



1220 9TH AVE SE (US-212)

Watertown, SD 57201



INTERACTIVE OFFERING MEMORANDUM

OFFERING MEMORANDUM

ARBY'S

1220 9th Ave SE | Watertown, SD 57201

PRESENTED BY

BROKER OF RECORD

MICHAEL HAEDER
License No. 13033 (SD)

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Abs. NNN

Lease Type



±19 Years

Remaining Lease Term



5.15% Per Year

Average Annual Sales
Growth (4 Years)



121 Units

Lease Guarantee

PROPERTY OVERVIEW

ABSOLUTE NNN

The property features an Absolute NNN lease with over **19 years** of remaining lease term, and no early termination rights, making this a completely passive “hands-off” investment property with long-term stability and rent growth.

STRONG AND GROWING SALES

This location generated over \$2 million in sales in 2023, approximately 59% more than the average Arby's restaurant. Store sales are consistently increasing at this site, with average sales growth of 5.13% over the last 4 years.

PERCENTAGE RENT UPSIDE

The tenant pays additional percentage rent of its gross sales, which are steadily growing.. This provides significant upside to an investor as its growing sales volume will increase the rental revenue and returns over the holding period.

NATIONAL OPERATOR

The tenant is *DRM, Inc.*, who operates over 120 Arby's stores in Illinois, Iowa, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin. The company recently signed a development agreement committing to opening another 25 new restaurants over the next 7 years.

CENTRAL LOCATION

Centrally located in the heart of Watertown at the main entrance to the city's largest shopping center. Arby's benefits from strong daily traffic drawn by the center's national retailer presence, including Hy-Vee Grocery Store, Planet Fitness, Bath and Body Works, Famous Footwear, Harbor Freight Tools, Wells Fargo Bank, and more.

MAJOR US HIGHWAY & RETAIL CORRIDOR

Situated along US Highway 212, the region's primary east-west thoroughfare and retail corridor, with convenient access to Interstate 29 approximately 1.5 miles east. The corridor feature many prominent national retailers including Walmart, Target, Menards, Tractor Supply Co, Ace Hardware, Starbucks, McDonald's, Wendy's, Taco Bell, Burger King, Scooter's Coffee, Dairy Queen, Jimmy John's, Caribou Coffee, Buffalo Wild Wings, Culver's, Applebee's, Verizon, O'Reilly Auto Parts, and Valvoline, among others.



FINANCIAL SUMMARY



\$2,569,000

LIST PRICE



5.50%

CAP RATE



19 YEARS

LEASE TERM

PROFORMA

PERCENTAGE RENT

Average Sales Over Last 3 Years \$2,018,571

Breakpoint \$1,874,171

Difference From Breakpoint \$144,400

Percentage Rent at 7% \$10,108

TOTAL RENT

Base Rent \$131,192

Percentage Rent Total \$10,108

Total Annual Rent (Absolute NNN) \$141,300

**NOI Underwriting based off of the last 3 years of store sales

HISTORICAL SALES

STORE SALES

Year	Annual Store Sales	Avg Sales/Month	Annual % Increase
2018	\$1,620,087	\$135,007	N/A
2019	\$1,687,827	\$140,652	4.18%
2020	\$1,894,339	\$157,862	12.24%
2021	\$2,004,914	\$167,076	5.84%
2022	\$1,996,950	\$166,413	-0.40%
2023	\$2,053,848	\$171,154	2.85%
Avg Over Last 3 Years	\$2,018,571	\$168,214	5.13%

