

amazon ANNOUNCES PARTNERSHIP WITH

RITE AID

3249 SHERIDAN DRIVE | BUFFALO, NEW YORK



OFFERING MEMORANDUM



PEGASUS
INVESTMENTS

LOCATED AT THE EPICENTER OF
BUFFALO'S MOST ANTICIPATED
REDEVELOPMENT AREA

- A FEDERAL OPPORTUNITY ZONE
- B BOULEVARD MALL METRO RAIL TRANSIT DEVELOPMENT
- C WHOLE FOODS ANCHORED NORTHTOWN DEVELOPMENT
- D ADJACENT LAND OWNED BY NORTHTOWN DEVELOPERS



**Subject
Property**



PEGASUS
INVESTMENTS

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MARKET AREA & LOCATION

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EXECUTIVE SUMMARY

OFFERING SUMMARY

Pegasus Investments Real Estate Advisory Inc., as exclusive investment sale advisor to seller, is pleased to offer this extremely rare opportunity to purchase a single tenant net leased Rite Aid located in Amherst, New York – the epicenter of Buffalo’s most highly anticipated redevelopment areas. Situated on a large 1.38 acre lot at the extremely high traffic signalized intersection of Sheridan Drive & Bailey Avenue, the property is surrounded by several new and proposed developments. Immediately adjacent to the subject Rite Aid is western NY’s first Whole Foods, which will co-anchor “Northtown” Amherst – a 350,000 SF open air lifestyle center leased to tenants including L.L. Bean, Lululemon, Shake Shack, Pottery Barn and Shinola, to name only a few. Other exciting economic drivers include the new Federal Opportunity Zone (Census Tract 92), whose southern boundary sits adjacent to the subject property line, as well as NFTA’s \$1B proposed Metro Rail expansion, which will feature a new station walking distance from the Rite Aid.

Following 20 years of successful occupancy, Rite Aid recently entered into a 10 year lease extension plus (4) 5-year options. A rare 13% rent increase occurs upon the tenant’s exercising of its first option period in 2029. The favorable double net lease places minimal operating responsibility on the landlord, offering savvy investors an incredible opportunity to enjoy passive income while the surrounding commercial area is expected to continue its meteoric rise upward.

Price \$4,556,000

Cap Rate 7.15%

NOI \$325,760



It cannot be overlooked that this Rite Aid offers investors significant additional security due to its high-quality trophy location, especially relative to other Rite Aid properties currently on the market.

Other significant economic drivers include the highly anticipated sale of the Boulevard Mall, which is expected to kick off the planning stages of a massive 60+ acre redevelopment of the old mall into a new mixed use transit oriented development (TOD). Located within walking distance of the subject Rite Aid, the Boulevard Mall redevelopment will likely serve as a station for NFTA's Metro Rail expansion plans. The fact that the mall is within a Federal Opportunity Zone and is located along the path of the Metro Rail expansion will create a generational investment opportunity that will redefine the entire commercial area surrounding the property.



Additionally, the property is located less than two miles from the University of Buffalo (UB), which is slated to be connected to its other two campuses in Buffalo via the Metro Rail expansion. With an enrollment of over 31,000 students UB is the largest public university in New York and generates estimated economic impact of nearly \$2.2B annually.

INVESTMENT HIGHLIGHTS

NEW WHOLE FOODS ACROSS FROM SUBJECT PROPERTY

As part of the massive “Northtown” lifestyle development, Whole Foods recently opened its first location in western New York. The highly anticipated grand opening of the 50,000 SF store occurred in 2017, and features a 12-tap bar featuring local beers, a coffee and juice bar and dining options including sushi, pizza and salad. Visible from the subject Rite Aid, the Whole Foods is just the beginning of WS Development’s redevelopment of the old Northtown Plaza. The 350,000 SF open air lifestyle center will be anchored by L.L. Bean, Pottery Barn, Williams-Sonoma and West Elm.

