

# OFFERING MEMORANDUM.

## Shopko Orem, UT



The Maffia Team



Actual Site



**\$12,235,000**  
**6.75% CAP Rate**

- ◆ Core Salt Lake City Metro Market
- ◆ Long Term 20-Year Absolute NNN Lease
  - ◆ 12 Years Remaining
- ◆ Located on a High Traffic Thoroughfare
- ◆ Rental Increases Every 3 Years
  - ◆ 125% of CPI or 6%
- ◆ Recently Rebranded & Renovated at Tenant's Expense

**Newmark  
Cornish & Carey**

This property is listed in conjunction with Utah-licensed real estate broker Newmark Grubb Acres.

[www.maffiateam.com](http://www.maffiateam.com)



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Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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## Property Information

**Location** Located at 125 South State Street in Orem, Utah.

**Lot Size** Approximately 8.55 acres, or 372,351 square feet.

**Improvements** Construction was completed in 1990 of an approximately 101,132 square foot building for Shopko.

**Lease** Leased to Shopko for 20 years from January 29th, 2007 to January 31st 2027. The current net annual rent is \$786,516. During the initial term, the base rent shall increase every 3 years by the lesser of 125% of CPI or 6%. The tenant has four 5-year options and upon the commencement of each option, the base rent shall be adjusted by Fair Market Value. Shopko pays all taxes, insurance, and maintenance, including roof and structure.

Rent Schedule	<u>Years</u>	<u>Income*</u>	<u>Return</u>
	7-9	\$786,516	N/A
	10-12 (Current)	\$825,842	6.75%
	13-15	\$875,393	7.15%
	16-18	\$927,916	7.58%
	19-20	\$983,591	8.04%
	21-25 (Option 1)	Fair Market Value	
	26-30 (Option 2)	Fair Market Value	
	31-35 (Option 3)	Fair Market Value	
	36-40 (Option 4)	Fair Market Value	

**Price** **\$12,235,000 (6.75% Return)**

**Financing** The property will be delivered free and clear of permanent financing.

\*NOI increases every 3 years by the lesser of 125% of CPI or 6%. For the upcoming increase in Feb. 2016, a 5% increase is assumed and this is the income that is capitalized. For future increases 6% increases are assumed.



## Financial Analysis | Possible Financing

### Financing

The property will be delivered free and clear of permanent financing. A possible new 10-year loan may be secured in the amount of \$6,987,750. The loan will be fixed for 10 years at an interest rate of 4.40% with interest only for the entire term of the loan. The cash-flow analysis is below:

### Cash Flow

			<u>Year 1</u>	<u>Year 4</u>	<u>Year 7</u>
Price	\$12,705,000	Net Income	\$825,842	\$875,393	\$927,916
Loan Amount	<\$6,987,750>	Debt Service	<307,461>	<307,461>	<307,461>
Equity	\$5,717,250	Cash Flow	\$518,381	\$567,932	\$620,455
		Cash-on-Cash Return	9.07%	9.93%	10.85%

To discuss this loan and other financing options, please contact Louis Weisman of Berkadia Commercial Mortgage at (206) 521-7219 or [Louis.Weisman@berkadia.com](mailto:Louis.Weisman@berkadia.com).



## Tenant Information



**Shopko** is a chain of retail stores based in Ashwaubenon, Wisconsin, near Green Bay. Shopko was founded in 1962 by James Ruben, and its first store opened in Green Bay. From 1991 to 2005, the company was publicly held, with stock traded on the New York Stock Exchange under the symbol SKO. In December 2005, the company was acquired by an affiliate of Sun Capital Partners and reverted to private ownership. In 1999, Shopko purchased Pamida, a regional discount chain that operated mainly in smaller communities of 3,000 to 8,000 people. Shopko operated Pamida as a separate division until 2007 when Pamida was separated from Shopko and reestablished as a separate company. In 2012, Shopko and Pamida merged into one company. Shortly after, most Pamida stores were rebranded as Shopko Hometown. The company also owns and operates a chain of pharmacies called Shopko Express.

Shopko operates nearly 350 located in 20 states including Northern California, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming. The majority of Shopko stores are located in small to mid-sized communities.

