
Single-Tenant Net Lease CVS Pharmacy Zero Cash Flow | Leasehold (Building Only)

16922 BOLSA CHICA STREET
HUNTINGTON BEACH, CA



NEWMARK

Offering Memorandum

Single-Tenant Net Lease CVS Pharmacy

Zero Cash Flow (ZCF) | Leasehold (Building Only)

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HUNTINGTON BEACH, CA**

The Offering

Newmark Net Lease Capital Markets, as exclusive advisor, is pleased to present the opportunity to acquire a single-tenant, absolute NNN ground leased (leasehold interest - building only) zero cash flow CVS Pharmacy, located in Huntington Beach, CA. The lease provides CVS with a 3-year rent holiday at the end of the primary lease term and seller will provide purchaser with an NPV rent credit as compensation for the rent holiday.

BBB

S&P CREDIT RATING

ZCF

DEAL STRUCTURE

15.8 Years

WALT

6 (5-Year)

RENEWAL OPTIONS

Leasehold

OWNERSHIP INTEREST

\$144,748

AVG HH INCOMES (3 MI)



Net Lease Capital Markets

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Investment Highlights

Corporate Guaranty | Investment Grade Credit (S&P: BBB) | \$256.78 Billion in FY 2019 Revenue & 9,900+ US Locations

CVS pharmacy is the largest drug store chain in the US with 9,900+ retail store locations and approximately 295,000 employees. For fiscal year 2019, CVS Health (S&P: BBB) generated revenues of approximately \$256.78 billion and grew total assets to \$222.45 billion.

Long-Term NNN Ground Lease (Leasehold - Building Only) | 15.8 Years Remaining Plus Options | Zero Landlord Responsibilities

CVS signed a long-term lease in December 2011 and currently has approximately 15.8 years remaining in the primary term plus six (6), five (5) year options to extend. The absolute triple-net (NNN) ground lease requires zero landlord responsibilities, with the tenant being responsible for all maintenance, repair and replacement, making this an ideal investment for both local and out-of-area investors. CVS pays ground rent directly to the ground owner.

Tax Advantaged Zero Cash Flow (ZCF) Offering | Fully Depreciable

The in-place ZCF loan and fully depreciable leasehold ownership interest generate annual passive losses that work to offset taxable income from other investments, thus helping to reduce an investor's overall tax basis.

Increased Yield | Purchaser to Receive Rent Holiday Credit at Closing

The lease provides CVS with a 3-year rent holiday at the end of the primary lease term and seller will provide purchaser with an NPV rent credit as compensation for the rent holiday, increasing the purchaser's going-in yield.

Rare Coastal Orange County Opportunity | Highly Visible & Easily Accessible Site | 2.5 Miles from Huntington Beach Coastline

CVS is strategically positioned at the signalized hard corner intersection of Warner Ave (31,619 VPD) and Bolsa Chica St (22,927 VPD) and there are 99,333 residents with average household incomes exceeding \$144,000 within 3 miles. The subject property is highly visible and easily accessible with two (2) points of ingress/egress around its perimeter. CVS is located 2.5 miles from the Huntington Beach coastline which attracts more than 500,000 visitors annually to the US Open of surfing. CVS is also located adjacent to the affluent Huntington Harbor residential community which boasts average annual household incomes exceeding \$175,000.



Site Aerial



Price/Cap Rate

Price	\$3,993,986
% Above Debt	40%
NPV Rent Holiday Credit*	\$434,874
Adjusted Price (with Rent Credit)	\$3,559,112
Adjusted % Above Debt (with Rent Credit)	24%
Loan Balance (4/10/2021)	\$2,859,112.44
NOI**	\$318,663.24
Terms	Buyer to assume existing Zero Cash Flow (ZCF) loan
*Seller will provide purchaser with an NPV rent credit as compensation for the 3-Year rent holiday	
**CVS pays ground rent directly to ground owner	

Executive Summary

Address	16922 Bolsa Chica St. Huntington Beach, CA 92649
Tenant / Guarantor	CVS Pharmacy / Corporate Guaranty
Use	Retail
Acreage	1.46
Rentable Building Area (SF)	13,013
Expense Structure	NNN (Ground Lease)
Rent Increases	Flat during Initial Term
Lease Commencement	December 21, 2011
Lease Expiration	January 30, 2037
Lease Term Remaining	15.8 Years
Renewal Options Remaining	6 (5-Year)
Ownership Interest	Leasehold Interest (Building Only)



TRADE AREA EAST



TRADE AREA WEST



The Investment



Lease Abstract & Property Details

Property Overview

Rentable Building Area (SF)	13,013
Acreage	1.45
Year Built/Renovated	2012
Parcel	146-601-29, 30 & 31

