



ZERO CASH FLOW

CVS PHARMACY : Harrison, OH

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THOMASCOMPANY NET LEASE CAPITAL MARKETS

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EXECUTIVE SUMMARY



THE OFFERING

Thomas Company is pleased to offer for sale a well-located CVS store totaling +/- 9,516 square feet of retail space. The property is offered as a highly leveraged zero-cash-flow investment, with an attractively priced loan that fully-amortizes prior to the expiration of the lease. The property provides an investor with significant passive losses to help offset unsheltered cash flow from other real estate investments. The property will be leased on an absolute net basis, with CVS responsible for all repair and maintenance. The lease and loan are currently being structured, with both expected to commence early this fall. The lease and loan terms used in this offering are estimates that are subject to change.

INVESTMENT HIGHLIGHTS

Strong Corporate Credit

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 9,700 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).

Favorable Debt Structure

The debt structure will require limited equity investment and will generate annual passive losses that work to offset taxable income from other investments.

Low Equity Investment

The credit of CVS and the fully amortizing nature of the loans allow lenders to underwrite the asset with much higher leverage ratios than typical real estate investments. The high amount of leverage will require much less equity to be invested.

Passive Ownership

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

Ideal for Tax Deferred Exchange

The loan will contain the pay-down/re-advance feature, allowing an investor to meet a larger exchange requirement and purchase the asset for limited equity.

EXECUTIVE SUMMARY



THE PROPERTY

ESTIMATED PURCHASE PRICE

\$3,103,046

ESTIMATED EQUITY REQUIRED

\$600,590

LOAN TO VALUE RATIO

81%

ADDRESS

10534 Harrison Ave, Harrison OH

ESTIMATED SIZE

9,516 SF

AGE OF STORE

0.9 Years

THE LOAN

ESTIMATED LOAN BALANCE

\$2,502,457 (Subject to change)

LOAN TO VALUE

81%

LOAN TERMS

The loan amount, term, amortization rate, and interest rate for the loan is still being determined. The loan will be structured with the monthly debt service equal to the monthly rent.

PAY-DOWN/RE-ADVANCE

The loan will include the pay-down/re-advance feature.



EXECUTIVE SUMMARY



THE LEASE

TENANT

CVS Corporate Subsidiary

GUARANTOR

CVS Health Corporation (NYSE: CVS, S&P: BBB+)

OCCUPANCY

Fully-Leased

LEASE TERM REMAINING

+/- 25 Years

ANTICIPATED LEASE COMMENCEMENT

The lease is expected to commence on 9/27/2017

ANTICIPATED LEASE EXPIRATION

The lease is expected to expire on 1/31/2043

LEASE STRUCTURE

Absolute Triple-Net

LANDLORD RESPONSIBILITIES

None. The Tenant is responsible for all repair and maintenance of the property, including the roof and structure.

RENT

The rent is still being determined.

SECTION 467 RENT/LOAN

The lease will be structured with an IRS Section 467 rent schedule. The actual money paid each month is different than the rent that is allocated to that month. The tenant accumulates a rent credit with the Landlord over time. The balance of this loan is then fully-amortized by applying it to the monthly rent during the final years of the lease, including the rent holiday period when no money is exchanged.

OPTIONS TO EXTEND

10 5-year extension options

OPTION RENT

The asset has two fixed-rate extension options. The rent for the remaining eight option periods is based on Fair Market Rent as defined in the Lease. The rent for the first two years of the first fair market extension option is set at 101% of fair market. The rent then adjusts to 100% of fair market for the remaining term of that option and any additional option periods.



PROPERTY OVERVIEW



SITE MAP



DEMOGRAPHICS

Est. Population

1mi	3mi	5mi
6,955	16,268	28,922

Est. Ave HH Income

1mi	3mi	5mi
\$76,982	\$76,384	\$79,948

Est. Percentage of Population 55+

1mi	3mi	5mi
26.30%	30.30%	31.90%

Est. Population Growth 2000-2017

1mi	3mi	5mi
37.70%	21.40%	14.10%

PROPERTY OVERVIEW



AREA MAP



PORTFOLIO OVERVIEW



MARKET OVERVIEW

HARRISON, OHIO

Harrison, Ohio is a fast-growing city within the Cincinnati metropolitan area. The population has been growing at a rate of 7% annually for the past three years. The city has benefitted from the development of Interstate 74, strengthening the city's link with Cincinnati and offering residents a 25-minute commute to downtown. This improved access has made Harrison an attractive option for new residential construction.

Harrison enjoys higher median home values and median household incomes than the state average. Employment in Harrison, OH increased by 4.27% between 2014 and 2015. The most common jobs held are in the categories of management, business, and science. As of 2016, the cost of living index in Harrison was 89.1, compared to the national average of 100.

Residents of Harrison benefit from proximity to the Miami Whitewater Forest. The managed park offers amenities including a visitor center, 9-hole golf course, soccer complex, 11-acre dog park, and picnic facilities. The forest can be explored via

extensive paved walking trails, along with hiking and equestrian trails.

Cincinnati, Ohio is located on the banks of the Ohio River, with a metro area that reaches from the southwestern corner of Ohio into Northern Kentucky and southeastern Indiana.

The MSA supports more than one million jobs within the U.S. economy. The 15-county area covers 4,400 square miles of land and has a total population 2,130,151, with a civilian workforce of over 1.1 million. It is the largest metropolitan area involving Ohio and 27th largest in the United States. The city features on Forbes' lists "The Best Places for Businesses and Careers" and "Best Cities for Raising a Family."

The Cincinnati region supports a diverse range of industries, including aerospace, automotive, biotechnology, brand design & creative services, chemistry, financial services, IT services and consumer goods. As an entire metro, health care and social assistance was the industry with the highest employment proportion (12.4

percent); manufacturing was second (12 percent) and retail trade was third (10.8 percent).

The greater Cincinnati area is home to 10 Fortune 500 Companies: AK Steel, American Financial Group, Inc., Ashland, Fifth Third, General Cable, Kroger, Macy's, Omnicare, Procter & Gamble, and Western & Southern Financial Group. In addition, GE Aircraft Engines has a long history in the Cincinnati MSA and is a top-ten employer. The city is a world leader in production of machine tools, playing cards, soaps and detergents. Other products manufactured in Cincinnati include building materials, cans, chemicals, clothing, cosmetics, electronic equipment, jet engines and valves.

The region is known for its low costs, and was ranked as the second least-costly location to do business out of the 27 largest metro areas in the U.S. by KPMG's 2014 Competitive Alternatives Study. This study measured key

business cost factors such as labor, taxes, real estate and utilities.

The city has one of the largest historic districts listed on the National Register of Historic Places, and is home to a lively cultural scene including Cincinnati Masters tennis tournament, the Ohio Valley Jazz Festival, the Cincinnati Reds Opening Day Parade, and MidPoint Music Festival. The city prides itself on its extensive parks system, with all residents living within one mile of a park.

TENANT OVERVIEW



NYSE: CVS; S&P: BBB+

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 brought the total store count to 9,500 and added 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. Currently, 77% of Omnicare's customers live within 3 miles of a CVS Pharmacy.

As of June 2017, CVS operated 9,700 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 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 by 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 June 2017, CVS operated 9,700 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 28% share of the market, leading their competitors by a wide margin.

FINANCIAL SUMMARY

Total revenue for 2016 increased 16% 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 13% to \$4.62 from \$5.84. CVS generated \$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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