FEDERAL OPPORTUNITY ZONE IMMEDIATELY ACROSS THE STREET

Sheridan Drive serves as the southern boundary for the Census Tract 92 Federal Opportunity Zone. Although the subject property isn’t located within the Opportunity Zone, it will likely experience tremendous benefits from the tidal wave of new capital being invested into the zone. In April 2019 alone, the iconic Boulevard Mall was sold to local development firm Sinatra & Co., which is said to be working with state and local officials to redevelop the entire 60-acre site into a transit-oriented development (TOD) focused around the proposed Metro Rail expansion station.



AMAZON PARTNERS WITH RITE AID TO LAUNCH NEW IN-STORE PICKUP OPTION

Amazon & Rite Aid recently announced an innovative new partnership for an in-store pickup option. The in-store partnership, known as “Counter”, is planned to launch into 1,500 Rite Aid Pharmacy stores by year’s end. The announcement marks another key milestone in Amazon’s quest to solve the “last mile” logistics question while providing Rite Aid customers with another compelling reason to visit their stores. According to a recent press release by Rite Aid, “Being the first store partner for [Amazon] Counter in the U.S. is a differentiator for Rite Aid and we believe our partnership with Amazon, that includes Locker, creates a stronger in-store experience for existing customers and new customers that come in to pick up their packages.” A key distinction between Counter and Locker is that Counter will feature in-store staffing, providing a more dynamic customer experience. Following the announcement, Rite Aid stock shares surged, up 34% during the week of June 24th.



ADJACENT TO “NORTHTOWN” AMHERST REDEVELOPMENT

The subject Rite Aid sits adjacent to the new Whole Foods Market recently completed as phase 1 of the NorthTown Amherst project. WS Development is breaking ground this Spring on Phase II: a 350,000 SF open air lifestyle center anchored by L.L. Bean, Pottery Barn, Williams-Sonoma, and West Elm. Other tenants include leading brands such as Lululemon, Athleta, Sephora, Shinola, Free People and Anthropologie. NorthTown will also feature key dining attractions including Shake Shack and Yard House. NorthTown Amherst is the most exciting retail development to come to the Buffalo market, and will positively transform the immediate commercial area for decades.



\$1B METRO RAIL EXPANSION PROPOSED TO INCLUDE BOULEVARD MALL STATION

The Niagara Frontier Transportation Authority’s (NFTA) proposed Metro Rail expansion includes a Boulevard Mall Station, which would be walking distance from the subject Rite Aid property. The Boulevard Mall, which is located within a Federal Opportunity Zone, was just sold to a local development group with plans for a major mixed use redevelopment of the 60+ acre mall site. The \$1B NFTA Metro Rail expansion plan would stimulate significant economic development within the immediate area while serving as a connection between University of Buffalo’s north, south and city campuses.

\$310M INCREASE IN SURROUNDING PROPERTY VALUES PROJECTED

According to a recent study completed by the NFTA, roughly \$1.7B in development will occur along the proposed Metro Rail expansion route between downtown and Amherst. The study concluded that nearby property values would increase by \$310M, raising tax revenues by 32% for Amherst and Buffalo. The subject property is located walking distance from the NFTA’s proposed expansion route and is only at the very early stages of benefitting from the tremendous redevelopment occurring in the immediate area.



ONLY TWO MILES FROM UNIVERSITY OF BUFFALO

With an enrollment of over 31,000 students, University of Buffalo (UB) is the largest public university in New York. UB generates estimated economic impact of nearly \$2.2B annually and employs nearly 20,000 people across the state. UB was ranked the #1 public university in New York and in the top 30 of public universities nationally according to the Wall Street Journal/Times Higher Education (2017) and in the top 40 of public universities according to U.S. News and World Report (2019). The UB campus has expanded significantly, abutting I-290 to the northeast of the subject Rite Aid.

The contemplated Metro Rail expansion will connect the UB north campus with its two other area campuses, providing students and faculty with immediate access to the commercial amenities currently under development and proposed around the Rite Aid property.

