

PRICE \$3,022,509 EQUITY \$575,000 (23.5%)



CVS PHARMACY

ZERO CASH FLOW ASSET

KEWANEE, IL



CAPITAL PACIFIC

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CVS -- ZERO CASH FLOW

401 S MAIN ST, KEWANEE, IL 61443

\$3,022,509
PRICE

\$575,000
EQUITY

LEASE TYPE: **ABSOLUTE NNN**

TERM REMAINING: **18+ YEARS**

LEASABLE SF: **13,420 SF**

LAND AREA: **1.12 ACRES**

YEAR BUILT: **2011**

- **Rare small price point CVS at only \$3,022,509**
- **Paydown/Readvance available**
- **Absolute net lease – zero Landlord maintenance or expense responsibilities**
- **Investment grade guaranty from CVS Health Corp. – ‘BBB’ S&P rating**
- **\$256.8B company revenues in 2019 – 31% year-over-year increase**

Pricing Summary



PROPERTY SUMMARY

Tenant/Guarantor	CVS Caremark Corporation
Price	\$3,022,509
Equity	\$575,000
Building SF	13,420
Land Area (AC)	1.12
Year Built	2011
Lease Type	Absolute NNN

LEASE SUMMARY

Primary Term	26 Years
Term Commencement	12/19/2013
Term Expiration	1/31/2039
Term Remaining	18.9 Years
Annual Rent	\$226,887
Renewal Options	2 x Fixed Rate Extension Periods 8 x FMV Extension Periods

LOAN SUMMARY

Loan Balance as of 12/10/20	\$2,447,509
Interest Rate	4.704%
Loan Maturity Date	1/10/2036
Term/Amortization	22 Years
Annual Debt Service	\$226,887
Balloon Balance	\$0, Fully-Amortizing Loan
Recourse	None
Paydown/Readvance	Available

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Rent Roll

TENANT INFO		LEASE TERMS		RENT SUMMARY				
TENANT NAME	SQ. FT.			CURRENT RENT	MONTHLY RENT	YEARLY RENT	MONTHLY RENT/FT	YEARLY RENT/FT
CVS	13,420	12/19/2013	1/31/2036	\$226,887	\$18,907	\$226,887	\$1.41	\$16.91
		2/1/2036	1/31/2039			Rent Holiday		
	Option 1-2	2/1/2039	1/31/2049		\$17,017	\$204,198	\$1.27	\$15.22
	Option 3-10	2/1/2049	1/31/2089			Fair Market Value		
TOTALS:				\$226,887	\$18,907	\$226,887	\$1.41	\$16.91



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Lease Abstract



RENT

BASE RENT

DATE RANGE	MONTHLY RENT	ANNUAL RENT
12/19/2013 - 1/31/2036	\$18,907	\$226,887
2/1/2036 - 1/31/2039	<i>Rent Holiday</i>	

OPTION RENTS

DATE RANGE	MONTHLY RENT	ANNUAL RENT
#1-2. 2/1/2039 - 1/31/2049	\$17,017	\$204,198
#3-10. 2/1/2049 - 1/31/2089	<i>Fair Market Value</i>	

The details contained within the Lease Abstract are provided as a courtesy to the recipient for purposes of evaluating the Property's initial suitability. While every effort is made to accurately reflect the terms of the lease document(s), many of the items represented herein have been paraphrased, may have changed since the time of publication, or are potentially in error. Capital Pacific and its employees explicitly disclaim any responsibility for inaccuracies and it is the duty of the recipient to exercise an independent due diligence investigation in verifying all such information, including, but not limited to, the actual lease document(s).

PREMISE & TERM

TENANT	CVS
LEASE GUARANTEED BY	CVS Caremark Corporation
LEASE TYPE	Absolute NNN
TERM REMAINING	18+ Years
RENT COMMENCEMENT	December 2013
OPTIONS	Ten, 5-year options
YEAR BUILT	2011

EXPENSES

PROPERTY TAXES	Tenant's Responsibility
INSURANCE	Tenant's Responsibility
COMMON AREA	Tenant's Responsibility
ROOF & STRUCTURE	Tenant's Responsibility
REPAIRS & MAINTENANCE	Tenant's Responsibility
HVAC	Tenant's Responsibility
UTILITIES	Tenant's Responsibility

WHY ZERO CASH FLOW ASSETS MAKE SENSE RIGHT NOW

June 9, 2020 (GlobeSt) -- Zeros can be attractive to several investor types, though the largest pool of zero buyers are those with a 1031 exchange need.

