



# Single-Tenant, Absolute NNN Investment Opportunity

400 E 17TH STREET | COSTA MESA (ORANGE COUNTY), CA



TUSTIN AVE

E 17TH STREET



WALSETH NET LEASED INVESTMENTS TEAM

km Kidder  
Mathews



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INVESTMENT SUMMARY





# INVESTMENT SUMMARY



**Kidder Mathews is pleased to offer the opportunity to acquire the fee-simple interest (land & building ownership) in a freestanding, single tenant, absolute NNN, Valvoline investment property located in Costa Mesa, CA.**

The tenant and guarantor under the lease is Henley Pacific LA, LLC which operates more than 200 successful Valvoline stores. Henley Pacific LA LLC purchased this location along with 71 others in 2012. Valvoline has successfully operated at this location for more than 20 years, with their next option in September 2021, with an additional 2 (5-year) & 1 (4.5-year) options to extend. The lease features RARE 15% rental increases every 5 years at the beginning of each option period, growing NOI and hedging against inflation. The lease is Absolute NNN with zero landlord responsibilities, making it an ideal, management-free investment for a passive investor. The tenant is also paying rent approximately 35% below market for Valvoline Stores in Orange County. Valvoline, Inc has investment grade credit (S&P: BB) and is a leading worldwide marketer and supplier of premium branded lubricants and automotive services with more than 1,170 locations and revenue of \$2.353 billion in 2020.

Valvoline is located just one mile from the beach at the signalized hard corner of E 17th St and Tustin Avenue, which averages a combined 38,181 cars per day. E 17th St is a highly coveted retail destination in Costa Mesa & Newport Beach, and is the main thoroughfare for travelers to reach Newport Blvd (50,317 CPD) and State Route 55 (141,000 CPD), which is the primary arterial freeway connecting Orange County to the Balboa Peninsula. The property has multiple access points and a large monument sign, creating excellent visibility along E 17th St and Tustin Ave.

The subject site is strategically located directly across from Ralphs Grocery, several high end retail centers, popular restaurants, and other national and local retailers including: Sprouts, Target, Vons, Rite-Aid, CVS, Surfside, Staples, Ulta Beauty, Cafe Rio, Playa Mesa, Wild Goose, Mendocino Farms, Starbucks, Sidecar Doughnuts, Shirley's Bagels, Pitfire Pizza, and many more. Strong tenant synergy increases consumer draw to the immediate trade area and promotes crossover store exposure for Valvoline. The 5-mile trade area boasts a population of 288,088 residents and 289,159 employees, within a 1-mile trade area the average household income is an affluent \$175,948.

**\$3,109,000**

PRICE

**\$139,920**

NET OPERATING INCOME

**4.50%**

CAP RATE

**ABSOLUTE  
NNN**

LEASE TYPE

**15%**

RENTAL INCREASES

# OFFERING SUMMARY

## PROPERTY SPECIFICATIONS

PROPERTY ADDRESS	→ 400 E 17th Street Costa Mesa, CA 92627
APN	117-321-34
YEAR BUILT	2001
BUILDING	Build to suit retail office and three drive-thru automobile work bays with dedicated parking field
PARCEL SIZE	0.22 AC   9,738 SF
OWNERSHIP	Fee Simple (Land & Building)

## OFFERING

PRICE	\$3,109,000
CAP RATE	4.50%
NET OPERATING INCOME	\$139,920
LEASE COMMENCEMENT	10/1/2001
LEASE EXPIRATION	9/30/2026
OPTIONS	2 (5-year), and 1 (4.5-year)
INCREASES	15% increase 9/30/2021, and at each option period
TENANT	Henley Pacific LA LLC (dba Valvoline)
GUARANTY	Franchisee (200+ Units)
LEASE TYPE	Absolute NNN
LANDLORD RESPONSIBILITIES	None

\*Pricing is based off of next rent increase in September 2021. Seller will credit difference in rent at closing.



