

Starbucks

OFFERING MEMORANDUM

3650 Rio Road, Carmel-by-the-Sea, California



Subject Property



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Starbucks

Carmel-by-the-Sea, CA

Table of Contents

Investment Offering & Highlights	3
Investment Overview	4
Aerials	5
Site Plan	6
About the Tenant	7
Site Location	8
Regional Map	9
Carmel-By-The-Sea, California	10
Monterey County, California	11
Area Demographics	12
Disclaimer	13

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THE OFFERING

- Built in 1973, a 4,000± square foot single-story free-standing retail building leased to STARBUCKS with ample onsite parking
- Price: \$3,000,000 - 3.60% Cap Rate

LEASE / TENANT

- Starbucks is the largest coffee company in the U.S. and ranked #121 on Fortune 500 with 2018 revenues of \$24.7 Billion, and an investment grade S&P credit rating of 'BBB+'
- Below market rent
- Rare triple-net Starbucks leased investment with tenant responsible for maintenance of roof, structure and parking lot
- Starbucks (NASDAQ: SBUX) stock price is trading near it's all time high and is up 63% in the past year
- Scheduled rent increases every 5 years – Options 3 & 4 adjust to Fair Market Value
- QSR Magazine ranked Starbucks as the most valuable restaurant brand in the world

REAL ESTATE / AREA STRENGTHS

- Only Starbucks in the town of Carmel-by-the-Sea
- Extremely affluent demographics with surrounding average household incomes in excess of \$159,000 within 1-mile radius
- Outstanding location in the primary grocery and daily needs retail shopping area serving Carmel-by-the-Sea, Pebble Beach and Carmel Valley
- Starbucks is strategically located as an outparcel to the most dominant retail shopping center in the market, the 204,000 square foot Crossroads Carmel, anchored by Safeway and CVS and featuring over 50 other local, regional and national tenants
- One of California's top tourism, hospitality and recreation destinations – more than 4 million visitors a year travel to Carmel and the Monterey Peninsula
- Located adjacent to the world-famous Highway 1, California's longest state route, with over 40,000 VPD
- Last major grocery anchored retail hub for 120 miles (3 hour drive time) as you head south on Highway 1 along the Big Sur coast



LOCATION

3650 Rio Road - Carmel-By-the-Sea, CA 93923

LOT SIZE

±16,117 Square Feet (±0.37 Acres)

IMPROVEMENTS

Completed in 1973, a 4,000± square foot single-story free-standing retail building leased to STARBUCKS CORPORATION with ample onsite parking

