



REPRESENTATIVE PHOTO

OFFERING MEMORANDUM



Sonic Ground Lease Salem, VA

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Disclaimer

Preserve West Capital ("Broker") has been retained on an exclusive basis to market the property described herein ("Property"). Broker has been authorized by the Seller of the Property ("Seller") to prepare and distribute the enclosed information ("Material") for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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PROPERTY HIGHLIGHTS



- Brand New 15 Year Corporate NNN Ground Lease to Sonic
 - Fixed 10% Rental Escalations Every Five Years
 - No Landlord Maintenance Responsibilities
- Sonic is the Largest Drive-In Restaurant Brand in the U.S. with Over 3,500 Locations in 45 States
- Functional Site with Drive-Thru Component
- Tenant Heavily Invested in the Improvements Providing Long Term Security
- Situated in a Prominent Location in Salem's Central Shopping Area
 - Neighboring Walmart Supercenter and Food Lion
- Located along Salem's Busiest Retail Corridor – 23,000 AADT
- Total Daytime Population 63,695 within 5-Mile Radius
- Average Household Income of \$91,272 within 1-Mile Radius
- Just 2 Miles from Downtown Salem and 4 Miles to Renowned LewisGale Medical Center
- 10 Miles from Roanoke-Blacksburg Regional Airport



Location

The property is located at 1658 West Main Street in Salem, Virginia.

Lot Size

Approximately 2.253 acres or 98,141 square feet.

Only the land is for sale.

Improvements

A 1,268 square foot building for **Sonic Drive-In** restaurant.

Tenant is building and will own the improvements. This is a ground lease.

Parking

There is ample parking available on site.

Ground Lease

Leased to **SRI Operating Company**, and guaranteed for the first lease year by **Sonic Holding Company**, for 15 years from June 2022 through June 2036 at a current annual rent of \$112,336 and increasing by 10% every five years. There are five 5-year options to renew the lease with congruent rental escalations. Sonic Holding Company is lease guarantor for the first lease year. The lease is net with tenant responsible for all taxes, insurance, and maintenance.

Financing

This property will be delivered free and clear of permanent financing.

