

## STARBUCKS TENANT OVERVIEW



Updated: November 29, 2018



### **PROS**

- National investment grade tenant
- Located in high traffic suburban retail areas and increasingly more common and more preferable urban hub locations
- Store configuration adaptable to a variety of alternative uses

## CONS


- Some are NN leases, holding the landlord responsible for at least roof and structure
- Uncertainty of future Starbucks contraction
- Right to cancel option in the lease

## EARNINGS HIGHLIGHTS

### Earnings Summary

- Q2 comparable store sales up 3% globally
- Consolidated net revenues of \$6.3 B grew 5% over the prior year

 [View Latest SEC Filing \(http://d18rn0p25nwr6d.cloudfront.net/CIK-0000829224/7683cc\)](http://d18rn0p25nwr6d.cloudfront.net/CIK-0000829224/7683cc)

 [Read Press Release \(https://investor.starbucks.com/press-releases/financial-releases/\)](https://investor.starbucks.com/press-releases/financial-releases/)

## TENANT DESCRIPTION

Starbucks is a major retailer of coffee.

From a net lease perspective, it is important to recognize that Starbucks' initial growth and market dominance can be contributed to Starbucks ability to find great real estate locations. As others have pointed out, the Starbucks concept and success is driven as much by real estate as it is by coffee and the Starbucks experience. As a result, Starbucks has not only become the premier retailer of specialty coffee, but Starbucks' retail locations have also become popular net lease investments.

Starbucks typically operates under a 10 or 20-year net lease (varies between NN and NNN) with rental increases every five years. With over 13,000 locations in the US, Starbucks locations can be found in both urban and suburban locations, and their locations take advantage of other traffic generators, typically being positioned on the commuting-side of traffic patterns. The average Starbucks store size varies depending on urban versus suburban location, but the newer free-standing locations range from 1,900 - 2,100 square feet situated on 0.50 - 1.00 acres of land. The prototypical store model offers a drive-thru window and the configuration is adaptable to a variety of alternative uses.

The combination of a strong brand, stable financials, and premier locations makes Starbucks an appealing option for net lease investors.

Starbucks opened in 1971, a single store in Seattle's historic Pike Place Market and grew into a global public company with more than 29,000 retail stores in 78 markets.

Starbucks sells handcrafted coffee, tea and other beverages and a variety of fresh food items, including snack offerings, through company-operated stores. They also sell a variety of coffee and tea products and license their trademarks through other channels such as licensed stores, grocery and foodservice accounts. In addition to their flagship Starbucks Coffee brand, they also sell goods and services under the following brands: Teavana, Tazo, Seattle's Best Coffee, Evolution Fresh, La Boulange and Ethos.

Starbucks has 8,222 company-operated stores and 5,708 licensed stores across the country. Starbucks plans to open an additional 12,000 stores globally by 2021. Starbucks is # 131 on the Fortune 500.

[www.starbucks.com](http://www.starbucks.com) (<http://www.starbucks.com>)

Average Cap Rate

4.72%

12 mo avg with 10+ yr lease term

Average Property & Lease

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Average Sale Price	\$2,729,275
NOI	\$128,822
\$/Square Foot	\$1,300 - \$1,800
Building SF	1,500 - 2,000
Lot Size	0.5 - 1.0 Acres
Lease Term	10 Years
Escalations	10% Every 5 Years
Stock Symbol	SBUX

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Credit Rating

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S&P	BBB+
Moody's	Baa1

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Average Cap Rate Trend

5.04%

2017



4.93%

2018

Rates reflect last 12 mos, short and long-term

Recent Sales Comps

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Gainesville, FL	5.20%
San Diego, CA	4.00%
Selinsgrove, PA	5.64%

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## Tenant News

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Starbucks and McDonald's team up to rethink cups

July 17, 2018 - FastCompany.com

(<https://www.fastcompany.com/90202133/exclusive-starbucks-and-mcdonalds-team-up-to-rethink-cups>)

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Starbucks to close 150 stores as sales growth cools

June 20, 2018 - cbsnews.com

(<https://www.cbsnews.com/amp/news/starbucks-to-close-150-stores-as-sales-growth-cools>)

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Starbucks' former CEO says the retail real-estate crisis could be great news for the chain

February 27, 2018 - Business Insider

(<http://www.businessinsider.com/starbucks-benefit-from-store-closures-retail-meltdown-2018-2>)

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Starbucks Says Empty Storefronts Are Leading to Lower Rents

February 27, 2018 - Bloomberg

(<https://www.bloomberg.com/news/articles/2018-02-27/starbucks-says-empty-u-s-storefronts-are-leading-to-lower-rents>)

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Brewed Awakening: Starbucks, Dunkin' Brands Trying to Keep Customers Out of the Restaurant and in the Car

July 31, 2018 - CoStar

(<http://product.costar.com/home/news/shared/193830?source=sharedNewsEmail>)

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After a Starbucks opens in town, housing prices tend to rise, Harvard study finds  
September 4, 2018 - CNBC

(<https://www.cnbc.com/2018/09/04/starbucks-openings-predict-higher-home-prices-says-harvard-study.html>)

### Featured Tenant Profiles



(<https://www.netleaseadvisor.com/tenant/bbt-bank/>)

BB&T Bank (<https://www.netleaseadvisor.com/tenant/bbt-bank/>)

Sector: Bank

Avg. Cap Rate: 5.48%



(<https://www.netleaseadvisor.com/tenant/taco-bell/>)

Taco Bell (<https://www.netleaseadvisor.com/tenant/taco-bell/>)

Sector: QSR

Avg. Cap Rate: 5.17%



(<https://www.netleaseadvisor.com/tenant/bmo-harris-bank/>)

BMO Harris Bank (<https://www.netleaseadvisor.com/tenant/bmo-harris-bank/>)

Sector: Bank

Avg. Cap Rate: 5.86%