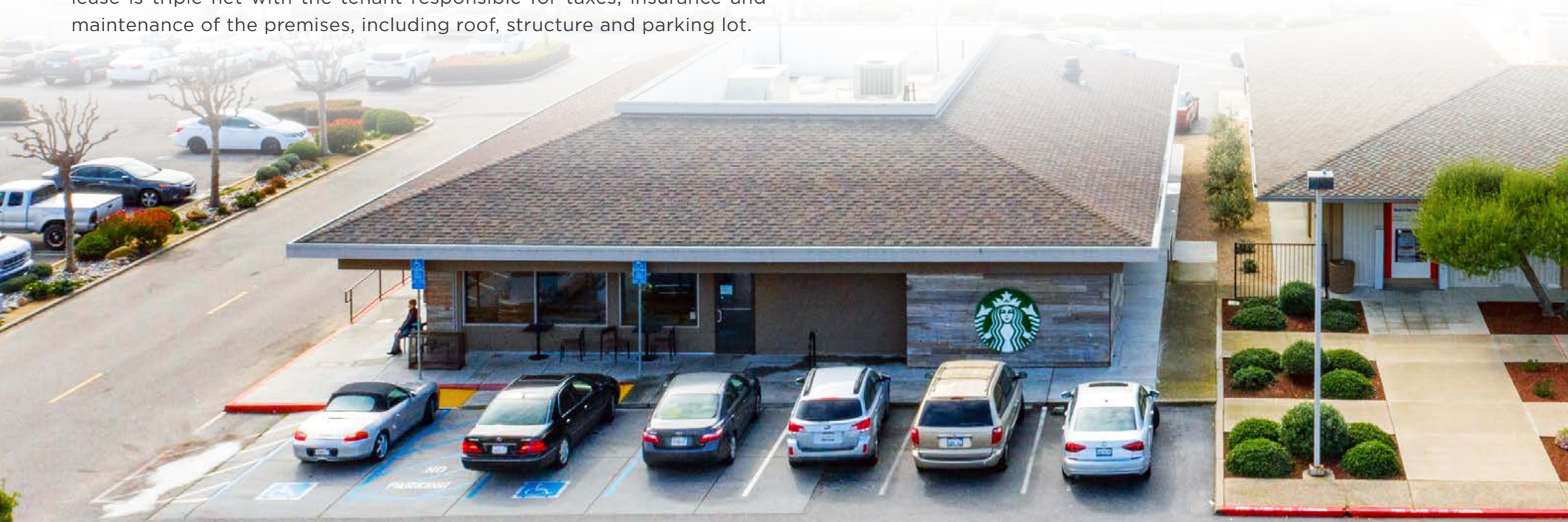
LEASE SUMMARY

Leased to STARBUCKS CORPORATION for 3 years expiring August 31, 2022. There are four five-year options to extend the lease with a \$900 rent increase in the first option; a 10% rent increase in the second option; and the third and fourth options adjust to Fair Market Value (FMV). The lease is triple net with the tenant responsible for taxes, insurance and maintenance of the premises, including roof, structure and parking lot.

RENT SCHEDULE

Lease Years	Annual Rent	Rent/SF
Current - 8/31/2022	\$108,000	\$27.00
9/1/2022 - 8/31/2027 (Option 1)	\$108,900	\$27.23
9/1/2027 - 8/31/2032 (Option 2)	\$119,790	\$29.95
9/1/2032 - 8/31/2037 (Option 3)	FMV	FMV
9/1/2037 - 8/31/2042 (Option 4)	FMV	FMV