PRICE

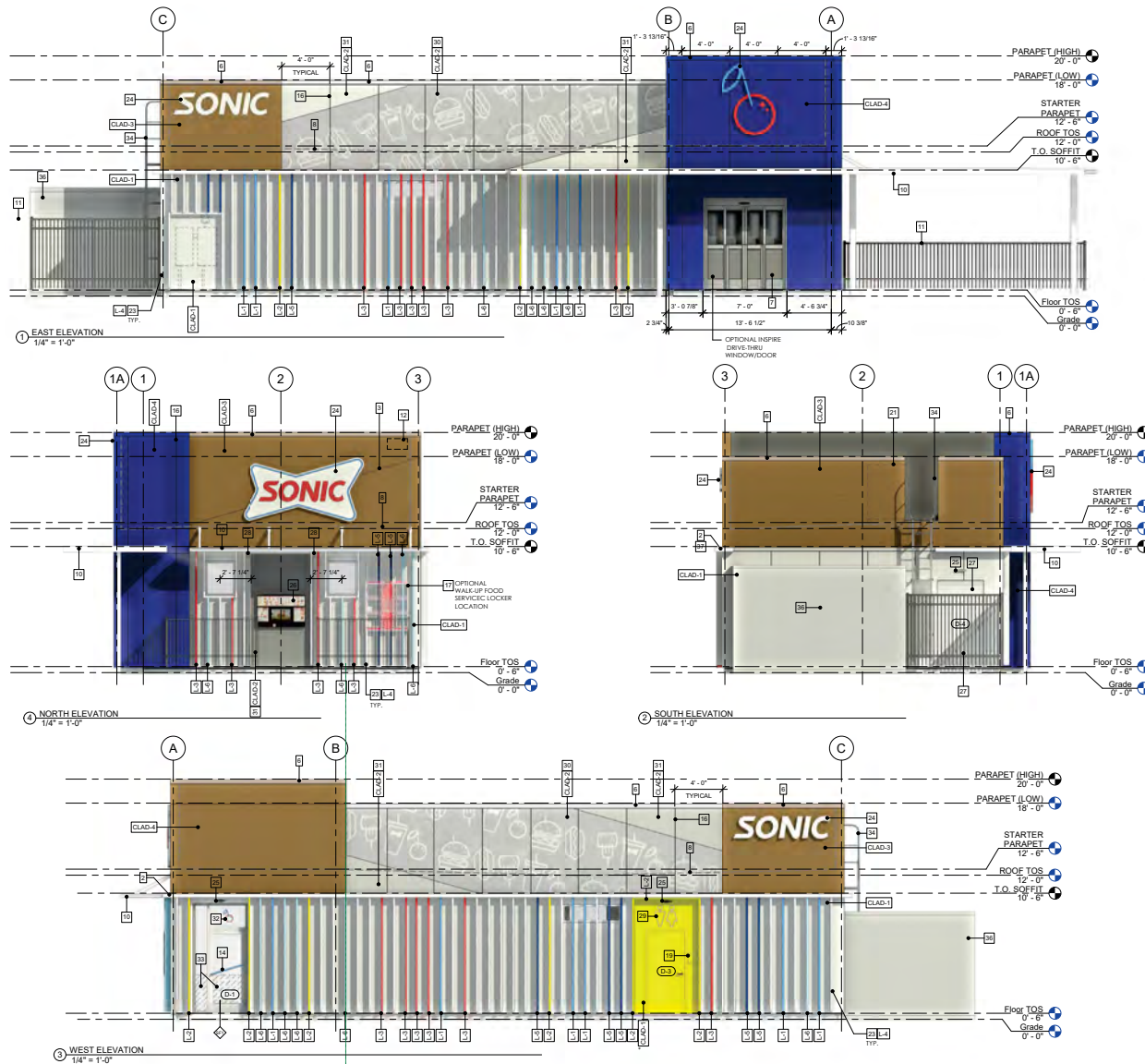
\$2,365,000

4.75% CAP Rate

Annual Rent

Year	Annual Rent	Return
Year 1 - 5	\$112,336	4.75%
Years 6 - 10	\$123,570	5.22%
Years 11 - 15	\$135,927	5.75%
Years 16 - 20 (Option 1)	\$149,519	6.32%
Years 21 - 25 (Option 2)	\$164,471	6.95%
Years 26 - 30 (Option 3)	\$180,918	7.65%
Years 31 - 35 (Option 4)	\$199,010	8.41%
Years 36 - 40 (Option 5)	\$218,911	9.26%

