Starbucks & Noah's Bagels

124-128 Milpitas Boulevard, Milpitas

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Prime Commercial, Inc.

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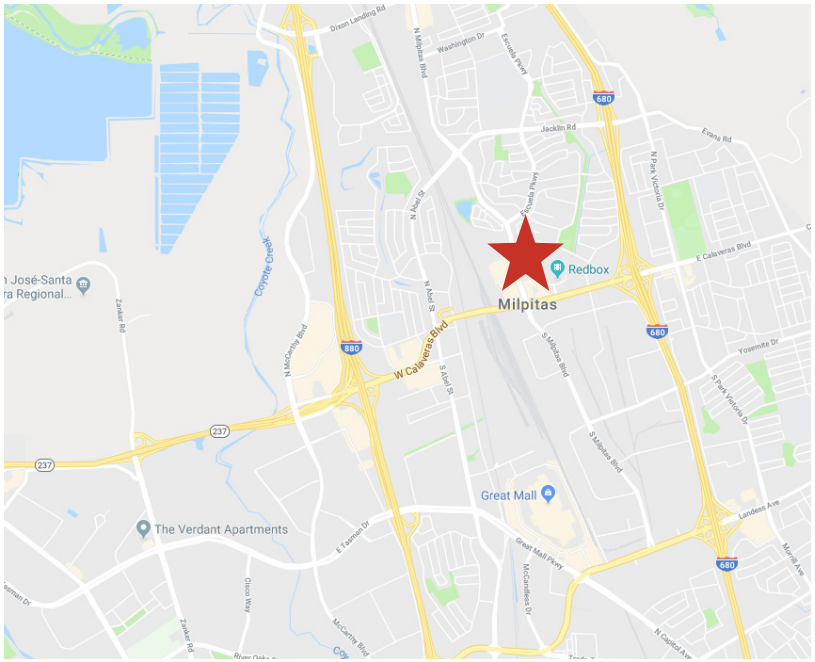
OVERVIEW

Prime Commercial, Inc. is pleased to have been selected as the exclusive listing broker for this two unit retail pad building in Milpitas, California. This pad building is ideally located at the eastern entrance to Milpitas Town Center, a 240,649 square foot Community Shopping Center anchored by Safeway, BevMo, and Staples. The property has had a very stable operating history with two national tenants that have recently renewed their leases for an additional five year term. 124-128 Milpitas Boulevard provides the investor a solid in-fill retail location within central Milpitas, two long-term national tenants, and market rate leases that will continue a steady cash flow for years to come.

INVESTMENT SUMMARY

Address	124-128 North Milpitas Boulevard, Milpitas, California
Land Area	0.21 Acres
Building Area	3,568 Square Feet
Zoning	C1 (Neigborhood Business)
Year Built	1997
APN#	028-12-020
Price	$3,950,000
Net Operating Income	$158,255.89
Cap Rate	4.00%
Price/Square Foot	$1,107.06
Expense Service	Triple Net
Occupancy	100%
Tenants	Starbucks and Noah's Bagels
Parking	11 on-site stalls

LOCATION AND TRADE AREA



124 - 128 North Milpitas Boulevard has an irreplaceable location within an established retail hub within central Milpitas. The site lies at the Northwest signalized intersection of North Milpitas Boulevard and Town Center Drive. The immediate neighborhood is primarily developed with commercial properties with residential units to the North. Milpitas Town Center, a 240,649 square foot community shopping center that is anchored by Safeway, BevMo, Staples, Big 5 Sporting Goods, and 24-Hour Fitness boarders the subject to the East. Directly across North Milpitas Boulevard is Beresford Square, another popular shopping destination which is anchored by Orchard Supply Hardware, CVS Drugs, Marina Grocery, and McDonalds. Just a soft nine iron to the south at the corner of North Milpitas Boulevard and Calaveras Boulevard is the Milpitas City Offices and main library campus.

