



ATTRACTIVE ASSUMABLE IN-PLACE DEBT | STRONG IN-PLACE (13%+ IRR / 6.44% CASH ON CASH) & VALUE-ADD RETURNS (30%+ IRR)

KOHL'S
(S&P : BBB+)

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KOHL'S

35000 W Warren Road | Westland, MI 48185

CLICK ON THE FOLLOWING LINKS:



Google Map



Street View

PROPOSED LISTING PRICE

\$17,000,000

CAP RATE

6.39%

INVESTMENT SUMMARY

List Price:	\$17,000,000
NOI:	\$1,086,000
Cap Rate:	6.39%
Price / SF:	\$187.10
Building Size:	90,860 SF
Land Acreage:	8.34 Acres
Year Built:	1996

LEASE SUMMARY

Lease Type:	Absolute NNN - Ground Lease
Taxes / CAM / Insurance:	Tenant Responsible
Roof / Structure:	Tenant Responsible
Original Lease Term:	15 Years
Term Remaining:	12 Years
Commencement Date:	February 2018
Term Expiration:	January 2033
Options:	4 (5-Year) Options
Increases:	4.6% Increases Every 5 Years & Options
Guarantor:	Kohl's (Corporate)

EXECUTIVE SUMMARY

INVESTMENT HIGHLIGHTS

- Absolute NNN Ground Lease - Zero landlord responsibility
- Corporate Guaranteed - Lease is corporate guaranteed by an investment grade tenant - Kohl's (S&P : BBB+)
- Long Term Lease - 12+ years remaining with 4 (5-year) options
- Lease features 4.6% rental increases every 5 years throughout the initial term and at the beginning of each option period
- Kohl's is well located in a strong retail corridor with over 75 national retail tenants within 5 minutes of the subject property including Target, Lowe's Home Improvement, Meijer, Best Buy, Bed Bath & Beyond, and more.
- The subject property anchors Westland Shopping Center - a strong and growing regional shopping center with over 100 (mostly national) retail tenants
- More than 274,000 residents and 112,000 daytime employees support the 5-mile trade area
- Dynamic offering opportunity for investor to employ numerous business plans

LOCATION OVERVIEW

WESTLAND, MI

Westland, MI is a dynamic, growing, and economically diverse municipality that is the 10th largest city in Michigan. This park filled community has numerous strong employers in the vicinity including Ford Motor Company (40,000+ employees in local facilities), numerous hospital systems (10,000+ employees), and Johnson Controls (3,000 employees). Local residents enjoy a plethora of retail tenants at their numerous local shopping centers, strong schools, and affordable, safe housing.

Westland is located halfway between Detroit and Ann Arbor, a major city and home to the University of Michigan. Situated near Detroit Metropolitan Wayne County Airport, Westland is the retail destination, and natural meeting point, for consumers living in wealthy communities including Grosse Pointe, Livonia, and Plymouth, and large cities such as Detroit, Ann Arbor, Canton, Novi, and Dearborn.

WESTLAND SHOPPING CENTER

Kohl's co-anchors Westland Shopping Center with Sears and JCPenney. Westland Shopping Center is a growing regional mall tenanted by 50+, mostly national, retailers. After undergoing a large, full property renovation, the mall saw an undeniably strong increase in leasing velocity. Bath & Body Works and Victoria's Secret underwent a full renovation of their space, demonstrating their long-term commitment to the location, and ULTA Beauty, Charming Charlie, and Shoe Carnival opened new stores.

Westland Shopping Center caters to a diverse group of 1 million+ customers that come from Westland, Dearborn, Taylor, Allen Park, Canton, and Plymouth -- many of which communities have average household incomes eclipsing \$110,000. As Westland is metro Detroit's natural meeting place, given its strategic central location in the marketplace, Westland Shopping Center, along with neighboring shopping centers, are filled with regional tenant draws including Lowe's Home Improvement, Target, Kroger, Meijer, Best Buy, Bed Bath & Beyond, and Burlington.

