

 **For Sale**
**Absolute NNN Corporate
Ground Lease Carl's Jr.**

2609 Riparian Dr. / 2609 W Taron Ct., Elk Grove, CA



2609 Riparian Dr./2609 W Taron Ct.



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THE OPPORTUNITY

2,726 SF BUILDING SIZE	36,155 SF LOT SIZE	\$2,900,000 PURCHASE PRICE	4.2% CAP RATE
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HIGHLY TRAFFICKED DRIVE-THRU QSR LOCATION

Turton Commercial Real Estate is pleased to offer the sale of 2609 Riparian Drive/2609 W Taron Court, a highly trafficked, single-tenant, drive-thru Quick Service Restaurant (QSR) with a 10 year corporate guaranteed NNN ground lease in place with Carl's Jr. The Subject Property is being offered at a purchase price of \$2,900,000.00, representing a 4.2% capitalization rate on annual base rent. After originally signing to a 20-year absolute NNN ground lease in 2006, Carl's Jr. has proactively exercised one additional 5-year option, result-

ing in a remaining 10-year term, and requested three additional 5-year options to be added to their agreement, showing long-term dedication to the site. The Subject Property represents an extremely risk averse and hands off investment with no Landlord responsibility. The Tenant at the Subject Property also has marquee signage on Interstate 5 and exclusive rights within the center to sell hamburger or Mexican style quick serve food within the center. This Carl's Jr. boasts high traffic counts thanks to its strategic location directly off

of the Interstate 5 highway (average vehicle count of 81,400 vehicles per day) along Elk Grove Blvd, which sees an average of 25,000 vehicles daily (per costar 2020 data).

The outlook for Elk Grove Blvd is very attractive as the City of El Grove is widely considered to be an underserved retail market. As a result, retail giants such as Costco, Nugget, Amazon Fresh, Trader Joe's, and many more have located along the Elk Grove Blvd corridor between Interstate 5 and Highway 99.



THE PROPERTY

INVESTMENT SUMMARY

Purchase Price	\$2,900,000.00
Capitalization Rate	4.2%
Annual Rent	\$121,000
Annual Increases	10% every 5 years

PROPERTY DESCRIPTION

Property Type	Net-Leased Quick Service Restaurant
Property Address	2609 Riparian Dr./2609 W Taron Ct., Elk Grove, CA 95757
Year Built	2007
Building Size	2,726 SF
Lot Size	36,155 SF
APN	1320-460-1040

LEASE SUMMARY

Guarantee	Corporate
Lease Term	~ 10 years + three 5-year options
Lease Structure	Ground Lease
Lease Expiration	February 28, 2032

RENT SCHEDULE

03/01/2022-02/28/2023	\$121,000
03/01/2023-02/28/2024	\$121,000
03/01/2024-02/28/2025	\$121,000
03/01/2025-02/28/2026	\$121,000
03/01/2026-02/28/2027	\$121,000
10% Increase	
03/01/2027-02/28/2028	\$133,100
03/01/2028-02/28/2029	\$133,100
03/01/2029-02/28/2030	\$133,100
03/01/2030-02/28/2031	\$133,100
03/01/2031-02/28/2032	\$133,100
First Five Year Extension Option - 10% Increase	
03/01/2032-02/28/2037	\$146,410
Second Extension	
03/01/2037-02/28/2042	\$161,051
Third Extension	
03/01/2042-02/28/2047	\$177,156





