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Subject Property

# Red Lobster

EXCLUSIVE NET-LEASE OFFERING



# OFFERING MEMORANDUM



2283 West March Lane  
Stockton, CA 95207



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including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

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## Table of Contents

Investment Highlights	4
Financial Analysis	5
Concept Overview	6-12
Surrounding Area	13
Location Overview	14
Property Photos	15
Surrounding Area Photos	16
Local Map	17
Regional Map	18
Demographics / Market Overview	19-20







# Investment Highlights

PRICE: \$6,899,942 | CAP: 5.25% | RENT: \$362,247



## About the Investment

- ✓ Long-Term, Absolute Triple-Net (NNN) Lease with Over 18 Years Remaining on the Base Term
- ✓ Corporate Tenant | Corporate Guaranty
- ✓ Attractive Rental Increases of Two Percent (2.00%) Annually
- ✓ Four (4), Five (5)-Year Tenant Renewal Options, Bringing the Potential Lease Term to 46 Years

## About the Location

- ✓ Dense Retail Corridor | Walmart, Home Depot, CVS Pharmacy, Taco Bell, Walgreens, Chick-fil-A, In-N-Out, McDonald's, Target, Applebee's, Olive Garden, Denny's, Jack in the Box, Panera Bread, and Many More.
- ✓ Affluent Suburban Community | Average Household Income Exceeds \$82,000 for Homes within One-Miles of the Subject Property
- ✓ Strong Demographics | Population Exceeds 20,000 Individuals Within a One-Mile Radius, 138,000 Individuals Within a Three-Mile Radius, & 293,000 Individuals Within A Five-Mile Radius
- ✓ Heavily Trafficked Area | W March Lane, West Side Fwy & Quail Lakes Drive | Average Daily Traffic Counts Exceeding 41,000, 112,000 & 15,000, Respectively
- ✓ Academic Presence | Over 9 Local Schools Within a Three-Mile Radius | Servicing Over 8,300 Students | San Joaquin Delta College | Over 20,000 Students
- ✓ Excellent California Real Estate | Less Than Five Miles from the Heart of Downtown Stockton | Thirteenth Most Populous City in California

## About the Tenant / Brand

- ✓ Red Lobster is the largest seafood restaurant concept in the world and is an iconic full-service brand with broad demographic appeal and a significant advertising budget (2nd-largest in casual dining)
- ✓ The Company was founded in 1968 and currently operates over 700 restaurants throughout the United States and Canada, and has more than 40 franchised restaurants in international markets
- ✓ Red Lobster is led by an experienced management team with a history of success leading the brand (average 27+ years experience across executive team)
- ✓ The company generates \$2.5B in revenue and is the 6th-largest casual dining concept in North America





# Financial Analysis

PRICE: \$6,899,942 | CAP: 5.25% | RENT: \$362,247



## PROPERTY DESCRIPTION

Property	Red Lobster
Property Address	2283 West March Lane
City, State ZIP	Stockton, CA 95207
Building Size (SF)	8,409 SF
Lot Size (Acres)	+/- 0.27 Acres
Type of Ownership	Fee Simple

## THE OFFERING

Purchase Price	*\$6,899,942
CAP Rate	5.25%
Annual Rent	\$362,247

## LEASE SUMMARY

Property Type	Net Leased Restaurant
Tenant / Guarantor	Red Lobster Intermediate Holdings LLC
Lease Commencement	October 28 <sup>th</sup> , 2015
Lease Expiration	July 31 <sup>st</sup> , 2040
Lease Term Remaining	18+ Years
Lease Type	Absolute Triple-Net (NNN)
Roof & Structure	Tenant Responsible
Rental Increases	2.00% Annually
Options to Renew	Four (4), Five (5)-Year Options

\*Pricing based off August 2022 Rental Increase

## RENT SCHEDULE

Lease Year	Annual Rent	Monthly Rent	Rent Escalation
8/1/2021 - 7/31/2022	\$355,144	\$29,595	2%
8/1/2022 - 7/31/2023	\$362,247	\$30,187	2%
8/1/2023 - 7/31/2024	\$369,492	\$30,791	2%
8/1/2024 - 7/31/2025	\$376,882	\$31,407	2%
8/1/2025 - 7/31/2026	\$384,419	\$32,035	2%
8/1/2026 - 7/31/2027	\$392,108	\$32,676	2%
8/1/2027 - 7/31/2028	\$399,950	\$33,329	2%
8/1/2028 - 7/31/2029	\$407,949	\$33,996	2%
8/1/2029 - 7/31/2030	\$416,108	\$34,676	2%
8/1/2030 - 7/31/2031	\$424,430	\$35,369	2%
8/1/2031 - 7/31/2032	\$432,919	\$36,077	2%
8/1/2032 - 7/31/2033	\$441,577	\$36,798	2%
8/1/2033 - 7/31/2034	\$450,408	\$37,534	2%
8/1/2034 - 7/31/2035	\$459,417	\$38,285	2%
8/1/2035 - 7/31/2036	\$468,605	\$39,050	2%
8/1/2036 - 7/31/2037	\$477,977	\$39,831	2%
8/1/2037 - 7/31/2038	\$487,537	\$40,628	2%
8/1/2038 - 7/31/2039	\$497,287	\$41,441	2%
8/1/2039 - 7/31/2040	\$507,233	\$42,269	2%

## INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive listing for a Red Lobster located at 2283 West March Lane in Stockton, California. The site consists of roughly 8,409 rentable square feet of building space on an estimated 0.27-acre parcel of land.

