

# EchoPark Dealership

SONIC AUTOMOTIVE'S FAMILY OF DEALERSHIPS

Baltimore, MD



FEE SIMPLE NNN INVESTMENT OPPORTUNITY

Confidential Offering Memorandum

**AVISON  
YOUNG**

# Executive summary

## ASSET SUMMARY

**EchoPark Dealership**  
Baltimore, MD



Asking Price

**\$9,812,308**



Cap Rate

**6.5%**



Annual Rent

**\$637,800**



Lease Type

**NNN**



Term Remaining

**9 Years**

Avison Young's U.S. Capital Markets Group, as exclusive advisors to the owner, is pleased to present the opportunity to acquire an EchoPark assemblage in Baltimore, MD. This offering is a 53,651-square-foot, state-of-the-art automotive dealership fully leased to EchoPark Automotive, a high-growth segment of Sonic Automotive (NYSE: SAH).

Sonic Automotive, the guarantor of the lease, is listed in the Fortune 500 and is one of the largest automotive retailers in the United States, headquartered in Charlotte, North Carolina, roughly 120 miles from the Property. This offering represents a rare chance to acquire a sizable, well-located asset that is leased for nine years on a long-term, absolute triple-net basis to a credit-worthy Tenant.

### Rent Schedule

Lease Term		Increase	Annual Rent	Monthly Rent
1-5	2/01/2021 - 1/31/2026	10%	\$637,800	\$53,150
6-10	2/01/2026 - 1/31/2031	10%	\$701,580	\$58,465
1st Renewal Option				
11-15	2/01/2021 - 1/31/2026	10%	\$771,738	\$64,311
2nd Renewal Option				
16-20	2/01/2021- 1/31/2026	10%	\$848,912	\$70,742

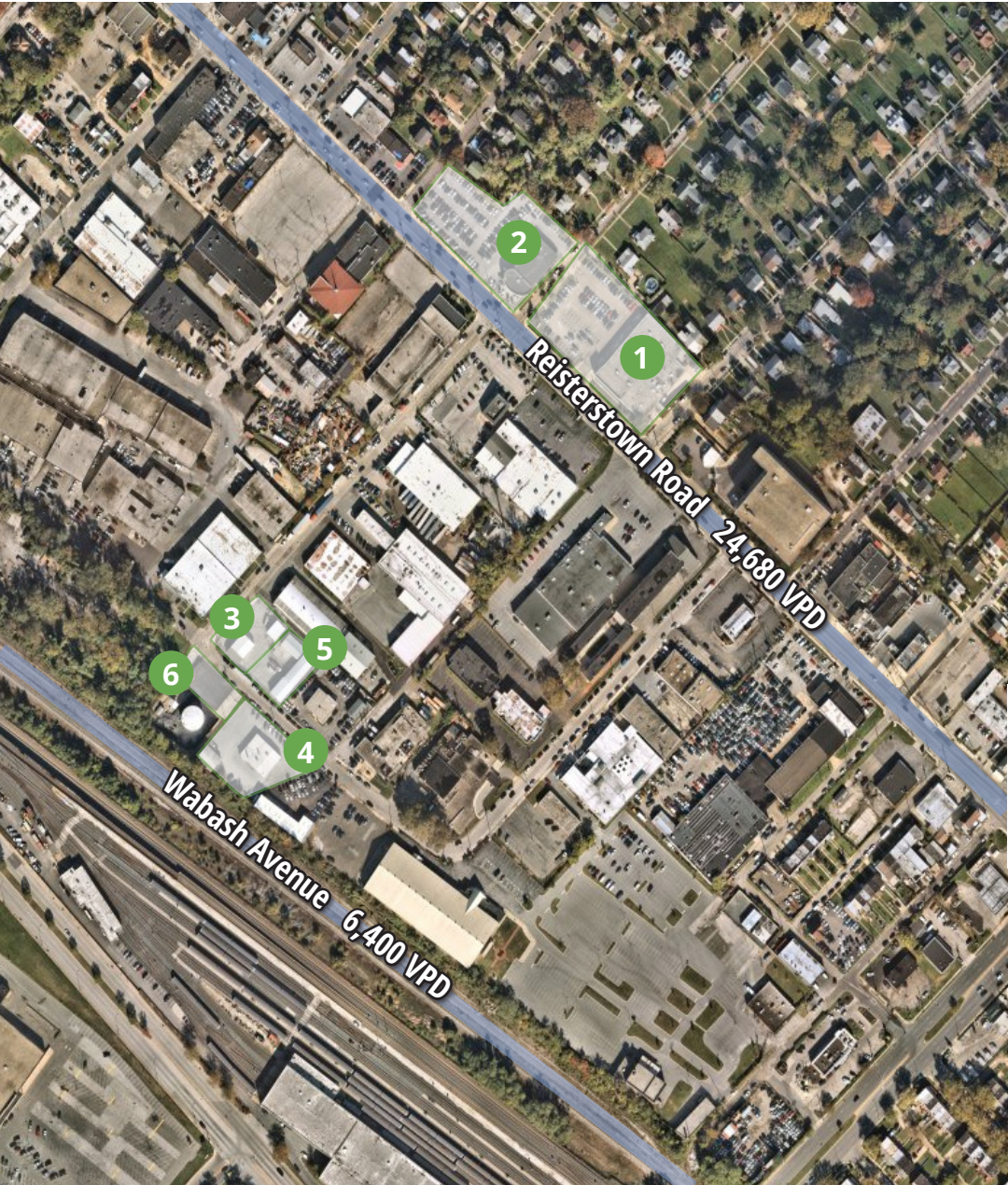
NOI	\$637,800
Rent/Month	\$53,150
Rentable SF	53,651 +/- SF
Land Area	4.68 +/- Acres
Tenant	EchoPark Automotive
Ownership Type	Fee Simple
Guarantor	Corporate - Sonic Automotive Inc.
Year Built/Renovated	1960/2021
Lease Type	Absolute NNN
Lease Term Remaining	9 Years
Rent Commencement	2/01/2021
Lease Expiration	1/31/2031
Increases	CPI Every 5-Yrs, Capped at 10%
Options	Two (2), Five (5) Year Options