INVESTMENT SUMMARY

# INVESTMENT HIGHLIGHTS



## **Below Market Rent | RARE 15% Rent Escalations | High Barrier to Entry Market | Top Performing Store**

- Rent approximately 35% below market for Valvoline Stores in Orange County
- Lease has 15% rent escalations every 5 years and at each option period, increasing NOI and providing a hedge against inflation.
- High barrier to entry market in coastal orange county market right on the border of Newport Beach.
- Top performing store, inquire with the agent for details.

## **Corporate Guaranteed Lease | 200+ Units | Long Term 20-year Operating History**

- Corporate guaranteed by Henley Pacific LA LLC (dba Valvoline), a 200+ Unit operator of Valvoline locations
- Tenant has approximately 5.5 years remaining on their lease with 2 (5-year), and 1 (4.5-year) options to extend, demonstrating their long-term commitment to the site.
- Valvoline Inc. has investment grade credit (S&P: BB), NYSE Ticker: "VVV" and is a leading worldwide marketer and supplier of premium branded lubricants and automotive services with more than 1,170 locations and revenue of \$2.353 billion in 2020.

## **Absolute NNN | Fee-Simple Ownership (Land & Building) | ZERO Landlord Responsibilities**

- Tenant pays for CAM, taxes, and insurance
- ZERO landlord responsibilities
- Ideal, management-free investment for a passive investor
- Fee Simple Interest allows an investor to depreciate the value of the improvements enhancing the after-tax return.

## **Highly Coveted Coastal Location | 17th St Newport Beach | Dense Retail Corridor**

- Valvoline is located along one of the main retail corridors of Newport Beach, and is the main thoroughfare for travelers to reach Newport Blvd, the 55 Freeway, and the Balboa Peninsula
- The property is directly across from Ralphs Grocery Store, several high end strip malls, popular restaurants, and other national and local retailers including: Sprouts, Vons, Rite Aid, Surfside, Staples, Ulta Beauty, Cafe Rio, Playa Mesa, Wild Goose, Mendocino Farms, Sidecar Doughnuts, Shirley's Bagels, Pitfire Pizza, and many more.
- Strong tenant synergy increases consumer draw to the immediate trade area and promotes crossover store exposure for Valvoline.

## **High Traffic 38,181 cars per day | Signalized Hard Corner | Unmatched Visibility and Access**

- Valvoline is located at the signalized hard corner of E 17th St and Tustin Avenue, which averages a combined 38,181 cars per day
- Nearby Newport Blvd averages 50,317 cars per day, and State Route 55 averages 107,083 cars per day
- The property has multiple access points and a large monument sign, creating excellent visibility along 17th St and Tustin Ave.

## **Highly Affluent Area | +\$175,948 Average Household Income in 1-mile Trade Area**

- The 5-mile trade area boasts a population of 288,088 residents, with 289,519 employees
- The highly affluent area has an average household income of \$175,948 within 1-mile



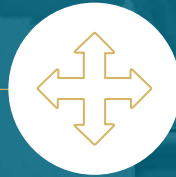
# QUICK FACTS



## Location

400 E 17th St  
Costa Mesa, CA

Located in  
Orange County



## Access

E 17th St  
1 access point

Tustin Ave  
1 access point



## Traffic Counts

E 17th St  
32,809 cars per day

Tustin Ave  
5,372 cars per day

Newport Blvd  
50,317 cars per day



## Improvements

Build to suit retail office and  
3 drive-thru automobile  
work bays with dedicated  
parking field