ABOUT THE TENANT



SITE RENDERINGS



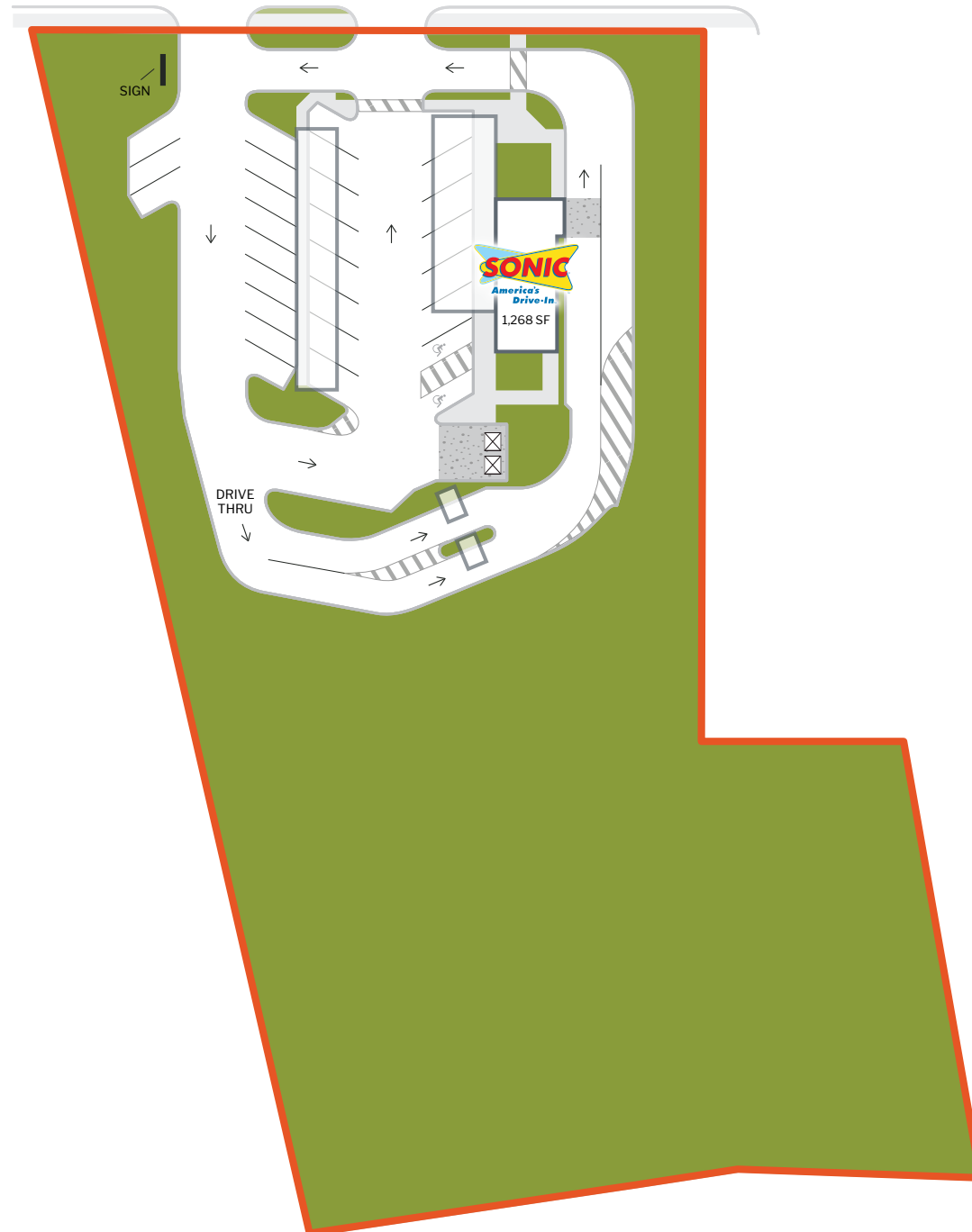
The tenant, **SRI Operating Company (Sonic Restaurants, Inc.)**, operates all Sonic corporate restaurant locations. Sonic Holding Company is lease guarantor for the first lease year. **SONIC® Drive-In** (Nasdaq: SONIC) is the nation's largest drive-in restaurant chain serving more than 3 million customers every day. Nearly 90 percent of Sonic's 3,500 drive-in locations are owned and operated locally. Over the past 60 years, Sonic has delighted guests with signature menu items, more than 1 million drink combinations and friendly service by iconic carhops. Sonic has received top honors as one of America's top brands for 60 years and was named a "#1 burger quick service restaurant," in the Temkin Experience Ratings report.

Sonic Drive-In's parent company, **Mavericks, Inc.**, is a branch of **Inspire Brands, Inc.**, an American holding company and the owner and franchisor of Arby's. Sonic was acquired in 2018 for \$2.3 billion; Buffalo Wild Wings and Rusty Taco were acquired for \$2.9 billion in 2017, and they own Mister Donut, Dunkin' Donuts, Baskin-Robbins, and Jimmy Johns restaurant chains. Overall, Inspire Brands is the 2nd largest restaurant company in the U.S., with more than 32,000 restaurants, over 3,400 franchisees across 70 countries, and total Global System-wide Sales of \$30 billion. Inspire Brands is a subsidiary of Roark Capital Group, an Atlanta-based private equity firm.