PRICE: \$3,000,000 - 3.60% CAP RATE





SANTA CRUZ

MONTEREY BAY

PACIFIC GROVE

MONTEREY

Monterey Regional Airport



MONTEREY PENINSULA COUNTRY CLUB

POPPY HILLS GOLF COURSE

CYPRESS POINT CLUB

PEBBLE BEACH GOLF & RESORT

CARMEL BAY

DOWNTOWN CARMEL-BY-THE-SEA

Ocean Avenue



Junipero Street

31,600 CARS PER DAY

CARMEL POINT

10,600 CARS PER DAY



Carmel Mission Basilica

Carmel Valley Road

Lucky

IN-SHAPE

Carmel MISSION INN

Carmel Rancho Boulevard

Chevron

Bank of America

Rio Road

WELLS FARGO



Shell

Carmel Center Place Office Complex

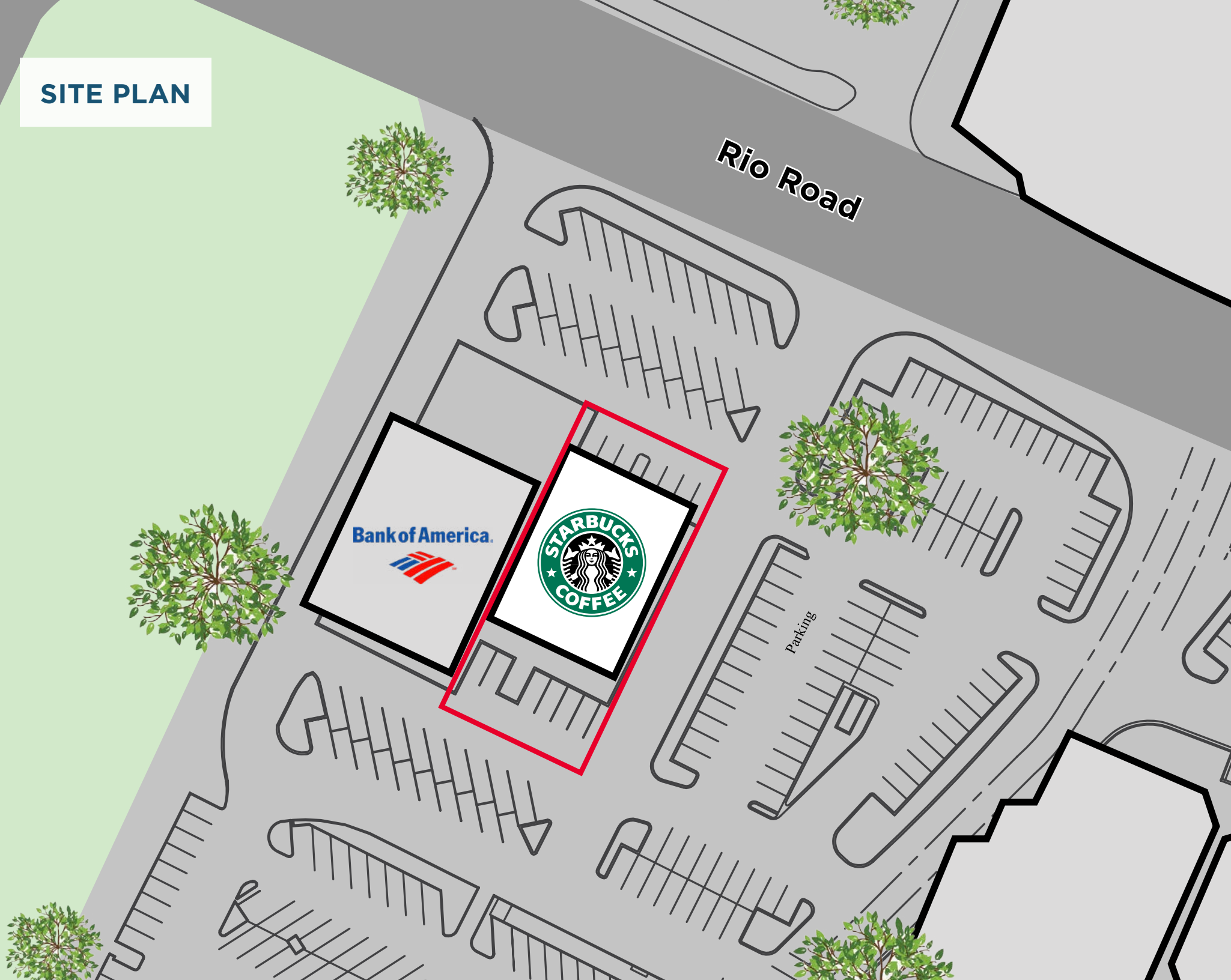


Cabrillo Highway

THE CROSSROADS CARMEL

SAFeway pet food express CVS ACE

SITE PLAN



ABOUT THE TENANT

Starbucks Corporation (NYSE: SBUX) is an American global coffee company and Italian-style coffeehouse chain based in Seattle, Washington.

Starbucks is the largest coffeehouse company in the world, with 29,324 stores in 75 countries, including 14,606 in the United States, 3,521 in China, 1,578 in Canada, 1,184 in Japan, and 1,237 in the United Kingdom.

Starbucks Corporation operates as a roaster, marketer, and retailer of specialty coffee worldwide. Its stores offer coffee and tea beverages, packaged roasted whole bean and ground coffees, single serve products, and juices and bottled water. The company's stores also provide fresh food offerings; ready-to-drink beverages; and various food products, including pastries, breakfast sandwiches, lunch items, as well as beverage-making equipment and accessories.

In addition, it licenses the rights to produce and distribute Starbucks branded products to The North American Coffee Partnership with the Pepsi-Cola Company, as well as licenses its trademarks through licensed stores, grocery and national foodservice accounts. The company offers its products under the Starbucks, Teavana, Tazo, Seattle's Best Coffee, Starbucks VIA, Starbucks Refreshers, Evolution Fresh, La Boulange, and Verismo brand names. Many of the company's products are seasonal or specific to the locality of the store. Starbucks-brand ice cream and coffee are also offered at grocery stores.

For the most recent four quarters ending in September 30, 2018, SBUX reported a total revenue of \$24.72 billion, net income of \$4.52 billion and a stockholders' equity of \$1.17 billion.

Standard & Poor's rates the company "BBB+" investment grade.

For more information, visit www.starbucks.com.





Site Location

The Property is an outparcel to The Crossroads Carmel, a 204,000 square foot regional shopping center anchored by Safeway and CVS, adjacent to Highway 1. The Crossroads Carmel is the dominant grocery and daily needs shopping destination servicing Carmel-by-the-Sea, Pebble Beach and Carmel Valley.

REGIONAL MAP



Pacific Ocean



The city of Carmel-by-the-Sea, California (“Carmel”), incorporated in 1916, is a one square mile village surrounded by the unincorporated areas of Carmel, Pebble Beach, Carmel Valley and Carmel Highlands. It is located on the Pacific coast in Central California in Monterey County. It is 120 miles south of San Francisco, 70 miles south of San Jose, 330 miles north of Los Angeles and 26 miles north of Big Sur. Carmel-by-the-Sea is one of several suburban bedroom communities that surround the Monterey Bay. The city lies along the westerly side of Highway 1, which is the major commuter route to the employment centers of Monterey Bay. Carmel-by-the-Sea is a world famous destination, renowned for its picturesque charm, beautiful white sand beach, performing arts and hundreds of upscale shops, art galleries and world class restaurant

Carmel’s economy is driven by tourism, art & entertainment. In recent years, Chinese tourism in the US has exploded with California being the #1 destination. There is now a direct flight from Beijing to San Jose resulting in a large number these tourist coming to the monterey peninsula, specifically Carmel. On average, Chinese visitors spend \$6,000 per person per visit. This boom in tourism accounts for up to two-thirds of the cities annual \$23 million budget.

THE CROSSROADS - CARMEL-BY-THE-SEA

A local landmark for over forty years, The Crossroads Carmel is a full service lifestyle shopping center combining daily necessities, upscale boutiques, unique restaurants and personal service establishments.