**Avg Annual % Increase is calculated off of the last 4 years of data

LEASE ABSTRACT

Tenant	DRM, Inc. (121 units)	
Building Size	±3,500 SF	
Lot Size	±0.66 Acres	
Lease Commencement	October 3rd, 2023	
Rent Commencement	October 3rd, 2023	
Lease Expiration	October 31st, 2043	
Annual Base Rent	\$131,192	
Renewal Options	Four 5-Year Renewal Options	
Percentage Rent Clause	Sum equal to the amount, if any, by which 7% of Store Sales for such lease year exceeds the established Breakpoint in excess to Base Rent	
Percentage Rent Breakpoint	\$1,874,171	
Store Sales Reporting	Lessee to report annual store sales to Lessor on or before the 60th day following the end of each lease year	
Taxes	Tenant Responsible	
Utilities	Tenant Responsible	
Insurance	Tenant Responsible	
Roof and Structure	Tenant Responsible	
Common Area Maintenance	Tenant Responsible	
Landlord Responsibility	None	
Right of First Refusal	10 Days	





TENANT PROFILE

Arby's Fast Crafted restaurant services feature a unique blend of quick-serve speed combined with the quality and made-for- you care of fast casual.

Arby's Restaurant Group, Inc. is the franchisor of the Arby's Brand and is headquartered in Atlanta, GA. Arby's Restaurant Group (ARG) operates the Arby's fast food chain popular for its hot roast beef sandwiches. In addition to roast beef sandwiches, its menu features chicken sandwiches, salads, and some dessert items. More than 1,100 Arby's locations are company-owned, while the rest are franchised. Arby's is looking to revitalize its guest experience by remodeling 229 restaurants systemwide in the Inspire design.

Arby's has re-engineered its restaurants to reduce development costs, expand site selection options, and deliver an upgraded guest experience. Arby's has improved ROI by stripping out some of the costs of opening or remodeling a restaurant. The Inspire design reduces development and remodeling costs, increases restaurant efficiency, and is highly adaptable to a wide range of site opportunities.

FRANCHISEE OVERVIEW

DRM, Inc. is an award winning family-owned and operated company, currently operating over 120 Arby's Units in the northern midwest region, making DRM the second largest Arby's Franchisee in the nation. Since last year's acquisition of 12 stores in South Dakota, they now operate Arby's restaurants in 7 different states.

The company is headquartered in Omaha, Nebraska but is focused on the growth of their business throughout the region. Their most recent development agreement has put them on pace to open 25 more restaurants over the next 7 years.

HEADQUARTERS
Atlanta, GA

YEAR FOUNDED
1964

OF EMPLOYEES
80,000



9TH AVE SE ± 17,601 VPD

SUBJECT
PROPERTY

WATERTOWN MALL





**SUBJECT
PROPERTY**

9TH AVE SE ± 17,601 VPD

**WELLS
FARGO**





WATERTOWN MALL

HARBOR FREIGHT
QUALITY TOOLS • LOWEST PRICES

FAMOUS
footwear™

Dunham's
SPORTS

GLIK'S

planet
fitness

HOME Oasis
HOT TUBS • SALES & SERVICE • POOLS

SOUTH DAKOTA
TRAILER CO.



DACOTAH BANK
Here for you.™

SUBJECT
PROPERTY

GLACIAL LAKES
VETERINARY CLINIC

9TH AVE SE ± 17,601 VPD

AREA OVERVIEW

Watertown, South Dakota, is a vibrant city located in the northeastern part of the state, known for its rich history and strong sense of community. With a population of around 21,000, it serves as a regional hub for commerce, education, and healthcare. The city boasts a variety of recreational opportunities, including the beautiful Lake Kampeska, which offers fishing, boating, and hiking trails, making it a popular destination for outdoor enthusiasts. Watertown also hosts several annual events and festivals, fostering a tight-knit community spirit that draws residents and visitors together.

Economically, Watertown has a diverse base, with industries ranging from agriculture and manufacturing to retail and healthcare. The city is home to several major employers, including the South Dakota State Government and various local businesses that contribute to the overall economic landscape. Watertown's commitment to education is evident through its schools and the presence of Lake Area Technical College, which offers vocational training and degree programs. With its blend of small-town charm and access to modern amenities, Watertown provides a quality of life that appeals to families and individuals alike.