# EchoPark assemblage

SIX-BUILDING PORTFOLIO

EchoPark Dealership  
Baltimore, MD



	Address	SF	Acres	Parcel Use
1	5901-5909 Reisterstown Rd	25,891	1.61	Automotive Service
2	6001 & 6007 Reisterstown Rd	7,080	1.24	Automotive Sales
3	4213 Menlo Drive	12,960	0.81	Collision Repair
4	5900 Oakleaf Avenue	5,800	0.61	Collision Repair
5	5905 Oakleaf Avenue	1,920	0.34	Collision Repair
6	SWS Oakleaf Avenue	n/a	.059	Collision Repair





# Company introduction

EchoPark Dealership  
Baltimore, MD

## EchoPark's Unique, High-Return Business Model

- Focused on the Pre-Owned market, proven to be more stable than the new-vehicle market
- 10% below market pricing with simplified, easy purchase experience
- Highest quality, nearly new inventory: 1-4 year-old vehicles with remaining OEM warranty
- 30% of customers travel more than 30 minutes to shop EchoPark's inventory

## Expected to more than double total revenue by 2025

- Broad revenue stream diversification
- Focused on expense control & strengthening the balance sheet
- Disciplined capital allocation to accelerate EchoPark's growth



## EchoPark's high-volume model drives superior returns based on:

- Strong secular growth
- Recession-resistant pre-owned vehicle market
- Below-market price strategy
- Best-in-industry purchase experience

## EchoPark's record 5x higher volume per store per month than Sonic franchised stores

EchoPark's ultra-low pricing model may yield slightly negative, initial gross profit but has a proven track-record of creating higher penetration rates on F&I products than Sonic franchises stores.

## Prepared for all market conditions

EchoPark's business model is resilient. In the event that pre-owned vehicle valuations decline nationally, EchoPark stands to benefit from rapid inventory turns and creating even greater pricing advantages over competitors, driving additional sales volume.





# Tenant overview

SIX-BUILDING PORTFOLIO

EchoPark Dealership  
Baltimore, MD

## About EchoPark Automotive

EchoPark is Sonic Automotive's high-growth segment, focused on the recession-resistant, pre-owned vehicle market. EchoPark stores specialize in "nearly-new" used cars, no more than four years old. Since first opening in 2014, EchoPark's swift growth demonstrates the long-term value proposition of their unique, pre-owned vehicle shopping concept.

At the corporate level, Sonic Automotive has continued to invest in and develop EchoPark into a structure of regional, **full-service "hubs" with satellite "delivery and buy" centers**. EchoPark hub locations buy and sell cars, and also recondition used cars taken in trade or bought at auctions. Reconditioned cars are retailed in the EchoPark network.

In 2021, Sonic continued the nationwide expansion of their EchoPark pre-owned vehicle brand, **now reaching over 30% of the U.S. population**, on their way to **their goal of reaching 90% population coverage by 2025**.