SITE PLAN



WEST MAIN STREET

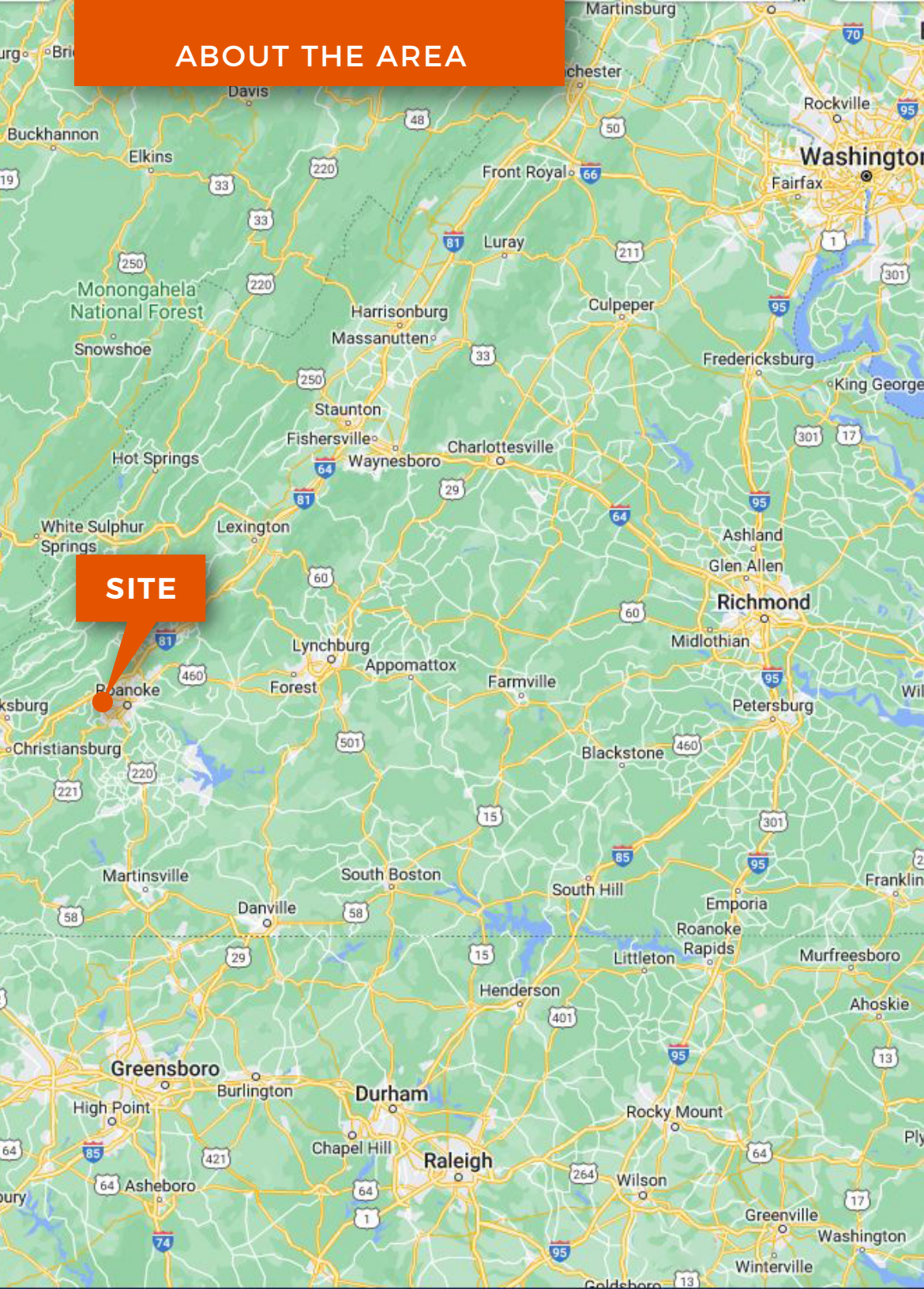


AERIAL

EAST VIEW



ABOUT THE AREA



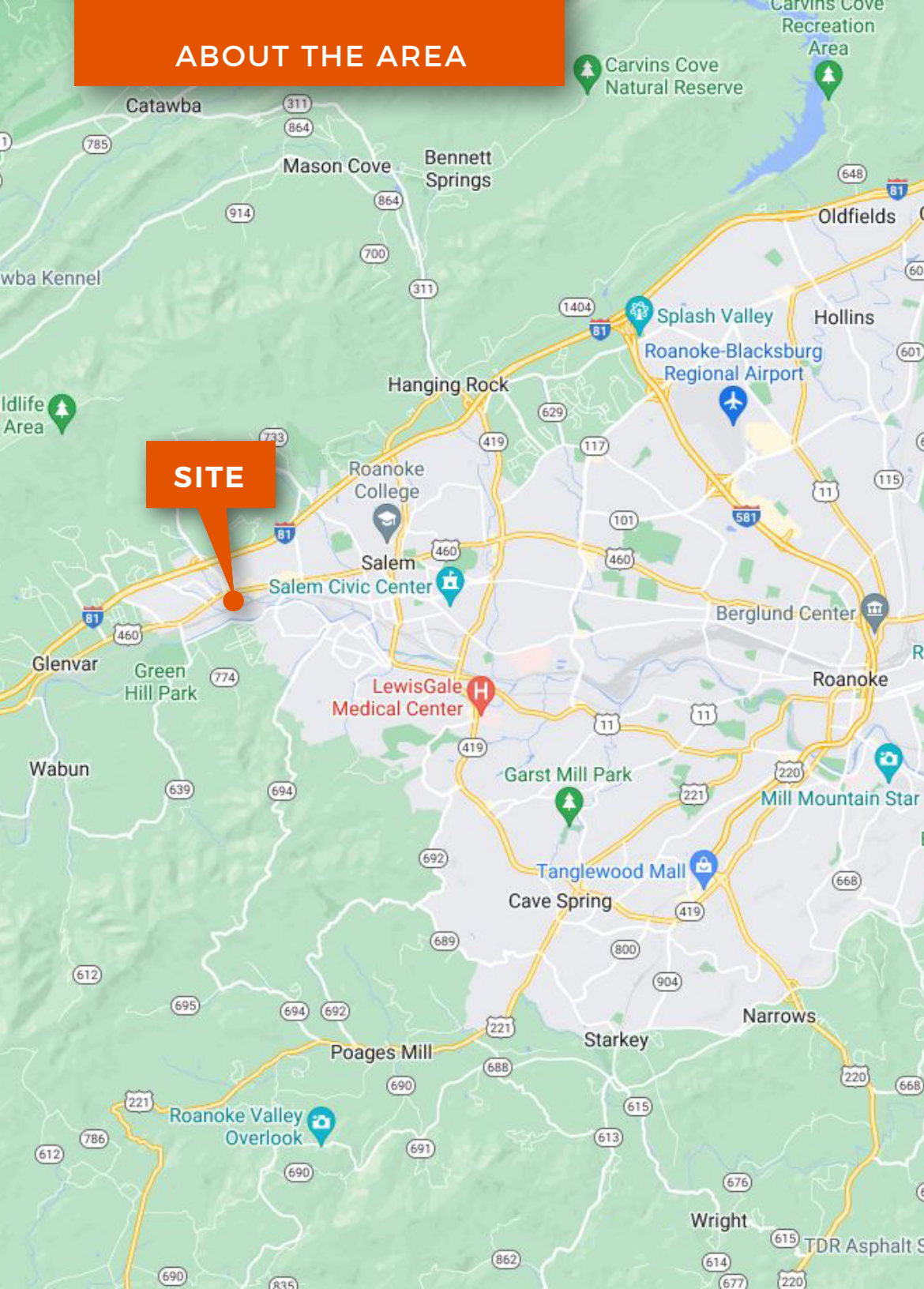
General Overview

Salem is in Virginia's Blue Ridge Mountains, approximately 190 miles west of Richmond and 250 miles southwest of Washington, DC. The city lies at the region's crossroads of major rail and highway systems, making it a part of the principal trade, industrial, transportation, medical, and cultural center of western Virginia. The city's 2021 population of 25,346 accounts for approximately 8.1 percent of the population in its metropolitan statistical area (MSA), which includes the neighboring City of Roanoke and Counties of Botetourt, Craig, Franklin, and Roanoke.

