



 | Del Rio, Texas

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CVS Health





# Executive Summary

## THE OFFERING

Thomas Company is pleased to offer for sale an unlevered CVS store located in Del Rio, Texas. The store was newly constructed and opened for business in 2015. The property is offered free and clear of debt. The store has a 25-year triple-net lease in place with no landlord responsibilities and no rent holidays.

## INVESTMENT HIGHLIGHTS

### **Secure Cash Flow**

CVS Health Corporation (S&P: BBB+, NYSE: CVS) together with its subsidiaries is one of the largest pharmacy health providers in the United States operating more than 9,600 retail drugstores in the United States, Puerto Rico and Brazil. CVS has the strongest credit profile amongst the three largest drug stores (S&P Ratings for Walgreens and Rite Aid are BBB and B respectively).

### **Long-Term Leases**

The store has a 25-year lease in place that recently commenced, providing the Landlord with consistent management-free cash flow during that time. There is no rent holiday.

### **Recently Constructed**

The store was recently constructed in June 2015. A new 25-year lease was executed in October of 2015.

### **Passive Ownership**

The Tenant has executed a triple-net (NNN) lease with no Landlord responsibilities. The Tenant is responsible for all maintenance and repair, including the roof and structure.

# Executive Summary

## THE PROPERTY

### PRICE

\$4,638,442

### NOI

\$241,199

### CAP RATE

5.20%

### OWNERSHIP

Fee Simple

### PROPERTY TYPE

Retail

### YEAR BUILT

2015

### ESTIMATED SIZE

13,340 SF

## THE LEASE

### TENANT

CVS Corporate Subsidiary

### GUARANTOR

CVS Health Corporation

S&P: BBB+

### LEASE TERM REMAINING

+/-24 Years

### LEASE COMMENCEMENT

10/16/15

### LEASE EXPIRATION

1/31/41

### LEASE STRUCTURE

Triple-Net (NNN)

### LANDLORD RESPONSIBILITIES

The Tenant is responsible for all repair and maintenance of the property, including the roof and structure.

### RENT HOLIDAY

None. There is no rent holiday.

### OPTIONS TO EXTEND

10 5-Year Options to Extend.

