



Dunkin' Donuts

COTTONWOOD, AZ
(PRESCOTT AZ MSA)

Actual location
photographed May 2020
(open and operating)

DUNKIN'

Marcus & Millichap

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Dunkin’ Donuts & Retail

1006 SOUTH MAIN STREET
COTTONWOOD, ARIZONA

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NEW 15-YEAR NNN LEASE FROM PRIMARY TENANT

NEW 15-YEAR NNN LEASE FROM PROMINENT
DUNKIN' DONUTS FRANCHISEE

EXCEPTIONAL RETAIL LOCATION

SHADOW-ANCHORED BY A HOME DEPOT AND
SITUATED AT A MAIN INTERSECTION IN COTTONWOOD

INVESTMENT OVERVIEW

Dunkin' Donuts | COTTONWOOD, AZ
(PRESCOTT AZ MSA)

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INVESTMENT HIGHLIGHTS

NEW 15-YEAR NNN LEASE WITH ADDITIONAL MASTER-LEASE (TWO-TENANT PROPERTY)⁽¹⁾
 The subject property is a two-tenant retail property. The primary end-cap retail space is leased to a Dunkin’ Donuts franchisee under a new 15-Year NNN lease. The supplementary retail space will be master-leased under a NNN lease at market rents. Please see agent for further details. The primary lease provides landlord-friendly rent escalations every 5 years of 8% during the initial term and at each 5-year option period.

NEWLY CONSTRUCTED TWO-TENANT BUILDING WITH DRIVE-THRU
 The building was newly constructed and completed in 2019. It offers an award-winning contemporary design complete with a wrap-around drive-through pick-up window, outside seating area, and a marked curbside pick-up area.

IRREPLACEABLE RETAIL LOCATION SURROUNDED BY NATIONAL TENANTS
 The property is situated with excellent visibility and access at the prominent intersection of South Main Street and Highway 89A in the middle of Cottonwood. There are strong traffic counts of 23,900 VPD at the intersection and each thoroughfare provides direct access to regional markets such as Sedona, AZ and Prescott, AZ. The property is shadow-anchored by The Home Depot and surrounded by national retailers such as Walmart Supercenter, Speedway, Carl’s Jr., Starbucks, KFC, Black Bear Diner, Subway, Fry’s Food and Drug, Big 5 Sporting Goods, Walgreens, Food City, Wells Fargo, Discount Tire, Sonic Drive-in, UPS Store, Blimpie, Verizon and many more.

WELL-ESTABLISHED AND EXPANDING DUNKIN’ DONUTS FRANCHISEE⁽²⁾
 The franchisee has been in the QSR business since 2009. They have successfully managed and held equity interests in a portfolio of 57 Dunkin’ Donuts in New York, New Jersey and Arizona, as well as 29 Taco Bells in New York and Kentucky. The franchisee has over 39 years of combined real estate experience.

(1) Lease information has been obtained from sources we believe to be reliable; however, Marcus & Millichap has not verified, and will not verify, any of the information contained herein, nor has Marcus & Millichap conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. Individuals are strongly advised to take appropriate measures to verify all of the information set forth herein. Buyer must conduct their own Due Diligence.

(2) The Tenant under the Lease is a subsidiary of ABDD Arizona LLC, a Dunkin’ Donuts franchisee comprised of 12-15 locations with an estimated net worth of \$10M. Buyer is responsible for verifying during their Due Diligence period.



EXECUTIVE SUMMARY

DUNKIN' DONUTS
& RETAIL SUITE

1006 South Main Street, Cottonwood, AZ

OFFERING PRICE

\$2,285,715

CAP RATE

5.25%

Net Operating Income	\$120,000
Lease Types	NNN
Number of Tenants	2
Year Built	2018 ⁽¹⁾
Rentable SF	3,200 SF ⁽¹⁾
Lot Size	1.68 Acres ⁽¹⁾
Price / Rentable SF	\$714.29
Roof / Structure Responsibility	Landlord ⁽¹⁾

(1) Year Built, Rentable Area, Lot Size and Lease Terms are approximate. Buyer will need to verify the accuracy of these estimates during their Due Diligence period.
(2) Rent Escalations and CAP Rate Growth Chart reflect the scheduled 8% rent increases every 5 years during the Primary Lease Term. Pro forma returns are not guaranteed and do not take into consideration any unforeseen expenses. Buyer must conduct their own due diligence to confirm these estimates.

