant Reimburses
Insurance:	Tenant Reimburses	Tenant Reimburses
Common Area Maintenance:	Tenant Reimburses	Tenant Reimburses
Roof and Structure:	Landlord Responsibility (3)	Tenant Reimburses

NOTES

- (1) All lease provisions to be independently verified by Buyer during the Due Diligence Period
 (2) Option 1 Annual Rent is \$102,900; Option 2 Annual Rent is \$113,182; Option 3 Annual Rent is \$124,495
 (3) Tenant reimburses for roof repairs.

INCOME & EXPENSE

CHIPOTLE & HEARTLAND DENTAL



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ANNUALIZED OPERATING DATA

	<u>Current</u>
Scheduled Gross Income (SGI):	\$212,091
Expense Reimbursement:	\$34,636
Effective Gross Revenue (EGR):	\$246,727
Total Operating Expenses:	(\$34,636)
Net Operating Income (NOI):	\$212,091

OPERATING EXPENSES

	<u>Amount</u>	<u>\$/SF</u>	
Taxes:	\$19,063	\$2.80	
Insurance:	\$824	\$0.12	
CAM:	\$14,749	\$2.17	
Total Expenses:	\$34,636	\$5.08	Annually Per SF
		\$0.42	Monthly Per SF

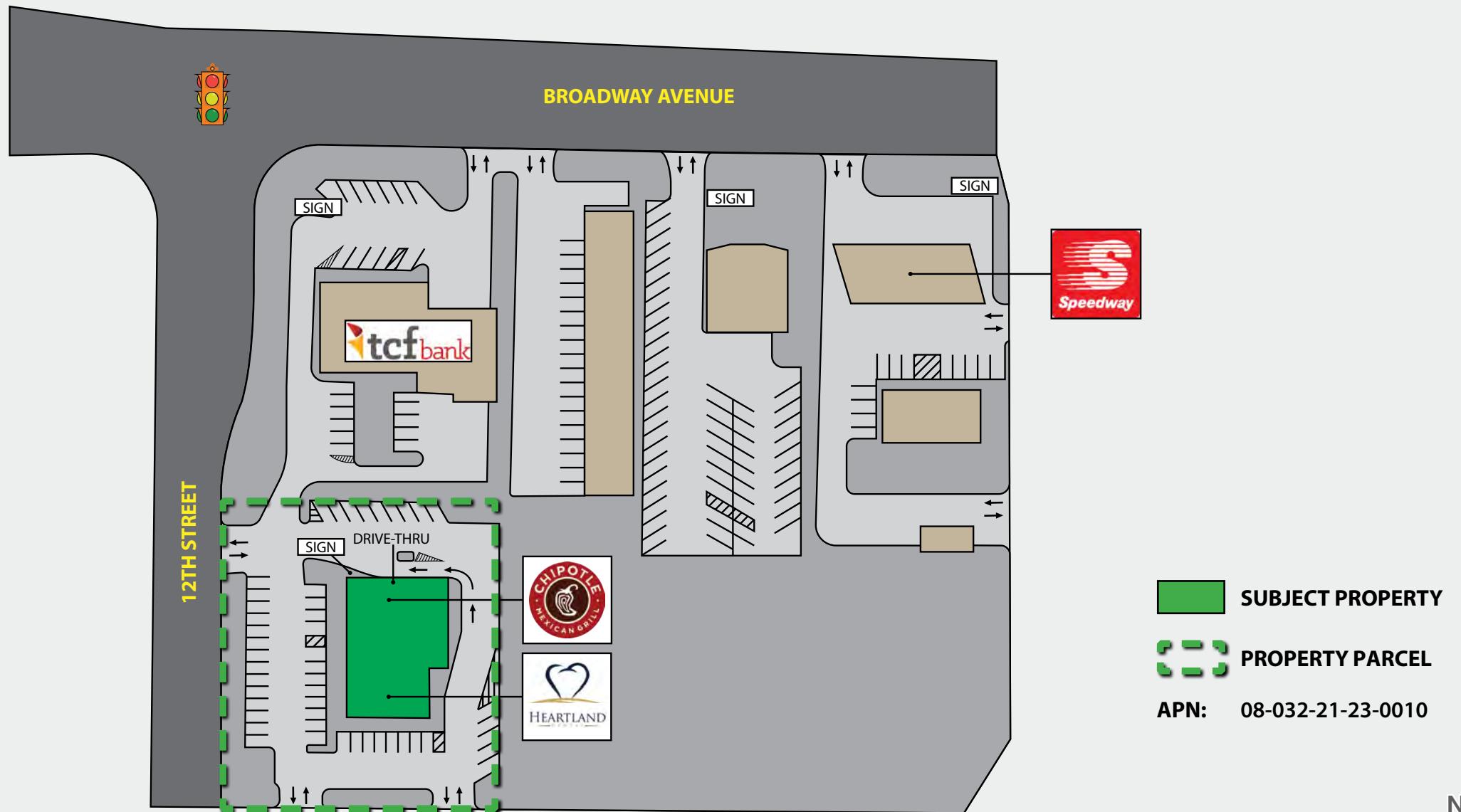


SITE PLAN / PARCEL MAP

CHIPOTLE & HEARTLAND DENTAL



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Surrounding Tenants

NOT A PART



AERIAL OVERVIEW

CHIPOTLE & HEARTLAND DENTAL



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AERIAL OVERVIEW

CHIPOTLE & HEARTLAND DENTAL



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DEMOGRAPHICS

Population:



1-Mile Radius	5,204
3-Mile Radius	17,593
5-Mile Radius	30,491

Household Income:



1-Mile Radius	\$65,887
3-Mile Radius	\$94,917
5-Mile Radius	\$101,351



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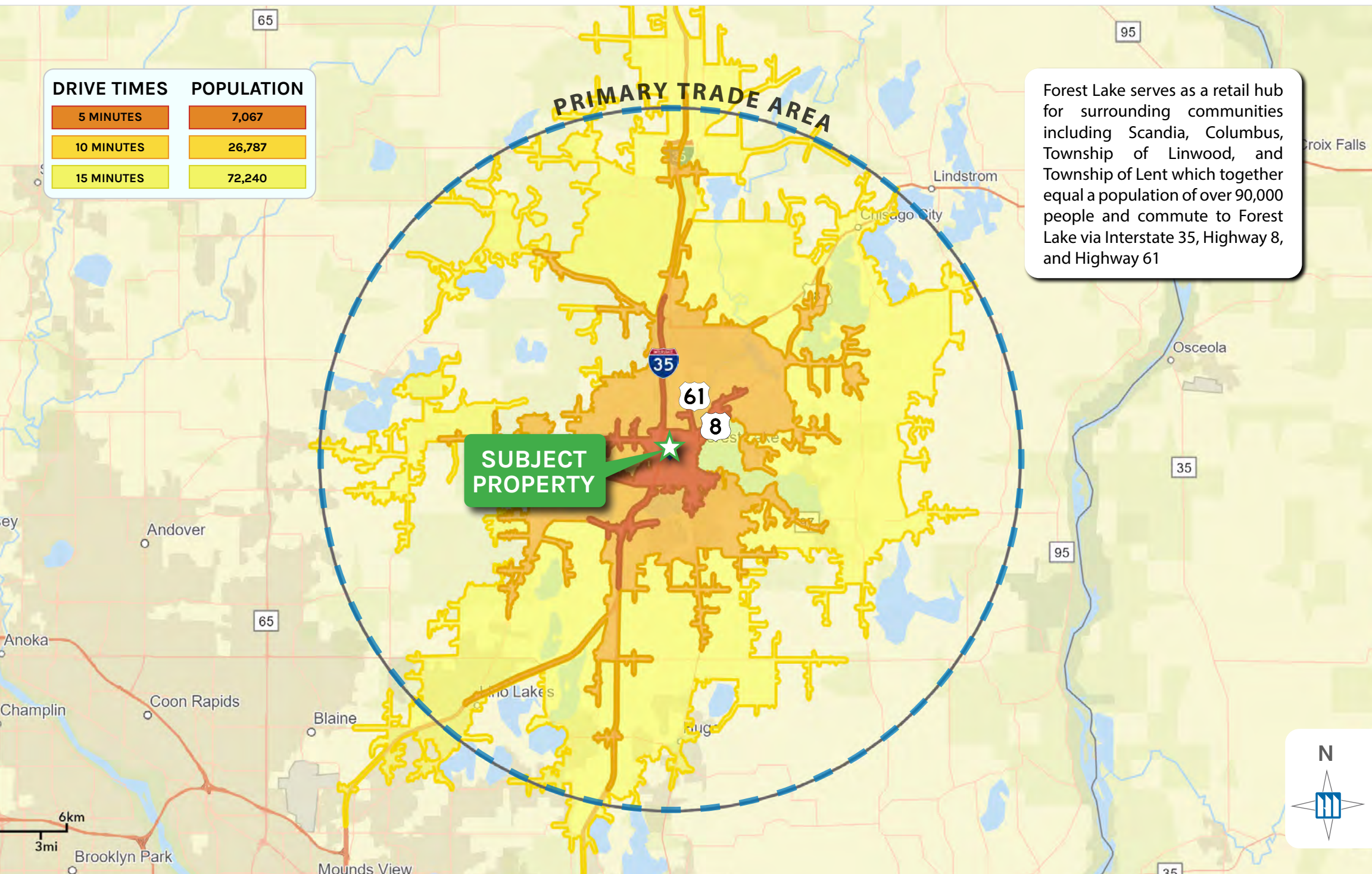