For more information, please visit [www.Shopko.com](http://www.Shopko.com).



## About the Area

### Site Information

The subject property is located in a shopping center on the Southeast corner of South State Street and East Center Drive in Orem, Utah. In addition to Shopko, other tenants in the shopping center are Smith's Food & Drug, Petco, FedEx, Sprint, and Panda Express. The immediate area contains complementary retail tenants such as Starbucks, AutoZone, Regions Bank, Burger King and Metropolitan Bank.

### General Overview

Orem is located in Utah County, in Utah. It is adjacent to Provo, Lindon, and Vineyard and is about 45 miles south of Salt Lake City. Orem is one of the principal cities of the Provo-Orem, Utah Metropolitan Statistical Area. Orem has an estimated population of 90,749.

The modern economy of Salt Lake City is service-oriented. In the past, nearby steel, mining and railroad operations provided a strong source of income with Silver King Coalition Mines, Geneva Steel, Bingham Canyon Mine, and oil refineries. Today the city's major industries are government, trade, transportation, utilities, and professional and business services. The city is known as the "Crossroads of the West" for its central geography in the Western United States. Local, state, and federal governments have a large presence in the city, and trade, transportation, and utilities also take up a significant portion of employment, with the major employer being the western North America Delta Air Lines hub at Salt Lake City International Airport. Equally significant are the professional and business services, while health services and health educational services are significant areas of employment, including the largest health care provider in the Intermountain West, Intermountain Healthcare. Other major employers include the University of Utah, Sinclair Oil Corporation, and The Church of Jesus Christ of Latter-day Saints.

Salt Lake City is home to one Fortune 500 company, Huntsman Corporation, and two Fortune 1000 companies, Zions Bank and Questar Corporation. Other notable firms headquartered in the city include AlphaGraphics, Sinclair Oil Corporation, Smith's Food and Drug (owned Kroger), MonaVie, Myriad Genetics, and Vehix.com. Notable firms based in nearby cities within the metropolitan area include Arctic Circle Restaurants, FranklinCovey, and Overstock.com. Metropolitan Salt Lake was also once the headquarters of American Stores, the Skaggs Companies, and ZCMI. High-tech firms with a large presence in the suburbs include Adobe, ColcaSac, eBay, Unisys, Siebel, Micron, Intel, L-3 Communications, Telarus, and 3M. Royal Bank of Scotland Group's subsidiary, RBS Securities has its middle office in Salt Lake City, as does Goldman Sachs.

In 2006, the largest potato producer in Idaho, the United Potato Growers of America, announced that it would relocate its headquarters to Salt Lake City, citing its need for a large international airport, being that Salt Lake City International is the 22nd busiest in the world in combined freight and passengers.



Site Plan

S STATE STREET

**SHOPKO**  
*my life. my style. my store.*

101,132 SF

©TheMaffiaTeam





Aerial | Close-Up View

S State St (43,575 AADT)



©TheMafiaTeam



# Aerial | Mid-Range View

Orem  
High School

Scera Park  
School

**SHOPKO**  
my life. my style. my store.

PIZZA  
**PAPA JOHN'S**

**COLLISION**  
AUTO BODY  
**MARTINS**  
PAINT  
REPAIR

**Smith's**

**PETCO**  
Where the pets go.

**SALLY BEAUTY**

**KeyBank**

**FedEx Office**  
Print & Ship Services

Wallaby's

S State St (43,575 AADT)

**PANDA EXPRESS**  
SOURCET CHINESE FOOD

**Sprint**

Cafe Zupas

**Fantastic Sams**

**Little Caesars**  
pizza!pizza!

Center St (28,675 AADT)



# Aerial | South View



**COSTCO WHOLESALE**  
**SPORTS AUTHORITY**  
★ **macy's** **CINEMARK**  
The Best Seat in Town

University Mall

**Burlington**  
coat Factory  
**BARNES & NOBLE**  
www.bn.com

**Michaels**  
Where Creativity Happens  
**BEST BUY**  
**Office DEPOT**

**DICK'S**  
SPORTING GOODS  
**Toys R US**

**BED BATH & BEYOND**  
**PET SMART**

**Lowe's**  
Home Improvement Warehouse

**HOBBY LOBBY**  
**T.J. MAXX**  
**ROSS**  
DRESS FOR LESS

**Walmart**  
Supercenter

Scera Park School

Noah Webster Academy

**SHOPKO**  
my life. my style. my store.

Lakeridge Jr. High School

**PETCO**  
Where the pets go.

**SALLY BEAUTY**

**MARTINI'S**  
RESTAURANT

**FedEx Office**  
Print & Ship Services

**Smith's**

**Ridley's**  
FAMILY MARKETS

S State St (43,575 AADT)