RENT ROLL

TWO-TENANT RETAIL PROPERTY DUNKIN' DONUTS & MASTER-LEASE								
DESCRIPTION	RENTABLE AREA	LEASE COMMENCEMENT	LEASE EXPIRATION	BASE RENT	PRIMARY TERM RENT ESCALATIONS	OPTIONS	NEXT ESCALATION	LEASE TYPE
Dunkin' Donuts	1,783 SF ⁽¹⁾	COE	15-YEARS	\$75,000	8% Every 5-Years	(10) 5-Year	5-YEARS	NNN
Master-lease	1,483 SF ⁽¹⁾	COE	TBD	\$45,000	TBD	TBD	TBD	NNN



ECONOMIC HEART OF THE VERDE VALLEY

COTTONWOOD IS PART OF THE PRESCOTT AZ MSA (CENTRAL AZ)
AND CONSIDERED THE ECONOMIC HEART OF THE VERDE VALLEY

23,900 VPD

THE SUBJECT PROPERTY IS SITUATED AT THE
PROMINENT INTERSECTION OF S MAIN ST & HWY 89A (23,900 VPD)

LOCATION & MARKET OVERVIEW

Dunkin' Donuts | COTTONWOOD, AZ
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COTTONWOOD, AZ | PRESCOTT MSA / VERDE VALLEY

Cottonwood is the economic heart of the Verde Valley in Arizona. The city is located approximately 100 miles north of downtown Phoenix, approximately 43 miles northeast of Prescott, Arizona, and only twenty minutes southwest of Sedona, Arizona. Cottonwood, is part of the Prescott MSA (estimated 235,099 residents in 2019) and the Verde Valley. The area offers and attractive array of parks and recreational areas with nineteen official wilderness areas. The area is ideally situated above the heat of the desert and below the cold of Arizona’s high country. It’s surrounded by the red rocks of Sedona, Mingus Mountain elevating to 8,000 feet to the west, and the Mogollon Rim stretching north and east. Cottonwood’s low elevation of 3,300 feet and moderate climate is enjoyed year-round by residents and visitors to the area from all over the U.S. In 2013, Cottonwood was ranked in the top 10 of best cities to visit in the U.S. by Lonely Planet, a well-known travel website⁽¹⁾.

The Verde Valley’s natural beauty and resources which lend themselves to an abundance of recreational opportunities, including hundreds of hiking and mountain biking trails, fishing, golfing, ATV riding areas, and much more. The area is a top vacation destination in Arizona - especially the Sedona and Cottonwood areas. The Valley is a mecca for geology and archaeology and has a reputation as a spiritual center. Tourism to the Verde Valley and Sedona region generate more than \$1 billion in economic activity every year.



Red Rock State Park

Just south of Cottonwood, AZ is Campe Verde, AZ (approximately 11 miles south), which is home to the Out of Africa Wildlife Park. The park spans over 100 acres of rolling hills and valleys and is home to hundreds of exotic mammals, birds, and reptiles including lions, giraffes, zebras, bears, mountain lions, and much more. The park offers visitors a variety of tours and ways to engage with the animals to attract thousands of visitors each year.

The area is also known for Verde Valley Wineries located along with well-known Verde Valley Wine Trail. The area invites wine enthusiasts from all over the country to experience a destination rich in history, beauty, and the production of exquisite wines. The wineries and tasting rooms offer a variety of skillfully crafted wines that appeal to everyone. The region is home to over twenty-five wineries spread over the cities of Jerome and Clarkdale to the west, and Cornville and Sedona to the east.



