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\$34M in Walgreens Sales Show NNN Demand

By Bob Howard



Pasadena Property

IRVINE, CA-The sales of five freestanding Walgreens stores for \$34 million demonstrate the investor demand for single-tenant properties and especially for Walgreens-occupied stores because of the tenant's strong credit, according to Hanley Investment Group Real Estate Advisors. Edward B. Hanley, president of the Irvine-based company, comments that buyer demand "remains consistent for NNN single-tenant investments, with Walgreens being the most attractive, primarily due to their strong credit."

The five sales included one in Pasadena that represents the lowest cap rate of any single-tenant Walgreens in Southern California since 2008, according to Hanley VP Jeremy S. McChesney, who represented the buyer in the sale of the 13,961-square-foot building at 670 N. Lake Ave. The cap rate was 5.79%. The seller was represented by SVP Patrick Kent of Hanley. The building is situated on 5.5 acres and was built in 1980. The buyer bought the property all-cash and satisfied a 1031 exchange. Both the buyer and seller were private investors.



Pomona Property

In Pomona, a private investor represented by Kent and Hanley VP Eric P. Wohl bought a 13,680-square-foot Walgreens on 1.49 acres at 495 E. Holt Ave. that was built in 2003. The buyer paid all-cash in a 30-day close and acquired the property from Evergreen/Holt, which was represented by NAI Capital NYC. According to Kent, the purchase answered a need for a family partnership to have a strong income stream with minimal management. "Additionally, Walgreens' remaining lease term allows the family to pass this investment on to future generations," he said.

In Riverside, Wohl represented buyer RW WG Riverside LLC of Newport Beach in the acquisition of a 14,991-square-foot building on 1.52 acres at 6444 Van Buren Blvd. that was built

in 2010. Seller Arlington-Van Buren Investment LLC of Chicago was represented by McChesney and Hanley Investment Group managing director William B. Asher. The sale closed at one of the lowest cap rates for a single-tenant Walgreens in Southern California in the last nine months, 6.64%, Asher said. "In fact, for the past two years, the Walgreens that have sold in Southern California generally traded in the 7% cap range," Asher said. The Riverside sale "is a positive indicator the market is turning around," he said. "Watch for cap rates to remain in the 6% range moving forward."



Riverside Property

In Oklahoma City, Wohl represented buyer RW WG Riverside in the acquisition of a 14,490-square-foot Walgreens on 1.93 acres at 5901 NW 122nd St. that was built in 2008. Seller MAC-122 LLC of Oklahoma City was represented by Gary Gregory and Cathy Jo See of Sperry Van Ness of Oklahoma City and Tony Alanis of Net Leased Real Properties of Encinitas, CA. Wohl noted that the property fit the buyer's 1031 exchange and that the buyer took advantage of favorable CMBS debt, "which made the cash-on-cash return very attractive."

The fifth sale was an Orange County property that traded between two private investors, with Kent and Wohl arranging the deal, in which the buyer was the same investor who bought the Pomona property. The location and transaction details were not disclosed, but Wohl said the cap rate was "aggressive" because the property was on a corporate ground lease with increases. "To find another property with similar characteristics in today's market would be extremely difficult," he said.

Categories: West, Retail, Acquisitions/Dispositions, Net Lease, Los Angeles, Oklahoma City, Orange County



Bob Howard is a Southern California-based reporter for *GlobeSt.com* who has specialized in the commercial real estate industry for nearly 20 years. Before that, he was a business reporter in Los Angeles. Before specializing in business and real estate, he was a reporter for daily newspapers in California and Pennsylvania. Contact Bob Howard.

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