ELK GROVE

178,124
RESIDENTS

\$93,780
AVERAGE HOUSEHOLD INCOME

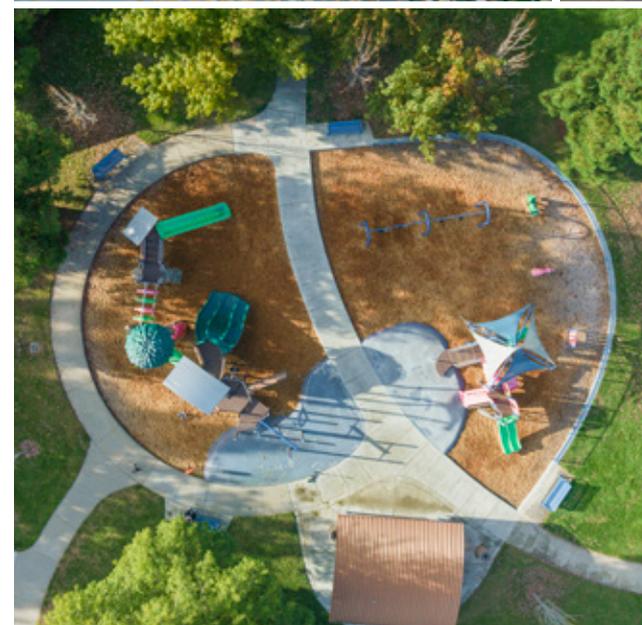
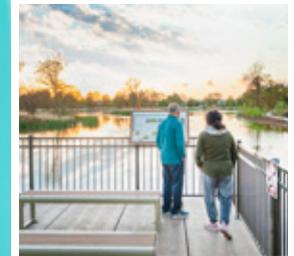
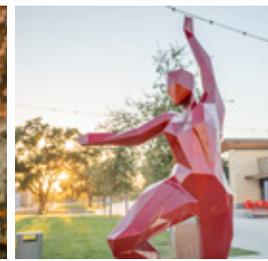
14.2%
RESIDENTIAL RENT GROWTH

3.6%
OFFICE VACANCY RATE

Renowned for an award winning school district, a great quality of life, a burgeoning historical district, and first-rate parks, Elk Grove has a prosperous business community that boasts a diversity of shops, services, and promising careers. Currently, Elk Grove is home to 3,000 businesses and nearly 29,000 employees contribute to the service and economical growth of the Elk Grove Community. There are an estimated 53,618 households within the city limits. The average household

income is \$93,780. By 2023 it is estimated there will be 181,050 people living in Elk Grove. Elk Grove is a family-oriented, diverse community with one of the largest growth markets in the country due to its affordable, superior quality of life and strong employment base. Major corporations like Kubota, Apple, Amazon, AllData, and the State of California call Elk Grove home. Other major employers located in Elk Grove include Dignity Health, Sutter

Health, Kaiser Permanente, and the Elk Grove Unified School District. The City of Elk Grove continues to be one of the strongest submarkets in the Greater Sacramento Region. Elk Grove Boulevard is one of the trade area's primary east-west traffic corridors. Project Elevate is visible to over 140,000 cars per day. The adjacent South Laguna area, south of Elk Grove Boulevard, is one of the largest new area of residential development in Sacramento County.





STONELAKE LANDING SHOPPING CENTER

When touring the Carl's Jr Property, one may wonder what is going on with the mostly vacant Stonelake Landing Shopping Center surrounding the Property?

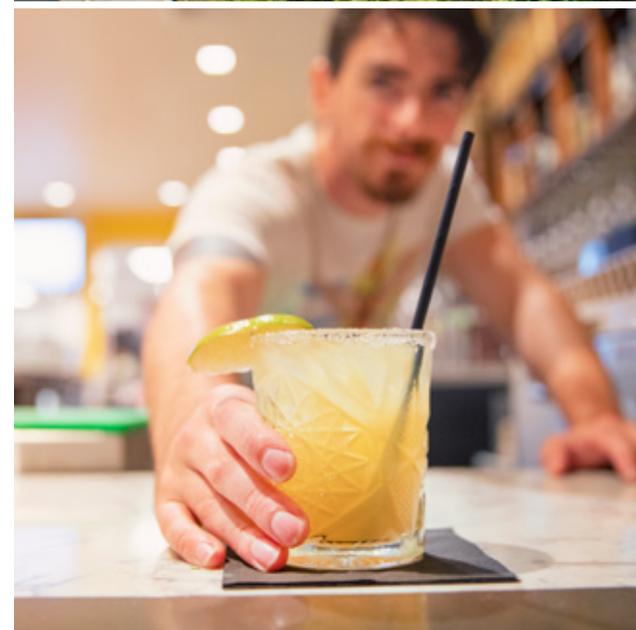
Stonelake Landing Shopping Center was purchased by Northstate Medical Center in January of 2018 for the purpose of redeveloping the center into a Medical Training Hospital. Within two years of acquiring the property, the COVID-19 pandemic emerged and rapidly fueled Northstate's planned efforts to vacate all tenants from the center. Rather than offer new lease terms or rent abatement to the tenants during difficult times respective of COVID related shutdowns, Northstate Medical simply allowed all tenants to terminate their lease. Af-

ter depleting the property's occupancy to below 50%, Northstate Medical's proposal for their new medical facility was denied by the City of Elk Grove. With no permits or approvals to build their hospital, Northstate quickly identified another site in North Natomas.