Conveniently located at scenic Highway One and Rio Road in Carmel, the center is 204,000 square feet and is anchored by Safeway, CVS Pharmacy, Pet Food Express, and Ace Hardware. Charming Crossroads Boulevard with its architecturally intriguing store fronts, vibrant landscaping and quaint courtyards is home to many of Carmel’s premier retailers and favorite restaurants. The center is

highly inviting and promotes a relaxed shopping experience for local residents as well as visitors to the Monterey Peninsula. The Monterey Peninsula is a world renowned destination for day travelers, national and international tourists visiting the West Coast, playing host to more than 8.5 million tourists annually with an economic contribution of \$2.0 billion dollars to the county. This dynamic region is visited for its picturesque landscapes and charming villages and is host to more than 250 lifestyle events annually.

CENTER STRENGTHS:

- Excellent location immediately off Highway 1
- Specialty shopping Center known throughout the Monterey Peinsula
- Charming village ambiance attracts alls types of people not only for shopping but also for social gatherings
- Last shopping center before reaching Big Sur (25 miles South)
- Strong surrounding demographics



Monterey County is a county located on the Pacific coast of the U.S. State of California. As of the 2010 census, the population was 415,057. The county seat and largest city is Salinas. Monterey County comprises the Salinas, CA Metropolitan Statistical Area. It borders the Monterey Bay, Big Sur, State Route 1, and the 17 Mile Drive on the Monterey Peninsula, has made the county world-famous. The economy is primarily based upon tourism in the coastal regions and agriculture in the Salinas River valley. Most of the county's people live near the northern coast and Salinas Valley, while the southern coast and inland mountain regions are sparsely populated.

Monterey is one of the premier tourist destinations in the United States. Each year, the area attracts an estimated 4 million visitors. The area's diverse attractions, dramatic coastline, historic architecture, and access to marine wildlife all combine to drive this economic component. From the Monterey Bay Aquarium along Cannery Row, to the world-renowned Pebble Beach Golf Course nearby, Monterey continues to be a destination for visitors, which helps sustain the area's economy for its resident.

ECONOMY

Monterey county's economic mainstays now are tourism and the military. While tourism has always been a major component in the city's economy, it has become the dominant industry in the last 30 years, supporting more than one third of Monterey jobs. Today, hotel taxes provide 29 percent of the budget and the main source of funding for municipal services is derived from the visitor industry. The government employs 18 percent of the county's work-force. Other significant sectors of Monterey's economy include trade, transportation and utilities which account for 16 percent of all employment in the county. Workers in the leisure and hospitality sector, including arts, recreation, entertainment, accommodations and food service, make up 12 percent of the workforce.

EDUCATION

The University of California, Santa Cruz (also known as UC Santa Cruz or UCSC), is a public research university and one of 10 campuses in the University of California system. Located 75 miles (120 km) south of San Francisco at the edge of the coastal community of Santa Cruz, the campus lies on 2,001 acres (810 ha) of rolling, forested hills overlooking the Pacific Ocean and Monterey Bay.

TRANSPORTATION

Highways

Carmel-By-The-Sea is served by the north-south Highway 1, and the east-west Highway 68. Highway 1 is a major north-south state highway that runs along most of the Pacific coastline of the U.S. State of California. At a total of just over 655.8 miles, it is the longest state route in California.

Public Transport

Carmel is served by the Monterey-Salinas Transit buses as well by Amtrak's Coast Starlight train, which stops in nearby Salinas. Amtrak runs a bus service from the Salinas station to Carmel.

Airports

Nearby Monterey Regional Airport has 40 flights in and out daily, with non-stop flights to Las Vegas, Los Angeles, Phoenix, San Diego and San Francisco and over 95 unique worldwide one-stop destinations.

Area Demographics

2018 Summary	1 mile	3 miles	5 miles	Projected 2023 Summary	1 mile	3 miles	5 miles
Population	3,193	13,630	46,526	Population	3,318	14,060	47,623
Households	1,489	6,903	21,087	Households	1,544	7,108	21,598
Families	908	3,827	11,419	Families	942	3,941	11,689
Average Household Size	2.14	1.95	2.07	Average Household Size	2.14	1.95	2.07
Owner Occupied Housing Units	1,098	4,582	10,882	Owner Occupied Housing Units	1,179	4,927	11,758
Renter Occupied Housing Units	391	2,321	10,205	Renter Occupied Housing Units	365	2,181	9,840
Median Age	61.1	61.6	50.4	Median Age	63.0	63.3	51.4
Median Household Income	\$100,868	\$88,163	\$83,027	Median Household Income	\$133,357	\$112,350	\$99,873
Average Household Income	\$159,488	\$144,439	\$125,793	Average Household Income	\$196,764	\$177,651	\$152,308





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