ANNUALIZED OPERATING DATA

	MONTHLY RENT	ANNUAL RENT	RENT/SF	CAP RATE
Current - 3/31/2029	\$27,147	\$325,760	\$29.86	7.15%
Option 1: 4/1/2029 - 3/31/2034	\$30,615	\$367,381	\$33.68	8.06%
Option 2: 4/1/2034 - 3/31/2039	\$31,070	\$372,835	\$34.18	8.18%
Option 3: 4/1/2039 - 3/31/2044	\$31,524	\$378,289	\$34.68	8.30%
Option 4: 4/1/2044 - 3/31/2049	\$31,979	\$383,743	\$35.18	8.42%





**Subject
Property**

TENANT SUMMARY

Lessee Name	Eckerd Corporation, a Wholly Owned Subsidiary of Rite Aid Corporation	Term Remaining	± 10 Years
Type of Ownership	Fee Simple	Lease Commencement Date	2/3/1999
Lessee Entity Type	Corporate	Lease Expiration Date	3/31/2029
Lease Type	NN	Rent Increases	13% in First Option; \$0.50/SF in Subsequent Options
Roof and Structure	Landlord Responsible	Options	Four, 5-Year Options

PHYSICAL DESCRIPTION

BUILDING & SITE PROFILE



Property Name	Rite Aid
Address	3249 Sheridan Drive Buffalo, NY 14226
Assessor's Parcel Number (APN)	142289-067-410-0002-001-110
Zoning	GB (General Business District)
Gross Leasable Area	± 10,908 SF
Lot Size	± 1.35 Acres (58,651 SF)
Year Built / Renovated	1999
Number of Stories	1
Number of Buildings	1
Parking Spaces	± 64 Surface Spaces
Parking Ratio	5.87 : 1,000 SF



**COVETED HARD-CORNER
LOCATION ACROSS FROM
WALMART SUPERCENTER WITH
50,000+ ADT**

Downtown Buffalo



Windermere Boulevard
Elem School

Ben Franklin Middle School

Niagara Falls Boulevard
± 28,700 ADT

North Bailey Avenue
± 12,051 ADT



Subject
Property

Sheridan Drive
± 31,205 ADT



TENANT PROFILE

RITE AID

Public | NYSE: RAD
www.riteaid.com

# of Locations	± 2,525
# of Employees	± 87,000
Headquartered	Camp Hill, PA
Year Founded	1968

OVERVIEW

Rite Aid Corporation is the third largest retail drugstore chain in the U.S. based on both revenues and number of stores. As of March 2, 2019, the company operated 2,469 stores in 18 states across the U.S. Rite Aid carries a full assortment of products and services including prescription drugs, over-the-counter medications, personal care, health and beauty aids, and general merchandise such as stationary and greeting cards.

The company continuously gains new customers by driving positive patient health outcomes with its wellness store format and advanced healthcare management solutions. One of the nation's leading drugstore chains, Rite Aid achieved \$21.5B revenue in 2018 and has an expected total revenue of between \$21.8B to \$21.95B for fiscal 2019.



**RITE AID RECENTLY EXTENDED
10-YEAR LEASE AFTER 20 YEARS
OF HISTORICAL OCCUPANCY**



MARKET AREA & LOCATION

BUFFALO, NEW YORK

Situated at the head of the Niagara River and on the eastern shore of Lake Erie, Buffalo is the second largest city in the state of New York. The Buffalo-Niagara Falls metropolitan area has a combined population of about 1.3 million – the 49th largest in the U.S. Recognized for its urban layout and extensive park system designed by Joseph Ellicott and Frederick Law Olmsted, Buffalo city is fondly referred to as “the City of Trees” by its residents.

With a prolific cultural and art scene blending Northeastern and Midwestern US traditions and its two professional sports teams – the Buffalo Bills and the Buffalo Sabres – Buffalo is ranked as #2 in Sperling’s Best Places - The 10 Best Cities to Relocate to in the US. The burgeoning craft beer scene and the revitalized neighborhoods make Buffalo one of the most desirable cities to reside in in the State of New York.



BUFFALO NIAGARA REGION

Located along the Canada-United States border, the city of Buffalo sits at the entryway into the bi-national Buffalo Niagara Region – an international district with a diverse and vibrant economy. Strategically located within 500 miles of 40% of the U.S. population, the Buffalo Niagara Region plays a vital role in facilitating commerce and trade between Canada and the United States – two of the world’s largest trading partners. The Buffalo Niagara partnership and development has been a critical component towards a revitalized and economically sustainable future as well as a cultural attraction with enriched history and traditions.