The Stonelake Landing Shopping Center, to the naked eye may seem to be a struggling retail center, but truly represents a very attractive value add opportunity. Prior to the pandemic and Northstate's medical entitlement efforts, Stonelake Landing Shopping Center was a thriving retail center consisting of a diverse and eclectic group of successful retailers including Dreaming Dog Brewery, Miyabi Sushi, Stonelake Vine & Spirits, Flaming Grill Café, Hea Tea, In-

dia kitchen and Majesty African Marketplace. Some day it will undoubtedly thrive again.

Inspiringly, the intentional vacancy of Stonelake Landing Shopping Center has had no bearing on the success of Carl's Jr. As a corporate guaranteed Carl's Jr. drive-thru, with freeway signage along Interstate 5, their sales have not been reliant on traffic from the surrounding center, and their performance remains largely unaffected by the Stonelake Landing Shopping Center's unique situation. The willingness of the tenant to extend their lease an additional five years (ten years total) coupled with fifteen years of options demonstrates the strength of the market and confirms their optimism for the future.



2609 Riparian Dr./2609 W Taron Ct.

I-5

Rescate Coffee
Original Pete's
Jacquelyn's Salon
Tea Rex
Dons Clothing
Arthur Murray Dance



Subject Property



Quickly
Ora Dentistry
Kacie's Donut
Huckleberry's
Joy City
Wasabi Sushi

Luchador Coffee
Stonelake Nail Spa
Oz Korean BBQ
HEA TEA
India Kitchen
Vine & Spirits

Northstate University

Elk Grove Blvd



TRAFFIC COUNTS

Population	~ 179,092
Elk Grove Blvd & Harbour Point Dr	24,690
Elk Grove Blvd & I-5 W	25,115
Harbour Point Dr & Coney Island Cir N	8,708
Elk Grove Blvd & Harbour Point Dr NW	26,585
Elk Grove Blvd	93,000
Harbour Point Dr & Granite Park Ln NW	6,105



THE RETAIL MARKET IN ELK GROVE

Elk Grove is a suburban area that ranks as one of the region's most affluent submarkets. Incomes notably outpace the metro median, and the submarket populace has increased by a double digit percentage since 2010. The abundant spending power and fast-growing population allowed for positive retail demand in virtually every year this past cycle, and despite the coronavirus pandemic and its outsized impact on the retail environment, demand was again positive in 2020. This dynamic helped propel vacancies to an all-time submarket low at the start of 2021. But as restaurants and retailers continue to bear the brunt of the virus mitigation efforts,

it seems likely that vacancies will soon expand. Retail inventory gains reflect the area's growth. While few projects were underway at the start of the new year, supply growth this past decade notably outpaced that of the wider metro. Retail demand in Elk Grove has been buoyed by strong demographics, including outsized population gains. While metro population growth roughly doubled the national norm this past cycle, gains in Elk Grove were even more robust: Since 2010, the City of Elk Grove's populace has increased by about 13%. Much of this has resulted from natural population growth, as nearly half of all households here are families with children. Elk

Grove is also characterized by high education levels and lofty incomes. Approximately 35% of residents possess at least a bachelor's degree, and the median household income is around \$90,000, or roughly 20% higher than the metro median. More than 40% of households earn \$100,000 or more annually, and around 75% of households are homeowners. This has made Elk Grove especially attractive to retailers who prefer locations near affluent population centers. With vacancies sitting below 3% at the start of 2021, the figure has almost nowhere to go but up. Currently, year-over-year rent growth is 3.6%. Retail space in Elk Grove is among the priciest in Sacramento. As of 21Q1, the average asking rent outpaced the metro average by approximately 15%. Compared to nearby submarkets, rents are about 30% higher than those of South Sacramento. Among retail categories, power centers command the highest asking rents. While category vacancies as of late were almost double the retail average, power center rents top the metro norm by approximately 10%. One of the few retail projects underway in the early days of 2021 was Capital Reserve Commercial Center. Located on Elk Grove Boulevard between Highway 99 and Laguna Springs Drive, the project consists of two buildings totaling roughly 13,300 SF. Construction is underway and both Building A and Building B, totaling about 13,000 square feet of space, are fully leased. Only about 20,000 SF of new product delivered here in 2020, and that was a product of The Ridge. The Ridge is a 382,000 SF newly developed Costco-anchored power center, on the southeast corner of Elk Grove Blvd and Bruceville Road. The shopping center is nearly fully leased