300,000
NUMBER OF ANNUAL VISITORS



\$30 Million
REVENUE



DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE
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Five-Year Projection	5,243	21,188	24,241
Current Year Estimate	5,208	20,448	23,428
2020 Census	5,176	20,149	23,046
Growth Current Year-Five-Year	0.69%	3.62%	3.47%
Growth 2020-Current Year	0.61%	1.48%	1.66%

HOUSEHOLDS	1-MILE	3-MILE	5-MILE
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Five-Year Projection	2,541	9,738	11,004
Current Year Estimate	2,508	9,347	10,576
2020 Census	2,456	8,879	10,004
Growth Current Year-Five-Year	1.33%	4.19%	4.05%
Growth 2020-Current Year	2.12%	5.27%	5.71%

INCOME	1-MILE	3-MILE	5-MILE
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Average Household Income	\$67,772	\$80,937	\$86,940
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ECONOMY

Watertown, South Dakota, has a diverse economy that is primarily driven by agriculture, manufacturing, and healthcare. The region's agricultural sector plays a vital role, with local farms producing crops such as corn, soybeans, and sunflowers, as well as livestock. This agricultural foundation supports various agribusinesses and contributes to the overall economic stability of the area.

In addition to agriculture, Watertown is home to a range of manufacturing companies that produce goods including plastics, electronics, and machinery. The city also serves as a regional hub for healthcare, with major employers such as the Prairie Lakes Healthcare System providing essential medical services to the surrounding areas. Retail and service industries continue to thrive, bolstered by a growing population and a commitment to supporting local businesses. With its strategic location and diverse economic base, Watertown is well-positioned for continued growth and development.

ECONOMIC DEVELOPMENT

Watertown, SD, actively promotes economic development through initiatives aimed at attracting new businesses and supporting existing ones. The city collaborates with local organizations, such as the Watertown Development Company, to facilitate investment and growth by providing resources, incentives, and workforce training programs. This focus on fostering a business-friendly environment not only enhances job opportunities but also improves the overall quality of life for residents, making Watertown an appealing destination for both entrepreneurs and families.



LOW UNEMPLOYMENT
(U.S. NEWS & WORLD REPORT)



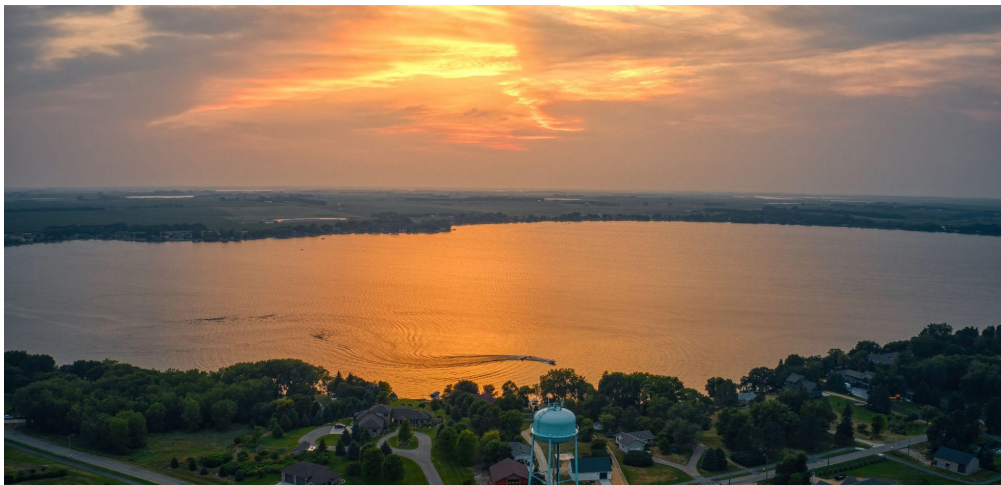
STRONG HEALTHCARE ACCESS
(U.S. NEWS & WORLD REPORT)

EMPLOYERS	EMPLOYEES
Sanford Health	48,000
Avera Health	20,000
State of South Dakota	15,000
Smithfield Foods	3,000
Citibank	2,500
Dakota State University	1,000
Walmart	1,500
Black Hills Corporation	1,500
Rushmore Mountain Taffy Shop	300
Verizon Wireless	1,000



CODINGTON COUNTY HERITAGE MUSEUM

This museum showcases the rich history of Watertown and Codington County, featuring exhibits on local culture, agriculture, and the region's pioneer days. Visitors can explore artifacts, photographs, and interactive displays that highlight the area's heritage.