## Parking

The parking ratio is  
approximately 6.65 stalls  
per 1,000 SF of RSF

Approximately 6  
parking spaces



## Parcel

Parcel No. 117-321-34

Parcel SF: 9,738 SF

Parcel Acreage: 0.22



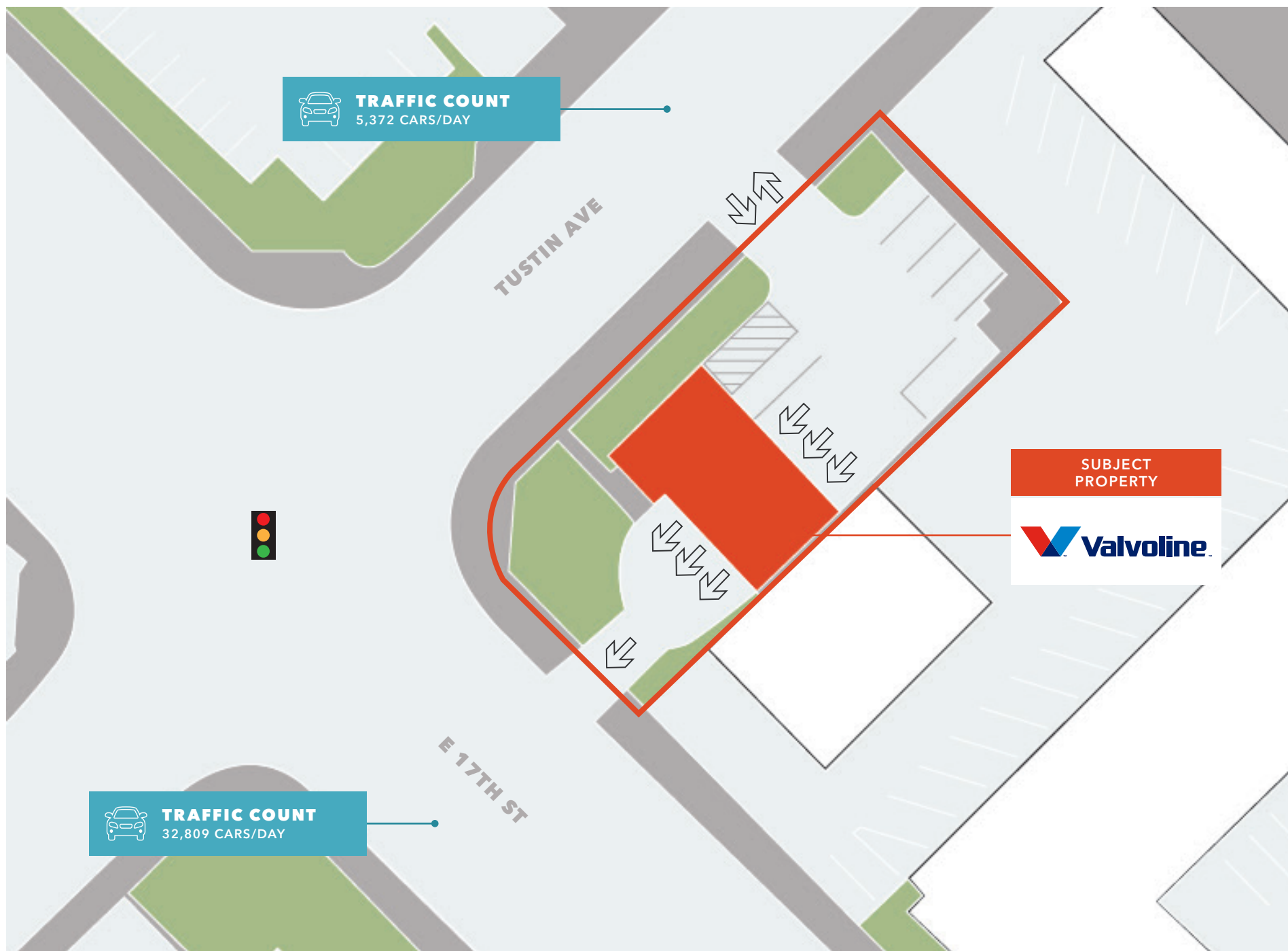
## Year Built

2001

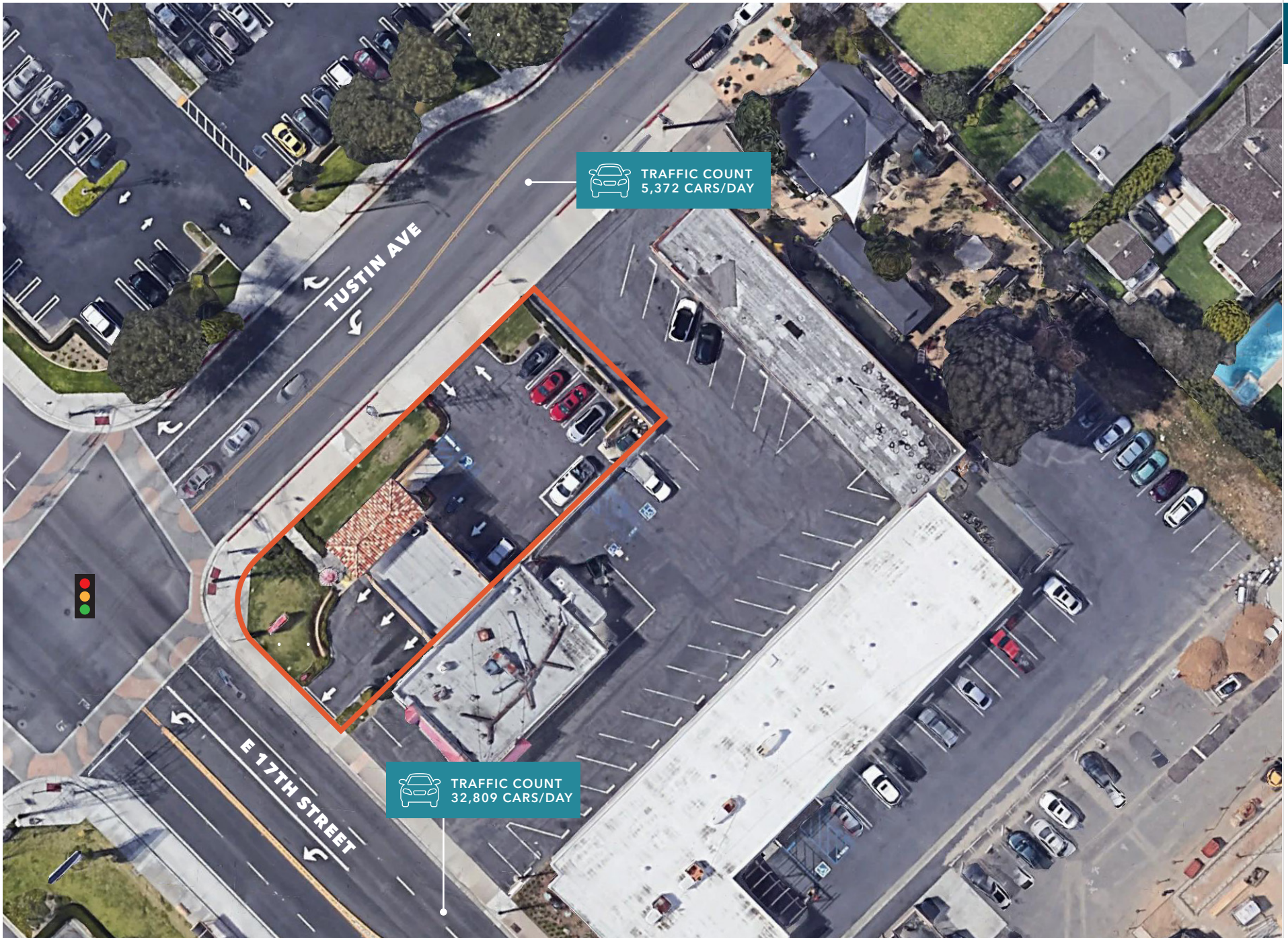


## Zoning

Commercial















TRAFFIC COUNT  
32,809 CARS/DAY



TRAFFIC COUNT  
5,372 CARS/DAY







MAPS & AERIALS

TRAFFIC COUNT  
5,372 CARS/DAY

MARINERS  
ELEMENTARY  
SCHOOL

TRAFFIC COUNT  
50,317 CARS/DAY

TRAFFIC COUNT  
32,809 CARS/DAY

EIGHT 80  
(1,147 UNITS)

NEWPORT  
OFFICE TOWERS  
(11 STORIES)

NEWPORT  
HIGH SCHOOL

Map area containing various business logos and street names:

- Logos: El Matador, CVS pharmacy, VONS, Target, Cafe Rio, Staples, Sprouts, surf sloop, Panera Bread, Yogurtland, Hi-Tone Wine Cellars, Kona Farms, Wells Fargo, 76, Jack in the Box, House of Yogurt, Firestone, Verizon, KFC, Ralphs, CAVA, Mountain Mike's, Playa Mesa, Mendocino Farms, Starbucks, Big O Tires, 7-Eleven, Jan's, Shakes & Bagels, The Butchery, The Original Banzai Bowls, MaDee, Post of Job 3709.
- Streets: E 17th Street, Tustin Ave, Irvine Ave, Newport Blvd, Gracias Madre.











