

CIRCLE K

702 W MCDOWELL RD, PHOENIX, AZ 85007

DOWNTOWN PHOENIX



51,670 CPD
N 7TH AVENUE

38,200 CPD
MCDOWELL RD



OFFERING MEMORANDUM

Marcus & Millichap



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Executive Summary

702 W McDowell Rd, Phoenix, AZ 85007

FINANCIAL SUMMARY

Price	\$2,927,000
Cap Rate	5.25%
Building Size	2,680 SF
Net Cash Flow	5.25% \$153,669
Year Built / Remodeled	1987
Lot Size	.413 Acres

LEASE SUMMARY

Lease Type	Absolute Triple-Net (NNN) Lease
Tenant	Circle K Stores Inc.
Guarantor	Corporate
Lease Commencement Date	March 7, 2008
Lease Expiration Date	March 31, 2028
Effective Lease Term Remaining	3 Years
Rental Increases	5% Every 5 Years in the initial 4, 5 Year Renewal Options, then FMV in the remaining 2, 10 year Renewal Options
Renewal Options Remaining	4, 5 Year Options, then 2, 10 Year Renewals
First Right of Offer/Refusal	25 Days

ANNUALIZED OPERATING DATA

Lease Years	Annual Rent	Cap Rate
Current – 3/31/2028	\$153,669.00	5.25%
Renewal Options	Annual Rent	Cap Rate
Option 1 (4/1/2028 - 3/31/2033)	\$161,352.45	5.51%
Option 2 (4/1/2033 - 3/31/2038)	\$169,420.07	5.79%
Option 3 (4/1/2038 - 3/31/2043)	\$177,891.08	6.08%
Option 4 (4/1/2043 - 3/31/2058)	\$186,785.63	6.38%
Option 5 (4/1/2058 - 3/31/2063)	FMV	–
Option 6 (4/1/2063 - 3/31/2078)	FMV	–

Base Rent	\$153,669
Net Operating Income	\$153,669
Total Return	5.25% \$153,669



Bonus & Accelerated Depreciation

Special Tax Advantage Afforded IRS Section 1250 Property (Circle K Asset)

BONUS DEPRECIATION - 40% YEAR 1

These investments present a tremendous opportunity for special tax saving privileges. In 2017, the Tax Cuts and Jobs Act (TCJA) made a few changes to the bonus depreciation rules, specifically modifying Section 168 of the Internal Revenue Code to double the allowable bonus depreciation from 50% to 100% in the first year for eligible properties between 9/27/2017 and 1/1/2023, with the bonus rate phasing down by 20% each year after 2023 until 2027.

The TCJA sets a limit on the amount of net losses that can be booked in a given tax year, the calculation for which aggregates all global profits and losses for the individual or entity filing. IRC§461(l) sets these rules, which apply to sole proprietorships, partnerships, limited liability companies (LLCs), S corporations, estates, and trusts.

For individuals, the sum of all gross profits/gains and losses generated from all trading and business activity cannot result in a loss exceeding \$250,000 in a tax year, or \$500,000 if filing jointly. Any losses that exceed this threshold will be carried forwards indefinitely as an NOL, which can offset up to 80% of the tax-payer's taxable income in subsequent years, per TCJA

For example, suppose an investor filing joint taxes has aggregate gross annual income of \$5M and incurs aggregate losses of \$7M, creating an excess loss of \$2M. This investor will be subject to the \$500,000 loss threshold, and the remaining \$1.5M of excess (disallowed) loss will be carried forwards to the following tax year. Suppose the next year, this same investor earns a gross \$6M and incurs aggregate losses of \$2M, resulting in taxable income of \$4M. The investor may fully utilize their prior-year NOL to reduce their taxable income by \$1.5M.

Suppose this same investor, in year 2, had taxable income of \$1M, retaining the same \$1.5M of prior year NOL. The investor may utilize \$800,000 of the NOL (80% of their taxable income) to reduce their taxable income to \$200,000 and the remaining \$700,000 of NOL will be carried forwards (i.e. investor can't use the carry forwards from prior year to incur net loss for a subsequent year).

