



Walgreens - 11-Years of Term - Sacramento MSA

6144 Dewey Drive, Citrus Heights, CA

Confidential Offering Memorandum

Walgreens

11-Year Walgreens High-Growth MSA

INVESTMENT HIGHLIGHTS

DENSE DEMOGRAPHICS WITHIN
HIGH-GROWTH SACRAMENTO MSA

●
ESSENTIAL RETAILER WITH YOY
SITE SALES UP 26% MARCH-MAY

●
NATIONAL INVESTMENT-GRADE
PHARMACY TENANT

●
LONG-TERM 11-YEAR NET LEASE
STRUCTURE

●
20-YEAR SITE OPERATING HISTORY
WITH RECENT LEASE EXTENSION

●
SIGNALIZED INTERSECTION WITH
OVER 67,000 VPD

●
24-HOUR LOCATION

THE OFFERING

JLL is pleased to exclusively offer the opportunity to acquire a fee simple, NN-leased Walgreens (the “Property” or the “Asset”) in Citrus Heights, CA in the Sacramento MSA. The Property is ideally positioned on a 1.83-acre parcel at the signalized intersection of Dewey Drive and Greenback Lane seeing over 67,000 VPD, with minimal competition in the immediate area. Walgreens, an investment-grade tenant (S&P: ‘BBB/Stable’), has occupied the Property since 2000, with just over 11 years remaining on the primary term of the lease. This offering presents the rare opportunity for an investor to acquire a well-positioned Walgreens demonstrating significant year-over-year sales growth, a recent lease extension of 10 years, and dense surrounding demographics in a California MSA experiencing significant population growth

NET LEASE STRUCTURE WITH INVESTMENT-GRADE TENANT

- The Property features a recent lease extension, with **11 years of lease term** remaining in the primary term.
- **20-year historical occupancy** at the location paired with a newly cast 10-year lease suggests strong commitment to the site for investors seeking a long term hold.
- Minimal landlord responsibilities permits investors a passive income stream featuring **investment-grade tenancy** from an **essential retailer**

EXPLOSIVE POPULATION GROWTH

- The **Sacramento MSA’s** population **grew at a rate of nearly 20%** over the last decade and is projected to grow an additional 5.9% over the next 5 years.

24-HOUR STORE WITH STRONG UNIT PERFORMANCE

- The store is **open 24-hours** and features a drive-thru lane recent adapted to convenience sales in addition to pharmacy.
- The store has experienced **26% sales growth year-over-year** from March-May

HIGH TRAFFIC COUNT IN A DENSE CALIFORNIA SUBURB

- The intersection sees over 67,000 VPD and is located on a primary commuter route for the local residents
- The dense population OF 385,000 residents within a 5-mile radius surrounding the Asset allows the Property to generate significant traffic, as it is the **closest pharmacy to nearly 80,000 residents** in **Citrus Heights**

Investment Summary

Address	6144 Dewey Drive, Citrus Heights, CA
Price	\$8,173,043
Cap Rate	5.75%
Year 1 Rent	\$469,950
Remaining Lease Term	11 Years
Building Area	15,625 SF
Site Size	1.83 Acres
Year Built	2000
Ownership Interest	Fee-Simple
Lease Type	NN (Roof & Structure)

LEASE ABSTRACT & SITE PLAN

Walgreens - Lease Abstract

Tenant	Walgreens Co.
Location	6144 Dewey Dr., Citrus Heights, CA
Site Area	1.83 Acres
NOI	\$469,950
Building Size	15,625 SF
Lease Structure	NN (Roof & Structure)
Lease Term Remaining	11 Years
Lease Expiration	8/31/2031
Escalations	Flat
Options to Renew	6, 5-year options
Year Built	2000
Drive-Thru	Yes
Alcohol Sales	Yes

Open 24 Hours



\$88,000 Average Income - 5-mile radius
385,000 Residents - 5-mile radius



Walgreens

**Over 67,000 VPD at
the Intersection**

Greenback Lane

Dewey Drive

Walgreens

Tenant Overview

Founded in 1901, Walgreens Boots Alliance (“Walgreens”) is the global leader in pharmacy-led health and wellbeing retail. Walgreens operates more than 13,800 stores in the 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands. With a typical store carrying over 18,000 items, Walgreens’ stores offer a wide range of consumer goods in addition to its pharmacy, health and wellness services.