# RENT ROLL



LEASE TERM							RENTAL RATES					
Tenant Name	SF	Lease Start	Lease End	Options	Recovery Type	Term	Lease Year	Increase	Monthly	Rent PSF	Annual	Rent PSF
Henley Pacific LA LLC	902	10/1/2001	9/30/2026	2 (5-Year) & 1 (4.5-year) 15% Increases	Absolute NNN	Current	10/1/2016 - 9/30/2021	-	\$10,139.17	\$11.24	\$121,670.06	\$134.89
						Option 1	10/1/2021 - 9/30/2026	15.00%	\$11,660.05	\$12.93	\$139,920.57	\$155.12
						Option 2	10/1/2026 - 9/30/2031	15.00%	\$13,409.05	\$14.87	\$160,908.66	\$178.39
						Option 3	10/1/2031 - 3/30/2036	15.00%	\$15,420.41	\$17.10	\$185,044.95	\$205.15

**\$3,109,000**

**LIST PRICE**

**\$139,920**

**NET OPERATING  
INCOME**

**4.50%**

**CAP RATE**

**FOR FINANCING  
OPTIONS & LOAN QUOTES,  
PLEASE CONTACT:**

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# COSTA MESA, CA

**Costa Mesa was incorporated in 1953, has an estimated population of 120,000 Residents and a land area of 16.8 square miles.**

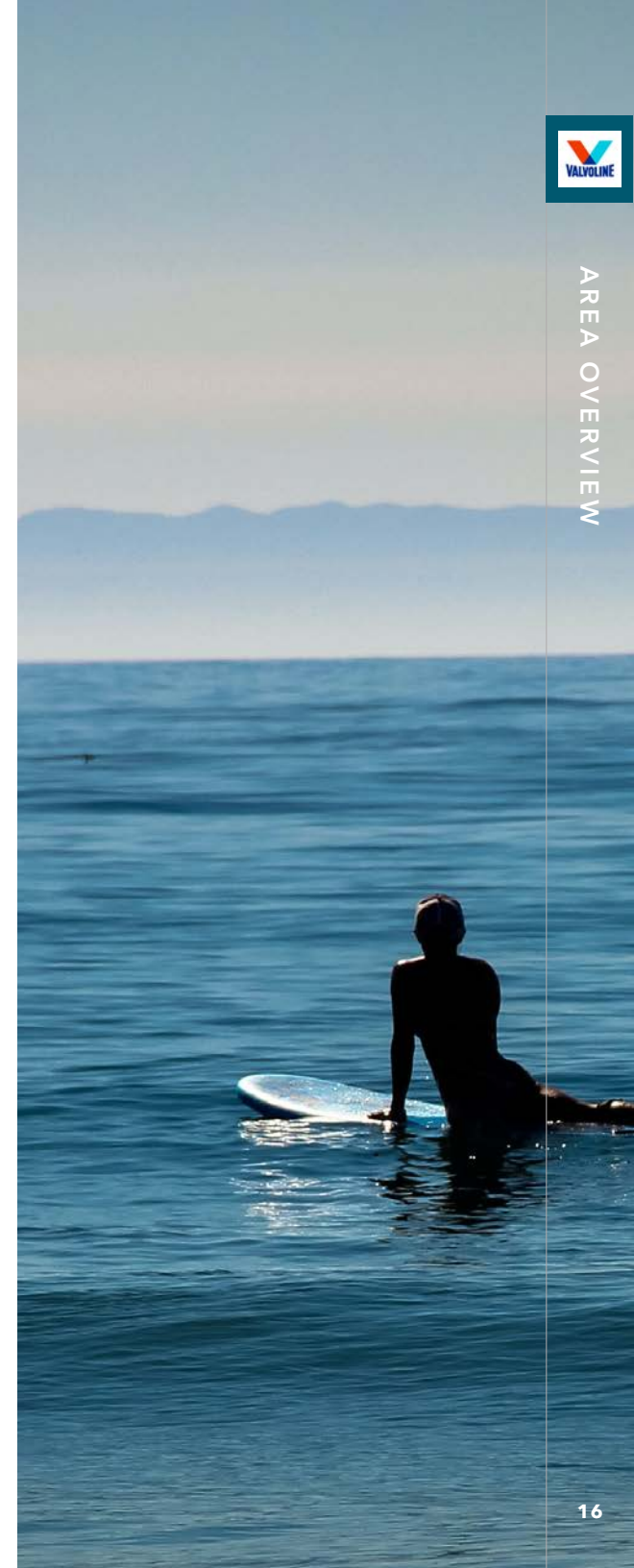
It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Newport Beach, Santa Ana, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 3.5 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean.