The City of Milpitas is located just north of San Jose at the extreme end of Santa Clara County. Its residential neighborhoods and job centers are geographically bound by State Highway 237 and Interstates 880 and 680 which run north to south through the city. The population of Milpitas is approximately 77,528 and its residents are highly educated with above average household incomes. As of 2016, the median houshold income is $116,056. The local economy is tecnology based, with some of its largest employers being Cisco Systems, KLA Tencor, Sandisk, Flex, and Linear Technology.

DESCRIPTION OF IMPROVEMENTS

This two-unit building was constructed in 1997 and has a gross area of approximately 3,568 square feet. Built on a concrete reinforced slab, the walls are wood framed and covered in stucco. Glazing and storefront systems are anodized aluminum. The roof is flat and layered with macadum. The building is fire spriklered and is served with a fire alarm system. The unit occupied by Starbucks (128 N. Milpitas Blvd.) is approximately 1,500 square feet rentable and the unit occupied by Noah's Bagels (124 N. Milpitas Blvd.) is about 1,836 square feed rentable. Within the building and between the two units is a 232 square foot equipment room that contains the electrical switchgear, communication systems, and fire riser valves. In 2015 the roof membrane was replaced and at the end of 2017 a new HVAC unit was installed over Noah's Bagels. Additionally, the exterior of the building was painted in July of 2016. Noah's Bagels just completed a renovation of their interior incorporating new fixtures and decor.

RENT ROLL / INCOME & EXPENSES

Address	Tenant	Rentable Square Feet	Percent Occupied	Lease Commencement	Lease Expiration	Annual Rent	Rent Adjustment	Options
124 N. Milpitas Blvd.	Noah's Bagels	1,836	55.04%	12/1/2017	11/30/2022	$88,128	Flat	Two 5-year
128 N. Milpitas Blvd.	Starbucks	1,500	44.96%	3/1/2018	2/28/2023	$72,000	Flat	Two 5-year
Total		3,336	100%			$160,128		

OPERATING EXPENSES

Taxes (1.156%)	$46,172.61 (1)
Special Assessments	$334.22
Insurance	$2,063.00
CAM	$33,169.64 (2)
Management	$6,150.00
Total	$87,899.47

(1) Assesment based on purchase price
(2) 2017 Estimate

FINANCIAL OVERVIEW

Scheduled Base Rent	$160,128.00
Expense Reimbursements	$86,027.36
Vacancy	$0.00
Effective Gross Income	$246,155.36
Less Operating Expenses	$87,899.47
Net Operating Income	$158,255.89
Price	$3,950,000
Cap Rate	4.00%

TENANT OVERVIEW

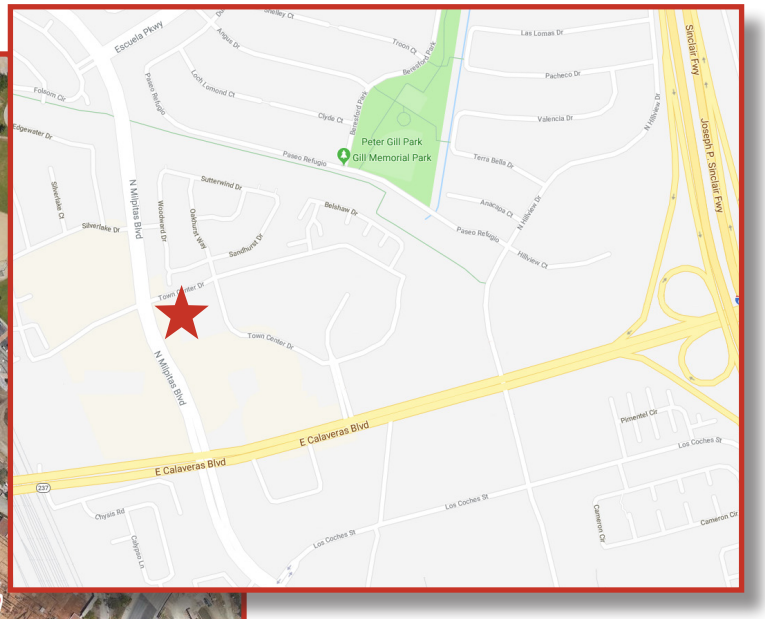
Starbucks is the largest roaster, marketer, and retailer of specialty coffee drinks with over 28,000 locations worldwide. Founded in 1971 in Seattle, Washington, this company has had unpresidented growth with a market capitalization rate of over 91.8 billion dollars. Starbucks has been a tenant in this location for over 20 years and recently signed an extension through 2023.