This Red Lobster is subject to a long-term absolute triple-net (NNN) lease, which commenced October 28<sup>th</sup>, 2015. The current annual rent is \$355,144 and is scheduled to increase to \$362,247 in August 2022. Rent will increase 2% annually throughout the remainder of the base term and in each of the four (4), five (5)-year tenant renewal options.



# Concept Overview

## About Red Lobster



- Red Lobster is the largest seafood restaurant concept in the world and is an iconic full service brand with broad demographic appeal and a significant advertising budget (2<sup>nd</sup> largest in casual dining).
- The Company was founded in 1968 and currently operates 700+ restaurants throughout the United States and Canada and has 40+ franchised restaurants in international markets.
- The company generates \$2.5B in revenue and is the 6<sup>th</sup> largest casual dining concept in North America.

## The Transaction

- On August 31st, 2020, a group led by Thai Union Group (“TUG”) acquired Red Lobster from Golden Gate Capital.
- Thai Union Group was previously a minority owner of Red Lobster – first acquiring a 25% stake in the company in 2016.
- The new ownership group now includes Thai Union Group, current Red Lobster management, and a newly formed investment group, Seafood Alliance, which is led by two prominent global restaurant operators.







## OUR HISTORY

### FRESH IS IN OUR FOOD

Each day, you'll find an updated selection of fresh fish on our Today's Fresh Fish menu, not to mention live Maine lobster, freshly baked Cheddar Bay Biscuits™, crisp salads and a host of fresh seafood recipes waiting to be explored.

### FRESH IS IN OUR KNOWLEDGE

No one knows seafood better than we do. As global seafood buyers, we have employees stationed throughout the world who inspect our seafood the moment it comes out of the water. They ensure it meets standards that are second to none. Then, the renowned chefs at our culinary center deliver the fresh expertise that turns it all into something truly special.

### FRESH IS IN OUR DEDICATION

We hold ourselves to the highest standards for service, quality and a welcoming atmosphere. And we're focused on doing what's right – for our employees, in our communities and in the world.

