

Tenant Description

CVS is more than just a string of pharmacies. Through their 9,700 retail locations, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with nearly 90 million plan members, the dedicated senior pharmacy care business serves more than one million patients per year. CVS has continued expanding specialty pharmacy services, and a leading standalone Medicare Part D prescription drug plan, and has enabled people, businesses and communities to manage health in more affordable and effective ways. This unique integrated model increases access to quality care, delivers better health outcomes and lowers overall health care costs.

Net Lease Overview

CVS has been a highly demanded net lease tenant because of their strong locations, investor friendly leases, and investment-grade guarantee. CVS, like most pharmacies, tend to occupy buildings on the corners of signalized intersections with high traffic counts. These strong real estate fundamentals help the properties retain their value over the long term.

The leases CVS sign offer many advantages for investors. Their leases tend to be very long, 20-25 years, with many options to extend the lease. The strength of the guarantee behind the leases are another major attraction. CVS ranked #7 on the Fortune 500 list in 2017 with revenues of \$177 billion. Rated BBB by Standard & Poor's and Baa1 by Moody's, CVS offers investors a secure investment.

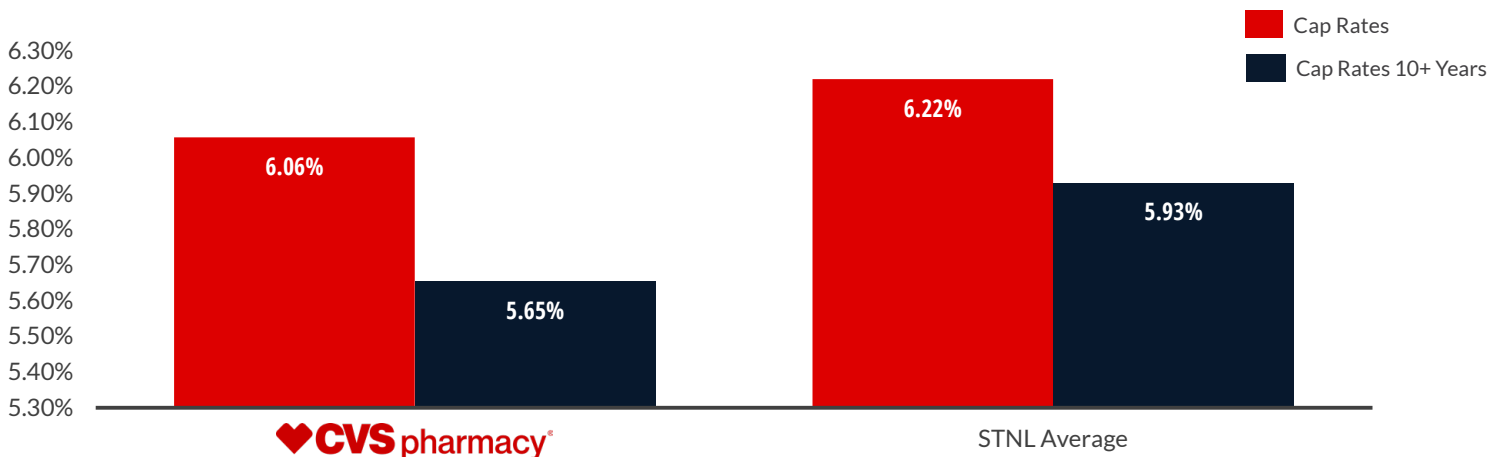


Investors need to pay attention to the lease terms. CVS has a mix of double and triple net leases, sometimes leaving investors responsible for roof and structure. CVS leases tend to have no rental increases during the primary term, leaving investors with no hedge for inflation.

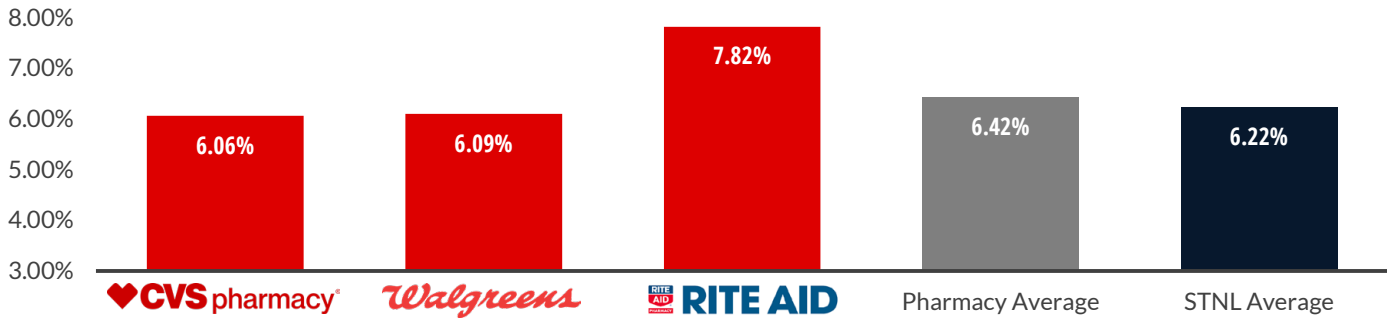
Recent News

CVS is a tenant well prepared for the future. Currently in the process of acquiring Aetna, CVS is evolving to continue to meet the needs of their customers. CVS hopes to expand their role from pharmacy to a "health hub" for the communities they serve. The merger is expected to close in the second half of 2018, subject to the approval of CVS, Aetna, and regulators.

Average Cap Rates Over the Past 12 Months



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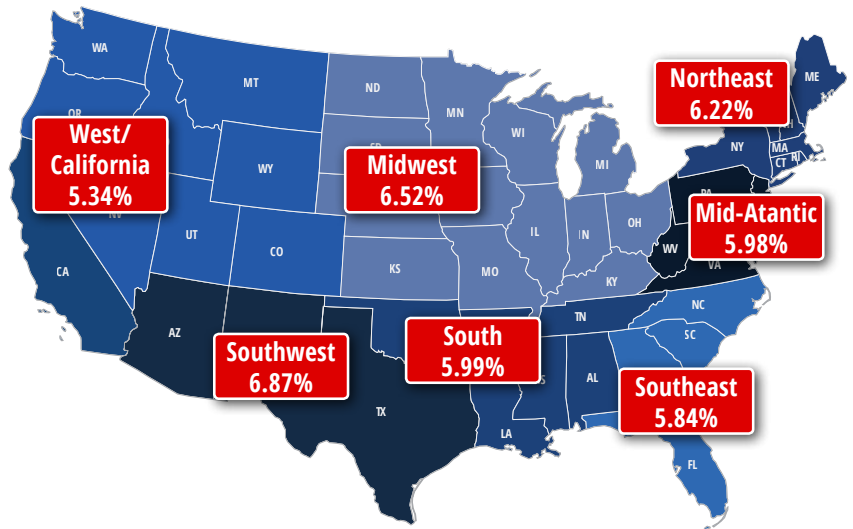


CVS and Walgreens tend to trade at nearly the same cap rate. Rite Aid properties have traded at a discount to the other pharmacy tenants due to the uncertainty over the past 12 months. Rite Aid has seen many of its stores bought by Walgreens and the remaining stores are in the process of being acquired by Albertsons.

Average Regional Cap Rate

California and the other West coast states have continued to trade at a premium to the rest of the country.

CVS has traded at a slight premium to the rest of the Single Tenant Net Lease (STNL) average. This premium has averaged approximately 35.5-bps over the last 8 years.



STNL Cap Rates vs. CVS Cap Rates vs. 10-Year Treasury Rates

