



## Tenant Description

Starbucks began as a single store in Seattle's Pike Place Market in 1971. Today, Starbucks is one of the largest chains of coffee shops in the world, operating in 75 countries. In addition to coffee, Starbucks also offers tea and fresh food. Starbucks offers goods and services under a variety of brands such as Tazo, Seattle's Best Coffee, Evolution Fresh, La Boulange, and Ethos.

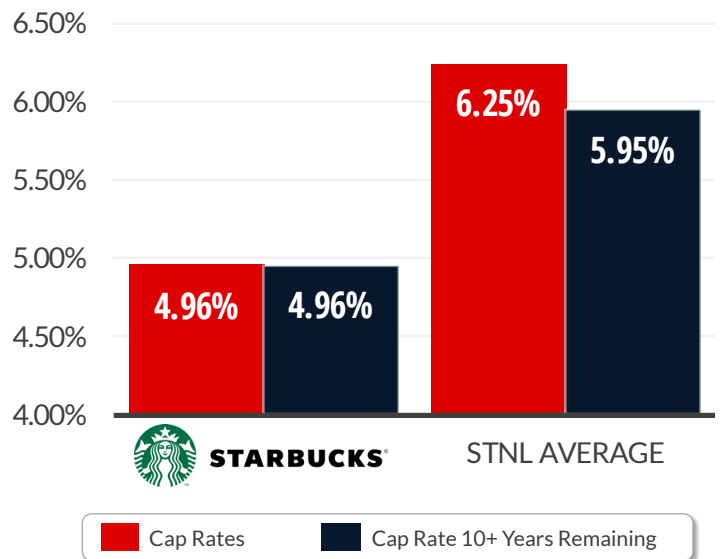
## Net Lease Overview

The strong real estate fundamentals and guarantee behind Starbucks leases make it an attractive asset. Starbucks are typically located in high-traffic and high-visibility locations. The format of the individual store varies widely to take full advantage of the best space available, such as in office buildings or on university campuses. The strong corporate guarantee is another attractive aspect of Starbucks leases. Starbucks is rated A by Standard & Poors and A2 by Moody's, both investment grade.

Starbucks will typically have strong increases during the primary and option periods. Commonly, Starbucks will have a rent increase of 10% every 5 years, allowing investors to see higher returns over time. The increasing rent also provides a hedge against inflation. Starbucks leases are typically a ten year double net lease, leaving the investor responsible for roof and structure. Newer buildings commonly come with a roof warranty for a number of years, making the lease a de facto triple net lease. These aspects combine with

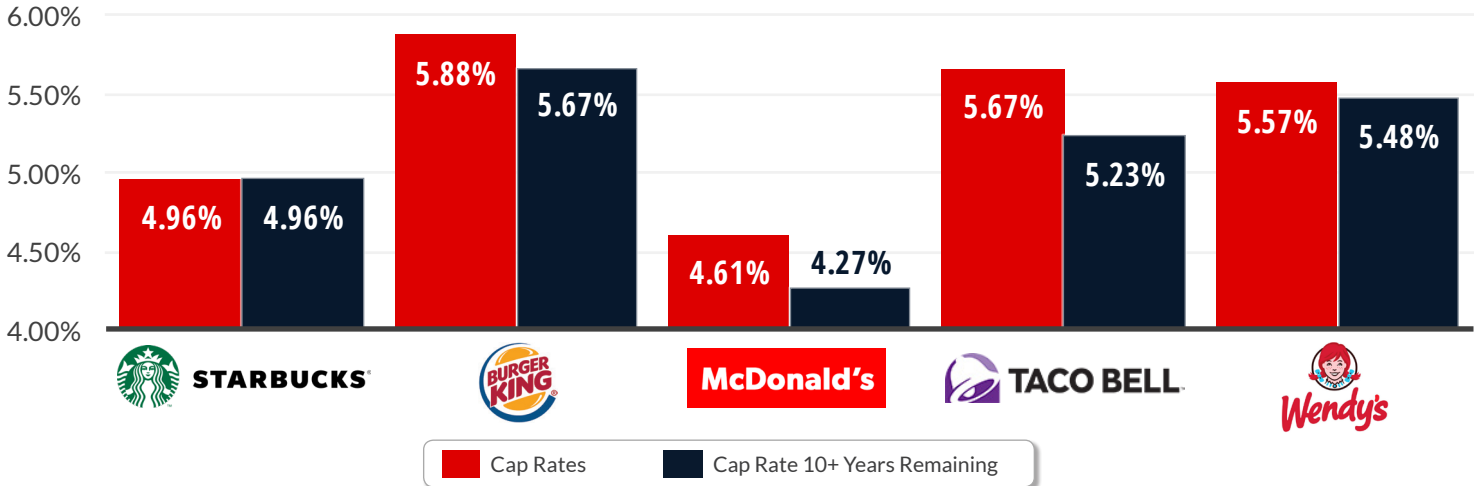
the strong real estate and an investment grade guarantee to push the average cap rate of Starbucks down to 4.96%. This represents a 125 bps premium over the Single Tenant Net Lease Average (STNL). Starbucks is currently looking to continue to expand, especially their drive thru concept. A drive thru adds value to building and can be a major draw for a new tenant if Starbucks were to vacate the property.