LOCATION HIGHLIGHTS

- Westland's shopping centers, including Westland Shopping Center, draw 1 million+ customers from across the region -- many of which have household incomes of \$110,000+
- Westland's retail area is home to over 100 national retailers including Lowe's Home Improvement, Target, Kroger, Meijer, Best Buy, Bed Bath & Beyond, and Burlington
- Westland is centrally located in metro Detroit -- making it a natural destination for national tenants looking to enter the market, top employers in need of a large pool of employees, and residents seeking a home that is centrally located to all that metro Detroit has to offer



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RENT ROLL

TENANT / GUARANTY	SIZE (SF)	INCREASE DATE	INCREASE %	MONTHLY RENT	MONTHLY \$/SF	ANNUAL RENT	ANNUAL \$/SF	RECOVERY TYPE	LEASE START	LEASE EXPIRATION
Kohl's (Corporate)	90,860	Current	-	\$90,500	\$1.00	\$1,086,000	\$11.95	Abs NNN	Feb 2018	Jan 2033
		Feb 2023	4.6%	\$94,671	\$1.04	\$1,136,050	\$12.50			
		Feb 2028	4.6%	\$99,050	\$1.09	\$1,188,602	\$13.08			
		Opt 1	4.6%	\$103,649	\$1.14	\$1,243,782	\$13.69			
		Opt 2	4.6%	\$108,477	\$1.19	\$1,301,721	\$14.33			
		Opt 3	4.6%	\$113,546	\$1.25	\$1,362,557	\$15.00			
		Opt 4	4.6%	\$118,870	\$1.31	\$1,426,435	\$15.70			
Total	90,860			\$90,500		\$1,086,000				

FINANCIAL SUMMARY

INVESTMENT OVERVIEW

Price	\$17,000,000
Price per SF	\$187.10
CAP Rate	6.39%
Cash-on-Cash Return (yr 1)	6.18 %
Total Return (yr 1)	\$426,456
Debt Coverage Ratio	1.65

OPERATING DATA

Gross Income	\$1,086,000
Operating Expenses	(Absolute NNN)
Net Operating Income	\$1,086,000
Pre-Tax Cash Flow	\$426,456

LOAN ASSUMPTION

Down Payment	\$6,900,000
Loan Amount	\$10,100,000
Debt Service	\$659,544
Cash Flow After Debt Service	\$426,456
Amortization Schedule	30 Years
Interest Rate	5.12%
Balance At Maturity (12/01/2027)	\$8,962,848

IN-PLACE BUSINESS PLAN (PASSIVE)



BUSINESS PLAN

Due to the strategic ground lease structure of this asset, a potential investor would be able to enjoy significant cash flow and strong returns while remaining a passive investor. Additionally, the the Absolute NNN lease structure removes the risk of any unplanned costs and the need for the investor to carry any short-term capital reserves - further increasing an investor's return. Although Kohl's does not report sales to the owner, this Kohl's location is one of, if not, the top performing locations in the Midwest. Kohl's has shown every indication that this market and specific location are a long-term priority to for the company.

OVERVIEW

- Investor assumes an attractive 5.12% interest rate loan
 - Returns assume buyer holds the asset for 5 years and returns account for no property value appreciation during that period - potentially providing an investor returns higher than modeled
 - Returns assume buyer does not seek a lease extension during the underwritten hold period leaving additional value for an investor to capture
- In-Place Underwritten Levered Returns:
- IRR: 13.29%
 - Equity Multiple: 1.56x
 - Peak Return on Cost: 15.15%
 - Peak Cash on Cash: 6.44%