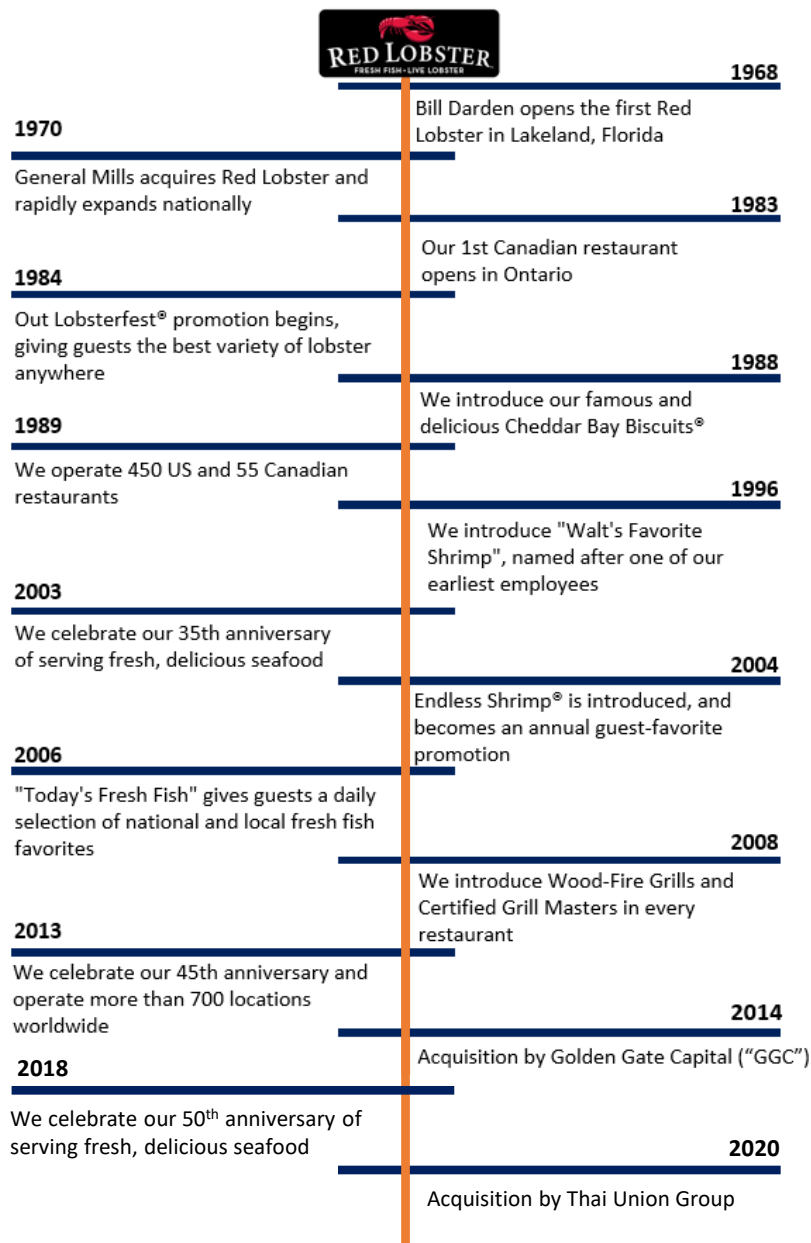
### FRESH IS IN OUR COMMITMENT

You deserve the freshest food and thinking. So every time you visit one of our seafood restaurants or our online seafood store, you'll find an uncommon commitment to deliver the best of the sea with fresh energy and fresh ideas that we hope will make you want to come back again and again.

*We invite you to come in and experience our commitment to quality for yourself. Whether it's choosing your favorite fresh fish from our "Today's Fresh Fish" menu, or selecting your favorite seafood to be prepared over our wood-fired grill, Red Lobster is the place you can enjoy fresh, delicious seafood now and for generations.*



# Concept Overview







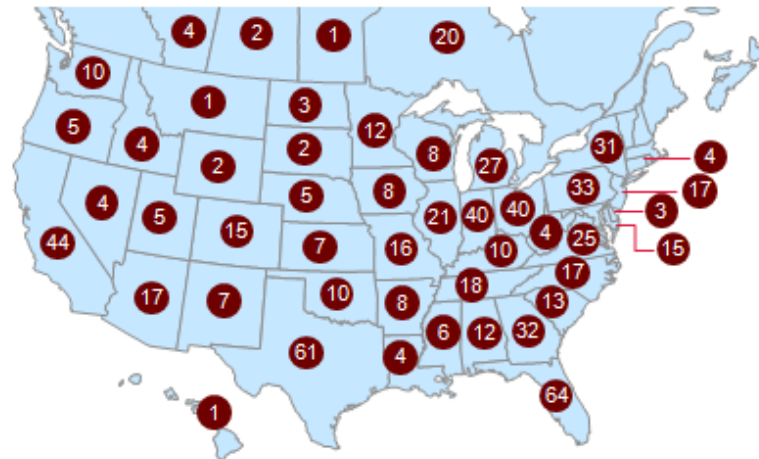
# Concept Overview



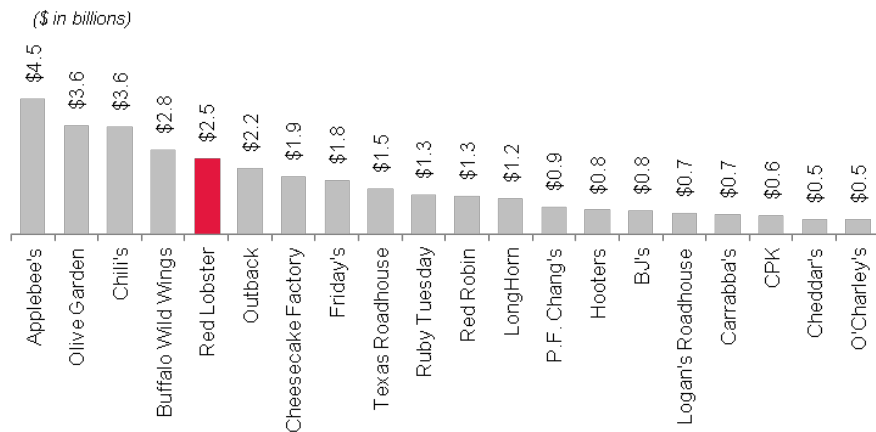
## Strong Market Position

- Red Lobster is the largest seafood restaurant concept in the world and the 6<sup>th</sup> largest casual dining concept in the United States with over \$2.5 billion in annual sales and 700+ restaurants.
- The Company is the category killer in the seafood casual dining space, holding almost 50% market share.
  - Largest share of any restaurant concept in any segment.
- 6<sup>th</sup> largest overall casual dining concept in the US.