We have reached a unique time in the net lease investment environment due to COVID-19—tenants are seeking rent relief, investors are taking capital off the table, and lenders are pulling back. But where do zero cash flow structured assets fit in this rapidly changing marketplace? Here are some questions and answers that address this and other issues.

What is a zero cash flow property? A zero cash flow property, or a “zero,” is a highly leveraged asset with in-place, assumable, fixed-rate, long-term financing (typically 15-25 years) backed by a bond-style, absolute net lease guaranteed by an investment grade credit. The high leverage nature is such that all NOI goes directly to servicing the debt. Appropriately coined, zeros are commercial properties that produce no cash flow to the owner.

Who buys zeros? A zero is attractive to exchange buyers who have little or no equity, seeking to fulfill their trade need by replacing a significant amount of debt with as little equity as possible. An exchange buyer with a larger amount of equity may seek a zero in order to use the paydown/readvance feature provided in the loan, allowing the buyer to right-size the debt and equity requirements of the trade and extract a significant amount of tax-free equity once the exchange is completed. A non-exchange buyer may be looking to purchase an asset that will produce net tax losses, off-setting income elsewhere in the owner’s portfolio.

How are zeros priced? Given the high-leverage structure resulting in no cash flow, cap rates are typically ignored on zeros. These assets are priced instead based on the equity investment over the existing debt, expressed as a percentage of equity over the debt.

Commercial real estate has obviously been impacted by COVID-19. How are zeros performing? There are countless stories of tenants requesting rent relief or abatement, but we have yet to see this on a zero. With the market’s instability, buyers are seeking a flight to credit quality, and the investment grade quality inherent in zero cash flow assets strengthens the appeal to buyers in today’s environment.

Does today’s market benefit ZCF buyers or sellers? The short answer is, “both.” The net lease market has been challenged in recent months as a result of weakening tenant credits. This is juxtaposed by significant demand from an unusually high number of 1031 exchange buyers as a result of currently extended exchange timing requirements. This results in a market that is prime for zero cash flow transactions for both buyers and sellers.

What does the future of zeros look like? As long as properties are being sold and resulting 1031 exchanges need to be fulfilled, there will be a market for zero cash flow assets.

[READ FULL ARTICLE](#)

Tenant Overview



ABOUT CVS

CVS Health Corporation (NYSE: CVS), together with its subsidiaries, is the nation's premier health innovation company helping people on their path to better health.

The Company has approximately 9,900 retail locations, approximately 1,100 walk-in medical clinics, a leading pharmacy benefits manager with approximately 105 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year and expanding specialty pharmacy services. CVS Pharmacy stores are located in 49 states, the District of Columbia and Puerto Rico. Stores offer customers a wide assortment of innovative health and beauty products and pharmacies dispense millions of prescription medications each year.

CVS Health also serves an estimated 37 million people through traditional, voluntary and consumer-directed health insurance products and related services, including expanding Medicare Advantage offerings and a leading standalone Medicare Part D prescription drug plan ("PDP").

\$256.8 B | **2019 REVENUE**

9,900+ | **LOCATIONS IN 49 STATES, D.C., AND PUERTO RICO**

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Retail Aerial



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Surrounding Retail





CHICAGO
(150 MILES)