The city is home to South Coast Plaza, one of the nation's largest shopping centers, and the world-class Segerstrom Center for the Arts and South Coast Repertory theater. Costa Mesa is also the capitol of the action sports industry and the headquarters for companies such as Hurley International, Volcom, RVCA and Paul Frank Industries. The city's diverse dining scene has earned Costa Mesa the award from Rand/McNally and USA Today as being the best small town for restaurants west of the Mississippi River. Costa Mesa's creative bent has given rise to The Lab and The Camp, two counter-culture retail developments, and the SoCo Collection, a cutting edge, environmentally friendly shopping center.

Costa Mesa's local economy relies heavily on retail and services. The single largest center of commercial

activity is South Coast Plaza, a shopping center noted for its architecture and size. The volume of sales generated by South Coast Plaza, on the strength of 322 stores, places it among the highest volume regional shopping centers in the nation. It generates more than one billion dollars per year. Some manufacturing activity also takes place in the city, mostly in the industrial, southwestern quarter, which is home to a number of electronics, pharmaceuticals and plastics firms. Business services company Experian is the largest employer in the city and has their North American Headquarters in Costa Mesa.

The commercial district surrounding South Coast Plaza, which contains parts of northern Costa Mesa and southern Santa Ana, is sometimes called South Coast Metro. A local newspaper, the Daily Pilot, is owned, operated, and printed by the Los Angeles Times. Ceradyne, El Pollo Loco, Emulex, Hurley, RVCA, Toyota Racing Development, the Trinity Broadcasting Network, and Volcom are among the businesses headquartered in Costa Mesa. Costa Mesa offers 28 parks, two municipal golf course, 20 public schools and 2 libraries.





# ORANGE COUNTY, CA

Orange County is located in the Los Angeles metropolitan area in the U.S. state of California.

As of the 2010 census, the population was 3,010,232, making it the third-most populous county in California, the sixth most populous in the U.S., and more populous than 21 U.S. states. Although mostly suburban, it is the second most densely populated county in the state, behind San Francisco County. The county's three most populous cities are Anaheim, Santa Ana, and Irvine, each of which has a population exceeding 250,000. Santa Ana is also the county seat. Six cities in Orange County are on the Pacific coast, including Seal Beach, Huntington Beach, Newport Beach, Laguna Beach, Dana Point, and San Clemente. The county has 34 incorporated cities. Older cities like Santa Ana, Anaheim, Orange, and Fullerton have traditional downtowns dating back to the 19th century, while newer commercial development or "edge cities" stretch along I-5 between Disneyland and Santa Ana and between South Coast Plaza and the Irvine Business Complex, and cluster at Irvine Spectrum.

The county is a tourist center, with attractions like Disneyland, Knott's Berry Farm, Mission San Juan Capistrano, Modjeska House, Segerstrom Center for the Arts, Yost Theater, Bowers Museum, Balboa Island, Angel Stadium, Downtown Santa Ana, Crystal Cove State Park, the Honda Center, and several popular beaches along its more than 40 miles of coastline.