IN-PLACE CASH FLOW PROJECTION

	Year 1	Year 2	Year 3	Year 4	Year 5
Ground Lease Rental Income	\$1,086,000	\$1,111,025	\$1,136,050	\$1,136,050	\$1,136,050
Reimbursements	Absolute NNN	Absolute NNN	Absolute NNN	Absolute NNN	Absolute NNN
Operating Expenses	(Absolute NNN)	(Absolute NNN)	(Absolute NNN)	(Absolute NNN)	(Absolute NNN)
Net Operating Income	\$1,086,000	\$1,111,025	\$1,136,050	\$1,136,050	\$1,136,050
Return on Cost	14.48%	14.81%	15.15%	15.15%	15.15%
Debt Service	(\$653,015)	(\$653,015)	(\$653,015)	(\$653,015)	(\$653,015)
Net Cash Flow	\$432,985	\$458,010	\$483,035	\$483,035	\$483,035
Cash-on-Cash	5.77%	6.11%	6.44%	6.44%	6.44%
In-Place Cap Rate	6.21%	6.35%	6.49%	6.49%	6.49%

Levered Returns	
Levered IRR	13.29%
Equity Multiple	1.56x
Peak Return on Cost	15.15%
Peak Cash on Cash	6.44%

Underwriting Assumptions
1.) 5 year holding period beginning June 2021 and ending June 2025. 2.) Exit pricing calculated by applying a cap rate to Year 6 income per industry standards. 3.) Fees other than operating expenses and debt service costs are assumed to be covered by the Absolute NNN lease structure. 4.) A higher cap rate was used for the exit pricing as a conservative underwriting measure to reflect the shorter remaining lease term despite Kohl's commitment to the location.

Analyst Notes
"The levered returns underwritten for this deal are very conservative given that they do not include any of the various value-add activities that the new investor could partake in nor does it account for the increasing value of Kohl's properties. At the full asking price, the conservatively underwritten levered returns listed on the left far outpace levered returns seen on most institutional deals. These outsized returns can be attributed to the current owner's ability to negotiate a strong rent with regular rental increases. Despite the high rent, this location is an extremely strong performer for Kohl's, they look very favorable on the location, and have made every indication they will continue to remain at the location for the remainder of the lease term and beyond."

VALUE-ADD BUSINESS PLAN (CAPITAL RESTRUCTURING)



BUSINESS PLAN

This asset offers an investor the rare opportunity to undergo a value-add business plan while enjoying strong, core returns. Without undergoing the proposed capital restructuring, the asset generates an estimated 13%+ return and the investor can enjoy this income during their restructuring process. Once the assumed loan is refinanced, the investor's estimated return exceeds 30% and it is estimated that the investor would receive significant proceeds during the refinancing process due to increased asset value by removing the required loan assumption.

OVERVIEW

- Investor assumes an attractive 5.12% interest rate loan and restructures loan during the hold period to remove the need for a future loan assumption during exit. The restructuring would also provide an investor the ability to take advantage of the current market's interest rates, providing additional cash flow.
- Returns assume buyer holds the asset for 5 years and returns account for no traditional property value appreciation during that period - potentially providing an investor returns higher than modeled
- Value-add Underwritten Levered Returns:
 - IRR: 30.84%
 - Equity Multiple: 1.83x
 - Peak Return on Cost: 15.15%
 - Peak Cash on Cash: 22.36%

VALUE-ADD CASH FLOW PROJECTION

	Year 1	Year 2	Year 3	Year 4	Year 5
Ground Lease Rental Income	\$1,086,000	\$1,111,025	\$1,136,050	\$1,136,050	\$1,136,050
Reimbursements	Absolute NNN	Absolute NNN	Absolute NNN	Absolute NNN	Absolute NNN
Operating Expenses	(Absolute NNN)	(Absolute NNN)	(Absolute NNN)	(Absolute NNN)	(Absolute NNN)
Net Operating Income	\$1,086,000	\$1,111,025	\$1,136,050	\$1,136,050	\$1,136,050
Return on Cost	14.48%	14.81%	15.15%	15.15%	15.15%
Assumable Debt Service	(\$653,015)				
New Loan Payment		(\$615,693)	(\$615,693)	(\$615,693)	(\$615,693)
Defeasance Costs		(\$2,000,000)			
Refinance Equity Withdraw		\$3,181,329			
Net Cash Flow	\$432,985	\$1,676,661	\$520,357	\$520,357	\$520,357
Cash-on-Cash	5.77%	22.36%	6.94%	6.94%	6.94%
In-Place Cap Rate	6.21%	6.35%	6.49%	6.49%	6.49%