LAKE KAMPESKA

A favorite destination for outdoor enthusiasts, Lake Kampeska offers opportunities for fishing, boating, swimming, and hiking. The scenic lake is surrounded by parks and picnic areas, making it a great spot for family outings and recreational activities throughout the year.



EDUCATION

Dakota State University (DSU), located in Madison, South Dakota, is approximately 50 miles from Watertown. Founded in 1881, DSU has grown into a prominent institution known for its focus on technology, education, and business. The university serves around 3,000 students, offering a wide range of undergraduate and graduate programs, with particular strengths in fields such as cybersecurity, information systems, and software development. This emphasis on technology and innovation aligns with the growing demand for skilled professionals in the digital age.

The university's commitment to hands-on learning is evident through its state-of-the-art facilities and active partnerships with industry leaders. DSU provides students with opportunities to engage in research projects, internships, and collaborative initiatives that enhance their educational experience and prepare them for successful careers. The campus is home to a vibrant community of students, faculty, and staff, fostering an environment that encourages creativity, critical thinking, and teamwork.

In addition to its academic offerings, Dakota State University promotes a rich campus life with various student organizations, athletic programs, and cultural events. This dynamic atmosphere helps students build lasting connections and develop leadership skills outside the classroom. With its proximity to Watertown, DSU serves as a valuable educational resource for local residents, offering accessible higher education options and contributing to the region's workforce development.

CONFIDENTIALITY AGREEMENT & DISCLAIMER

This Offering Memorandum contains select information pertaining to the business and affairs of the property owner and its tenant for real property located at **1220 9th Ave SE, Watertown, SD, 57201** (“Property”). The Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Matthews Real Estate Investment Services. The material and information in the Offering Memorandum is unverified. Matthews Real Estate Investment Services has not made any investigation, and makes no warranty or representation, with respect to square footage, income and expenses, the future financial performance of the property, future rent, and real estate value market conditions, the condition or financial prospects of any tenant, or the tenants’ plans or intentions to continue to occupy space at the property. All prospective purchasers should conduct their own thorough due diligence investigation of each of these areas with the assistance of their accounting, construction, and legal professionals, and seek expert opinions regarding volatile market conditions given the unpredictable changes resulting from the continuing COVID-19 pandemic. The information is based in part upon information supplied by the Owner and in part upon financial information obtained from sources the Owner deems reliable. Neither owner, nor their officers, employees, or real estate agents make any representation or warranty, express or implied, as to the accuracy or completeness of this Offering Memorandum, or any of its content, and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein.

By acknowledging your receipt of this Offering Memorandum for the Property, you agree:

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2. You will hold it and treat it in the strictest of confidence; and
3. You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner.

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If you wish not to pursue negotiations leading to the acquisition of the Property or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser’s sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Owner or Matthews Real Estate Investment Services or any of their affiliates or any of their respective officers, directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date of this Offering Memorandum.

Net Lease Disclaimer – There are many different types of leases, including gross, net, single net (“N”), double net (“NN”), and triple net (“NNN”) leases. The distinctions between different types of leases or within the same type of leases, such as “Bondable NNN,” “Absolute NNN,” “True NNN,” or other NNN leases, are not always clear. Labels given to different leases may mean different things to different people and are not defined legal terms. Buyers cannot rely on the labels or marketing descriptions given to any lease when making their purchasing decisions. Buyers must closely review all lease terms and are advised to seek legal counsel to determine the landlord and tenant’s respective rights and duties under the lease to ensure the lease, regardless of how labeled or described, meets the buyers’ particular needs.



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