TRADE AREA

CHIPOTLE & HEARTLAND DENTAL



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Forbes



Why Chipotle will Come Out of the Coronavirus Crisis Stronger than Ever

By Alicia Kelso | April 23, 2020

Some restaurant brands will be better positioned than others whenever things get back to (a newly-defined) normal. Chipotle will very likely be one of them.

In fact, digital ordering, carryout, drive-thru and delivery are table stakes in this environment. Chipotle has a strong and growing presence in all of those channels. Its Q1 digital sales increased by more than 80% (about \$371 million worth) and now account for more than 26% of all sales.

Further, digital sales have reached about 70% so far in April, as we've become a bit more used to our new stay-at-home realities but tired of cooking. Seventy percent, by the way, is pizza-business-levels. (That's good: the pizza business has been at this for a long time).

"That strong balance sheet is going to help us, especially as we look at development opportunities," Schalow said.

F [CLICK FOR ARTICLE](#)



FOODSERVICE
EQUIPMENT
REPORTS



Reimagining the Drive-Thru

By Lisa Arnett | March 31, 2020

Whether for picking up breakfast on the way to work or grabbing a midday milkshake with a sleeping infant strapped in the backseat, the drive-thru continues to deliver on consumers' demand for convenience. In fact, 92% of American consumers visit a drive-thru restaurant at least once a month, according to an October 2019 study by the National Restaurant Association in partnership with market researcher Technomic.

The development of artificial intelligence, advancements in mobile ordering and even driverless cars, are making the drive-thru of today—and tomorrow—a very different experience. The rise in off-premise is spurring new drive-thru formats, and technology, in the face of ongoing labor challenges, is changing the way orders are taken and how food gets into the hands of hungry customers. Take a look at what operators around the world are doing to push the drive-thru into the future.

Of the myriad factors driving changes in drive-thrus, two rise to the top. "Convenience and speed of service. That's it," says Jay Bandy, president of Goliath Consulting Group.

FER [CLICK FOR ARTICLE](#)



Chipotle Mexican Grill is a leading fast-casual restaurant chain serving burritos, burrito bowls, tacos, and salads. It was ranked #12 on Restaurant Business's "Top 500 Chain Restaurant Report" in 2019. The restaurant is popular for its fast and healthy meals made directly in front of the customer with high-quality, raw ingredients and classic cooking techniques. Chipotle leads the way in sustainable business practices as they partner with humane and environmentally friendly farmers, ranchers, and suppliers. The company has a "Food with Integrity" business model that pledges to source the most responsible and highest-quality ingredients for customers.

The company was founded in 1993 by Steve Ellis in Denver, Colorado, and in 2018, they relocated their headquarters to Newport Beach, California. They currently operate more than 2,600 restaurants in the United States, Canada, United Kingdom, France, and Germany. Chipotle is the only restaurant company of its size to own and operate all of its restaurants. The restaurant chain opened 140 new locations in 2019 and has plans to open approximately 150 to 165 locations in 2020.