EchoPark's Year End 2021 record revenues were \$2.3 billion, a 65.3% increase compared to YE2020, with same store revenues up 18.5%, gross profit up 33.6%

EchoPark's fourth-quarter-2021 revenues set an all-time record of \$579.2 million, up 49.7% from the prior year quarter. This growth was driven by a 5.4% increase in used-vehicle sales volume to 15,649 units.

Sonic's Board of Directors approved a quarterly cash dividend of \$0.25 per share payable on April 14, 2022 to all stockholders of record on March 15, 2022, raising the quarterly dividend by 108%, from \$0.12 per share.



**\$14 billion**  
Total Revenue  
by 2025



**108%**  
Quarterly  
Dividend



**3.2%**  
Market Share



**77,835**  
FY 2021  
Vehicles Sold



**\$2.3 billion**  
FY 2021 Revenue



**46**  
Locations



**Fortune 500**  
Company HQ in NC



**19**  
States



# Investment highlights

## Substantial growth opportunities driven by positive industry tailwinds

**The COVID pandemic has changed consumer behavior & commuter preferences: Public transportation use for work fell by 69%** from pre-COVID levels and **new car prices have surged 21 percent since April 2020**, creating strong demand and supply constraints on tight supply are expected to continue through 2021 and likely into 2022. The pandemic created unprecedented demand on the used car industry, driving record low inventory and soaring prices.

**Millennials are expected to lead a car ownership boom, representing 45% of first-time car owners:** Continuing limited new-vehicle supply in foreign and domestic markets will push young people towards the used-car alternative.

## EchoPark's dominant-recent financial performance

EchoPark's highly efficient inventory sourcing, pricing and selling processes allowed the Company to reach more than 30% of U.S. Population by end of 2021, expecting to target 90% by 2025.

EchoPark's fourth quarter-revenues set an all-time record of \$579.2 million, up 49.7% from the prior-year quarter. This growth was driven by a 5.4% increase in used-vehicle unit sales volume to 15,649 units.

EchoPark's full-year 2021 revenues were \$2.3 billion, a 65.3% increase compared to 2020, with 77,835 vehicles sold.

### OPTIMAL LEASE STRUCTURE

**NNN**  
LEASE TYPE

**9 years**  
TERM REMAINING

**CPI**  
RENTAL INCREASES

**NYSE:SAH**  
CORPORATE  
GUARANTEE

**25**  
AVERAGE DEALERSHIP  
OPENINGS  
Per Year From 2021-2025



# Investment highlights

EchoPark Dealership  
Baltimore, MD

## Premier location in Northwest Baltimore

Baltimore is the most populous city in the state of Maryland with a population of 576,864. Some of the Nation's most prominent employers are here, including T. Row Price, Under Armour, McCormick and Company, BlueCross Blue Shield and Lockheed Martin. Universities include John Hopkins, Loyola, Towson and Baltimore.

EchoPark is situated between the city of Baltimore and Baltimore County with Direct Access to Interstate 83, 695, 95, 795.

The Property sits at a signalized intersection on Menlo Drive, allowing ease of access to and from the parking lot from either direction.