2ND
LARGEST CITY IN
NEW YORK STATE

ECONOMIC SNAPSHOT

Serving as the county seat of Erie County, Buffalo is a major gateway for commerce and travel for the Buffalo Niagara Region. The city itself enjoys a steadily growing economy that has been transforming from industrial business to tourism, health care and education. In recent years, Buffalo has undergone outstanding transformations as over \$1B of investment has flowed from the State of New York and other sources. This money has contributed to technological, residential and commercial development. The city’s unemployment rate has dropped significantly to 4.2% as of August 2018 and has an affordable cost of living that is 14.4% below the national average. The low unemployment rate mirrors a healthy labor trend. With a steady job count growth along with the low cost of living, Buffalo continues to draw more labor forces into the city, further contributing to the city’s economic strength.



NEW DEVELOPMENT

With the redevelopment of downtown, the city of Buffalo is experiencing a vigorous economic renaissance. During the past few years, Downtown Buffalo has attracted more than \$3B from both public and private investors. A total of \$100M worth of infrastructure projects have been completed or are scheduled to take place in the near future, bringing substantial changes in Buffalo's downtown scenery. Projects such as the residential development of the Canalside and the expansions of the Buffalo Niagara Medical Campus (BNMC), along with commercial development such as 500 Pearl Street and 1091 Main Street together illustrate the revitalization and vibrancy of Buffalo.



\$3B+ PRIVATE & PUBLIC INVESTMENT



CANALSIDE RESIDENTIAL DEVELOPMENT

Recently approved by the state's waterfront agency, two five-story brick buildings overlooking the Canalside are anticipated to undergo construction beginning March 2019. The \$21M development will set the groundwork for a sustainable and vibrant waterfront neighborhood, featuring 41 residential units and ground floor retail. First-floor retail is expected to open by Memorial Day 2020, with residential units following shortly thereafter. Within the next five or ten years, a residential-based community with a mix of uses is expected to grow along the waterfront and become an aesthetic attraction that also preserves the beauty of the historic Canalside.

BUFFALO'S HIGH-TECH MANUFACTURING INNOVATION HUB

Buffalo's High-Tech Manufacturing Innovation Hub at RiverBend is a clean energy, high-tech manufacturing and innovation complex. Occupying a 23-acre footprint at RiverBend, it was designed to house SolarCity's Giga Factory, the largest solar panel manufacturing operation in the Western Hemisphere. The hub attracts companies to establish themselves in its facilities with its state-of-art equipment and infrastructure. Since SolarCity was acquired by Tesla in the fall of 2016, the site has created more than 500 jobs with solar panel production which significantly boosted employment rate in Buffalo.

NORTHTOWN - 150,000 SF LUXURY OPEN-AIR CENTER ANCHORED BY LL BEAN, WILLIAMS-SONOMA AND WHOLE FOODS

AMHERST, NEW YORK

Amherst is an inner ring suburb of Buffalo and the most populated town in upstate New York. Merely 20 minutes' northeast of downtown Buffalo, Amherst is in the heart of Western New York, providing convenient access to the Upstate. According to the WS Development, the developer of NorthTown, "NorthTown is conveniently located in the center of Buffalo's strongest demographic corridor. With over 146,000 residents in the Town of Amherst alone, NORTHTOWN enjoys a highly dense, affluent trade area served by an incredible road network that makes the site both easily accessible and very visible. NORTHTOWN will be the Region's first upscale open-air retail project, complementing the incredible growth and resurgence happening in this historic city."



NORTHTOWN PLAZA REDEVELOPMENT

Scheduled to open in 2020, NorthTown Plaza shopping center is currently undergoing renovations to become an outdoor open-air lifestyle center. The revitalized plaza will be anchored by key tenants such as Whole Foods, L.L.Bean, Pottery Barn, Williams-Sonoma, West Elm, B.Good, and take up to 350,000 SF. NorthTown is conveniently located in the center of Buffalo's strongest demographic corridor – the town of Amherst. Upon completion, Northtown Plaza will be the region's first upscale open-air retail project.