and features an excellent tenant mix of soft goods retail, fitness, casual dining restaurants, QSR, and beauty services. Demonstrative of Elk Grove's robust retail trade area, LA Fitness, Fleet Feet, a national sporting goods retailer, a bank branch, and a national grocery store (to be announced) have recently filled out The Ridge. They join the open shops and food and beverage concepts including: Sephora, European Wax, Mayweather Boxing, Stanton Optical, Zothex Flooring, Olive Garden, Buffalo Wild Wings, Nick the Greek, Curry Up Now, SomiSomi, In-N-Out, Peiology, Jollibee, West Coast Sourdough, Starbucks, Aspen Dental, Great Clips, and AT&T. Adjacent to Project Elevate to the west, the Village is an exciting planned lifestyle center of 111,300 SF, on the southwest corner of Elk Grove Blvd and Big Horn Blvd. Pre-leasing of the Village is well underway, including QSR and a grocery store. Also notably, across the intersection are Trader Joe's, Kohl's, and Nugget Market. Area incomes are strong; the median household income within a one mile radius of The Ridge is nearly \$100,000. Healthy supply growth was the norm in Elk Grove this past cycle. Since 2010, inventory has increased by approximately 10%, and new product delivered in nearly every year. A few significant projects have been built recently, supply increased by about 3% in 2018, which marked the strongest year of the past decade for new construction. Elk Grove's population growth, high incomes, and limited vacancies indicate a long runway exists for new retail developments. The local sales market saw little activity in 2020. Only six properties changed hands, a 70% decline compared to what was typical from 2015–19. And with rents increasing and vacancies

falling, perhaps significantly, transaction volume is likely to pick up as the retail market rebounds. Due to the lack of trades, sales volume was similarly tepid last year, coming in at less than half of the \$35 million annual historical average. The majority of the year's investment volume stemmed from one trade. Last November, Save Mart Supermarkets sold a 53-property portfolio of Central Valley and Northern California stores to Chicago-based Oak Street Real Estate Capital for \$635 million. Included in the transaction was 9160 Elk Grove Florin Road, a 96,600-SF free-



300K
Residents within a 5-mile radius of Project Elevate

35%
Elk Grove residents with a bachelor's degree

standing supermarket that is part of the Camden Park Shopping Center. The estimated value of the local property, which is 100% occupied by Save Mart Supermarket, was \$9.87 million (\$102/SF). Another deal was for a Blue Wave Express Car Wash site. Last September, San Francisco-based Bay West Group acquired the 2,880-SF property for \$2.3 million (\$800/SF) at a reported cap rate of 6.5%. Located at 9610 E Stockton Blvd., the car wash is part of The Grove strip center. Investment volume was further stunted in 2020 by pricing. The average transactional price was less than \$200/SF for the first time since 2014, and moreover, trailed the 2017 cyclical peak by almost 65%. Additionally, construction is underway on the \$500 million dollar Sky River Casino on the south side of town. The additional employees and tourism the casino will attract is expected to have an exponential impact on retail revenues throughout the city. The facilities will include a 110,260 square-foot gaming floor, 2,000 slot machines, and a 12-story hotel with more than 300 guest rooms. The casino is expected to open in 2022.