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## TOP BALTIMORE EMPLOYERS

T.RowePrice



## TOP BALTIMORE COLLEGES





# Site photos

SALES DEALERSHIP

EchoPark Dealership  
Baltimore, MD

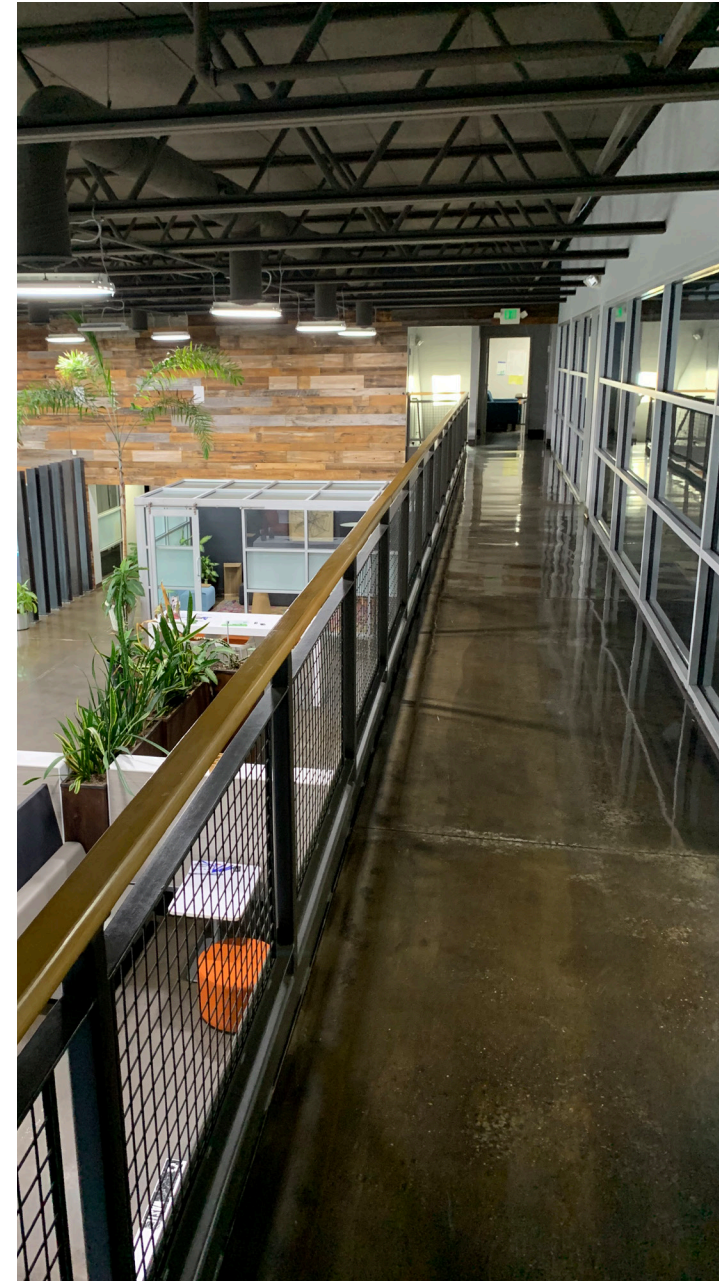




# Site photos

SALES DEALERSHIP

EchoPark Dealership  
Baltimore, MD





# Site photos

AUTO REPAIR | SERVICE SHOP

EchoPark Dealership  
Baltimore, MD





# The guarantor

EchoPark Dealership  
Baltimore, MD

## About Sonic Automotive

Sonic Automotive, Inc., a Fortune 500 company based in Charlotte, North Carolina, is one of the nation's largest automotive retailers as measured by total revenues. Their two operating segments consist of franchised dealerships, representing over 25 different new vehicle brands, and EchoPark Automotive, a growth business offering a unique, modern pre-owned vehicle buying experience expected to reach 90% of the U.S. population by 2025. The company's founder and Executive Chairman O. Bruton Smith, is also the Executive Chairman and a director of Speedway Motorsports (NYSE: TRK).

The dealerships market new and used cars, replacement parts and vehicle maintenance, as well as collision repair services.