Chipotle's revenue in 2019 was \$5.6 billion, an increase of 14.8% over the prior year, driven by new restaurant openings and an 11.1% increase in comparable restaurant sales. The company's revenue is expected to surpass \$6.6 billion by 2021 as they continue to drive growth with new store openings and innovative restaurant concepts. The chain recently added "Chipotlanes" at dozens of locations, allowing customers to pick up mobile orders via drive-thru lanes.

TOP HONORS

- **#12 "Top 500 Chains"** - Restaurant Business (2019)
- **#12 "Top 200 Restaurant Brands"** - Nation's Restaurant News (2019)
- **#551 "Fortune 1000"** - Fortune (2019)

Company Type: Public (NYSE: CMG)
Locations: 2,622+
Website: www.chipotle.com

TENANT PROFILE

CHIPOTLE & HEARTLAND DENTAL



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Heartland Dental is the largest dental support organization in the United States, alleviating the management burdens of running a dental practice for supported offices. The company's 570 support employees provide non-clinical administrative services to Heartland Dental offices including marketing, payroll, Human Resources, information technology, accounting, credentialing, and more. With these services "outsourced," dentists and their teams are able to focus on patient care. Heartland Dental also provides continuing professional education, leadership training, and mentorship programs for their dentists and teams.

The company was founded in 1997 when Dr. Workman, a small town dentist, found he was spending nearly as much time running his dental practice as he was providing dental services to his patients. With the belief that other dentists were experiencing the same struggles, his dental support organization Heartland Dental was born. In 2019, the company celebrated the opening of its 1,000th office, growing its network of supported dentists to 1,600+ across 37 states. The company is the first dental service organization to reach this critical mass of support.

KKR, a leading global investment firm, acquired a majority interest in Heartland Dental from Ontario Teachers' Pension Plan and other existing shareholders in 2018. Ontario Teachers' retains a sizable ownership and is still a significant partner to the company.

Heartland Dental partners with its supported dentists to provide patients with a full spectrum of dental services including dentures, Invisalign, laser cavity screening, oral cancer screening, smile makeovers, teeth whitening, gum disease treatment, laser dentistry services, and more. The company is headquartered in Effingham, Illinois, and operates support offices in Indianapolis and St. Louis.

TOP HONORS

- "Top CEO" - Glassdoor (2019)

Company Type:	Private
Locations:	1,000+
Website:	www.heartland.com





Forest Lake, Minnesota

- 25 miles northeast of Saint Paul; 30 miles northeast of Minneapolis
 - City in Washington County located 20 miles west of the Wisconsin border
- 20,598 population; 250,980 county population
 - 178% population growth in the city since 2000
 - Projected growth of 40% by 2040
- Residents enjoy the city's small town feel with the conveniences of a major metropolitan suburb
- 30 miles from downtown Minneapolis

ECONOMY

- A diverse economy with top sectors being Retail Trade (25%), Accommodation and Food Services (14%), Educational Services (14%), and Manufacturing (10%)
- Educated and young labor force of 7,275 employees
 - 96% of the population has high school degree; 27% have bachelors degree or higher
 - Number of area college students is above average for the state
- \$93,296 average household income
- 2.5% unemployment rate is well below the U.S. average of 3.9%
- Poised to capitalize on new tech facilities due to its low energy cost, educated workforce, proximity to large corporations in the Twin Cities, large land parcels, and unlimited fiber optic internet bandwidth

DEVELOPMENTS

- **Gateway Green** - 84-unit smart apartment complex offering 1-, 2-, and 3-bedroom floorplans; entire units can be controlled from a remote
- **Encore Apartment Complex** - 91-unit luxury apartment complex outfitted with smart technology in studio, 1, 2, and 3-bedroom floorplans; expected to open in June 2020

TRANSPORTATION

- 39 miles from Minneapolis Saint Paul International Airport (MSP)
- Located at the junction of I-35E and I-35W making it well connected to both downtown Minneapolis and St. Paul
 - A significant portion of the working households commute to the inner-cities for jobs
- MetroTransit provides bus service to the Twin Cities and surrounding areas

