



OFFERING MEMORANDUM

PRESERVE
WEST
CAPITAL



 **KEYSTONE**
REAL ESTATE ADVISORS

Michaels
Merced, CA | San Jose-San Francisco-Oakland CSA

www.preservewestcapital.com



PROPERTY HIGHLIGHTS	1	AERIALS	5
PROPERTY OVERVIEW	2	ABOUT THE AREA	7
TENANT INFORMATION	3	DEMOGRAPHICS	10
SITE PLAN	4		

Disclaimer

Preserve West Capital ("Broker") has been retained on an exclusive basis to market the property described herein ("Property"). Broker has been authorized by the Seller of the Property ("Seller") to prepare and distribute the enclosed information ("Material") for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

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Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

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

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PROPERTY HIGHLIGHTS



- Value-Add Opportunity in Core Central Valley Location with Below Market Rent
- Short Term, Corporate Net Lease to Michaels with Significant Upside Potential
- Tenant has Occupied Site for 20+ Years, Demonstrating Significant Investment in Site and Likelihood to Exercise Final Option
- 10% Increase in Rent in March 2023 Providing an Excellent Hedge Against Inflation
- Minimal Landlord Obligations with Tenant Responsible for all Taxes, Insurance, and Proportionate Share of CAM, Including Roof and Structure
- Priced Below Replacement Cost at \$209/SF
- Michaels Stores, Inc. Consists of Approximately 1,252 Stores in the United States and Canada with Over 45,000 Employees
- In 2021 Michaels Reported Revenue of \$5.27 Billion and Net Income of \$294.9 Million
 - Fortune 500 Company
- Robust, Affluent Demographics within 5 Miles
 - Total Daytime Population of 110,578
 - Average Household Income of \$75,922
- Strategic Retail Location Outparcel to Merced Mall
 - Major Redevelopment Planned to Include New Cinemark Movie Theater, Retail, Entertainment and Restaurant Space, and Upgraded Design Elements Throughout
 - Current Anchor Tenants Include Target, Kohl's, JCPenney, Plus More Than 75 Retailers
- Excellent Access and Visibility on Main Thoroughfare Between M Street and W Olive Avenue – Combined AADT of 50,204
- 1.5 Miles from Merced Community College – Enrollment of 15,000
- College Town Location Just Six Miles to the University of California - Merced Campus – with 10,000+ Students
- Two Miles from Mercy Medical Center, a 185-Bed Acute Care Facility
- Approximately 115 Miles from San Jose and the Bay Area



PRICE

\$3,521,000

5.00% CAP Rate

8.57% Pro Forma CAP Rate Based on Current Market Rent

Location

The property is located at 655 Fairfield Drive, Merced, California.

Lot Size

Approximately 1.1 acres or 47,916 square feet.

Improvements

A 16,770 square foot retail building for **Michaels**.

Parking

There is ample parking available on site.

Lease

Leased to **Michaels Stores, Inc.** through February 28, 2023 with one additional 5-year option to renew. There is a 10% increase in rent at the start of the final option. The lease is net with Tenant responsible for all taxes, insurance, and proportionate share of common area maintenance, including roof and structure.

Annual Rent

Time Period		In-Place Annual Rent	Cap Rate	Pro Forma Rent @ \$18/SF	Pro Forma
Current – 2/28/2023	(Option 3)	\$176,075	5.00%	\$301,860	8.57%

March 2023 – February 2028	(Option 4)	\$193,682	5.50%		
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Financing

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



Michaels

Michaels Stores, Inc., founded in 1973 by Michael J. Dupey in Dallas, Texas, is the largest arts and crafts retailer in the North America market with a chain of 1,252 stores in 49 states and Canada and online at Michaels.com and Michaels.ca. The arts and crafts stores provide do-it-yourself home decorators and hobbyists with arts, crafts, framing, floral and wall décor plus a variety of products for scrapbooking, beading, knitting, rubber stamping, kids' crafts, paints, greenery, baking supplies and seasonal items.