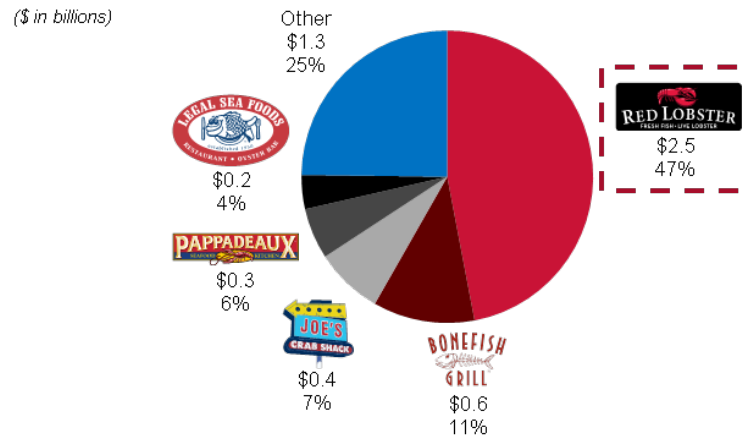
## Significant Scale With Broad Geographic Reach



## 6<sup>th</sup> Largest Casual Dining Concept in the US



## ~50% Share in Seafood Casual Dining





# Concept Overview



## Iconic Brand With Unparalleled Customer Loyalty

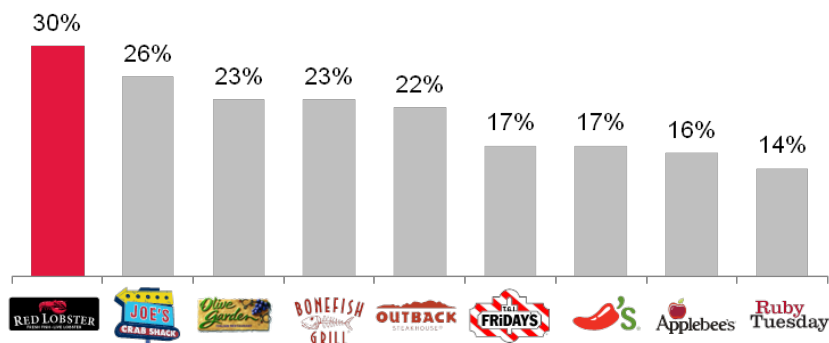
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster is the clear leader in casual dining seafood, and the most indispensable brand among major casual dining concepts, further indicating strong consumer loyalty.

## Healthy and Recently Remodeled Restaurant Base

- Over \$320 million invested in remodels covering >90% of restaurants over the past 14 years.
- \$1.4 billion in overall capital expenditure investment over the past 17 years.
- New Bar Harbor format has strong appeal across customer base.

## Indispensability vs. Peers

Indispensability (How difficult it would be for me to ‘give up’ ever going there again ) - % very difficult (10 out of 10) shown



## New Bar Harbor Format

Before



After







# Concept Overview



- Founded in 1977, Thai Union has a rich history of commitment to seafood expertise and innovation around the world.
- Thai Union Group, based out of Thailand with offices North America, Europe, the Middle-East and Asia, currently serves as a main supplier of seafood for Red Lobster's across the world.
- Thai Union Group has been listed on the Stock Exchange of Thailand (SET) since November 1994
  - Prior to the Red Lobster acquisition, Thai Union Group reported annual sales of over \$4.1 Billion
- Through acquisitions and organic growth, TUG's ambitious expansion strategy has established a diverse global brand portfolio. Covering three continents, their brands are consumer favorites and market leaders with a wide range of products including shelf-stable seafood products, frozen and chilled seafood, PetCare products and more.
- TUG has a long, successful track record and significant experience servicing consumers, supermarkets, restaurants, hospitality and others.