Levered Returns

Levered IRR	30.84%
Equity Multiple	1.83x
Peak Return on Cost	15.15%
Peak Cash on Cash	22.36%

Underwriting Assumptions

1.) 5 year holding period beginning June 2021 and ending June 2025. 2.) Defeasance costs based on actual defeasance quote. 3.) Fees other than operating expenses and debt service costs are assumed to be covered by the Absolute NNN lease structure. 4.) A conservative cap rate of 20 bps lower than the going in assumption was used to demonstrate the increase in value when the asset is sold fee simple. No additional consideration was given for any lease extension during the period.

Analyst Notes

"If the new investor were to defease the existing loan, we anticipate this investor being able to refinance the property for a much more attractive interest rate, at a higher appraisal value allowing for a equity withdrawal, and be able to ultimately sell the asset for a premium given that this investor would be selling the asset free and clear. Not factored into this underwriting is the opportunity to enter into lease extension discussions with Kohl's towards the end of the 5 year holding period. Should Kohl's extend, the exit cap rate would push the levered IRR well over 40%. The defeasance business plan allows the next investor to enjoy value-add like returns without the headache, costs, and risks typically associated with undergoing renovations, leasing up vacant space, or rebranding an asset."

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TRADE AREA (NORTH)



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TRADE AREA (WEST)



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TRADE AREA (EAST)