See below for illustration of additional cash flow.

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*Assumes 20% of purchase price is attributed to the land.

BONUS DEPRECIATION - CIRCLE K

Purchase Price	\$2,927,000.00
Cap Rate	5.25%
Cash Flow	\$153,669.00
Improvement Value (80%)	\$2,341,600.00
40% Bonus Depreciation Year 1	\$936,640.00
Taxable Income	\$0.00
Cash Flow (after Taxes)	\$153,669.00
Carry Forward Loss	(\$782,971.00)

ACCELERATED DEPRECIATION

These investments present a tremendous opportunity for special tax saving privileges. 15-year accelerated depreciation schedule may be applied to these properties, under current IRS guidelines.

When looking at the comparison below between a Circle K and a representative non-gas station/convenience store, one can see the tremendous tax savings when applying a 15 year accelerated method vs. the standard 39 year method utilized in connection with the depreciation of other commercial properties.

See below for illustration of additional cash flow.

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ACCELERATED DEPRECIATION - CIRCLE K

Purchase Price	\$2,927,000.00
Cap Rate	5.25%
Cash Flow	\$153,669.00
Improvement Value (80%)	\$2,341,600.00
15 Year Depreciation Expense	\$156,106.67
Taxable Income	\$0.00
Cash Flow (After Taxes)	\$153,669.00
Carry Forward Loss	(\$2,437.67)

DEPRECIATION - OTHER NNN ASSET

Purchase Price	\$2,927,000.00
Cap Rate	5.25%
Cash Flow	\$153,669.00
Improvement Value (80%)	\$2,341,600.00
39 Year Depreciation	\$48,032.82
Taxable Income	\$105,636.18
Income Taxes (37% tax bracket)	\$39,085.39
Cash Flow (After Taxes)	\$114,583.61
Carry Forward Loss	\$0.00

PhxArt
Phoenix Art Museum

ROSES
BY THE
STAIRS

DOWNTOWN PHOENIX

dogtopia.

LE TACO.

FIVE GUYS
BURGERS and FRIES
WING STOP

CHIPOTLE
RESTAURANT

zojo

the Habit
BURGER GRILL
T Mobile
rubio's
COASTAL GRILL
POTBELLY
SANDWICH SHOP

PEI WEI

51,670 CPD
N 7TH AVENUE

38,200 CPD
MCDOWELL RD

CIRCLE K

N



17,000 STUDENTS



Dignity Health.
St. Joseph's Hospital and
Medical Center

ENCANTO PARK

MIDTOWN PHOENIX



METROPOLITAN ARTS
INSTITUTE

51,670 CPD
N 7TH AVENUE



Property Description



INVESTMENT HIGHLIGHTS

- » **Absolute Triple-Net (NNN) Lease - Tenant Recently Exercised a Three-Year Extension, Showing Commitment to the Site**
- » 5% Increases Every 5 Years in the Initial Four, Five-Year Renewal Options
- » **Long Term Operating History – Tenant has Occupied the Site Since 2008**
- » 405,708 Residents within a Five-Mile Radius - Rare Infill Near Downtown Phoenix
- » **Opportunity for Bonus Depreciation**
- » Hard Corner Location, Easily Accessible by Roughly 90,000 Cars Per Day from McDowell Road & N 7th Avenue
- » **Within a Block of Starbucks, Chick-Fil-A, Jack in the Box, and More**
- » Located within a 5-Minute Drive of Downtown Phoenix



DEMOGRAPHICS

1-mile

3-miles

5-miles

Population

2028 Projection	17,106	157,423	426,331
2023 Estimate	16,175	149,160	405,708
Growth 2023 - 2028	5.75%	5.54%	5.08%

Households

2028 Projections	9,844	64,204	156,963
2023 Estimate	9,200	59,792	147,519
Growth 2023 - 2028	6.99%	7.38%	6.40%

Income

2023 Est. Average Household Income	\$100,219	\$69,779	\$73,031
2023 Est. Median Household Income	\$72,950	\$48,839	\$50,170