**\$28 billion**  
Total Revenue  
by 2025



**645.5 million**  
FY 2021 EBITDA



**111**  
Franchised  
Dealerships



**283,235**  
FY 2021  
Vehicles Sold



**\$12.4 billion**  
FY 2021 Revenue



**46**  
Locations



**Fortune 500**  
Company HQ in NC



**19**  
States

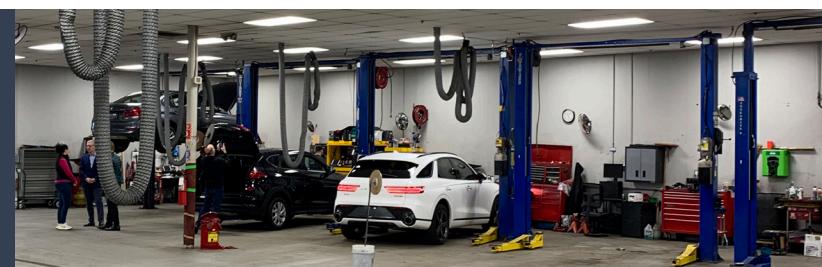


# Guarantor financial performance

EchoPark Dealership  
Baltimore, MD

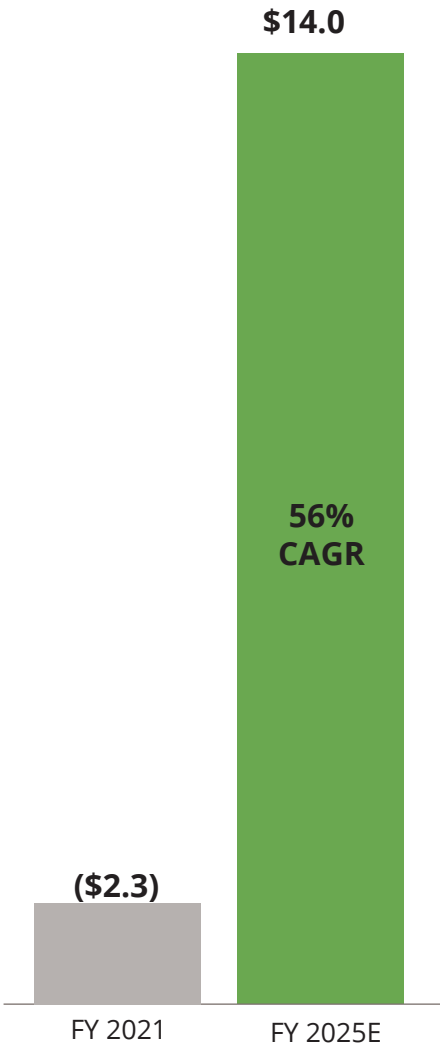
(In thousands)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Net Income (Loss)	\$93,193	\$92,983	\$51,650	\$144,137	(\$51,385)	\$348,900
Provision For Income Taxes	59,899	13,198	22,645	54,954	15,619	109,300
Income (Loss) Before Taxes	\$153,092	\$106,181	\$74,295	\$199,091	(\$35,766)	\$458,200
Non-Floor Plan Interest	48,034	50,531	52,049	50,475	38,672	44,700
Depreciation and Amortization	81,034	92,127	96,652	95,646	93,922	104,300
Stock-Based Compensation Expense	11,165	11,119	11,853	10,797	11,704	15,000
Loss (Gain) On Exit Of Leased Dealerships	1,386	2,157	1,709	(170)	-	100
Impairment Charges	8,063	9,394	29,514	20,768	270,017	-
Loss (Gain) On Debt Extinguishment	(6)	14,607	-	6,690	-	15,600
Long-Term Compensation Charges	-	-	32,522	-	-	8,000
Loss (Gain) on Franchise and Real Estate Disposals	48	(9,980)	(39,307)	(74,812)	(8,247)	(400)
<b>Adjusted EBITDA</b>	<b>\$302,816</b>	<b>\$276,136</b>	<b>\$259,287</b>	<b>\$308,485</b>	<b>\$370,302</b>	<b>\$645,500</b>
Long-Term Debt (Including Current Portion)	\$882,678	\$1,024,703	\$945,083	\$706,886	\$720,067	\$1,510,700
Cash and Equivalents	(3,108)	(6,352)	(5,854)	(29,103)	(170,313)	(299,400)
Floor Plan Deposit Balance	(10,000)	(3,000)	-	-	(73,180)	(99,800)
Net Debt	<u>\$869,570</u>	<u>\$1,015,351</u>	<u>\$939,229</u>	<u>\$677,783</u>	<u>\$476,574</u>	<u>\$1,111,500</u>
Net Debt To Adjusted EBITDA Ratio	2.87	3.68	3.62	2.2	1.29	1.72

**EchoPark sets another all-time record in FY 2021, posting \$2.3 billion in revenue and 77,835 vehicles sold.**

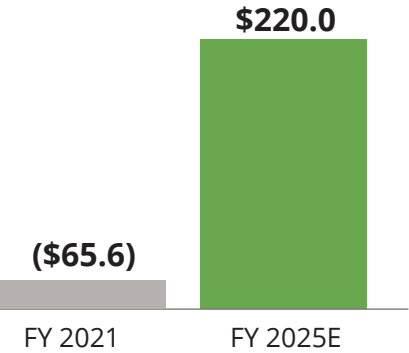


## Five-Year Accelerated Growth for EchoPark

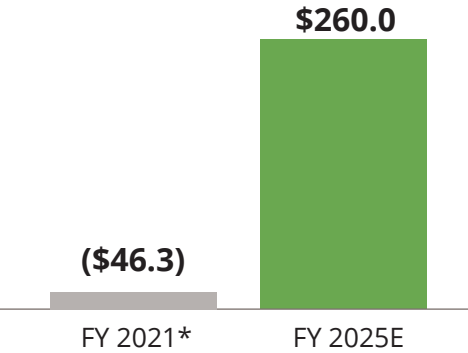
Total Revenues  
(In Billions)



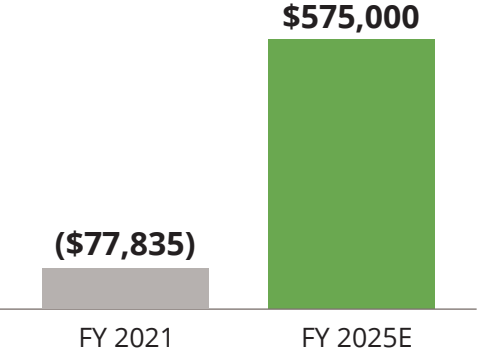
Pre-Tax Profit (Loss)  
(In Millions)



EBITDA  
(In Millions)



Retail Unit  
Sales Volume



### Growth Drivers

- Reached more than 30% of the U.S. population by end of 2021, Expect 90% by 2025
- Population coverage, market density growth and continued market share gains drive long-term opportunity to achieve 2 Million retail unit sales annually
- Existing markets generate ~400,000 unique leads on an annualized basis
- Expand through mix of medium/large retail hubs and delivery centers supporting growing eCommerce distribution network

Note: Amounts are estimates of future results used for modeling purposes. Actual results may differ materially.