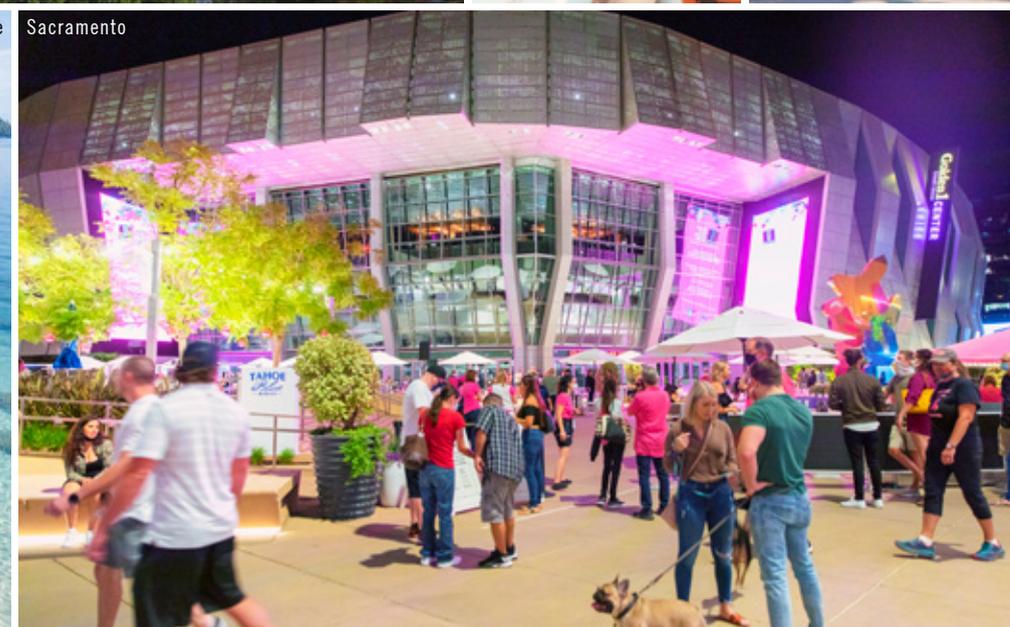
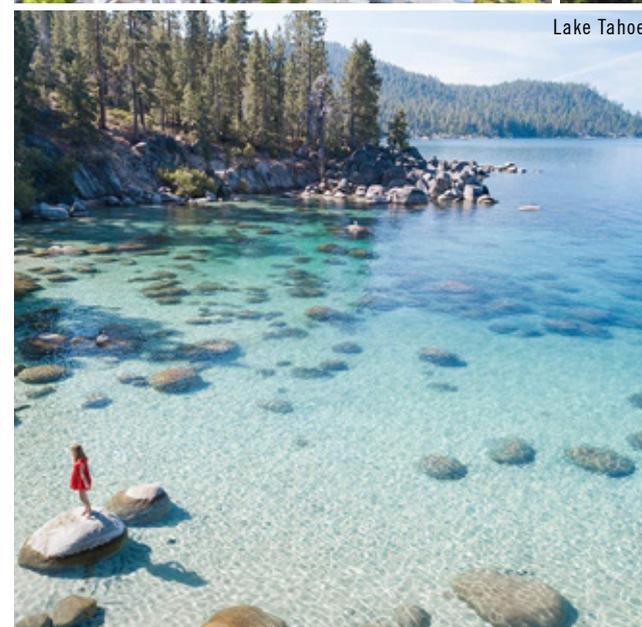
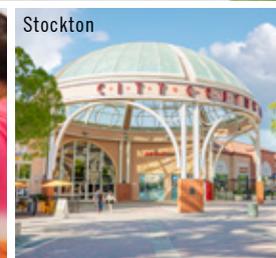
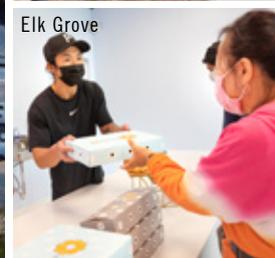


ELK GROVE'S CENTRALIZED LOCATION

Elk Grove is located in Sacramento County roughly 10 miles south of the California State Capital and about halfway between San Francisco Bay Area and Lake Tahoe.

The city is only a 15 mile drive from Downtown Sacramento; the average commute time for this distance is roughly 24 minutes. Other nearby major cities include Davis, Folsom, Rancho Cordova, Roseville. These cities form a constellation of significant economic centers - of which Elk Grove

is a part - across the Sacramento Valley. Known as a comfortable place to live, Elk Grove is the second largest city in the Sacramento region with a population of more than 178,124 over 42 square miles and has become one of the fastest growing cities in the United States. This growth has resulted in a flourishing community that maintains its small town roots while focusing on increased amenities to enhance the live / work experience of its residents.



ELK GROVE DATA/DEMOGRAPHICS

Home to an entrepreneurial spirit and superior quality of life, Elk Grove is a family-oriented community where opportunity is around every corner. The City offers everything from starter homes to ranch estates, and provides a safe, youthful environment where families put down roots. Its population of nearly 180,000 residents is diverse in ethnicity, age and income levels. There are approximately 52,000 households in Elk Grove with a median income of \$93,780. Elk Grove's location provides easy access to two major freeways, the Sacramento International Airport, rail lines and two ports. The City of Elk Grove is known for an award winning school district, a variety of outstanding restaurants, a historical district, first-rate parks, and much more.