Tenant:	Starbucks Corporation (www.starbucks.com)
Lease Guarantee:	Corporate (NASDAQ: SBUX)
Lease Commencement:	March 1, 2018 (Third Extension)
Lease Termination:	February 28, 2023
Early Termination:	None
Size:	1,500 Square Feet
Monthly Rent:	$4.00/sf
Options:	2, 5 year
Escalations:	Flat; Fair Market Rent in Options
Service:	NNN

Einstein/Noah Bagel Corporation is the number one chain of bagel stores in the United States with approximately 815 corporate and franchise locations nationwide. The company offers creative bagel breakfast and lunch specialties, as well as salads, soups, and beverages. Einstein/Noah was incorporated in 1995 and is publically traded over the NASDAQ.

Tenant:	Einstein/Noah Bagel Corporation (www.einsteinbros.com)
Lease Guarantee:	Corporate (NASDAQ: BAGL)
Lease Commencement:	December 14, 2017
Lease Termination:	December 13, 2022
Early Termination:	None
Size:	1,836 Square Feet
Monthly Rent:	$4.00/sf
Options:	None
Escalations:	Flat; Fair Market Rent in Options
Service:	NNN

AERIAL & STREET MAPS



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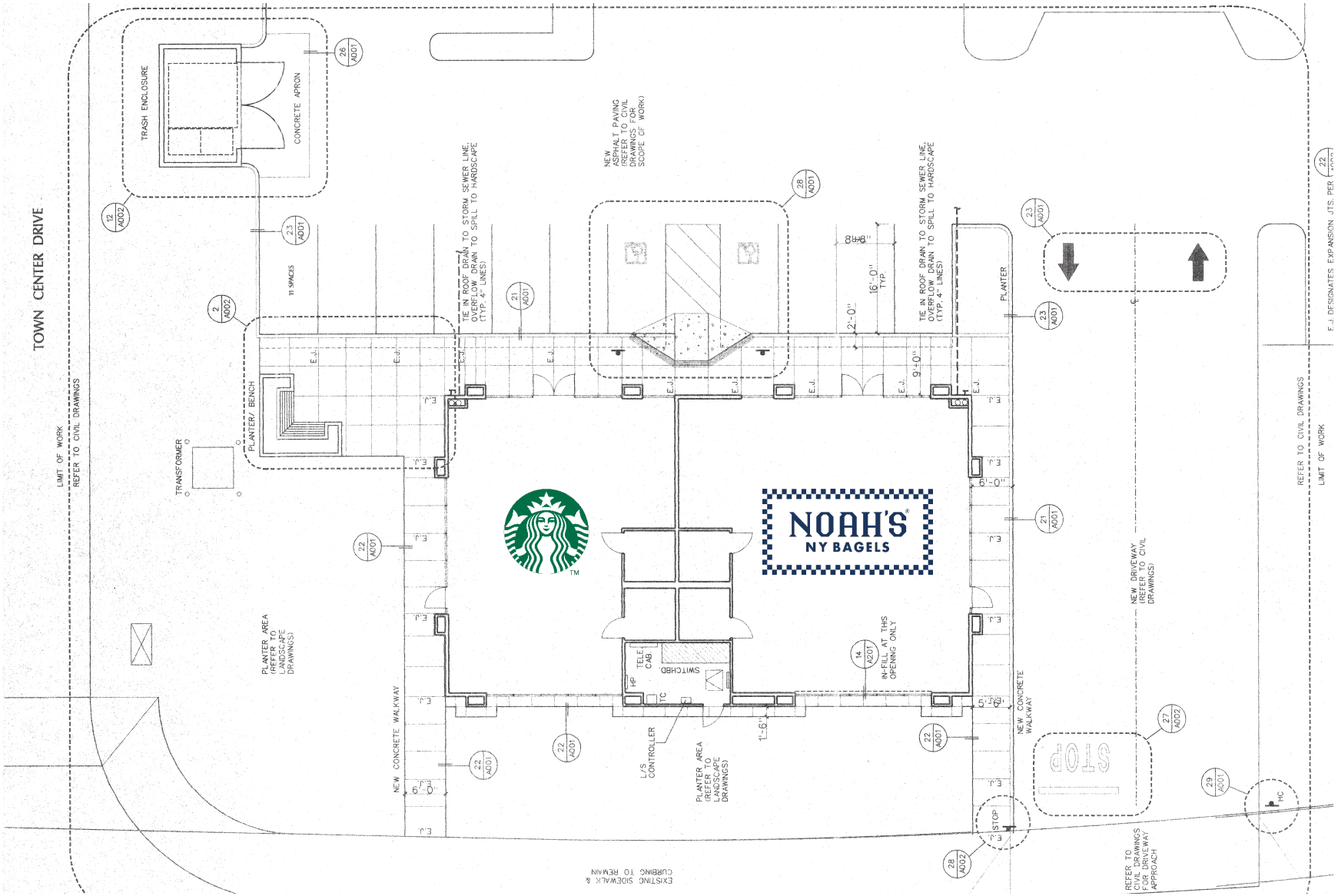
SITE PLAN