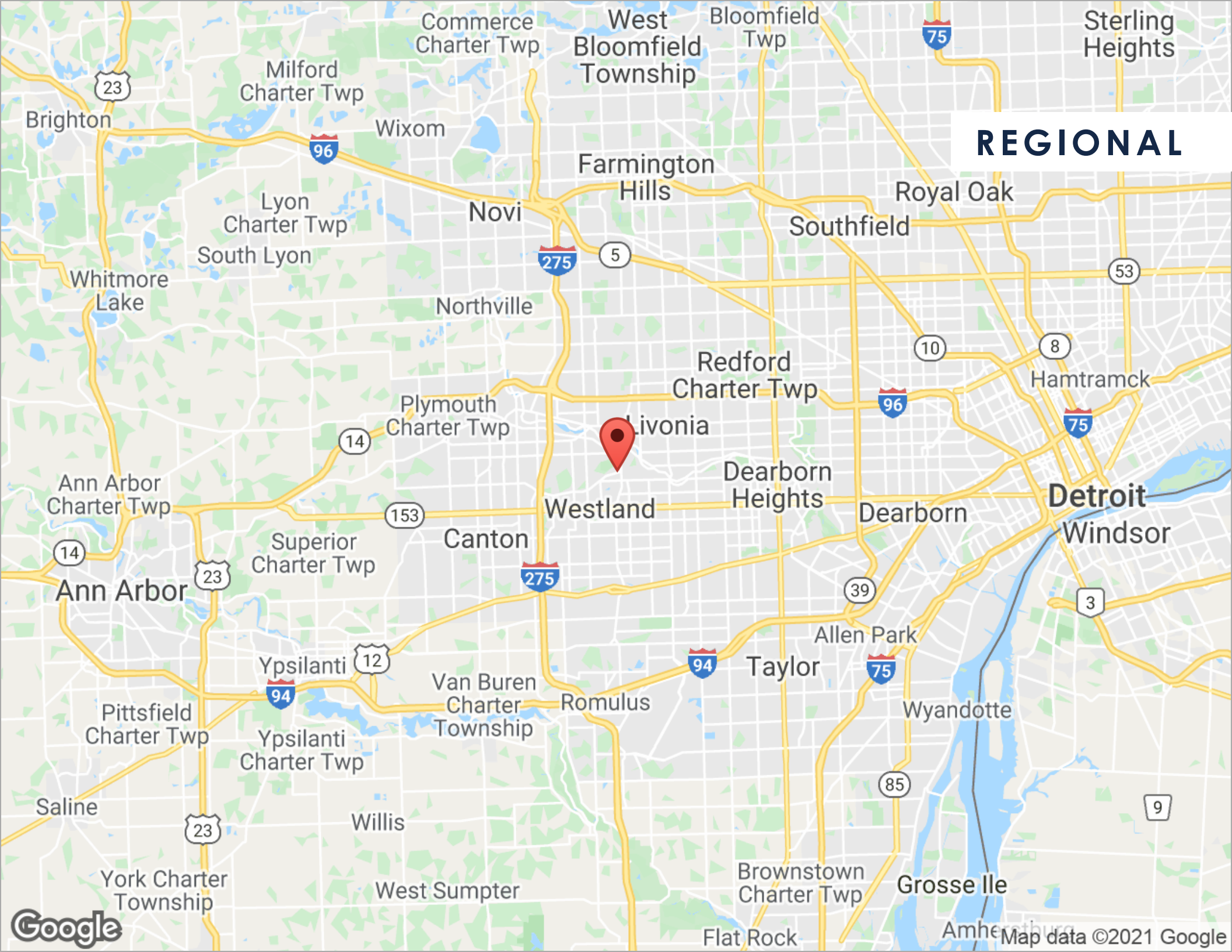


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EXTERIOR PHOTO





REGIONAL



Livonia

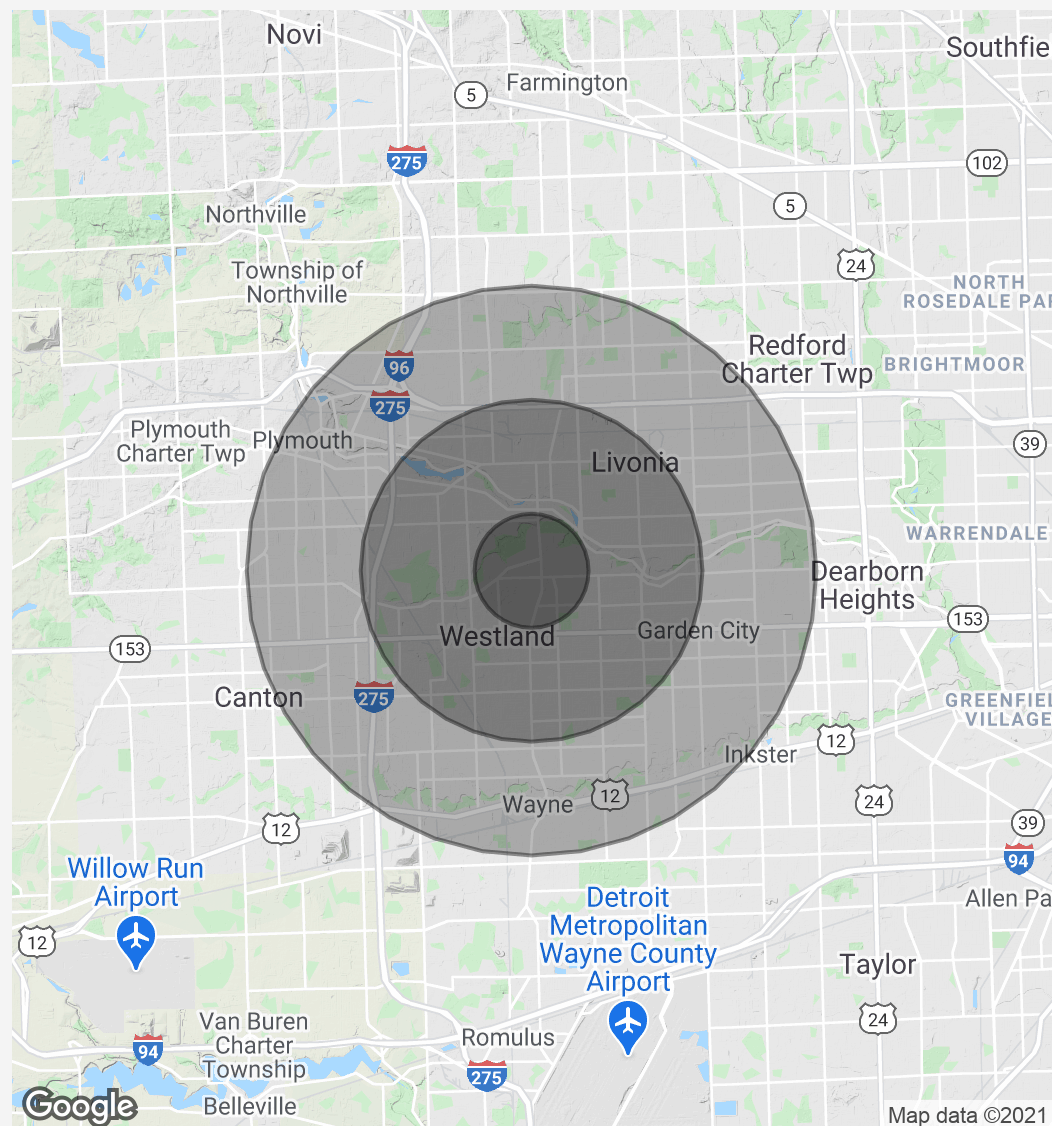
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DEMOGRAPHICS MAP & REPORT