## *Global Brands and Partnerships*







# Surrounding Area

2283 March Lane – Stockton, CA 95207







# Location Overview

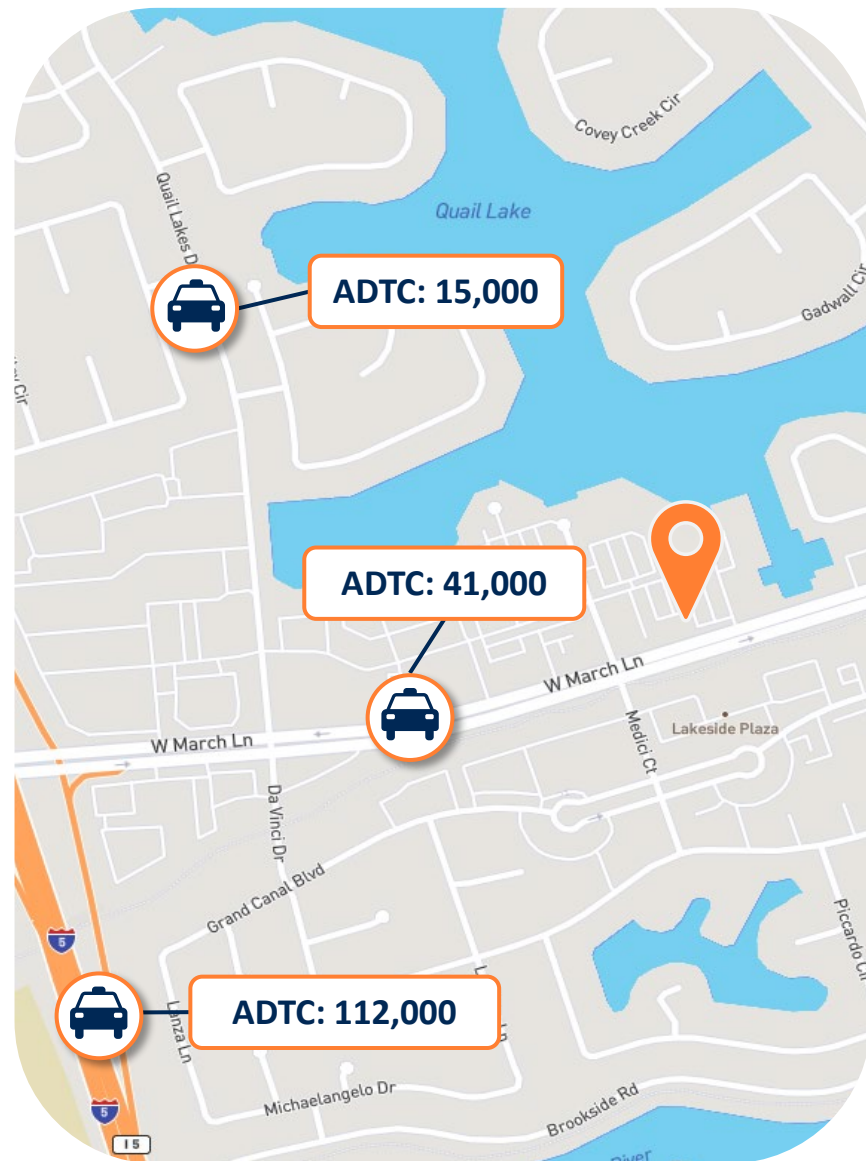
2283 March Lane – Stockton, CA 95207



This Red Lobster investment property is situated on West March Lane, which boasts an average daily traffic count exceeding 41,000 vehicles. Sisk Road intersects with Quail Lakes Drive and is directly off of the West Side Freeway which bring an additional 15,000 and 112,000 vehicles to the immediate area daily, respectively. There are more than 20,000 individuals residing within a one-mile radius of the subject property, more than 138,000 individuals within a three-mile radius, and over 293,000 within a five-mile radius. This investment property is in an affluent area, average household income for homes within one-mile of the subject property exceeds \$84,000.

The subject property is strategically situated in a highly dense retail corridor that consists of numerous regional and national tenants, shopping centers and hospitality accommodations, all within close proximity of this site. Major national tenants in the immediate area include: Walmart, Home Depot, Target, CVS Pharmacy, Walgreens, Taco Bell, Olive Garden, Applebee's, In-N-Out, Chick-fil-A, and McDonald's in addition to many others. Webstertown Mall and Sherwood Mall are located one-mile away from the subject property. Webstertown contains over 100 tenants and Sherwood contains over 80 tenants, anchored by Best Buy and Dick's Sporting Goods. This Red Lobster benefits from a strong academic presence with over 9 local high schools and elementary schools servicing over 8,300 students within a three-mile radius. The most significant academic institution in the area is San Joaquin Delta college which services over 20,000 students.

Stockton is the county seat of San Joaquin County in the Central Valley of the U.S. state of California. The city is located on the San Joaquin River in the northern San Joaquin Valley and had an estimated population of 311,178 by the California Department of Finance for 2018. Stockton is the 13th largest city in California and the 63rd largest city in the United States. It was named an All-America City in 1999, 2004, 2015 and again in 2017. The diverse economy offers a mix of industries: Healthcare & Social Assistance, Educational Services, Manufacturing, Retail Trade, and Accommodation & Food Services.