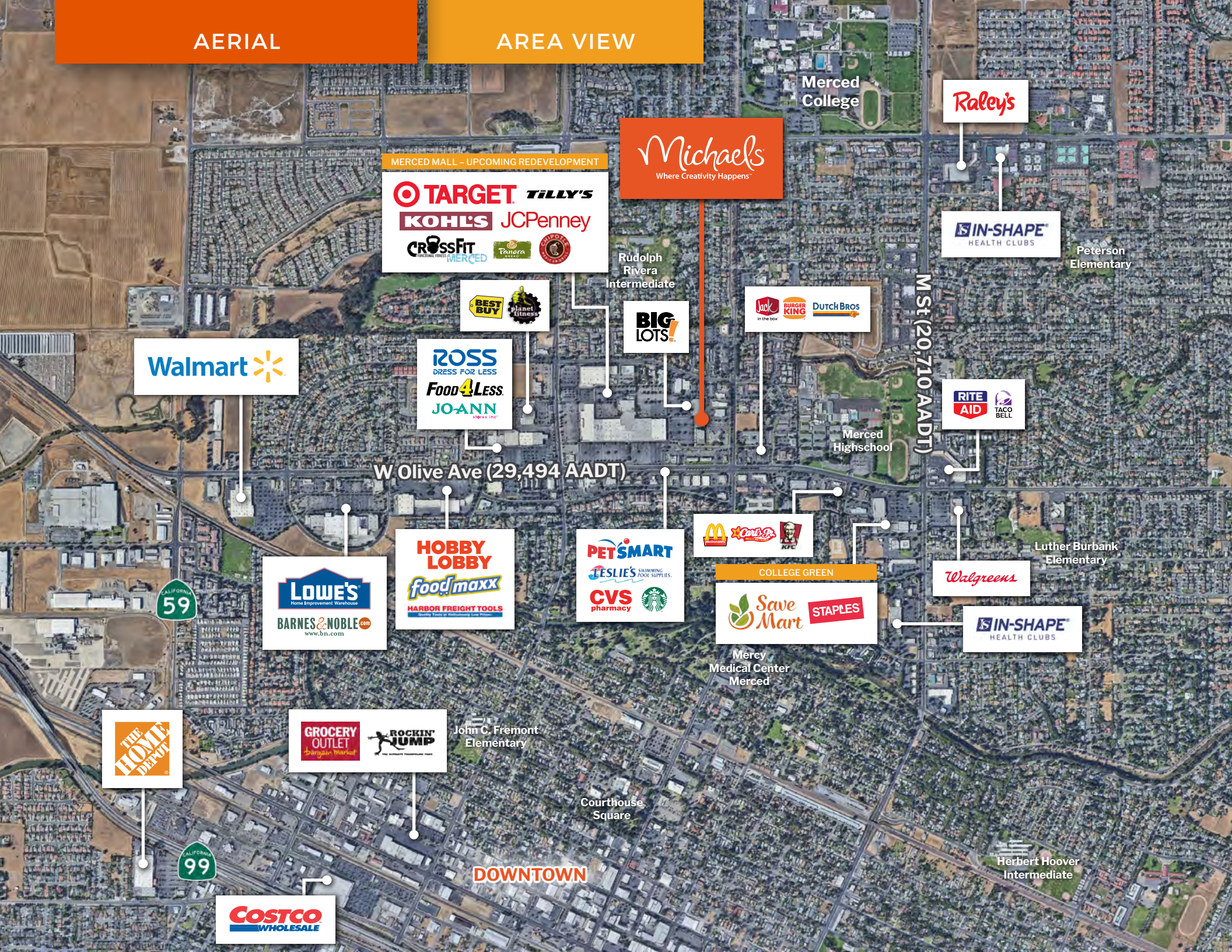
Michaels is part of The Michaels Companies (Nasdaq: MIK), an American retail holding company, founded in 2014 and headquartered in Irving, Texas with \$5.3 billion in sales in fiscal 2020, gross profit of \$2.09 billion and net income of \$272.60 million. In addition to Michaels stores, The Michaels Companies operates Aaron Brothers Custom Framing store-within-a-store, and Artistree, a manufacturer of custom and specialty framing merchandise. The company also develops over a dozen private brands sold in Michaels stores, including Recollections, Studio Décor, Bead Landing, Creatology and Ashland.