\$1 B METRO EXPANSION PROJECT PLANNED FOR NORTH BUFFALO

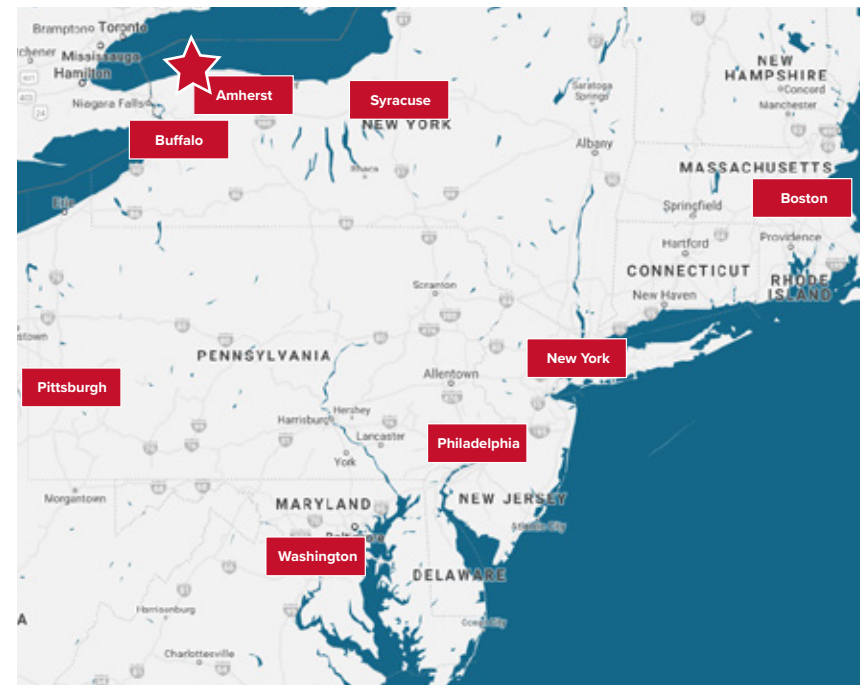


UNIVERSITY AT BUFFALO

Located on a 1,350 acre campus in northern Buffalo, the University at Buffalo is the largest and most comprehensive campus in the State University of New York system. With an eclectic selection of academic programs, the university embraces a tradition of academic excellence, pathbreaking research, provocative creative expression, and meaningful community service. Along with the cultural and recreational riches of Western New York, UB provides a unique and diverse environment for students and faculties to constantly learn and explore.

PROPERTY DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE
2019 Estimate	14,864	138,893	340,082
HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2019 Estimate	6,559	57,510	143,442
INCOME	1-MILE	3-MILE	5-MILE
2019 Est. Average Household Income	\$75,166	\$75,317	\$69,881



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ABOUT PEGASUS INVESTMENTS

Pegasus Investments Real Estate Advisory (“Pegasus Investments”) represents a broad range of clients, from institutional investment firms to developers, high net worth individuals, family trusts and partnerships in connection with the purchase & sale and leasing of high quality investment properties nationwide. Pegasus Investments is one of the foremost leading advisory firms within the single tenant and multi-tenant triple net leased retail property category having completed in excess of \$1 billion in volume since 2014.

Pegasus Investments offers a highly differentiated advisory platform given its ability to collaborate within a vertically integrated environment with Pegasus Capital Markets and Pegasus Asset Management to ensure a seamless transaction for all parties involved. The result is highly customized, creative, streamlined execution.



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ABOUT PEGASUS

Pegasus is a boutique commercial real estate investment and advisory firm based in Los Angeles, California. Specializing in retail shopping centers, single tenant net leased and multifamily properties throughout the United States, Pegasus has consistently delivered on its 30 year reputation of providing high quality, white glove service throughout all stages of the investment sales process. Pegasus provides its clients, which include high net worth private investors, family trusts, private & public REITs, local and regional developers and syndicators with advisory services encompassing underwriting, market research, investment sales and asset management. Pegasus continues to set the bar for high quality, boutique investment sales brokerage and advisory by relying on its industry-leading talent, which include experienced institutional and private sector investors.