Old Downtown



Out of Africa Wildlife Preserve



PROPERTY PHOTOS



Curbside pick-up



Wrap-around drive-thru

AERIAL VIEW

The subject property is centrally located at a major intersection in Cottonwood, AZ, the heart of the Verde Valley. There are strong traffic counts of 23,900 VPD at the prominent intersection of S Main Street and Highway 89A.



AERIAL VIEW

The subject property is centrally located at a major intersection in Cottonwood, AZ, the heart of the Verde Valley. There are strong traffic counts of 23,900 VPD at the prominent intersection of S Main Street and Highway 89A.



HOUSEHOLD INCOME

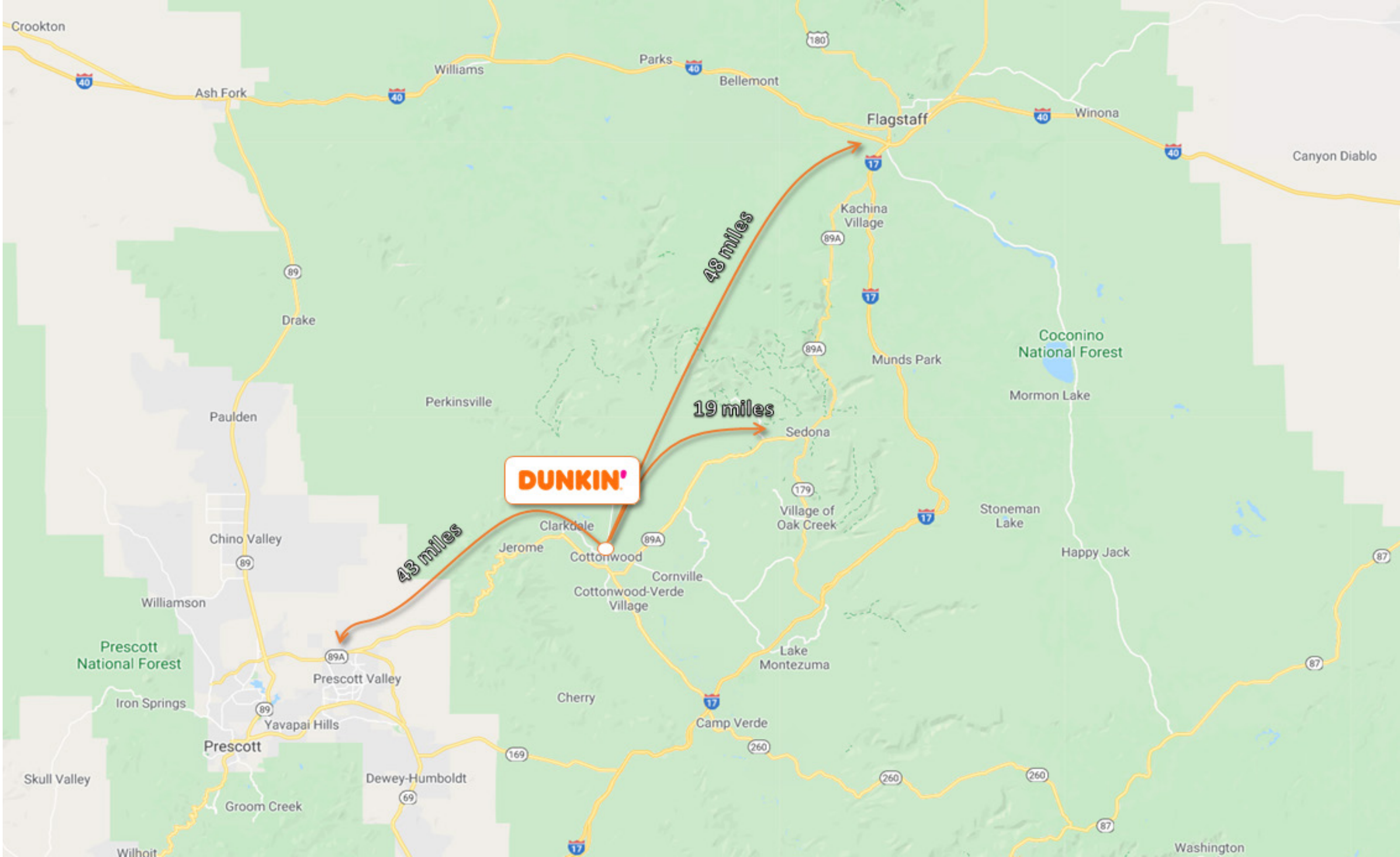
2020 ESTIMATE	1 MILE	3 MILES	5 MILES
AVERAGE	\$54,531	\$55,802	\$56,754
MEDIAN	\$41,647	\$43,071	\$43,403