As of January 2021, Michaels went private in a \$3.3 billion leveraged buyout by private equity firm, Apollo Global Management, which valued the retailer at \$5 billion. As a private company, Michaels now has the financial flexibility to invest in, expand, and improve its retail and digital platforms. Although initially 90% of its stores closed during the pandemic, within 90 days, Michaels quickly moved into BOPIS (buy online/pick-up in store), same day delivery and ship from store capabilities as many people stayed inside due to the virus. Its third-quarter sales rose 15% in 2021, and its online sales more than doubled.



AERIAL

AREA VIEW



MERCED MALL - UPCOMING REDEVELOPMENT

TARGET **TILLY'S**
KOHL'S **JCPenney**
CROSSFIT **Panera** **CRISP OATS**

Michaels
Where Creativity Happens™

Raley's

IN-SHAPE
HEALTH CLUBS

Peterson Elementary

Jack in the Box **BURGER KING** **DUTCH BROS**

BIG LOTS!

BEST BUY **Planet Fitness**

ROSS
DRESS FOR LESS
Food 4 Less
JO-ANN
FABRICS ETC.

Walmart

RITE AID **TACO BELL**

Merced Highschool

W Olive Ave (29,494 AADT)

McDonald's **Starbucks** **KFC**

Luther Burbank Elementary

Walgreens

IN-SHAPE
HEALTH CLUBS

COLLEGE GREEN
Save Mart **STAPLES**

Mercy Medical Center Merced

PETSMART
LESLIE'S SWIMMING POOL SUPPLIES
CVS pharmacy **Starbucks**

HOBBY LOBBY
food maxx
HARBOR FREIGHT TOOLS

LOWE'S
Home Improvement Warehouse
BARNES & NOBLE
www.bn.com

CALIFORNIA 59

THE HOME DEPOT

CALIFORNIA 99

GROCERY OUTLET
ROCKIN' JUMP
The National Acrobatic Team

John C. Fremont Elementary

Courthouse Square

DOWNTOWN

COSTCO
WHOLESALE

Herbert Hoover Intermediate

AERIAL

WEST VIEW

MERCED MALL - UPCOMING REDEVELOPMENT



W Olive Ave (29,494 AADT)



Franciscan Post-Acute
Care Center



ABOUT THE AREA



Merced Mall Redevelopment

Serving a large geographic section of California's Central Valley, Merced Mall is undergoing a major redevelopment to ensure its long term dominance in the market. The 32-acre shopping destination will move toward becoming more entertainment- and service-driven, which will result in greater draw and repeat business.