# Property Photos

2283 March Lane – Stockton, CA 95207



DRONE FOOTAGE



CLICK HERE





# Surrounding Area Photos

2283 March Lane – Stockton, CA 95207

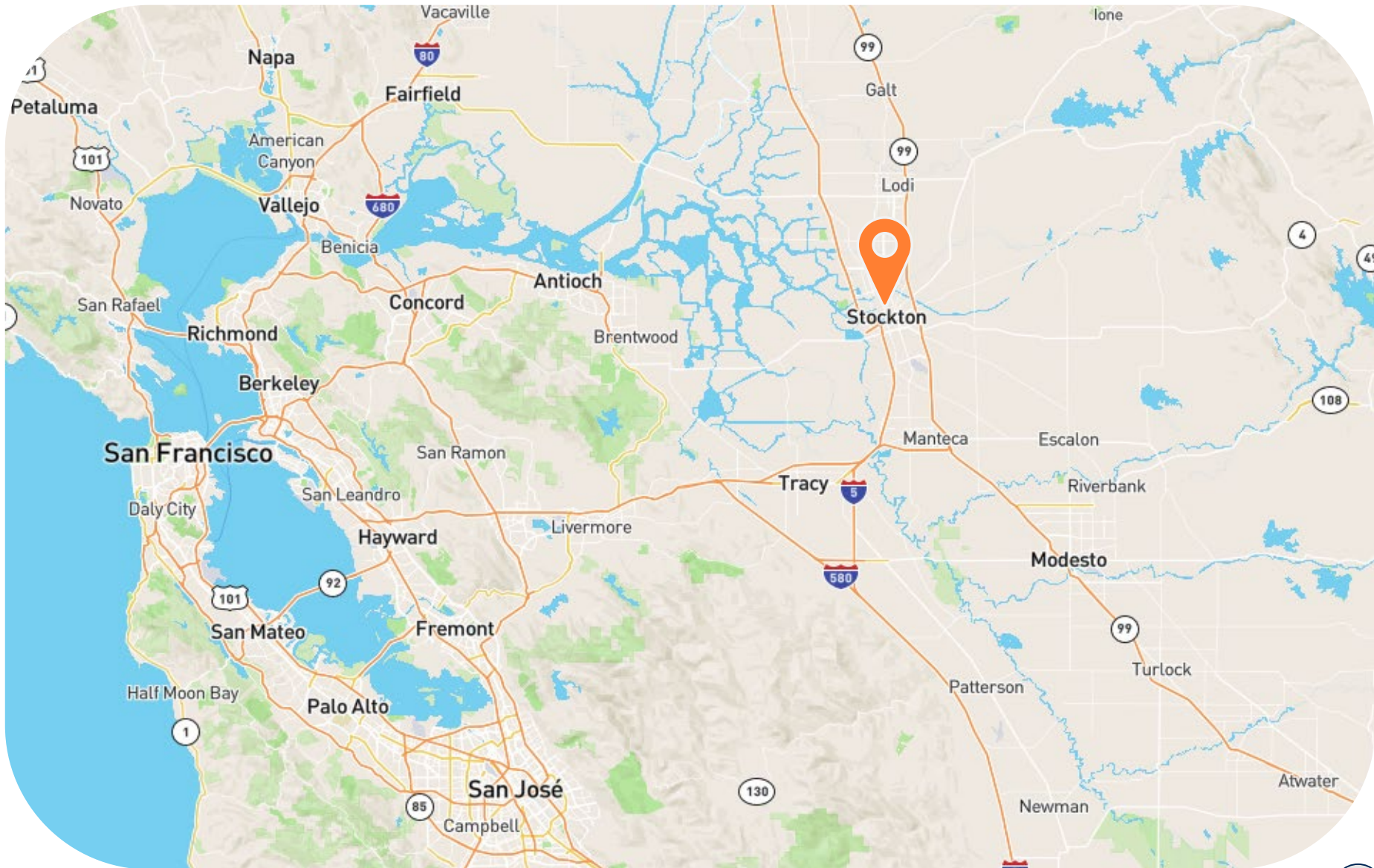