Bolstering Walgreens’ impressive six million daily customers, an average of 68 million people visit Walgreens’ websites (walgreens.com and drugstore.com) monthly. The company has more than 85,000 healthcare service providers, including pharmacists, pharmacy technicians, nurse practitioners, and other health-related professionals. During FY 2019, Walgreens filled over 1.1 billion prescriptions (including immunizations) on a 30-day adjusted basis.

Tenant Overview

Company:	Walgreens Boots Alliance
Year Founded:	1901
Headquarters:	Deerfield, IL
Ownership Type:	Public (NASDAQ: WBA)
Sector:	Retail Pharmacies
Locations:	13,800
Number of Employees:	385,000
Credit Rating (Moody’s/S&P):	‘Baa2 / Stable’ & ‘BBB / Stable’
Annual Revenue (FY 2019):	\$136.8 Billion
Gross Profit (FY 2019):	\$30.1 Billion
Total Assets (FY 2019):	\$67.50 Billion

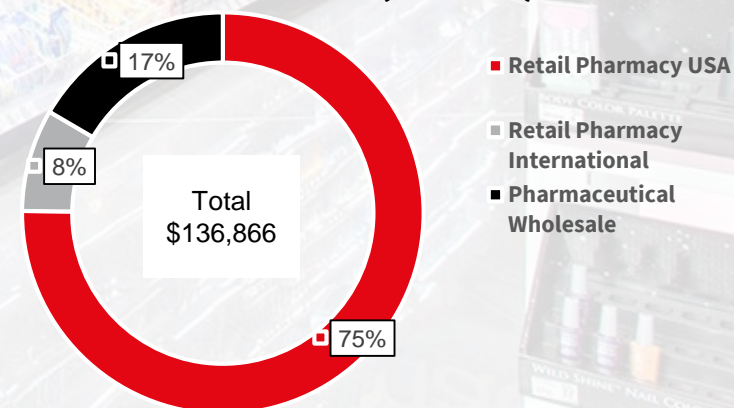


- **Well-known and respected brand:** Walgreens Boots Alliance is the largest retail pharmacy, health, and daily living destination in the U.S and Europe
- **Investment-grade credit ratings** from Moody's and S&P (both WBA and Walgreen Co.)
- **Positive brick-and-mortar fundamentals**, with 25 of the 26 prior quarters (through 2Q20) showing positive same-story pharmacy sales growth
- **Long-term strategic plan** in place to address potential retail pharmacy headwinds:
 - Accelerated digitization of the company
 - Accelerated focus on key partnerships
 - Renewed focus on operational excellence and store optimization
- **Transformational Cost Management Program** expected to drive over \$1.8 billion in savings
- **Favorable macro landscape** in the drugstore industry
 - Aging U.S. population will increase long-term use of prescription drugs
 - Demand for prescription drug medication is mostly resilient to recession
 - Consumer preference shifting away from mail order to physical drugstores
 - High barriers to entry for new entrants given scale necessary to compete on price
 - Estimated 80% of U.S. population lives within 5-mile radius of a Walgreens or other large drug store
- **\$650 million in expected contribution from Rite Aid synergies** through optimization of store footprint and store integration/rebranding
- **Swift capitalization on consumer demand** in recently announcing that CBD products will be sold at over 1,500 locations

Walgreens Response to COVID-19

- YTD Sales up +2.9% vs. 2019; Suburban locations sales +8%; Digital sales up +23% in Fiscal Q3
- Ensuring availability of critical products and expanding the use of drive-thru for certain health, cleaning and grocery items
- Focus on home delivery – extending home delivery & drive-thru local convenience to over 7,300 locations
- Building a PPE offering to meet customer demands
- Partnering with U.S. government to provide drive-thru testing
- More convenient access to key essential items
- Creating neighborhood health destinations by partnering with Village Medical to provide primary care with over 700 doctor offices to open in next 5 years