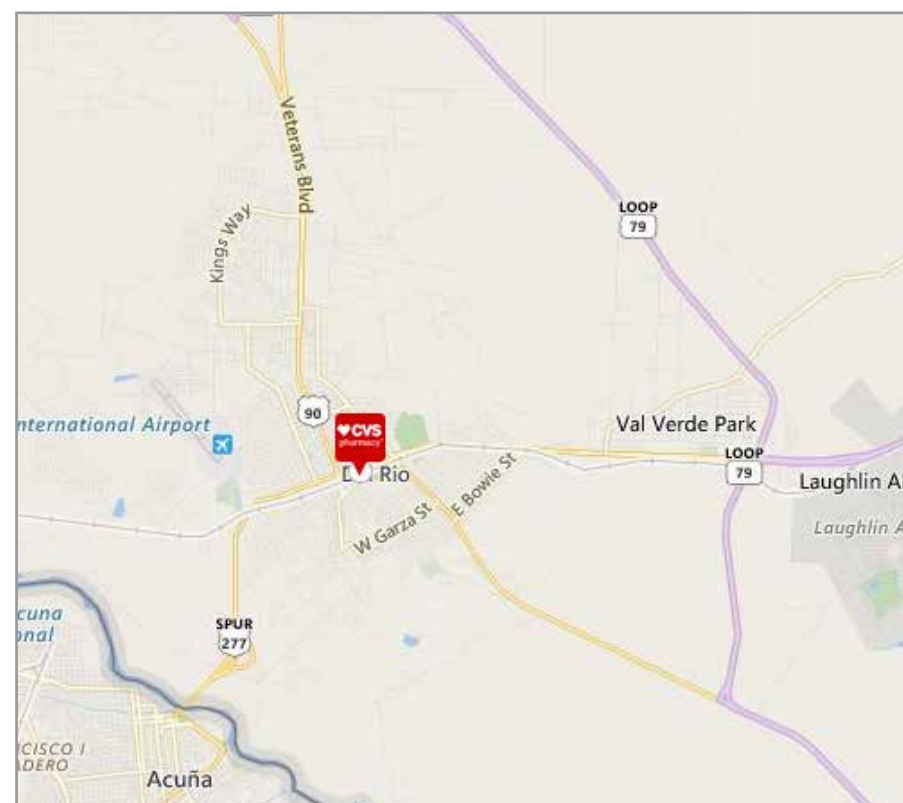
### OPTION RENT

The rent for the first two five-year option periods remains fixed at 100% of the primary term rent. The rent for each of the remaining eight five-year option periods is equal to 100% of Fair Market Rent as determined by an appraiser.

# Property Overview

## AREA MAP/DEMOGRAPHICS

2015 Est. Population					2015 Est. Average HH Income					Est. Percentage Population 55+					Est. Population Growth 2000-2015					Est. Population Growth 2015-2020				
1mi	3mi	5mi	7mi	10mi	1mi	3mi	5mi	7mi	10mi	1mi	3mi	5mi	7mi	10mi	1mi	3mi	5mi	7mi	10mi	1mi	3mi	5mi	7mi	10mi
10,948	34,535	43,803	46,772	48,258	\$40,573	\$50,114	\$51,447	\$51,653	\$52,030	28%	26%	24%	23%	23%	-7%	1%	10%	8%	10%	-2%	-1%	0%	0%	0%



# Property Overview

## SITE MAP



# Property Overview

## MARKET OVERVIEW

### **DEL RIO, TEXAS**

Del Rio is the county seat of Val Verde County, Texas. As of 2015, the city had a population of 40,549. It is a key location along the US-Mexican border, and is connected to Ciudad Acuña via the Lake Amistad Dam International Crossing and the Del Rio – Ciudad Acuña International Bridge. Annual border crossings in Del Rio are estimated at 3,143,384. The city can boast the fastest crossing time on the US-Mexican border.

Del Rio is home to Laughlin Air Force Base, the main pilot training complex for the United States Air Force. Laughlin plays a large part in the Del Rio economy as the area's largest employer. Del Rio is also home one of five of the FBI regional headquarters' offices. The city has a dedicated Economic Development team, which assists relocating companies with site selection and the relocation process.

The city is served by the San Felipe Del Rio Consolidated Independent School District. There are approximately 10,450 students and 637 teachers across 14 campuses. Higher education in the city is provided by SWTJC Del Rio (part of Southwest Texas Junior College), Rio Grande College Del Rio (part of Sul Ross

State University), and Park University – Laughlin AFB Campus.

Del Rio enjoys excellent roads access, with further infrastructure improvements in development. In 2012, the four-lane Highway Loop 79 opened for traffic. The “super loop” connects U.S. Route 90, U.S. Route 277, and U.S. Route 377. Loop 79 is part of the Ports to Plain Corridor Infrastructure program and the planned Interstate 27 extension connecting Laredo, Texas, to Denver, Colorado. In addition to its highway connections, Del Rio is served by the main line of the Union Pacific Railroad and Amtrak. Del Rio has its own international airport, with a new daily service to Dallas starting May 1, 2017.

Del Rio's famed Lake Amistad provides year-round recreation opportunities, including scuba diving, fishing, boating, and water sports. In addition to the lake, the San Felipe Springs feed fresh waterways throughout the city. Water and a temperate climate make Del Rio a recreational mecca in the largely desert region. Amenities include parks, municipal swimming pools, tennis courts, golf courses, and playing fields. Del Rio's Val Verde Winery is the oldest in the state, and is

a popular attraction for locals and visitors.

The city is home to three museums and a large number of art galleries, with the HeART of Del Rio gallery association organizing regular events. The city has appeared as a setting in many Western films, ranging from the 1951 Charlton Heston film Arrowhead to the Coen Brother's 2007 No Country for Old Men.