Fantastic Sams

**Little Caesars**  
PIZZA OUTLET

**INDIA EXPRESS**

**Sprint**

Math Team

**BURGER KING**

**McDonald's**

Center St (28,675 AADT)

City Center Park

Orem City Center



# Location Map





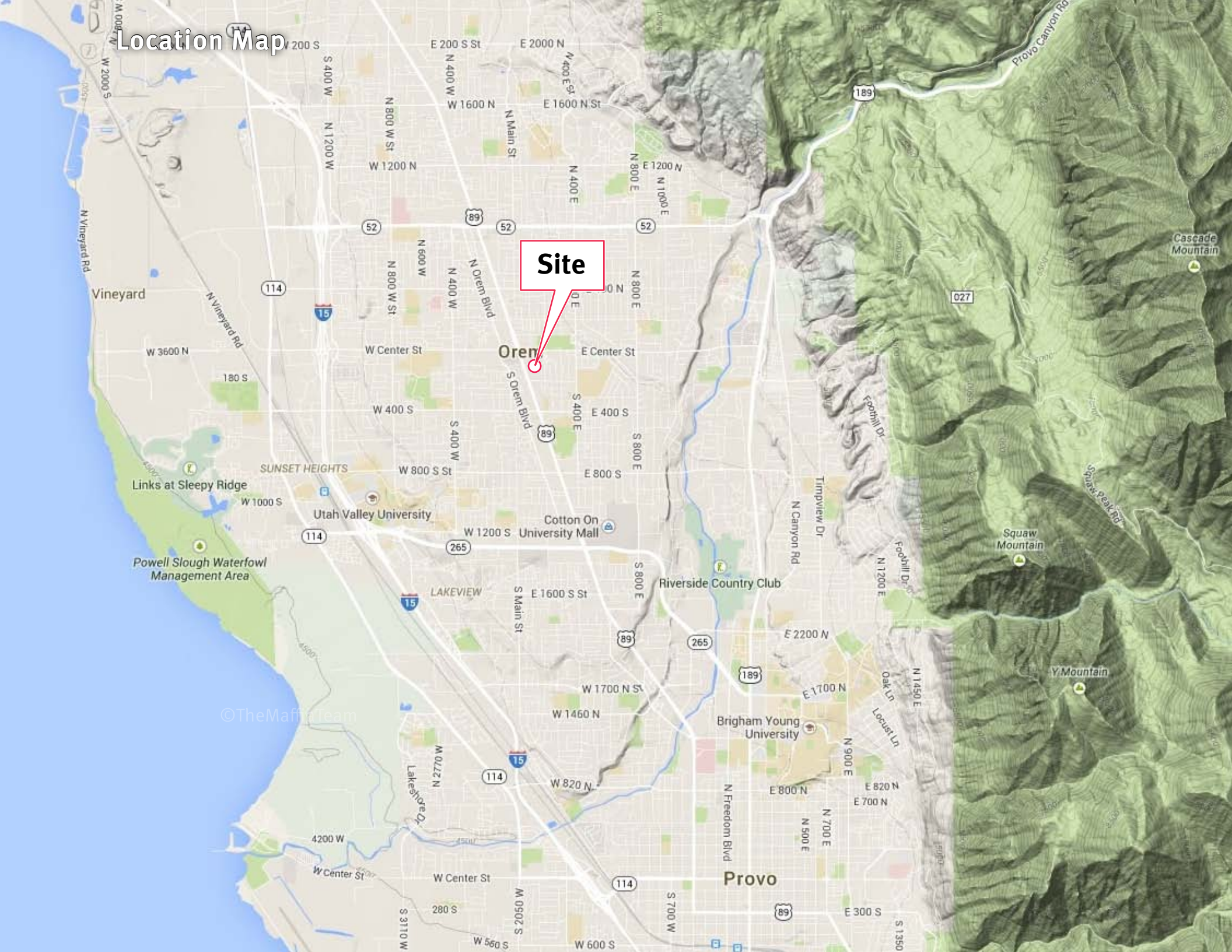
# Location Map

Site

Orem

Provo

©TheMapTeam





The map shows the city of Orem, Utah, with a grid of streets. A red pin labeled "Site" is located at the intersection of E Center St and S Orem Blvd. Other labeled locations include Orem Community Hospital, Mountain View High School, Orem High School, Scera Park, and various parks and shopping centers. The map also shows the Jordan River and the Utah Valley Regional Medical Center.



# Demographics

125 S State St  
Orem, UT 84058

	1 mile	3 mile	5 mile
<b>Population Summary</b>			
2000 Total Population	19,168	103,890	189,568
2010 Total Population	19,274	110,187	200,047
2014 Total Population	19,236	113,542	206,292
2014 Group Quarters	161	3,344	12,025
2019 Total Population	19,651	119,368	216,703
2014-2019 Annual Rate	0.43%	1.01%	0.99%
<b>Housing Unit Summary</b>			
2000 Housing Units	6,065	29,810	53,666
Owner Occupied Housing Units	60.2%	63.9%	53.9%
Renter Occupied Housing Units	36.8%	32.6%	42.6%
Vacant Housing Units	3.0%	3.6%	3.5%
2010 Housing Units	6,422	33,398	59,199
Owner Occupied Housing Units	56.3%	59.1%	51.4%
Renter Occupied Housing Units	39.5%	36.2%	44.1%
Vacant Housing Units	4.3%	4.7%	4.6%
2014 Housing Units	6,519	34,825	61,700