Orange County is the headquarters of many Fortune 500 companies including Ingram Micro and First American Corporation in Santa Ana, Broadcom in Irvine, Western Digital in Lake Forest,

and Pacific Life in Newport Beach. Irvine is the home of numerous start-up companies and also is the home of Fortune 1000 headquarters for Allergan, Edwards Lifesciences, Epicor, and Sun Healthcare Group. Other Fortune 1000 companies in Orange County include Beckman Coulter in Brea, Quiksilver in Huntington Beach and Apria Healthcare Group in Lake Forest. Irvine is also the home of notable technology companies like TV and sound bar company VIZIO, router manufacturer Linksys, video/computer game creator Blizzard Entertainment, and in-flight product manufacturer Panasonic Avionics Corporation. Also, the prestigious Mercedes-Benz Classic Center USA is located in the City of Irvine. Many regional headquarters for international businesses reside in Orange County like Mazda, Toshiba, Toyota, Samsung, Kia, in the City of Irvine, Mitsubishi in the City of Cypress, Kawasaki Motors in Foothill Ranch, and Hyundai in the City of Fountain Valley. Fashion is another important industry to Orange County. Oakley, Inc. is headquartered in Lake Forest. Hurley International is headquartered in Costa Mesa. Both the network cyber security firm Milton Security Group and the shoe company Pleaser USA, Inc. are located in Fullerton. St. John is headquartered in Irvine. Tustin, is home to Ricoh Electronics, New American Funding, and Safmarine. Wet Seal is headquartered in Lake Forest. PacSun is headquartered in Anaheim. Restaurants such as Taco Bell, El Pollo Loco, In-N-Out Burger, Claim Jumper, Marie Callender's, Wienerschnitzel, have headquarters in the city of Irvine as well. Del Taco is headquartered in Lake Forest. Gaikai also has its headquarters in Orange County.

## ORANGE COUNTY TOP EMPLOYERS

	Company	Employees	Type
1	WALT DISNEY CO.	27,000	Entertainment
2	UNIVERSITY OF CALIFORNIA, IRVINE	22,385	Education
3	ST. JOSEPH HEALTH	12,227	Health
4	KAISER PERMANENTE	7,000	Health
5	THE BOEING COMPANY	6,890	Aerospace
6	WAL-MART STORES INC.	6,000	Retail
7	MEMORIAL CARE HEALTH SYSTEMS	5,650	Health
8	BANK OF AMERICA CORP.	5,500	Finance
9	TARGET CORP.	5,400	Retail
10	CA STATE UNIVERSITY - FULLERTON	5,147	Education
11	HOAG MEMORIAL HOSPITAL	4,639	Health
12	TENET HEALTHCARE CORP	4,102	Health
13	WELLS FARGO & CO.	4,067	Finance
14	ALBERTSONS	4,017	Retail
15	CEDAR FAIR LP	4,000	Entertainment



# DEMOGRAPHICS

The subject property is ideally situated in Costa Mesa which benefits from very strong demographics.

## POPULATION

	1 Mile	3 Miles	5 Miles
2020 ESTIMATE	21,958	136,916	288,088
2025 PROJECTION	22,017	138,050	289,543
2010 CENSUS	22,380	136,155	
GROWTH 2020 - 2025	0.0%	0.2%	0.1%
GROWTH 2010 - 2020	-0.2%	0.0%	0.4%
AVERAGE AGE	39.2	39.4	39.1

## HOUSEHOLDS

	1 Mile	3 Mile	5 Mile
2020 ESTIMATE	9,798	57,328	117,736
2025 PROJECTION	10,188	60,304	123,388
2010 CENSUS	9,699	55,921	104,640
GROWTH 2020 - 2025	0.8%	1.0%	1.0%
CHANGE 2000 - 2020	0.0%	0.1%	0.6%

## 2020 EMPLOYMENT & INCOME

	1 Mile	3 Mile	5 Mile
AVG HH INCOME	\$175,948	\$153,826	\$149,802
MEDIAN HH INCOME	\$127,759	\$109,775	\$132,424
PER CAPITA INCOME	\$78,708	\$64,627	\$61,855
TOTAL BUSINESSES	2,249	11,708	26,855
TOTAL EMPLOYEES	13,319	97,832	289,519



# BRAND PROFILE



Valvoline Inc. (NYSE: VVV) is a leading worldwide marketer and supplier of premium branded lubricants and automotive services, with sales in more than 140 countries.