City of Forest Lake *Highlights*

\$93,296

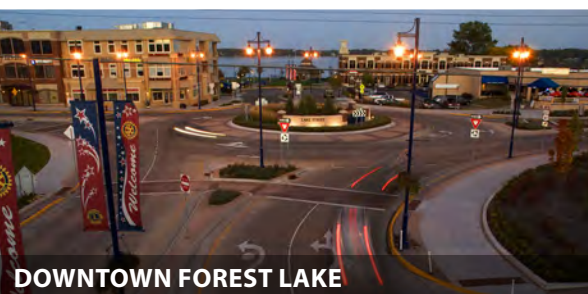
**AVERAGE
HOUSEHOLD INCOME**

178%

**POPULATION GROWTH
IN THE PAST 2 DECADES**



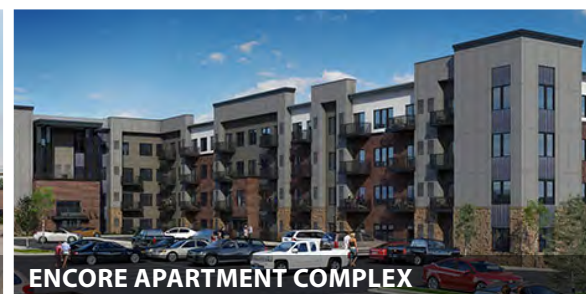
**LOW UNEMPLOYMENT
RATE OF 2.5%**



DOWNTOWN FOREST LAKE



FOREST LAKE CITY CENTER



ENCORE APARTMENT COMPLEX



Minneapolis-Saint Paul MSA

- Major metropolitan area built around the Mississippi and Saint Croix rivers in east central Minnesota
- 14th largest metropolitan area in the country; 15th largest by GDP
 - \$263.7 billion gross domestic product (2018)
- More than 70% (3.97 million) of the state's population resides in the 15-county greater metropolitan area
 - Instrumental in driving the state's economy
- Listed as a Top 3 "Best State" for 3 consecutive years by the U.S. News & World Report
 - Rankings are given based on measurements of the state's economy, opportunities for citizens, quality of life, healthcare, education, infrastructure, public safety, and fiscal stability of the state government
- Nicknamed the "Twin Cities" after its two largest cities, Minneapolis, the most populous city in the state, and Saint Paul, the state Capitol
 - Saint Paul is similar to an east coast city with quaint neighborhoods and a vast collection of well-preserved late-Victorian architecture
 - Also referred to as the "Twin Cities" Seven County region because the area is governed under the Metropolitan Council, a regional governmental agency and planning organization

ECONOMY

- Primary business center between Chicago and Seattle
 - \$18.3 billion of exports in 2018; \$246.7 billion gross regional product
 - 1.8% projected yearly job growth
- 20th largest median income in the U.S. (2018)
 - \$73,230 median household income; nearly 20% higher than the U.S. median income (\$61,400)
 - 65.7% of jobs pay a family sustaining wage