POPULATION

YEAR	1 MILE	3 MILES	5 MILES
2025 Projection Total Population	2,253	12,164	14,821
2020 Estimate Total Population	2,113	11,415	13,958
2010 Census Total Population	1,913	10,371	12,981

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Source: Marcus & Millichap Research Services, CoStar



EXPERIENCED FRANCHISEE

THE FRANCHISEE OPERATES DUNKIN' DONUTS AND TACO BELL LOCATIONS IN A NUMBER OF REGIONS ACROSS THE U.S.

TENANT OVERVIEW

Dunkin' Donuts | COTTONWOOD, AZ
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BRAND OVERVIEW⁽¹⁾



Dunkin' Donuts is the world's leading baked goods and coffee chain, serving more than 3 million customers each and every day. True to their name, they offer 50+ varieties of donuts, but you can also enjoy dozens of premium beverages, bagels, breakfast sandwiches and other baked goods.

In 1950, Bill Rosenberg opened the first Dunkin' Donuts shop in Quincy, MA. Just five years later, a franchise legacy was born. There are more than 11,300 Dunkin' Donuts restaurants worldwide – that's over 8,500 restaurants in 41 states across the U.S.A. and over 3,200 international restaurants across 36 countries.

With over 130 years of franchising experience, Dunkin' Brands is home to two of the world's most recognized, beloved franchises: Dunkin' Donuts and Baskin-Robbins.

Source: www.dunkindonuts.com

FRANCHISEE PROFILE

ABDD has been in the QSR business since 2009, holding both equity interests in and management responsibility for a portfolio which includes 57 Dunkin' Donuts in New York, New Jersey and Arizona and 29 Taco Bells in New York and Kentucky. ABDD's two founders have backgrounds in finance and banking at Goldman Sachs and Deutsche Bank, respectively. ABDD's CEO has over 25 years of fast food and franchise experience and a proven track record of managing multi-unit organizations, including an early stage network of 19 Dunkin's in Phoenix. ABDD's local (Phoenix) Director of Operations was previously an Arizona Operations Manager at Dunkin' Brands where he was responsible for opening the first 40 corporate-owned Arizona Dunkin's and for providing store opening support and training, cost control systems and compliance reviews.

- ▶ STRONG FRANCHISEE WITH OPERATIONAL HISTORY OF 57 DUNKIN' DONUTS AND 29 TACO BELLS IN FOUR DIFFERENT STATES
- ▶ ENTITY GUARANTEEING THE DUNKIN' DONUTS LEASE WILL BE COMPRISED OF 12-15 UNITS WITH AN APPROXIMATE NET WORTH OF \$10,000,000⁽¹⁾
- ▶ OVER 39 YEARS OF COMBINED REAL ESTATE EXPERIENCE
- ▶ SUBSTANTIAL EXPERIENCE AND KNOWLEDGE OF THE ARIZONA REAL ESTATE MARKET HAS DRIVEN THE SUCCESS ON THEIR ARIZONA EXPANSION
- ▶ THE FRANCHISEE'S BACKGROUND WITH DUNKIN' DONUTS OPERATIONS, REAL ESTATE LAW, REAL ESTATE DEVELOPMENT, INVESTMENT BANKING, AND INSTITUTIONAL MARKETING ARE KEY FACTORS TO THEIR CONTINUED EXPANSION TRIUMPHS



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DUNKIN' BRANDS - FINANCIAL HIGHLIGHTS⁽¹⁾

Brand Highlights of Fiscal Year 2019 include:

- ▶ Dunkin' U.S. comparable store sales increase of 2.1%
- ▶ Baskin-Robbins U.S. comparable store sales increase of 0.8%
- ▶ Added 385 net new Dunkin' and Baskin-Robbins locations globally including 211 net new Dunkin' locations in the U.S.
- ▶ Total revenues increased 3.7% in fiscal year 2019 compared to 3.6% YOY in fiscal year 2018
- ▶ \$1.370 billion in total revenues in fiscal year 2019
- ▶ 76 net new Dunkin' locations added in the U.S. just in Q4 of fiscal 2019



DUNKIN' ADDS CURBSIDE PICKUP, DOUBLES DELIVERY FOOTPRINT

QSR Magazine, May 2020

Scott Murphy, president of Dunkin' Americas, said the company has been guided by four principles amid the pandemic—ensure safety, provide flexibility, support franchisees, and empower quick decision-making.

So far, all four have held strong despite immense pressure from the weight that is COVID-19, Murphy said.

“These four principles have served us well and will continue to guide our decision-making moving forward,” Murphy said during the company’s Q1 earnings call. “Although times have been tough, our model is strong. Great coffee fast in a high frequency, low-touch environment is what we’re all about, even before COVID. Our franchisees are strong. They are eagerly serving their communities across the country and can’t wait to do more.”

To add convenience, Dunkin' added curbside pickup to 1,000 non-drive thru locations, expanded delivery options, and gave incentives to use contactless ordering through the app. Curbside represents about 2 percent of transactions at those non-drive-thru units. Delivery, which doubled from 2,000 to 4,000 stores, now mixes 1.4 percent, with three times the average check.

Around 70 percent of stores have drive-thru, which are performing about three times better than non-drive-thru locations. Drive-thru units are doing 94 to 95 percent of their business through that avenue.

As many as 1,200 U.S. units temporarily closed at one point. Franchisees were allowed to shrink hours to clean stores at night and nearly 2,000 locations closed their front lobby to focus on drive-thru. To improve speed and reduce complexity, the company formed a curated menu for franchisees with a limited staff.

New brand standards were instituted systemwide. Employees wear masks and gloves, counters are blocked by Plexiglas, and infrared thermometers will soon be at every domestic location. Dining room tables and chairs were removed to change a model “built for speed into one built for new social distancing protocols.”

“On the safety side we don’t look at these as costs. We look at these as investments,” CEO Dave Hoffmann said. “... Those are investments that we made that we think is going to be critical. Do I feel safe as an employee? Do I feel safe as a customer? And [the customers are] going to be looking for trusted brands to deliver against that.”

To assist franchisees financially, Dunkin' extended payment terms for royalties and advertising fees in the U.S. and Canada from 12 to 45 days. The brand waived up to one month of rent and allowed operators to defer two months of rent at the approximately 900 locations where it owns property. In addition, franchisees were given flexibility on timing of capital expenditures like purchase of equipment, NextGen remodels, and new restaurant builds.

The company has also called franchisees’ banks, encouraging their support. Hoffmann said many of the franchisees, which average 150 employees, have successfully applied for Paycheck Protection Program loans. Dunkin' estimated that franchisees who receive assistance from the PPP will have 80 percent of its projected cash flow by the end of the year, even with lower sales volumes.

(1) These are partial financial highlights for Dunkin' Brands Group, Inc. All financial information shown is for Dunkin' Brands Group, Inc. and not for the franchisee. Dunkin' Brands Group, Inc. is not the tenant . Marcus & Millichap and its affiliates has not made any investigation, and makes no warranty or representation, with respect to the information contained herein. This information has been obtained from sources we believe to be reliable; however, Marcus & Millichap has not verified, and will not verify, any of the information contained herein, nor has Marcus & Millichap conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. Individuals are strongly advised to take appropriate measures to verify all of the information set forth herein. Buyer must conduct their own Due Diligence. The Tenant under the Lease is a subsidiary of ABDD Arizona LLC, a Dunkin' Donuts franchisee comprised of 12-15 locations and estimated net worth of \$10 M.

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