Owner Occupied Housing Units	52.4%	55.9%	48.5%
Renter Occupied Housing Units	42.8%	39.2%	46.7%
Vacant Housing Units	4.9%	4.9%	4.7%
2019 Housing Units	6,730	36,964	65,440
Owner Occupied Housing Units	51.5%	55.4%	48.1%
Renter Occupied Housing Units	43.5%	39.7%	47.2%
Vacant Housing Units	5.1%	4.9%	4.7%
<b>Median Household Income</b>			
2014	\$46,382	\$53,270	\$46,559
2019	\$54,513	\$63,739	\$54,860
<b>Median Home Value</b>			
2014	\$229,459	\$244,812	\$243,170
2019	\$293,731	\$323,025	\$319,603
<b>Per Capita Income</b>			
2014	\$19,654	\$21,150	\$19,149
2019	\$23,601	\$25,326	\$22,820
<b>2014 Households by Income</b>			
Household Income Base	6,200	33,110	58,764
<\$15,000	11.4%	10.1%	13.7%
\$15,000 - \$24,999	9.5%	9.4%	12.2%
\$25,000 - \$34,999	12.8%	10.4%	11.4%
\$35,000 - \$49,999	20.0%	16.6%	15.5%
\$50,000 - \$74,999	17.8%	18.9%	17.5%
\$75,000 - \$99,999	11.8%	13.2%	11.4%
\$100,000 - \$149,999	12.8%	14.1%	12.2%
\$150,000 - \$199,999	2.0%	4.1%	3.6%
\$200,000+	1.9%	3.2%	2.6%
Average Household Income	\$60,566	\$70,455	\$63,356
<b>2019 Households by Income</b>			
Household Income Base	6,389	35,138	62,374
<\$15,000	10.8%	9.4%	13.3%
\$15,000 - \$24,999	6.9%	6.7%	9.1%
\$25,000 - \$34,999	9.9%	7.8%	9.1%
\$35,000 - \$49,999	18.0%	14.6%	14.1%
\$50,000 - \$74,999	17.8%	18.0%	16.9%
\$75,000 - \$99,999	14.4%	15.9%	13.8%
\$100,000 - \$149,999	15.3%	16.4%	14.4%
\$150,000 - \$199,999	3.7%	6.5%	5.6%
\$200,000+	3.1%	4.7%	3.8%
Average Household Income	\$72,105	\$83,594	\$74,728