DOWNTOWN MINNEAPOLIS



CAPITOL BUILDING IN ST. PAUL



TARGET IN DOWNTOWN MINNEAPOLIS



**KNOWN AS THE
"TWIN CITIES"**

TOP 3

**"BEST STATES" BY U.S.
NEWS & WORLD REPORT**



**HOME TO 70% OF THE
STATE'S POPULATION**

\$73,200

**20TH LARGEST U.S.
MEDIAN INCOME**

AREA OVERVIEW

CHIPOTLE & HEARTLAND DENTAL



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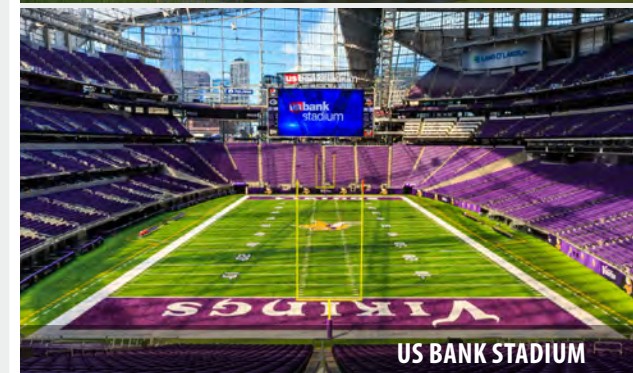
- 2+ million labor force; 4.6% labor force growth from 2013-2018 (greater than the 4.1% national growth over the same period)
 - The area draws young professionals and creative class workers as a hub for innovation and education
- Diverse economic landscape with strong core industries that include financial services, technology, biomedical, retail, health care services and research, manufacturing, and agriculture
- Home to 16 Fortune 500 company headquarters including UnitedHealth Group, Target, Best Buy, U.S. Bank, and 3M
- Cargill, the largest private company in the nation, has consistently grown for over a century in the metro area
- More than \$1 billion worth of new construction permits issued annually for 7 straight years
- #32 "Best Places for Business and Careers" - Forbes (2019)
- #4 "Best City for Work-Life Balance" - KISI (2019)

TOURISM

- 34.5 million annual visitors, up 3.7% in 2018; \$8 billion tourism-related spending, up 2.6% in 2018
- Supports 36,000 jobs in Minneapolis; 4th largest industry in terms of jobs
 - Projected to reach 40,000 jobs by 2030
- 1 of 13 metropolitan areas to have teams in four major sports: NFL, MLB, NBA, and NHL, plus MLS
 - Hosted 2018 Super Bowl; brought an estimated \$407 million in new spending to the metro area
 - Hosted 2019 NCAA Men's Basketball Final Four; \$143 million in economic impact from 90,000+ visitors
- **Mall of America** - the largest shopping and entertainment complex in North America (5.6 million square feet) with 40 million annual visitors
- **Minneapolis Saint Paul International Airport (MSP)** - 16th busiest airport in North America (39.6 million passengers annually)
- **U.S. Bank Stadium** - 1.75 million square foot state-of-the-art facility in Downtown Minneapolis (opened in 2016)
 - Features 5 of the world's largest pivoting glass doors, the closest sideline seats in the NFL, and 12,500 square feet of HD video boards
 - Won the "Venue Project of the Year" at The Stadium Business Awards (2017)



MINNEAPOLIS SCULPTURE GARDEN



U.S. BANK STADIUM



MALL OF AMERICA

\$8B

**IN TOURISM-RELATED
SPENDING IN 2018**



**16TH BUSIEST AIRPORT
IN NORTH AMERICA**



**HOME TO LARGEST
U.S. SHOPPING MALL**



**HEADQUARTERS TO 16
FORTUNE 500 COMPANIES**





	<u>3-Mile</u>	<u>5-Mile</u>	<u>Trade Area</u>
Population			
2024 Projection	18,388	31,665	93,644
2019 Estimate	17,593	30,491	89,961
2010 Census	16,322	28,561	83,801
2000 Census	12,713	23,254	63,191
Growth 2000-2010	28.39%	22.82%	32.62%
Growth 2010-2019	7.79%	6.76%	7.35%
Growth 2019-2024	4.52%	3.85%	4.09%
Households			
2024 Projection	7,134	11,928	33,981
2019 Estimate	6,794	11,407	32,382
2010 Census	6,266	10,612	29,953
2000 Census	4,811	8,358	21,406
Growth 2000-2010	30.24%	26.97%	39.93%
Growth 2010-2019	8.43%	7.49%	8.11%
Growth 2019-2024	5.00%	4.57%	4.94%
2019 Est. Population by Single-Classification Race			
White Alone	16,441	28,716	83,313
Black or African American Alone	230	317	1,412
American Indian and Alaska Native Alone	76	131	477
Asian Alone	345	543	2,393
Native Hawaiian and Other Pacific Islander Alone	16	27	72
Some Other Race Alone	128	204	504
Two or More Races	333	520	1,668
2019 Est. Population by Ethnicity (Hispanic or Latino)			
Hispanic or Latino	480	784	2,212
Not Hispanic or Latino	17,113	29,707	87,749
2019 Est. Average Household Income	\$94,917	\$101,351	\$108,061

CONFIDENTIALITY AGREEMENT

CHIPOTLE & HEARTLAND DENTAL



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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.