# Local Map

2283 March Lane – Stockton, CA 95207

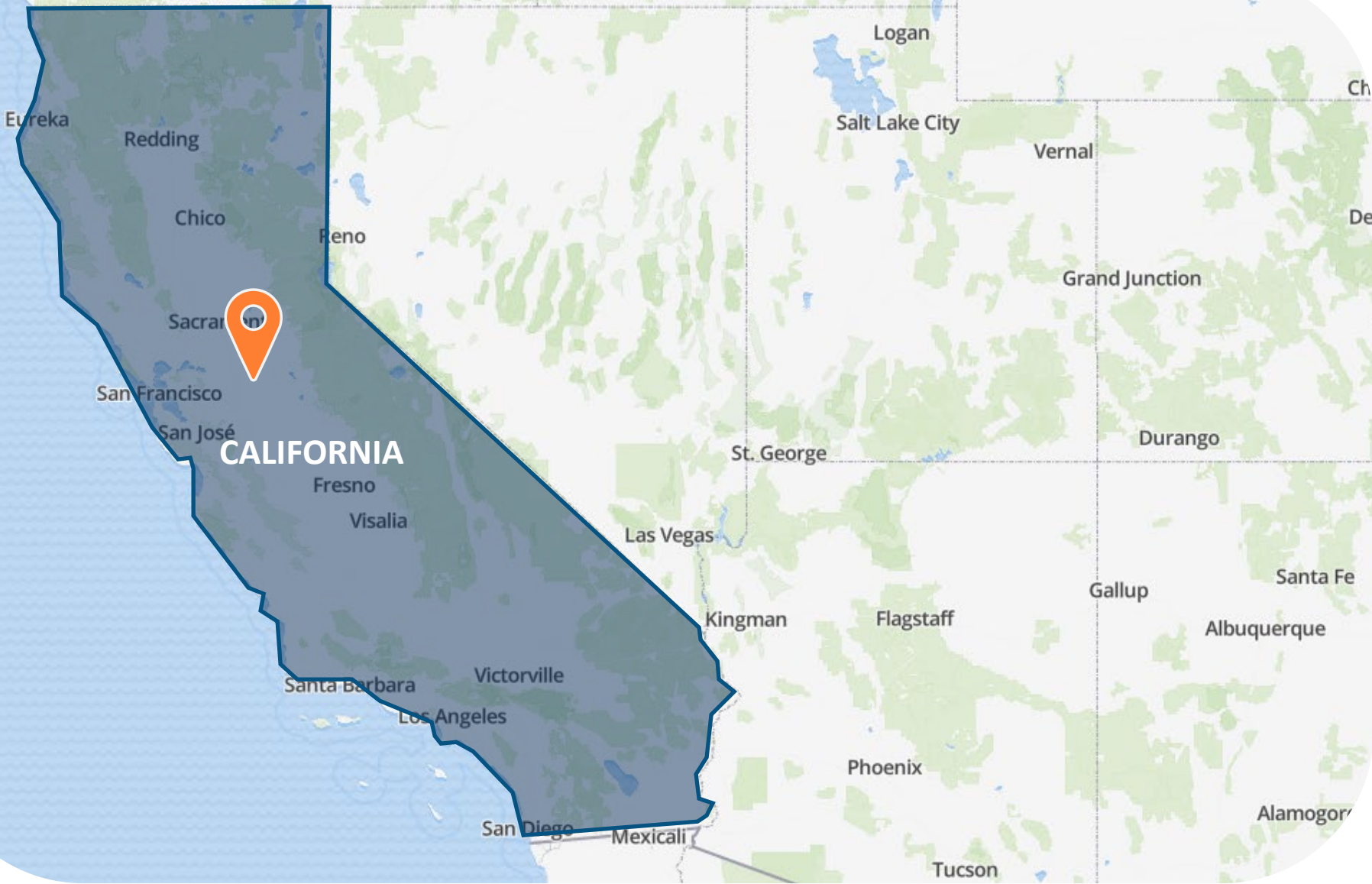






# Regional Map

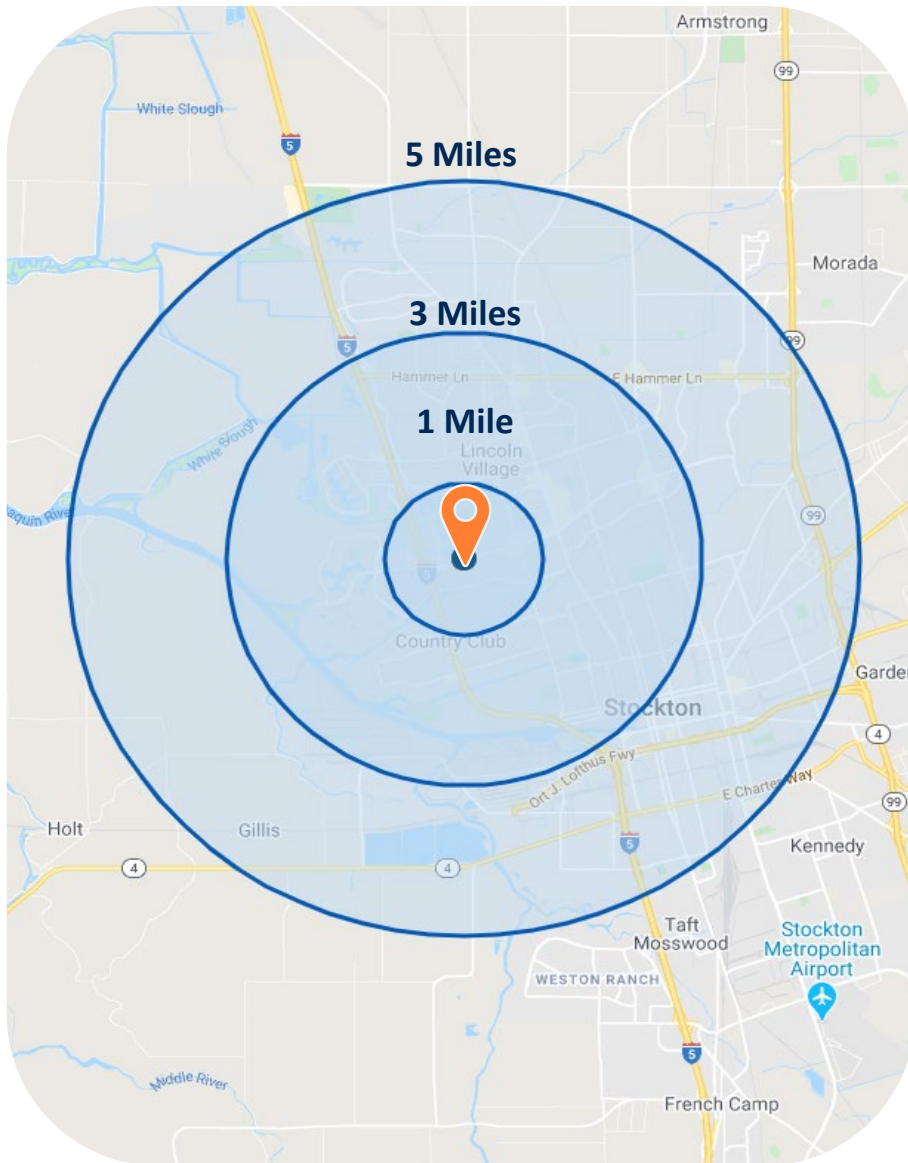
2283 March Lane – Stockton, CA 95207  
Merced