Lease Abstract

Address	16922 Bolsa Chica St. Huntington Beach, CA 92649
Tenant Trade Name	Longs Drug Stores California, L.L.C. dba CVS Pharmacy
Guarantor	CVS Caremark Corporation (Corporate)
Credit Rating	S&P: BBB (Investment Grade)
Lease Commencement	December 21, 2011
Lease Expiration	January 30, 2037
Initial Term	25 Years
Lease Term Remaining	15.8 Years
Renewal Options Remaining	6 (5-Year)
Annual Building Rent (PSF)*	\$318,663.24 (\$24.70 PSF)
Rent Increases	Flat during initial term
Lease Structure	NNN Ground Lease (Leasehold Interest- Building Only)
Landlord Responsibilities	None
Utilities	Tenant Responsibility
Taxes	Tenant Responsibility
HVAC	Tenant Responsibility
Insurance	Tenant Responsibility
Common Area	Tenant Responsibility
ROFR	Yes- 20 Days

*CVS pays ground rent directly to ground owner

Rent Schedule

	Annual Rent
12/21/11- 01/30/34	\$318,663.24
02/01/34- 01/30/37	No Rent (Rent Holiday)

Renewal Options

Option 1 (02/01/38- 01/30/43)	\$286,979.00
Option 2 (02/01/43- 01/30/48)	\$286,979.00
Option 3 (02/01/48- 01/30/53)	FMV
Option 4 (02/01/53- 01/30/58)	FMV
Option 5 (02/01/58- 01/30/63)	FMV
Option 6 (02/01/63- 01/30/68)	FMV

Zero Cash Flow Loan Summary

	Annual Rent
Loan Balance (4/10/2021)	\$2,859,112.44
Interest Rate	5.926%
Term / Amortization Period	22 Years / 22 Years
Maturity Date	January 10, 2034

Location and Demographics

Huntington Beach, California

Home to 10 miles of world-renowned coastline, the city of Huntington Beach is known as “Surf City USA” and hosts 50+ surfing contests annually including the world-famous US Open of surfing which draws upwards of 500,000 visitors each summer. Tourism is a major contributor to the diverse Huntington Beach economy, with 16 million people visiting annually to enjoy the ideal weather, beaches, and top-notch retail amenities.

Economy

Huntington Beach is home to 200,748 people, the median age of the city is 41.06. The estimated total labor force of Huntington Beach is 111,590, the top industries in Huntington Beach are Sales (14.12%), Office/Admin (11.03%), Executive Managers/Admin (10.37%), Production Workers (9.15%), and Food Preparation/Serving (6.53%).

Huntington Beach has a well-established Aerospace industry, with companies such as Zodiac Aerospace, Driessen Aircraft, Boeing Company, C&D Aerospace, and Cambro Manufacturing all calling Huntington Beach home. There are 13,206 manufacturing jobs from 422 establishments in Huntington Beach.

Largest Employers

1. The Boeing Company
2. Quiksilver
3. Cambro Manufacturing
4. Verizon
5. Hyatt Regency Resort & Spa
6. C&D Aerospace
7. Huntington Beach Hospital
8. Fisker & Paykel



Population	1 Mile	3 Mile	5 Mile
2025 Projection	22,797	99,747	318,442
2020 Estimate	22,633	99,333	315,660
2010 Census	21,693	93,077	304,987

Households	1 Mile	3 Mile	5 Mile
2025 Projection	10,329	39,916	124,176
2020 Estimate	9,956	38,569	119,301
2010 Census	9,269	35,193	112,097
2020 Avg. Household Income	\$140,736	\$144,748	\$123,991

New Developments Nearby

405 Freeway Expansion

- \$1.9 billion; 5-year project to widen the 405 freeway
- Most heavily traveled freeway in the nation, accommodates between 257,000 - 357,000 vehicles per day, with an expected increase of 35% by 2040
- Freeway expansion will include a regular lane and express lane in both directions between SR 73 & Interstate 605



Magnolia Tank Farm

- \$500 million development
- 215-room hotel, 211,000 square foot lodge, 19,000 square feet of retail, and 250 residential homes and conservation areas



Luce Apartments

- 510 apartments; currently in lease-up

MAGNOLIA
TANK FARM

LUCÉ
HUNTINGTON BEACH





HUNTINGTON BEACH



DISNEYLAND



PACIFIC CITY

Tenant/Guarantor Synopsis

CVS Health Corporation (S&P: BBB) is the nation's largest drugstore chain with over 9,900 retail locations and more than 295,000 employees.

CVS Pharmacy sells prescription drugs, over-the-counter medication, beauty products, photo finishing services, convenience foods, personal care products and seasonal merchandise. Additionally, CVS provides healthcare services at over 1,100 locations through MinuteClinics that are staffed by practitioners who specialize in family health care. The MinuteClinics conduct long-term care pharmacy operations, distribute prescription drugs, and provide related pharmacy consulting services.



YEAR FOUNDED
1963



COMPANY TYPE
Public



HEADQUARTERS
Woonsocket, RI



WEBSITE
cvspharmacy.com



LOCATIONS
9,900+



S&P CREDIT RATING
BBB



EXAMPLE INTERIOR

Tenant Synopsis

Trade Name	CVS
Parent Name	CVS Health
Credit Rating	S&P: BBB
Number of Locations	9,900+ US Locations
Geographic Dispersion	Nationally
2019 Revenue	\$256.78 Billion
2019 Assets	\$222.45 Billion

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