Named the first city to incorporate in California during the 21st century (July 2000), Elk Grove has blossomed with new businesses, residents, and employment opportunities, City services include an outstanding police department, animal care services unit and a first-rate public transportation system managed by Sacramento Regional Transit. Elk Grove is a city with small town roots that boasts a proud heritage and bright future.

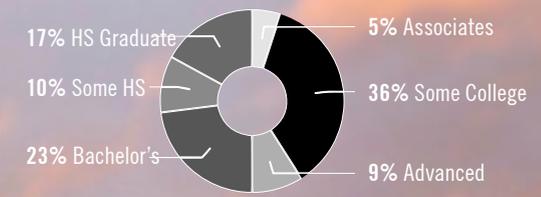
ELK GROVE CITY RANKINGS:

- #1 Sacramento Suburb for Young Couples
- #1 Fastest Growing City in California
- #2 in USA "Where Millennials are Buying Homes"
- #2 Best City for Homeownership in CA
- #7 Cleanest City in the U.S.
- #7 Most Ethnically and Racially Diverse
- #10 Best Cities for Women in the Workforce
- #11 Fastest Growing City in the U.S.
- #17 Safest Cities in America

2020 HOUSEHOLD INCOME - 3 MILE RADIUS OF PROPERTY:

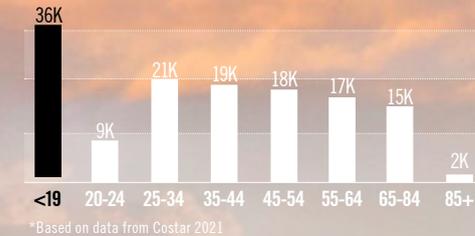


EDUCATION ATTAINMENT WITHIN A 3 MILE RADIUS:



Apartment Vacancy **2.2%**
 12 Mo Rent Growth **14%**
 Rent vs Own **25%**

POPULATION BY AGE WITHIN A 3 MILE RADIUS OF PROPERTY



ANNUAL CONSUMER SPENDING - 3 MILE RADIUS:

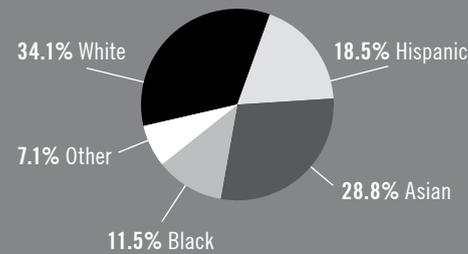


2021 MEDIAN HOME SALE PRICE IN CITY OF ELK GROVE:

\$568,000

2021 RETAIL VACANCY RATE IN ELK GROVE: **2.2%**

ELK GROVE RACIAL DIVERSITY:





SACRAMENTO

15.3 MILLION
ANNUAL REGIONAL VISITORS

71,335
DAYTIME EMPLOYEES

215+
BARS / RESTAURANTS

Sacramento is the capital of the State of California and the seat of Sacramento County. The city is located towards the north of California's expansive Central Valley and has an estimated population of 513,625, making it the sixth most-populous city in California. The four-county Sacramento MSA has 2.5 million residents, making it the largest MSA in the Central Valley and the fifth largest in California behind greater Los Angeles, the San Francisco Bay Area, the Inland Empire and San Diego.

As the capital of California, a large portion of Sacramento's employment has historically been dominated by the State government and other public sector employers. Today, State government accounts for 12% of all non-farm

employment, while government as a whole employs just over a quarter of the region's labor pool. However, as the population of Sacramento has grown, the economy has become increasingly diverse, attracting major employers in a number of private sector industries such as professional services, healthcare, education and trade, transportation and utilities, with education and health services sectors seeing the strongest growth.

Sacramento is also home to two highly respected public universities: The University of California, Davis and California State University, Sacramento. The Sacramento region features a highly skilled and educated workforce with 34% of the population holding a bachelor's

degree or higher. Thanks to the relative affordability and excellent quality of life, the region has also been attracting the millennial workforce, **making Sacramento the #3 location in the country, and #1 in California, for net millennial migration.**

The strength of the regions' labor force, competitive cost of living and ease of access to the San Francisco Bay Area and other major employment hubs, creates significant value for employers. The top private employers in the region include Kaiser Permanente, Sutter Health, Dignity Health, Intel, Hewlett Packard, Apple, Centene, VSP Global, Health Net, Blue Shield of California, Franklin Templeton, Aerojet, and Delta Dental.



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