12,600 VPD

12,600 VPD

OSF SAINT LUKE MEDICAL CENTER

Demographics

POPULATION

	1-MILE	3-MILES	5-MILES
2010	9,255	13,612	14,107
2019	9,053	13,308	13,791
2024	8,890	13,065	13,538

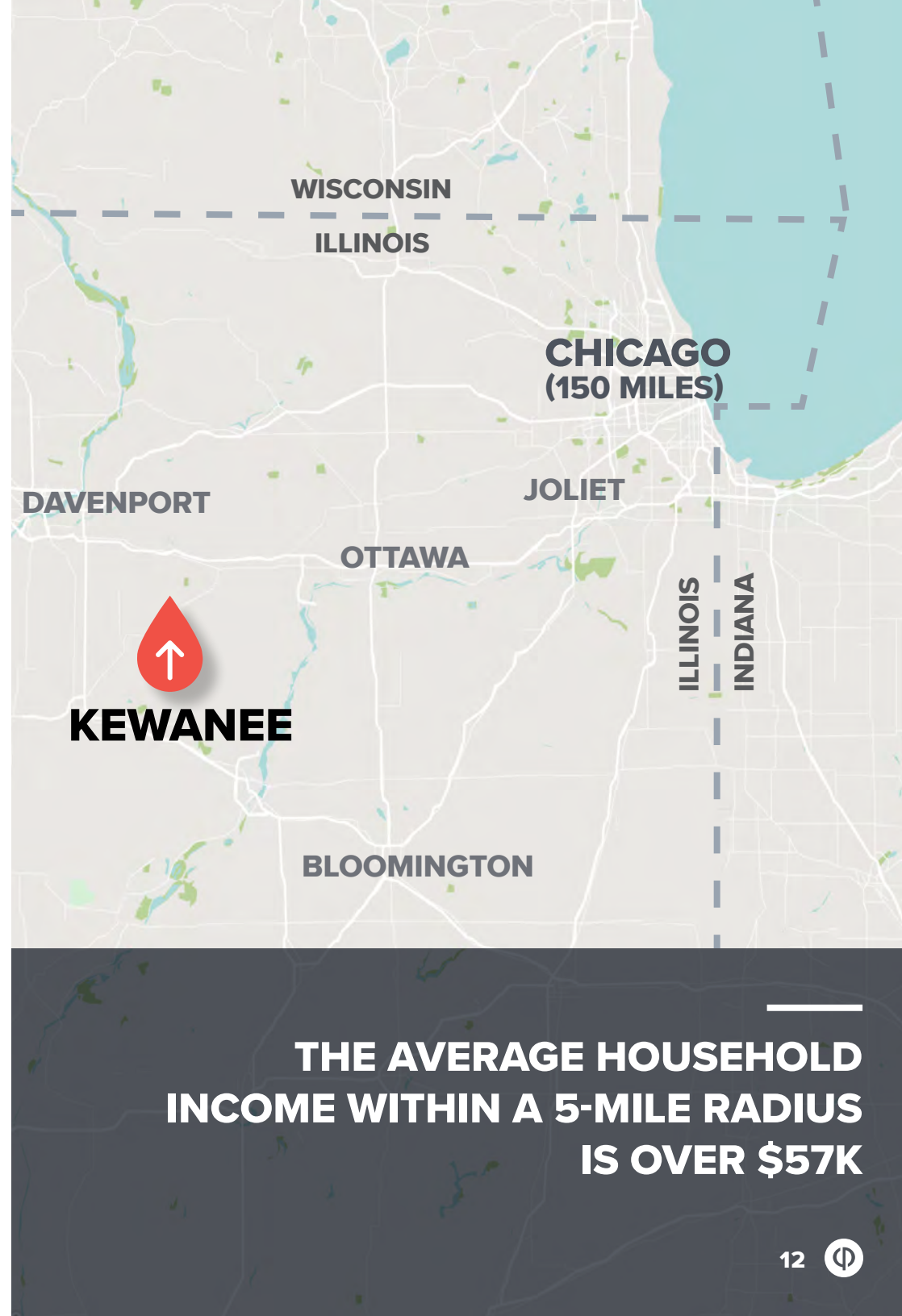
2019 HH INCOME

	1-MILE	3-MILES	5-MILES
Average	\$54,930	\$56,362	\$57,109

LARGEST EMPLOYERS IN QUAD CITIES AREA

EMPLOYER	# OF EMPLOYEES
Deere & Company	7,240
Rock Island Arsenal	6,163
Genesis Health System	5,173
Hy-Vee	4,568
UnityPoint Health - Trinity	3,954

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**THE AVERAGE HOUSEHOLD
INCOME WITHIN A 5-MILE RADIUS
IS OVER \$57K**

KEWANEE, ILLINOIS

QUAD CITIES

KEWANEE is a city in Henry County, Illinois, with an estimated population of 12,339 residents. It is known for a variety of unique shops and local restaurants set along tree-lined streets with beautiful turn-of-the-century architecture.

HENRY COUNTY is strategically located at a transportation crossroad in western Illinois. Interstates 80 and 74 intersect the county's 869 square miles. Commercial and passenger rail transportation are located in strategic areas throughout the county. The county has over 479,000 acres of rich, productive farmland, as well as ease of access to the Mississippi and Rock Rivers.

QUAD CITIES REGION is a six-county, bi-state region comprised of Clinton, Muscatine, and Scott Counties in Iowa, and Henry, Mercer, and Rock Island Counties in Illinois. The region lies within a 300-mile radius of 37 million people with close access to major markets like Chicago, Minneapolis-St. Paul, St. Louis, Des Moines, Omaha, Kansas City, and Indianapolis. The Quad Cities region is home to Fortune 500 company John Deere. There are 150 others on Fortune's 500 and 1000 lists that have a presence in the region, as well as the Rock Island Arsenal, a major military installation. The Quad Cities have experienced a 5.2% increase in economic strength over the past five years, including \$1.5 billion in total capital investment, plus the creation of 4,500 new jobs.

474,385



**QUAD CITIES REGION
POPULATION
(ESTIMATED)**



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