FY19 Sales (millions)



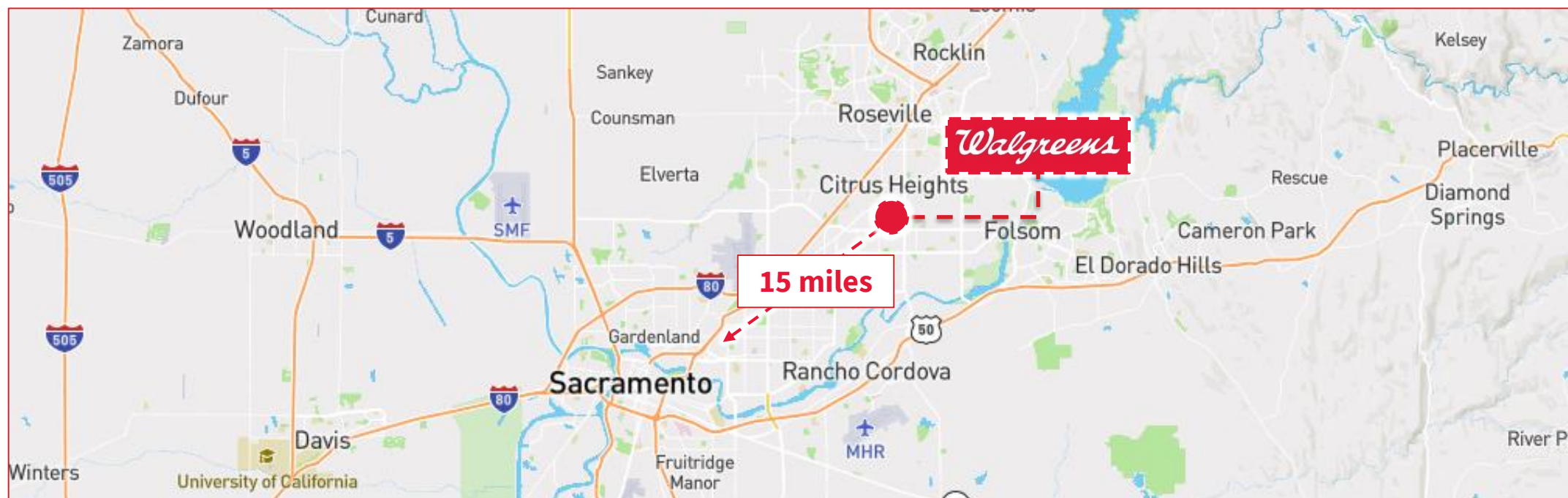
Citrus Heights, CA

Located in the **heart of California's capital region**, Citrus Heights is an established community with an estimated **population of 86,291**. The community is situated in northern Sacramento County and shares borders with Roseville (north), Orangevale (east), Fair Oaks (south) and Antelope/Foothill Farms (west). Citrus Heights offers business-friendly environment with a solid base of small businesses, retail chains and food service establishments. With an ongoing commitment to providing high-quality, economical, responsive services to the local community, **Citrus Heights is well-positioned for future economic development and redevelopment opportunities**. Despite its urban proximity, Citrus Heights maintains a small-town feel, providing a strong sense of community and belonging for residents.

Citrus Heights is home to a **bustling retail and service industry**. The Sunrise MarketPlace, located two miles to the east along Greenback Road, is a business improvement district and the center of the city's business activity, offering a wide variety of **retail, dining, and service establishments**.

Local Demographic Snapshot

	1-Mile	3-Mile	5-Mile
Total Population	19,970	168,988	385,017
Total Households	8,414	65,489	144,661
Average HH Income	\$73,431	\$80,794	\$88,377
5-Year Growth	2.98%	3.10%	3.15%