# Demographics

2283 March Lane – Stockton, CA 95207



## Population Trends:

2010 Population	19,004	129,884	272,059
2021 Population	20,384	138,892	293,139
2026 Population Projection	21,308	145,131	306,671
Annual Growth 2010 - 2020	0.70%	0.60%	0.70%
Annual Growth 2020 - 2025	0.90%	0.90%	0.90%

## Population by Race (2020):

White	11,627	85,126	167,529
Black	2,807	15,901	32,582
American Indian/Alaskan Native	476	3,240	6,818
Asian	3,935	24,272	66,557
Hawaiian & Pacific Islander	145	1,103	2,555
Two or More Races	1,394	9,250	17,097
Hispanic Origin	7,159	54,041	128,076

## Household Trends:

2010 Households	7,272	47,864	88,159
2021 Households	7,861	51,408	95,088
2026 Household Projection	8,232	53,786	99,552
Growth 2010 - 2021	0.20%	0.10%	0.20%
Growth 2020 - 2026	0.90%	0.90%	0.90%
Owner Occupied	3,420	25,314	50,460
Renter Occupied	4,813	28,471	49,092

## Average Household Income (2020):

<b>\$84,197</b>	<b>\$79,504</b>	<b>\$77,912</b>
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## Households by Household Income (2020):

<\$25,000	1,649	10,762	19,925
\$25,000 - \$50,000	1,893	11,884	21,860
\$50,000 - \$75,000	1,534	10,075	18,602
\$75,000 - \$100,000	596	5,786	10,487
\$100,000 - \$125,000	580	4,013	7,943
\$125,000 - \$150,000	444	2,572	5,114
\$150,000 - \$200,000	487	2,945	5,986
\$200,000+	680	3,371	5,172

## Median Household Income (2020):

<b>\$55,910</b>	<b>\$57,188</b>	<b>\$57,209</b>
-----------------	-----------------	-----------------





# Market Overview

City: Stockton | County: San Joaquin | State: California



**Stockton,** is the County seat for San Joaquin County. The City of Stockton is one of California's fastest growing communities. Stockton is currently the 13th largest city in California with a dynamic, multi-ethnic and multi-cultural population of about 310,000. It is situated along the San Joaquin Delta waterway which connects to the San Francisco Bay and the Sacramento and San Joaquin Rivers. Stockton is located 60 miles east of the San Francisco Bay Area, 83 miles east of San Francisco, and 45 miles south of Sacramento, the capital of California. Stockton has an airport offering service to San Diego, Phoenix and Las Vegas (on Allegiant Airlines), and beginning in August 2019, service to LAX on United Airlines. Visitors may also fly into Sacramento, Oakland or San Francisco.

In the mid-2000's Stockton underwent a tremendous economic expansion and continues to aggressively revitalizing its downtown. Projects in the downtown area along the waterfront include an indoor arena, baseball stadium and waterfront hotel. A 16-screen downtown City Centre Cinemas was completed in December 2003. The Bob Hope (Fox) California Theatre, listed on the National List of Historic Landmarks recently completed a total renovation and hosts live performances regularly. The arena hosts the Stockton Kings (NBA G-League) basketball team, the Stockton Heat (AHL) Hockey team, as well as year-round family and cultural events and concerts. Adjacent to the Stockton Arena is the Stockton Ballpark, home of the Stockton Ports Single A Baseball Team (Oakland A's affiliate).

Stockton offers an excellent quality of life for its residents. The City has a number of beautiful residential communities along waterways, with single-family homes costing about one-third the price of homes in the Bay Area. With over 100,000 trees, Stockton has been recognized by Sunset Magazine as the "Best Tree City" in the western United States. In 1999, 2004, 2015, 2017, and 2018, Stockton was designated an All-America City by the National Civic League.

Stockton also has outstanding recreational opportunities. Stockton is within close proximity to world famous scenic attractions including the California Coast, San Francisco, Lake Tahoe and Yosemite National Park. The community offers many local recreational opportunities such as professional sports teams , an olympic size ice rink, and the Delta, which provides thousands of miles of waterways for water skiing, sailing and other water activities. There are also many opportunities to enjoy music, theater, dance, literary events, and other cultural and entertainment activities throughout the year. The city also boasts the 90+ year old Stockton Symphony, a nearly 70 year old Stockton Civic Theatre, and the 88 year old Haggin Museum.

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# Marcus & Millichap

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