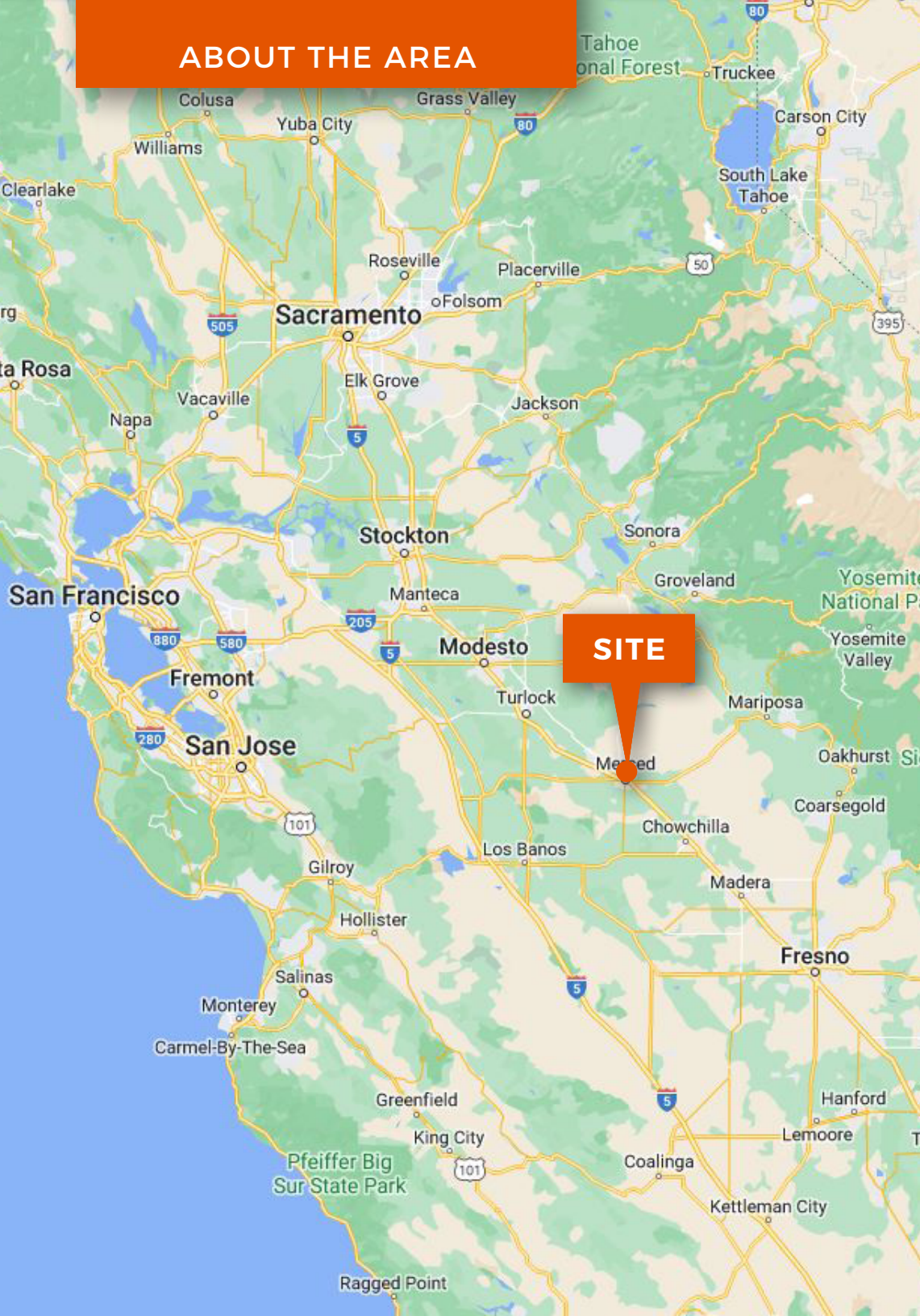
Initial expansion plans include a state-of-the-art, 56,000 square foot luxury Cinemark movie theater. Approximately a third of enclosed mall space will be demoed and reconfigured to make room for the theater as well as the outdoor Theater Square, featuring a promenade with gathering space and multiple restaurants.

Upgrades are also planned for the mall's entrances and interior common areas, including Center Court which houses holiday activities and the south interior entrance for JCPenney. The interior ambiance improvements will include greenery, new flooring, lighting, and seating, and exposed areas of the ceiling for more natural light.

Additional planned improvements include space for new junior anchor(s) with easy access along Olive Avenue, south side facade upgrades, and new pylon and directory signage to reflect the new design elements throughout.

New restaurants already headed to Merced Mall include an Olive Garden at the former Hometown Buffet site and a free-standing Chili's Bar & Grill under construction near the southwest corner of the center.