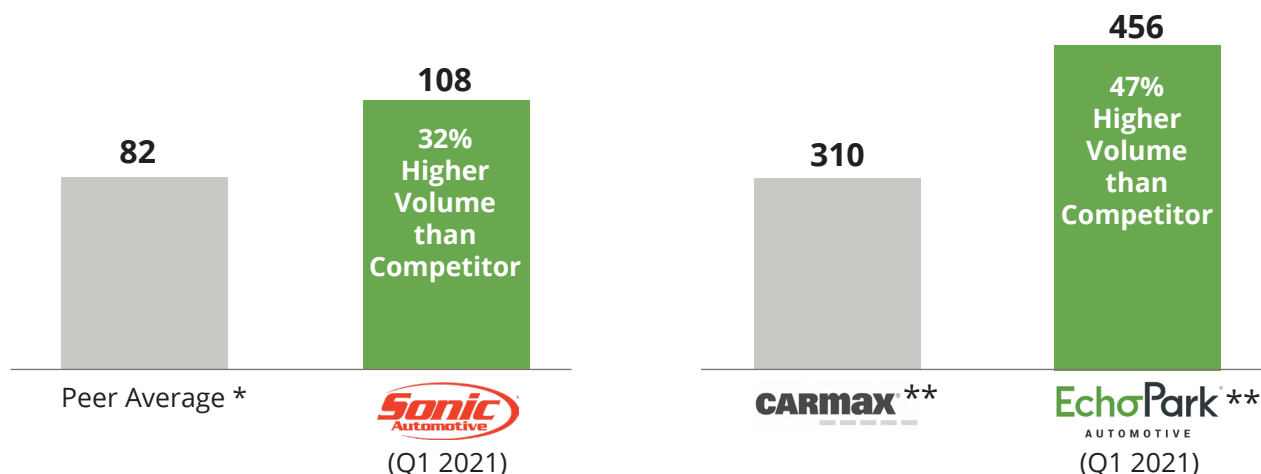


# Business drivers

EchoPark Dealership  
Baltimore, MD

## Industry-Leading Used-Vehicle Volume Throughput

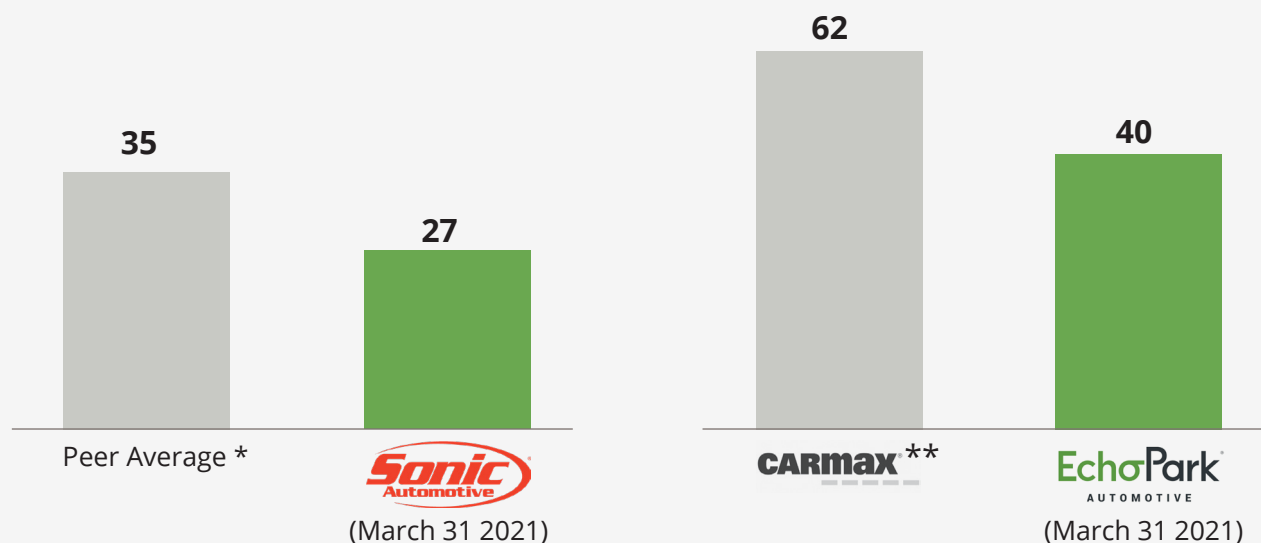
Retail Used-Vehicle Unit Sales Per Store Per Month



Utilize highly efficient inventory sourcing, pricing and selling processes to maximize throughput.