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Executive Summary

124 N Milpitas Blvd, Milpitas, California, 95035
Rings: 1, 3, 5 mile radii

Prepared by Esri
Latitude: 37.43468
Longitude: -121.90074

	1 mile	3 miles	5 miles
Population			
2000 Population	18,983	98,438	193,107
2010 Population	19,866	109,307	218,847
2017 Population	22,115	128,940	252,902
2022 Population	23,478	139,463	271,318
2000-2010 Annual Rate	0.46%	1.05%	1.26%
2010-2017 Annual Rate	1.49%	2.30%	2.01%
2017-2022 Annual Rate	1.20%	1.58%	1.42%
2017 Male Population	50.0%	50.8%	50.5%
2017 Female Population	50.0%	49.2%	49.5%
2017 Median Age	38.8	37.1	36.9

In the identified area, the current year population is 252,902. In 2010, the Census count in the area was 218,847. The rate of change since 2010 was 2.01% annually. The five-year projection for the population in the area is 271,318 representing a change of 1.42% annually from 2017 to 2022. Currently, the population is 50.5% male and 49.5% female.

Median Age

The median age in this area is 38.8, compared to U.S. median age of 38.2.

Race and Ethnicity			
2017 White Alone	15.8%	20.3%	20.8%
2017 Black Alone	2.6%	2.6%	2.7%
2017 American Indian/Alaska Native Alone	0.3%	0.4%	0.4%
2017 Asian Alone	69.9%	64.8%	64.2%
2017 Pacific Islander Alone	0.4%	0.4%	0.4%
2017 Other Race	6.7%	6.9%	7.0%
2017 Two or More Races	4.1%	4.6%	4.5%
2017 Hispanic Origin (Any Race)	13.7%	14.5%	15.0%

Persons of Hispanic origin represent 15.0% of the population in the identified area compared to 18.1% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 66.0 in the identified area, compared to 64.0 for the U.S. as a whole.