Over 67,000 Vehicles Per Day at the Intersection



Sacramento, CA

Sacramento County is the **capital city of California**. The Sacramento-Roseville-Arden-Arcade Metropolitan Area includes six counties and is the **fifth largest MSA in California** as well as the **25th largest in the United States** at an estimated **population of 2.3 million** and has recently been **ranked as the fastest growing big-city in California**. **Sacramento's growth (nearly 20% in the last decade)** can be attributed to the livability of the region, variety of housing opportunities, economic strength, abundant recreation options, diverse culture, and proximity to world renowned destinations all add to the high quality of life for residents and businesses within the region. The city is known for its diversity, tree canopy (largest in the U.S.), historic Old Sacramento, evolving contemporary culture, sunny climate, state administration, and farm-to-fork dining. Sacramento is located approximately 85 miles northeast of San Francisco at the crossroads of Interstate-5 and Interstate-80. The area **boasts convenient access to airports, rail and a deep-water port, strong government employment base**, abundant and well-educated labor pool, affordable cost of living and an enviable quality of life all stimulate a very desirable location. As the State capital of California, the city of Sacramento is the political, economic and cultural center of the metro area.

Housing Affordability & Growth

The Sacramento Metropolitan Area is **the most affordable major metropolitan area in California**. Median home prices are now approximately \$326,600 which result in lower mortgage payments for new Sacramento home buyers and greater disposable income than residents in other parts of the State. Home values in Sacramento have increased by 2.6% over the past year. Sacramento's housing opportunity index is currently at roughly 35%. The housing opportunity index is the share of homes sold in a defined area that would be affordable to a family earning the local median income. While 35% of homes sold in Sacramento are affordable to families earning a median income, only about 9% of homes in Los Angeles and only 7% of homes in San Francisco are affordable to people earning a median income in those cities.

Explosive Population Growth

The Sacramento MSA has consistently outperformed other core California markets in net in-migration. Current growth projections indicate this region will continue to grow at a more rapid pace than competing markets. The Sacramento MSA's population grew at a rate of nearly 20% over the last decade. The total current population in the Sacramento Metropolitan Area is 2.3 million people. **The population is projected to increase by over 5.9%, or 130,000 people, during the next five years.** This projected **growth rate is over 50% higher than the growth expected across the total United States**. 2042 Projected population is expected to reach \$3.4M



World Class Transportation

Sacramento is **served by numerous freeways**. Five freeways merge in the Capital City Corridor, serving the immediate downtown Sacramento area. The major freeways of the Greater Sacramento area are Interstate 80, U.S. Route 50, Interstate 5 and State Route 99, which serve the northern Tahoe area, southern Tahoe area, and valley areas respectively as well as forming the Capital City Corridor along with Interstate 80 Business. The Sacramento International Airport (SIA) is a public airport 10 miles northwest of downtown Sacramento. Sacramento International Airport handles flights to and from various US destinations (including Hawaii) as well as Mexico, Canada.

Education

As well as having eight community colleges, **Greater Sacramento's higher education system is home to two highly respected public universities** in the northernmost University of California campus, University of California, Davis, and California State University Sacramento. Both universities offer strong undergraduate and graduate programs that **produce a highly skilled and educated workforce** for the Sacramento MSA. The variety of higher education is a strong attraction point for the region, especially for knowledge and information intensive industries like healthcare, electronics and biotechnology

Growing Private Sector

Sacramento boasts a **diverse base of private sector employers** as well. The private sector is currently dominated by the Healthcare industry, which currently employs over 92,000 people. The Sacramento metropolitan area has 21 acute care hospitals with over 4,500 beds. The largest hospitals in Sacramento are the Sutter Memorial Hospital, Mercy General Hospital (Dignity Health), Kaiser Foundation Hospitals and the University of California Davis Medical Center. These four hospitals combine for a total of more than 2,300 beds. The technology industry also plays a major role in the local economy and employs 9,000 people across 150 companies. The Bay Area including Silicon Valley, the tech capital of the world, is only a two-hour drive away.



PROPERTY PHOTOGRAPHY



Contacts

Alex Sharrin

+1 312.228.3197

alex.sharrin@am.jll.com

Alex Geanakos

+1 312.228.3866

alex.geanakos@am.jll.com

Eric Kathrein

+1 415 505 5670

eric.kathrein@am.jll.com

Financing Contacts

Brandon Chavoya

+1 469.232.1967

brandon.chavoya@am.jll.com

Michael George

+1 469.232.1906

michael.george@am.jll.com



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