## Inventory Management Expertise

Used-Vehicle Inventory Days' Supply



Low inventory days' supply reduces risk of fluctuations in used-vehicle valuations.

Data analytics tools enable accuracy, consistency and scalability of used inventory sourcing and pricing.

\* Peer Average Is Store Count As Of And Unit Sales For The Quarter Ended December 31, 2020 For GPI, And As Of And For The Quarter Ended March 31, 2021 For ABG, AN, LAD And PAG

\*\* CarMax Data Is Store Count As Of And Unit Sales For The Quarter Ended February 28, 2021, EchoPark Data Includes Retail Hub Markets Open For At Least 12 Full Months Note: Data Source - Company Filings, Company Websites

## Property location

**EchoPark Dealership**  
Baltimore, MD





# Retail overview

## STRONG RETAIL CORRIDOR

EchoPark Dealership  
Baltimore, MD



Location  
Highlights



METRO ACCESS  
LOCATION



24,000+ VPD  
PASS THE SITE



CORNER  
LOCATION



# Local demographic profile

EchoPark Dealership  
Baltimore, MD

**Baltimore, MD** is the most populous city in Maryland, as well as the 30th most populous city in the United States, with a population of 585,708 in 2020. Baltimore was designated an independent city by the Constitution of Maryland in 1851, and today is the largest independent city in the U.S. As of 2017, the population of the Baltimore metropolitan area was estimated to be around 2.8 million, making it the 21st largest metropolitan area in the country.[11] Baltimore is located about 40 miles (64 km) northeast of Washington, DC, making it a principal city in the Washington-Baltimore combined statistical area (CSA), the third-largest CSA in the nation, with a calculated 2018 population of 9,797,063.

## Waterfront Sights, Arts Districts and Renowned Restaurants

Take the Baltimore Water Taxi along the waterfront for stunning views, including the impressive Under Armour complex, before touring the Inner Harbor's historic ships, such as the U.S.S. Constellation, the last Civil War-era vessel still afloat. Check out the National Aquarium, which notably is in Baltimore and not in Washington, DC For world-class restaurants and vibrant arts, visit any of the city's charming neighborhoods. Baltimore is a foodie city; Zagat honored it as the No. 2 city on its "Top 17 Food Cities of 2015" list. Embrace local culture in the city's three arts and entertainment districts to take in street art, music venues and artist studios. Stop at local shops in Fell's Point and Hampden, or head to Harbor East for upscale boutiques.



**157,162**

Households



**\$57,908**

Average HH  
Income



**162,493**

Daytime  
Employees

**1 Mile    3 Miles    5 Miles**

## Population

2021 Population	22,603	154,507	394,832
2026 Population	21,888	151,995	389,377
2021 Median Age	43.1	41.9	39.4

## Households

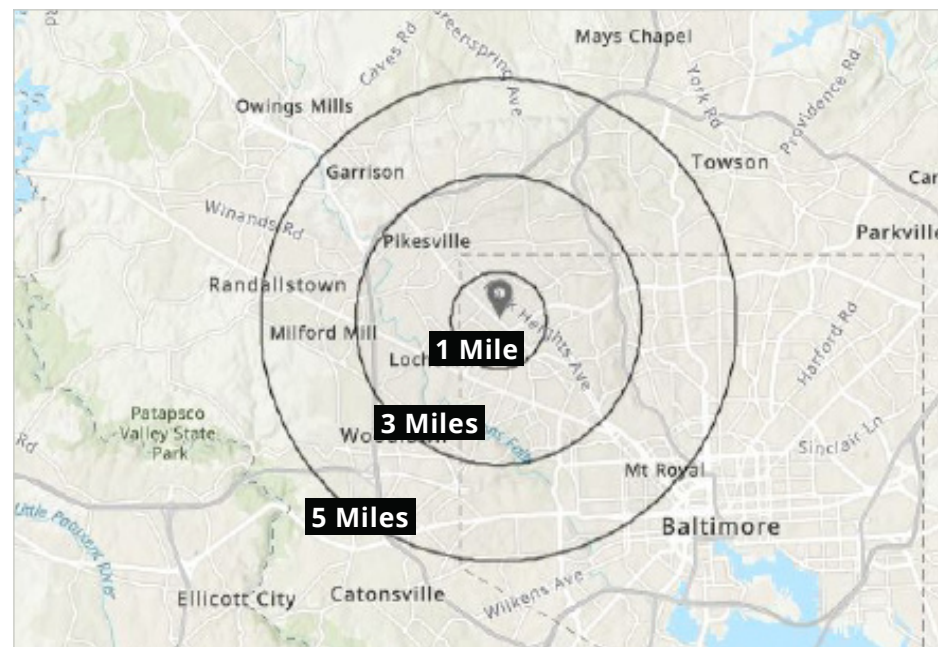
2021 Total Households	9,306	62,778	157,162
2026 Total Households	8,993	61,672	154,753