ABOUT THE AREA



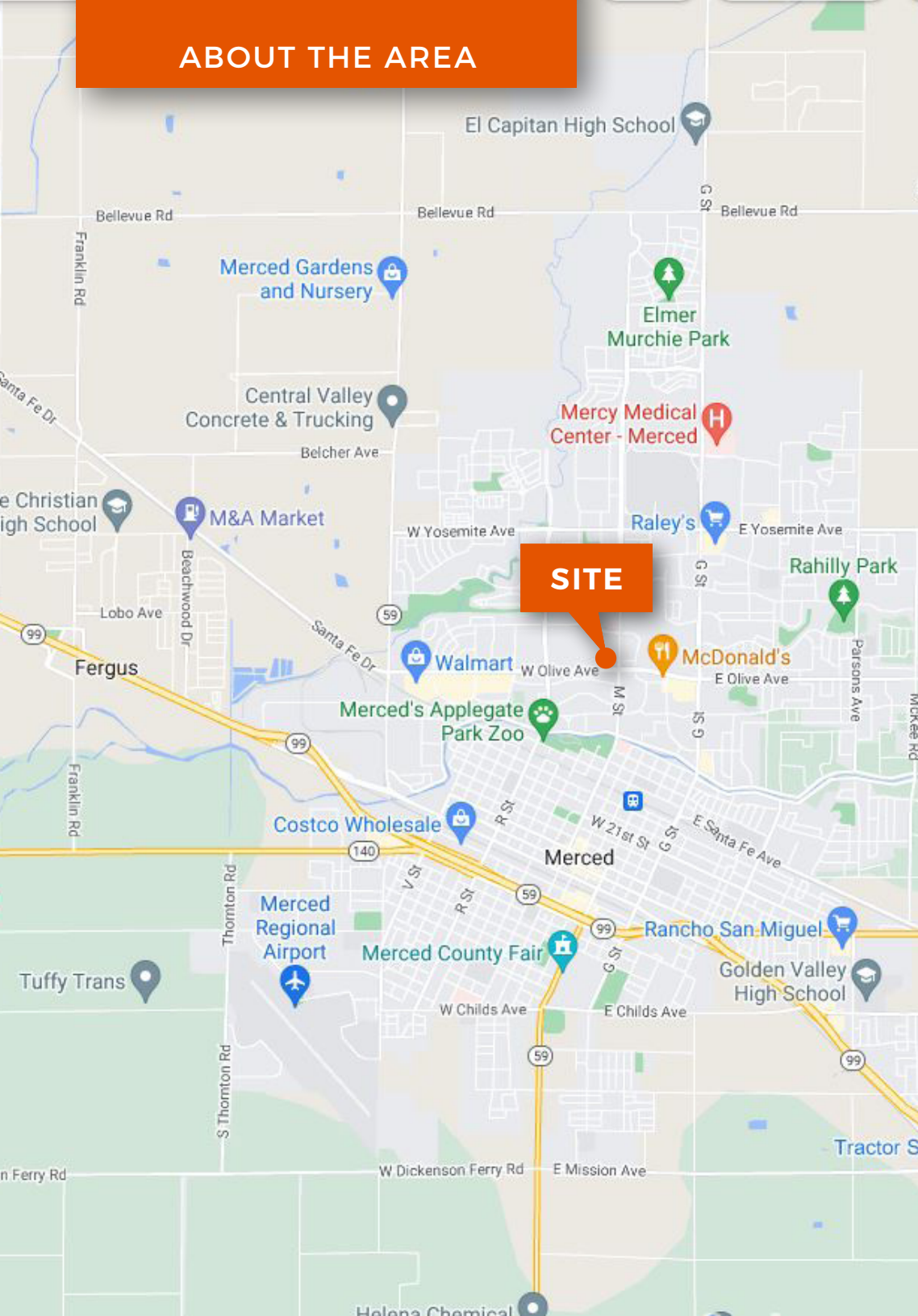
General Overview

Merced (population 90,971) is a city in Merced County (population 285,000), California in the San Joaquin Valley, the agricultural hub of the State. Less than two hours from Yosemite National Park to the east and Monterey Bay, the Pacific Ocean, and multiple beaches to the west, Merced's valley location, southeast of San Francisco, provides easy access to the central California coast, Sierra Nevada Mountains and National Parks, and major cities. The community is served by Amtrak San Joaquin passenger rail service, Merced Regional Airport, and three bus lines. It is approximately 115 miles from San Jose and the Bay Area.