POPULATION	1 MILE	3 MILES	5 MILES
2020 POPULATION	15,591	97,902	274,275
2020 DAYTIME EMPLOYEES	5,637	39,597	112,342
2020 NUMBER OF BUSINESSES	612	3,598	10,703

HOUSEHOLDS & INCOME	1 MILE	3 MILES	5 MILES
2020 AVERAGE HOUSEHOLD INCOME	\$54,224	\$70,212	\$76,571
2020 HOUSEHOLDS	7,978	42,483	111,888



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TENANT PROFILES



OVERVIEW

Company:
NYSE Ticker Symbol:
S&P Investment Rating:
Number Of Locations:

Kohl's
KSS
BBB+
1,158

TENANT HIGHLIGHTS

- Strong national, investment grade tenant
- Westland Kohl's location features Amazon returns and pickups -- driving significant traffic to the store

TENANT OVERVIEW

Kohl's is an American department store retail chain, operated by Kohl's Corporation. As of February 2013 it is the largest department store chain in the United States, with 1,158 locations, operating stores in every U.S. state except Hawaii. The company is listed on both the S&P 500 (since 1998) and the Fortune 500. In terms of revenue, the chain was the 23rd-largest retailer in the United States in 2019 and second-largest U.S. department store company by retail sales.

Kohl's private brands generate nearly half of the firm's \$19 billion in annual sales. These include in-house clothing brands such as American Beauty, Apt. 9, Croft & Barrow, Jumping Beans, So, Tek Gear, and Urban Pipeline. The Sonoma Goods for Life brand of apparel and home goods alone is worth over a billion dollars, and Kohl's announced relaunch plans for the brand in 2016. Kohl's has also purchased the exclusive retail rights to existing brands such as Candie's and Mudd Jeans.

Kohl's uses a "racetrack" layout with a single aisle that circles the entire store, a layout borrowed from discount stores.

RETAIL PROPERTY FOR SALE

KOHL'S

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