## Median Household Income

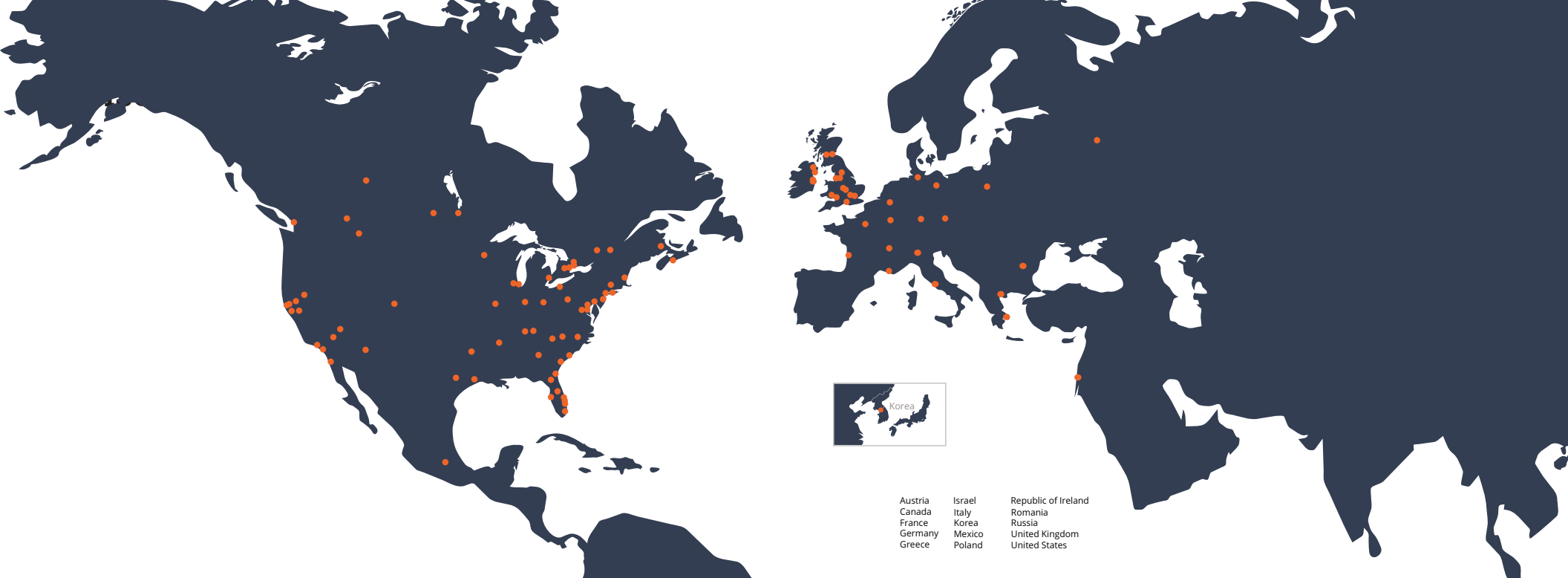
2021 Median HH Income	\$41,886	\$57,067	\$57,908
2026 Median HH Income	\$45,032	\$61,898	\$63,010

## Average Household Income

2021 Average HH Income	\$62,951	\$83,538	\$88,406
2026 Average HH Income	\$69,823	\$93,651	\$98,437







**\$25 billion**

Investment sales volume brokered



**\$10 billion**

Financing transaction volume brokered



**\$5 billion**

Corporate finance transactions

- Creative deal structuring and sales strategies
- Strong buyer and lender relationships
- Principals' established market credibility
- Experienced, knowledgeable, creative and responsive support

## Global presence powered by people

Avison Young creates real economic, social and environmental value as a global real estate advisor, powered by people. As a private company, our clients collaborate with an empowered partner who is invested in their success. Our integrated talent realizes the full potential of real estate by using global intelligence platforms that provide clients with insights and advantage. Together, we can create healthy, productive workplaces for employees, cities that are centers for prosperity for their citizens, and built spaces and places that create a net benefit to the economy, the environment and the community.

**If you would like more  
information on this offering  
please get in touch.**

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