Merced County comprises the Merced, California Metropolitan Statistical Area, which is included in the Modesto-Merced, CA Combined Statistical Area. Agriculture continues to be the economic base with \$3.4 billion in gross production for the 2020 calendar year, placing the county as the sixth largest agricultural producing county in the state as well as the nation. Agricultural-related industries continue to be a major source of employment, along with food processing, retailing, and light manufacturing, however, over the past twenty years, more diversified industry has entered the area, including printing, fiberglass boat building, warehousing and distribution, and packaging industries. The higher education system also provides cultural and social influence throughout the county. The community offers abundant shopping, pleasant neighborhoods and tree-lined streets. Bicycle paths along creeks link major city parks.

The Merced local housing market has strongly rebounded since the economic downturn in 2020. The Countywide median price on all types of home sales increased 23.1% to \$370,000 in September 2021 as compared to \$300,500 in September 2020. Development of single-family and multi-family construction continues to outpace prior years citywide with a median listing home price of \$409,000. In the commercial market, a new 20-acre mixed-use commercial development, Yosemite Crossing Shopping Center in North Merced is underway. The current tenant mix includes Crumbl Cookies, Habit Burger, West Coast Sourdough and Starbucks, to name a few. Apartments, office space and a hotel are also slated for future phases of the project.

ABOUT THE AREA



Site Information

The subject property is on the perimeter of Merced Mall with excellent access on Fairfield Drive as well as from W Olive Avenue, M Street, and Loughborough Drive, with a combined AADT of 55,923. Merced Mall is the only enclosed regional mall within a 43-mile radius. Its anchors are JCPenney, Target, Kohl's, Big Lots, and includes over 75 restaurants, stores and specialty shops. The site benefits from robust demographics with a total daytime population of 110,578 within a 5-mile radius and an average household income of \$75,922 within 5 miles of the site.

The property benefits from a prominent retail location in close proximity to shopping centers, major retail tenants, schools, and employers. Nearby retail centers include Merced Marketplace anchored by Lowe's, Big 5 Sporting Goods, Barnes & Noble, Hobby Lobby, FoodMaxx, O'Reilly Auto Parts, Panda Express and more; College Green Shopping Center featuring Taco Bell, Togo's Sandwiches, Rite Aid, The UPS Store, and Dollar Tree. Other highlights surrounding the site include multiple apartment complexes and professional suites, the Milan Institute, Apple Dental, Rascal Creek Medical Center and many more.

The University of California Merced campus, just over 5 miles northeast, adds to the already-established growth of the region and offers schools of engineering, science, humanities and arts to its student body of 10,000+ and has plans for future schools in management and medicine. Two miles from the site is Merced Community College, with a student population of nearly 15,000, offers 30 different associate degree and certificate programs in social science, psychology, business management, marketing and related programs. The property is located less than a mile from Merced High School (1,705 students), Rudolph Riviera Intermediate School (620 students), and Peterson Elementary School (562 students). Merced Medical Center, a 186-bed acute care hospital, just over 2 miles from the site, is a member of Dignity Health and a part of CommonSpirit Health, one of the largest nonprofit health systems in the nation and one of the largest employers in Merced County, serving the community since 1873. The hospital offers acute care, surgery, and cancer treatment services.

DEMOGRAPHICS



655 Fairfield Dr | Merced, CA 95348



2021 TOTAL POPULATION

106,107



AVERAGE HOME VALUE

\$297,972



AVG. HOUSEHOLD INCOME

\$75,922

Population Summary

	1 Mile	3 Miles	5 Miles
2010 Total Population	17,515	82,834	95,808
2021 Total Population	18,417	91,280	106,107
2026 Total Population	18,610	93,174	108,638
2021 Total Daytime Population	22,085	96,623	110,578

Average Household Income

2021	\$57,644	\$74,761	\$75,922
2026	\$64,481	\$84,951	\$86,541

Average Home Value

2021	\$264,299	\$295,850	\$297,972
2026	\$301,509	\$440,391	\$453,035

Top Employers in Merced

of Employees

UC Merced	2,251
County of Merced	2,087
Foster Farm Inc	1,992
Mercy Medical Center	1,346
Merced County Office of Education	1,287
Merced City School District	1,266
Merced Union High School District	994
Merced College	802
Dole Packaged Foods	751
Liberty Packing Company	650



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