**Average Cap Rate Within the Last 12 Months**





**Average Cap Rates of QSRs Over the Last 12 Months**

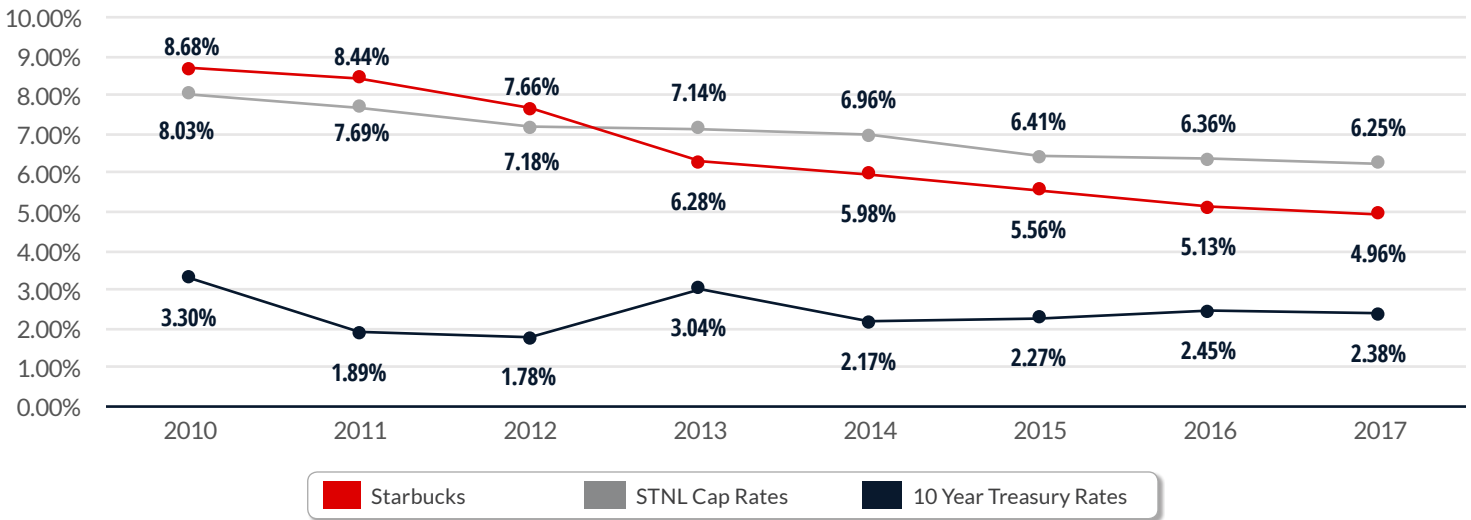


Starbucks tends to trade at a low cap rate. This is a factor of good locations and corporate guarantees behind their leases. Over the last 12 months, more than 75% of the Starbucks comps had at least 9 or more years on the lease. This means the average cap rate is more of a reflection of the average cap rate of a new Starbucks.

**STNL Cap Rates vs Starbucks Cap Rates vs 10 Year Treasury Rates**

Treasury Rate as of 12/11/2017

This chart shows the average Starbucks sold at a discount to the Single Tenant Net Lease (STNL) average until 2013 when Starbucks began selling at a premium to the STNL average. This premium is driven by a strong corporate guarantee and good real estate fundamentals.



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