### **DEL RIO-CIUDAD ACUNA METROPOLITAN AREA**

The population of Greater Del Rio-Ciudad Acuña Bi-National Metropolitan Area was estimated at 280,000 in 2015. It is the seventh-largest bi-national metropolitan area along the United States-Mexican border. Ciudad Acuña is the fastest-growing city in Mexico. The city has an estimated US regional economic impact of \$327,854,000.

Manufacturing is a major economic driver in Ciudad Acuña, and the industry continues to grow. There are 50 assembly plants specializing in diverse products including textiles, metals, electrical components and

automotive parts. Big-name companies including Sunbeam, General Electric, Kimberly Clark, Bridgestone/Firestone, Bendix, and Irwin Automotive have facilities in the city. There are five industrial parks in Acuña, spanning an area large enough to cover 6% of the land surface of the city.

# Tenant Overview



## BUSINESS OVERVIEW

CVS Health Corporation (formerly CVS Caremark Corp.) together with its subsidiaries is one of the largest pharmacy health care providers in the United States; with integrated offerings across the entire spectrum of pharmacy care. CVS is unique among the big three retail drugstore chains (Walgreen's, Rite Aid, CVS), in that it operates its own pharmacy benefit management ("PBM"), and is thus, an integrated pharmacy health care provider. CVS's offerings include pharmacy benefit management services; mail order, retail and specialty pharmacy; disease management programs; and retail clinics. CVS operates drugstores throughout the U.S., the District of Columbia, and Puerto Rico.

The company has launched assertive growth plans in recent quarters. In June 2015, it announced the \$1.9 billion purchase of Target's pharmacy business, a deal which brings the total store count to 9,600 and adds sites in west coast metro areas CVS hadn't previously serviced—including Portland, Seattle, Denver, and Salt Lake City.

In August 2015 the company completed a \$12.9 billion acquisition of pharmacy services firm Omnicare, which helps manage specialty pharmaceutical distribution to long-term care facilities, among other medical environments.

As of April 2017, CVS operated 9,600 retail locations in the U.S. and Brazil. Its stores sell prescription drugs, as well as other products such as nonprescription medications, health and beauty aids, and cosmetics. The company also operates the nation's largest medical care clinic, with more than 1,100 MinuteClinic® health care clinics throughout the country. MinuteClinics are staffed by nurse practitioners and physician assistants, who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations. CVS expects to grow MinuteClinic® to 1,500 locations in more than 35 states in 2017.

## STRATEGY

Formerly known as CVS Caremark, the company rebranded as CVS Health in 2014—and in so doing announced it was eliminating the sale of tobacco products that year across its network of stores, in keeping with the "health" side of its corporate mission. CVS has four divisions—pharmacy, Caremark (pharmacy benefits management and mail service pharmacy), MinuteClinic walk-in clinics, and specialty pharmacy management. The company acquired Caremark in 2007, and now serves 75 million plan members via that division.

## STORE PROFILE

As of April 2017, CVS operated 9,600 retail stores in 49 states, the District of Columbia, Puerto Rico, and Brazil under the CVS pharmacy name. CVS/pharmacy stores sell prescription drugs and a wide assortment of general merchandise—front-end products. Typical retail stores range in size from approximately 5,000 to 25,000 square feet, although most new

stores range in size from approximately 8,000 to 13,000 square feet and typically include a drive-thru pharmacy. In 2016, CVS filled or managed 2.4 billion prescriptions, representing the capture of 39% of the past 5-year U.S. market prescription growth.

## FINANCIAL SUMMARY

Total revenue for 2016 increased 15.8% to a record \$177.5 billion, up from \$153.3 billion in the year prior, while operating profit in 2016 rose 9.3% to \$10.3 billion. Adjusted earnings per share from continuing operations rose by more than 6% to \$4.91 from \$4.62. CVS generated USD \$8.1 billion in free cash flow in 2016, and the company's dividends per share rose in 2016 to \$1.70 from \$1.40.

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