Salem has a diversified economy comprised of health care, manufacturing, higher education, retail trade and government. Included in the manufacturing process are high tech electronics, medical equipment, tires, steel, tool and dye, and railroad equipment, just to name a few. Health care remains an important part of Salem's economy. The Salem Veterans Affairs Medical Center remains Salem's largest employer, with approximately 1,700 workers.

Salem continues to see significant investment by current and new business. Construction was completed on a new all-inclusive care for the elderly facility that provides customized health care and social engagement. IHG hotels and resorts constructed an 87-room hotel under their AVID brand which opened in the summer of 2021. Redevelopment continues with American Freight Furniture recently opening a newly renovated 25,800 square foot space. Planet Fitness completed renovations and opened a 15,529 square foot 24-hour fitness center. The Sheets location on West Main Street underwent a complete demolition and rebuild with expanded retail offerings, new fueling facilities, and electric vehicle charging stations. Chipotle Mexican Grill and Moe's Southwest Grill both opened at their respective West Main Street locations. Frankie Roland's, a premier Roanoke Valley steakhouse, opened a restaurant in the heart of downtown. The Roland Hotel, a 16-room boutique hotel is under renovation in the same building. The city and school board work diligently to provide one of the finest school systems throughout the Commonwealth. The City of Salem school division has one of the highest on time graduation rates in the area at 96.26%. Approximately 80% of Salem high school graduates attend a two year or four-year college or university. Salem High School was named a Blue Star School for students' outstanding performance on the 2019-2020 Wise Financial Literacy Certification Test, one of only 74 schools in the nation to earn the distinction.

ABOUT THE AREA



Site Information

The site is two miles east of downtown Salem with excellent access and visibility on Salem's busiest corridor, Highway 460 (23,000 AADT), within Salem's central shopping area across the street from Walmart and a Food Lion-anchored shopping center. Other area retailers include Lowes, Sheets, Chick-fil-A, Denny's, Waffle House, and many more competing restaurants, driving traffic to the area. The Spartan Square Shopping Center, anchored by high-volume Kroger with pharmacy and fuel center, has a total of 180,346 square feet of restaurants, stores, office and retail spaces including Dollar Tree, Pet Supplies Plus, Starbucks, Anytime Fitness and Truist.

Within the vicinity is one of HealthGrades 100 Best Hospitals, LewisGale Medical Center, part of the HCA Virginia Health System and recipient of the 2022 American College of Cardiology's Silver Performance Achievement Award, one of only 85 hospitals nationwide to receive the honor. Salem High School, just one mile away, serves 1,262 students, while Roanoke College, an independent 4-year liberal arts college with over 2,000 full-time students, is just 2 miles from the site and was named #4 US News & World Reports Up-and-Coming National Liberal Arts Colleges and Top 10% Forbes "America's Best Colleges."

DEMOGRAPHICS

1658 W Main St | Salem, VA 24153



2021 POPULATION

59,449



AVG. HOME VALUE

\$281,448



AVG. HOUSEHOLD INCOME

\$91,272

Population Summary	1 Mile	3 Miles	5 Miles
2010 Total Population	3,903	26,688	58,016
2021 Total Population	4,046	27,390	59,449
2026 Total Population	4,094	27,604	59,932
2021-2026 Annual Rate	0.24%	0.16%	0.16%
2021 Total Daytime Population	5,680	29,852	63,695
Average Household Income			
2021	\$91,272	\$90,822	\$86,473
2026	\$101,688	\$101,390	\$96,882
Average Home Value			
2021	\$275,782	\$281,448	\$268,364
2026	\$368,680	\$361,634	\$360,114

Top Employers in Salem

of Employees

Veterans Administration Medical Center	1,734
Lewis-Gale Hospital	1,248
Yokohama Industries	660
City of Salem Schools	576
City of Salem	482
Roanoke College	441
Integer	420
Carter Machinery	407
Kroger	388
U.S. Foodservice, Inc.	354



FILE PHOTO

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