Households			
2000 Households	5,195	28,235	57,745
2010 Households	6,061	33,520	69,119
2017 Total Households	6,730	40,108	80,148
2022 Total Households	7,146	43,544	86,001
2000-2010 Annual Rate	1.55%	1.73%	1.81%
2010-2017 Annual Rate	1.45%	2.51%	2.06%
2017-2022 Annual Rate	1.21%	1.66%	1.42%
2017 Average Household Size	3.20	3.14	3.11

The household count in this area has changed from 69,119 in 2010 to 80,148 in the current year, a change of 2.06% annually. The five-year projection of households is 86,001, a change of 1.42% annually from the current year total. Average household size is currently 3.11, compared to 3.11 in the year 2010. The number of families in the current year is 60,636 in the specified area.

Data Note: Income is expressed in current dollars
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2017 and 2022. Esri converted Census 2000 data into 2010 geography.

March 13, 2018

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	1 mile	3 miles	5 miles
Median Household Income			
2017 Median Household Income	$107,154	$107,614	$109,624
2022 Median Household Income	$114,422	$116,404	$118,750
2017-2022 Annual Rate	1.32%	1.58%	1.61%
Average Household Income			
2017 Average Household Income	$128,339	$136,706	$138,309
2022 Average Household Income	$145,705	$154,808	$156,572
2017-2022 Annual Rate	2.57%	2.52%	2.51%
Per Capita Income			
2017 Per Capita Income	$38,859	$43,521	$44,409
2022 Per Capita Income	$43,843	$49,253	$50,150
2017-2022 Annual Rate	2.44%	2.51%	2.46%
Households by Income			

Current median household income is $109,624 in the area, compared to $56,124 for all U.S. households. Median household income is projected to be $118,750 in five years, compared to $62,316 for all U.S. households

Current average household income is $138,309 in this area, compared to $80,675 for all U.S. households. Average household income is projected to be $156,572 in five years, compared to $91,585 for all U.S. households

Current per capita income is $44,409 in the area, compared to the U.S. per capita income of $30,820. The per capita income is projected to be $50,150 in five years, compared to $34,828 for all U.S. households

Housing			
2000 Total Housing Units	5,240	28,752	59,482
2000 Owner Occupied Housing Units	3,781	19,795	40,039
2000 Renter Occupied Housing Units	1,414	8,440	17,706
2000 Vacant Housing Units	45	517	1,737
2010 Total Housing Units	6,268	34,717	71,669
2010 Owner Occupied Housing Units	4,175	20,870	43,188
2010 Renter Occupied Housing Units	1,886	12,650	25,931
2010 Vacant Housing Units	207	1,197	2,550
2017 Total Housing Units	6,841	40,705	81,959
2017 Owner Occupied Housing Units	4,475	24,365	47,958
2017 Renter Occupied Housing Units	2,255	15,743	32,190
2017 Vacant Housing Units	111	597	1,811
2022 Total Housing Units	7,272	44,225	88,021
2022 Owner Occupied Housing Units	4,755	26,245	51,101
2022 Renter Occupied Housing Units	2,390	17,299	34,900
2022 Vacant Housing Units	126	681	2,020

Currently, 58.5% of the 81,959 housing units in the area are owner occupied; 39.3%, renter occupied; and 2.2% are vacant. Currently, in the U.S., 55.6% of the housing units in the area are owner occupied; 33.1% are renter occupied; and 11.3% are vacant. In 2010, there were 71,669 housing units in the area - 60.3% owner occupied, 36.2% renter occupied, and 3.6% vacant. The annual rate of change in housing units since 2010 is 6.14%. Median home value in the area is $611,957, compared to a median home value of $207,344 for the U.S. In five years, median value is projected to change by 1.74% annually to $666,964.

Data Note: Income is expressed in current dollars
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2017 and 2022. Esri converted Census 2000 data into 2010 geography.

March 13, 2018

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