Established in 1866, the company's heritage spans more than 150 years, during which time it has developed powerful brand recognition across multiple product and service channels. Valvoline ranks as the No. 3 passenger car motor oil brand in the DIY market by volume.

It operates and franchises approximately 1,400 quick-lube locations, and it is the No. 2 chain by number of stores in the United States under the Valvoline Instant Oil Change<sup>SM</sup> brand and the No. 3 chain by number of stores in Canada under the Valvoline Great Canadian Oil Change brand. It also markets Valvoline lubricants and automotive chemicals, including the Valvoline High Mileage with MaxLife technology motor oil for engines over 75,000 miles; Valvoline Advanced Full Synthetic motor oil; Valvoline Premium Blue<sup>TM</sup> heavy-duty motor oil; Valvoline Multi-Vehicle Automatic Transmission Fluid; and Zerex<sup>TM</sup> antifreeze.

## VALVOLINE, INC.

PARENT COMPANY

### NYSE: VVV

TICKER SYMBOL

### S&P: BB

CREDIT RATING

### \$2.35 BILLION

REVENUE (2020)

### \$317 MILLION

NET INCOME (2020)

### \$1.44 BILLION

ASSETS (2020)

### +1,170

LOCATIONS

### +5,500

NO. OF EMPLOYEES

→ [VIOC.COM](https://www.vioc.com)



AREA OVERVIEW



# IN THE NEWS



## Valvoline (VVV) Tops Q1 Earnings and Revenue Estimates

**February 3, 2021**

Valvoline (VVV) came out with quarterly earnings of \$0.41 per share, beating the Zacks Consensus Estimate of \$0.36 per share. This compares to earnings of \$0.35 per share a year ago. These figures are adjusted for non-recurring items.

This quarterly report represents an earnings surprise of 13.89%. A quarter ago, it was expected that this automotive and industrial lubricants maker would post earnings of \$0.36 per share when it actually produced earnings of \$0.46, delivering a surprise of 27.78%.

Over the last four quarters, the company has surpassed consensus EPS estimates four times.

Valvoline, which belongs to the Zacks Chemical - Specialty industry, posted revenues of \$653 million for the quarter ended December 2020, surpassing the Zacks Consensus Estimate by 3.16%. This compares to year-ago revenues of \$607 million. The company has topped consensus revenue estimates three times over the last four quarters.

→ [READ MORE](#)

## Valvoline Prepares to Gain an Edge in Logistics

**February 6, 2021**

When Valvoline was spun-off from its parent company Ashland in a two-step process, beginning with an IPO in 2016 and final distribution in 2017, the impact across the company was significant. The separation itself was a major project, since it had shared the supply chain organization and all IT systems with Ashland.

Although the decoupling process was very complex, the IT and organizational separations took place with few if any issues thanks to the hard work of many associates. However, the positive impacts of the IPO on the priorities and aspirations of Valvoline were much more significant.

For example, although the company's share is higher in the U.S. than in most international markets, its products are available in over 140 countries. The international business had grown significantly over the last decade before the separation. However, limited capital availability hampered the supply chain's ability to grow with the business, leading to uncompetitive service levels in some cases. Since the IPO, Valvoline has made supply chain investments to support renewed international growth.

These include the company's first plant in China, which is due to begin operation in the middle of this year. It also acquired an existing plant in Serbia, which will serve continued growth in Eastern Europe and Russia.

Limited capital had also restricted Valvoline's ability to grow its VIOC store count, although it had developed a very successful business model. Since the end of fiscal 2015, when Valvoline began making a concerted effort to invest in its quick-lube business, the company has added 443 franchise and company-owner VIOC locations, including its first company-owned stores in Canada. In addition, this past fiscal year, VIOC achieved a remarkable milestone: 13 straight years of same-store sales growth.

The rapid growth in quick lubes is having multiple impacts on the company's supply chain, including an increased importance of using the store's point-of-sale information in the supply chain planning process.

→ [READ MORE](#)





## EXCLUSIVELY MARKETING BY

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