Tenant Overview



TM

Circle K has become one of the most widely recognized convenience store brands, known worldwide for quality products and great customer service. Founded in 1951 in El Paso, Texas, the company is owned and operated by the Canada-based Alimentation Couche-Tard, the leader in the Canadian convenience store industry. In the United States, it is the largest independent convenience store operator in terms of number of company-operated stores. As of April 30, 2023, Couche-Tard's network comprised 14,468 convenience stores throughout North America. Circle K has thousands of locations worldwide, with a significant presence in North America, Europe, and Asia. It offers a variety of products, including snacks, beverages, fuel, tobacco, groceries, and prepared food items. Many stores also provide additional services like ATMs, car washes, and lottery tickets. Many Circle K stores are also integrated with gas stations, making them a one-stop destination for fuel, convenience items, and snacks.



ALIMENTATION COUCHE-TARD

Parent Company



15,000+
Locations



CIRCLEK.COM
Website

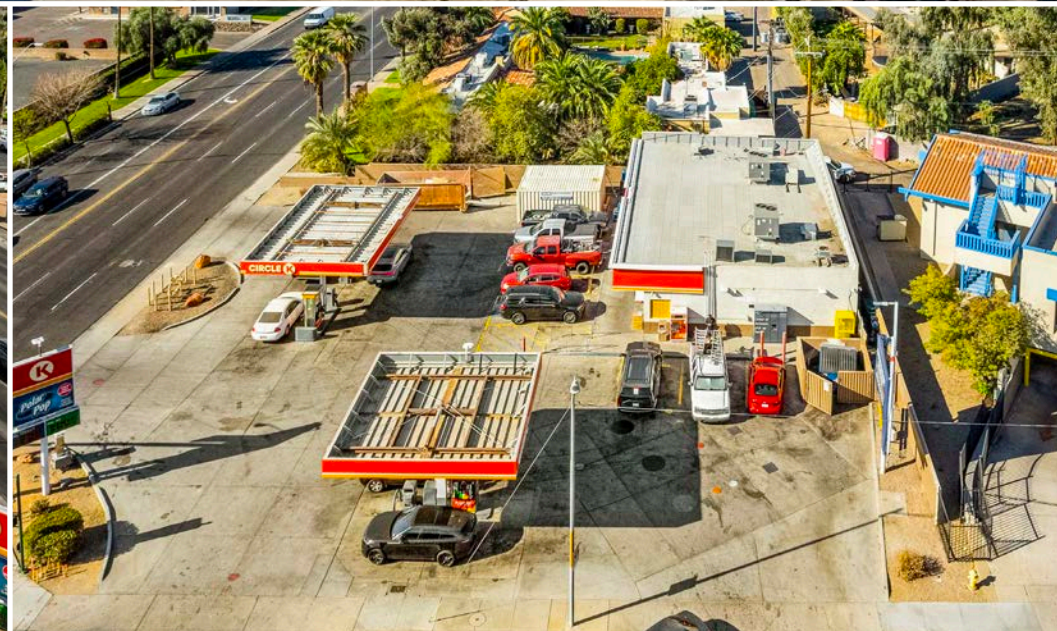


1951
Founded

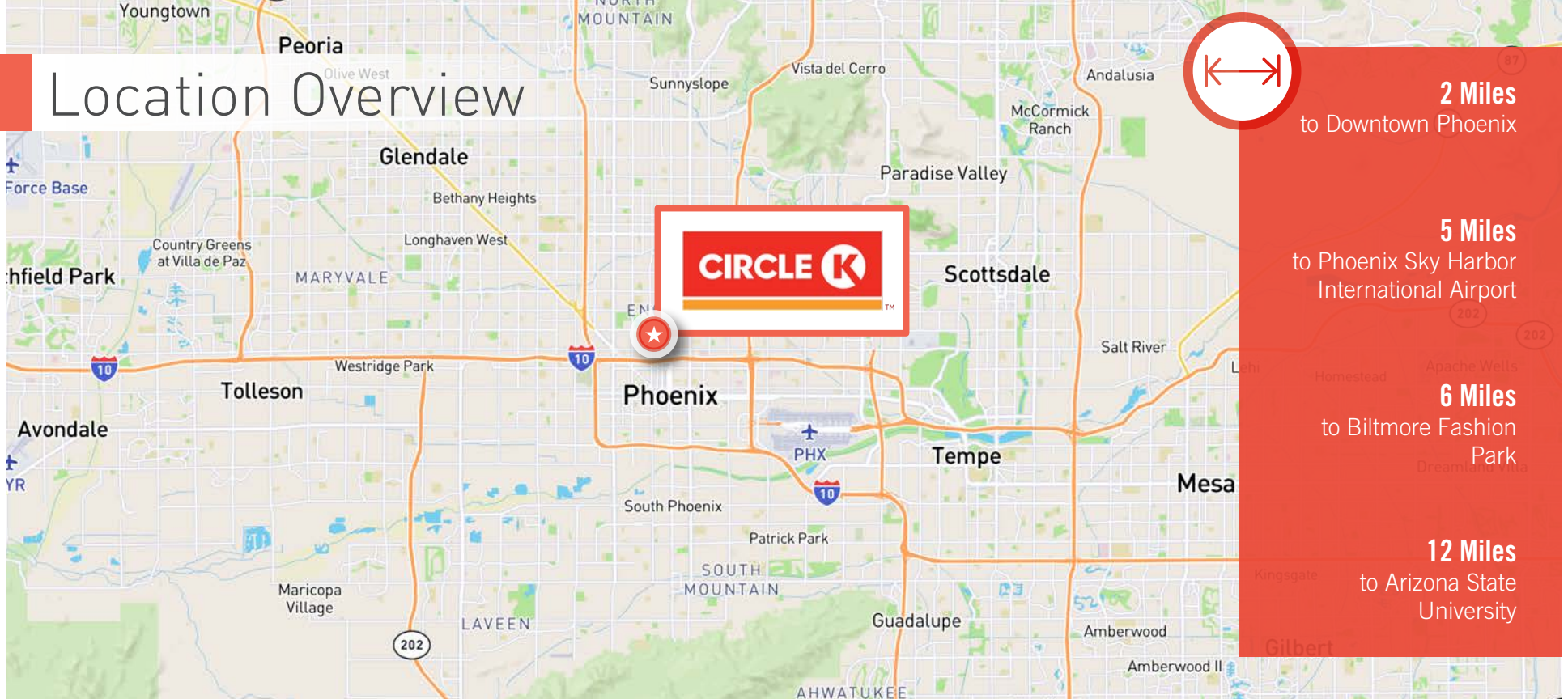


TEMPE, AZ
Headquarters

Property Photos



Location Overview



The Phoenix metro consists of Maricopa and Pinal counties, and includes more than 30 incorporated and more than 30 unincorporated towns and cities. Since 2000, the population in the metro increased by more than 38 percent. The largest city is Phoenix, which encompasses about 520 square miles, is the capital city and boasts a population of more than 1.5 million.

As one of the primary beneficiaries of the massive shift in the U.S. population from north to south, the Phoenix metro has had little difficulty finding workers. Phoenix claims five Fortune 500 headquarters, including Freeport-McMoRan, Republic Services, Insight Enterprises, Avnet and PetSmart. Construction, hightech manufacturing, healthcare and tourism dominate the Phoenix economy. The local economy has strengthened since the recession, with retail sales projected above 8 percent this year and hotel occupancy levels rising.

High-tech manufacturing has been a powerful driver in the local economy for two decades. The region's relatively low cost of doing business has encouraged several manufacturers to remain and expand in the area, while luring others. The strengthening economy has drawn job seekers to the area, boosting the housing market. Phoenix offers a lower cost of living than other metros its size, a moderate climate, and a wide variety of recreational and cultural activities.

The Phoenix region boasts almost 300 days of sunshine annually, low humidity and mild winters. In addition to hiking, camping and boating, sports enthusiasts can enjoy one of the most complete lineups of major league teams found in any city, including teams in all four major sports. The Cactus League holds spring training baseball throughout the Valley, and the area has numerous golf courses and tennis courts.

[exclusively listed by]

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