

McDonald's

ABSOLUTE NNN GROUND LEASE

ESCONDIDO, CA (SAN DIEGO COUNTY)

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Confidentiality Agreement & Disclosures

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-- OFFERING SUMMARY --

INVESTMENT HIGHLIGHTS	
Offering Price:	\$4,320,000
Net Operating Income:	\$162,000
Cap Rate:	3.75%
Price/SF:	\$1,033
PROPERTY OVERVIEW	
Address:	1146 E. Valley Pkwy Escondido, CA 92025 (San Diego County)
Property Size:	Approx 4,180 sq ft
Land Size:	40,075 sq ft
Ownership:	Fee Simple
Year Built:	2014

Lee & Associates is pleased to exclusively offer for sale to qualified investors, the rare opportunity to purchase a fee simple McDonald’s corporate ground lease investment within the highly desirable North San Diego County market. McDonald’s is located at 1146 E. Valley Pkwy in Escondido, California (the “Property”) which lies approximately 30 miles northeast of downtown San Diego and 20 miles east of the pacific ocean within the rapidly growing Escondido submarket.

Updated to the most current McDonald’s corporate façade in 2014, the Property consists of a 4,180 square foot building that sits on an approximately 40,075 square foot lot. The Property has been leased to McDonald’s corporate since 1964, enjoying a successful 52 year operating history at this location.

McDonald’s is currently on a long-term absolute triple-net (NNN) ground lease giving an investor roughly 16+ years of primary term. The tenant renewed early for an additional 20 years in 2011 and exercised an additional 2-year option to extend the lease through August 31, 2033, reflecting their commitment to the location. The lease is guaranteed by McDonald’s Corp., which has a Standard & Poor’s investment grade credit rating of BBB+.

Additionally, the lease features 10% rent increases every 5 years in the primary term and 2% annual increases in the two option periods (see table on page 4). There are ZERO landlord responsibilities within this absolute triple-net (NNN) ground lease. The tenant pays taxes, insurance, and covers all building and parking lot maintenance or repair.

The subject property is ideally situated on the signalized hard corner of East Valley Pkwy and North Ash Street (54,000 vehicles per day), within the core retail business district of downtown Escondido. There are more than 190,000 people residing within a 5 mile radius of the property. In addition, McDonald’s is located just 2 miles from the Interstate 15 exit/entrance ramp (192,000 vehicles per day) and California Highway 78 (83,000 vehicles per day) for quick access to downtown San Diego and nearby beaches.

Founded in 1948, McDonald’s is the world’s leading global food service retailer with over 36,000 locations in over 100 countries. The lease According to a BBC report published in 2012, McDonald’s is the world’s second largest private employer (behind Walmart) with 1.5 million employees. In addition, McDonald’s continues to be recognized as a premier franchising company around the world, with over 80% of its restaurants worldwide owned and operated by franchisees.



-- INVESTMENT HIGHLIGHTS --

RARE NORTH SAN DIEGO COUNTY (NNN) GROUND LEASE INVESTMENT OFFERING

Known as the ‘heart of North San Diego County’, Escondido is just 30 miles northeast of downtown San Diego and just 20 minutes east from San Diego beaches. Escondido is also home to the World Famous San Diego Zoo Safari Park and the flagship location for the Stone Brewing Company.

ICONIC GLOBALLY RECOGNIZED TENANT • INVESTMENT GRADE CORPORATE LEASE GUARANTEE

The subject property is leased and guaranteed by McDonald’s Corporation (NYSE: MCD), the world’s leading global food service retailer, with over 36,000 locations in over 100 countries. McDonald’s has Standard & Poor’s investment grade credit rating of BBB+.

PROXIMITY TO MULTIPLE MAJOR SAN DIEGO FREEWAYS PROVIDING ACCESS TO BEACHES AND DOWNTOWN SAN DIEGO

McDonald’s is located just 2 miles from the Interstate 15 exit/entrance ramp (192,000 vehicles per day) and California Highway 78 (83,000 vehicles per day) providing quick access to downtown San Diego and nearby beaches.

52 YEAR SUCCESSFUL OPERATING HISTORY • LONG TERM ABSOLUTE NNN GROUND LEASE • UPDATED TO NEW MCDONALD’S PROTOTYPE

The tenant has been successfully operating at this location since 1964. The lease has 16+ years remaining in the primary term and features 10% rent increases every 5 years. There are rare 2% annual increases in the options periods. In 2014, the building was updated to the latest McDonald’s corporate prototype reflecting McDonald’s strong commitment to this site.

SIGNALIZED HARD CORNER LOCATION • EXCELLENT TRAFFIC COUNTS • DENSE RETAIL CORRIDOR

The subject property is ideally located at the signalized hard corner intersection of E. Valley Pkwy and N. Ash St, which sees combined traffic counts of 54,000+ cars per day. There are over 144,000 people within a 3-mile radius of the subject property which is located within the core retail business district of Escondido. Neighboring tenants include Home Depot, Walmart, Rally’s, 99 Cent Store, Chipotle, Albertsons, Office Depot, Wells Fargo, Dollar Tree, and many more.

DEMOGRAPHICS			
	1 MILE	3 MILES	5 MILES
POPULATION	41,146	144,030	191,769
HOUSEHOLDS	11,110	43,893	60,608
AVG HH INCOME	\$52,040	\$67,240	\$75,731



-- RENT OVERVIEW --

Primary Term	Start Date	End Date	NOI/Yr	NOI/Mo	NOI/SF/Yr	Increase
(Option 1 - 2 Years)	9/1/2011	8/31/2016	\$153,000.00	\$12,750.00	\$36.60	--
	9/1/2016	8/31/2021	\$162,000.00	\$13,500.00	\$38.75	6%
	9/1/2021	8/31/2026	\$178,200.00	\$14,850.00	\$42.63	10%
	9/1/2026	8/31/2031	\$199,560.00	\$16,630.00	\$47.74	12%
	9/1/2031	8/31/2033	\$199,560.00	\$16,630.00	\$47.74	--
Option 2						
Option 2	9/1/2033	8/31/2034	\$199,560.00	\$16,630.00	\$47.74	FMV*
	9/1/2034	8/31/2035	\$203,551.20	\$16,962.60	\$48.69	2%
	9/1/2035	8/31/2036	\$207,622.22	\$17,301.85	\$49.67	2%
	9/1/2036	8/31/2037	\$211,774.66	\$17,647.89	\$50.66	2%
	9/1/2037	8/31/2038	\$216,010.15	\$18,000.84	\$51.67	2%
Option 3						
Option 3	9/1/2038	8/31/2039	\$220,330.35	\$18,360.86	\$52.71	2%
	9/1/2039	8/31/2040	\$224,736.95	\$18,728.07	\$53.76	2%
	9/1/2040	8/31/2041	\$229,231.68	\$19,102.63	\$54.84	2%
	9/1/2041	8/31/2042	\$233,816.31	\$19,484.69	\$55.94	2%
	9/1/2042	8/31/2043	\$238,492.63	\$19,874.38	\$57.05	2%
	9/1/2043	8/31/2044	\$243,262.48	\$20,271.87	\$58.20	2%
	9/1/2044	8/31/2045	\$248,127.72	\$20,677.30	\$59.36	2%

* Rent shall be equal to 9% of the Fair Market Value of the Premises but in no event less than \$16,630.00 per month.

-- LEASE SUMMARY --

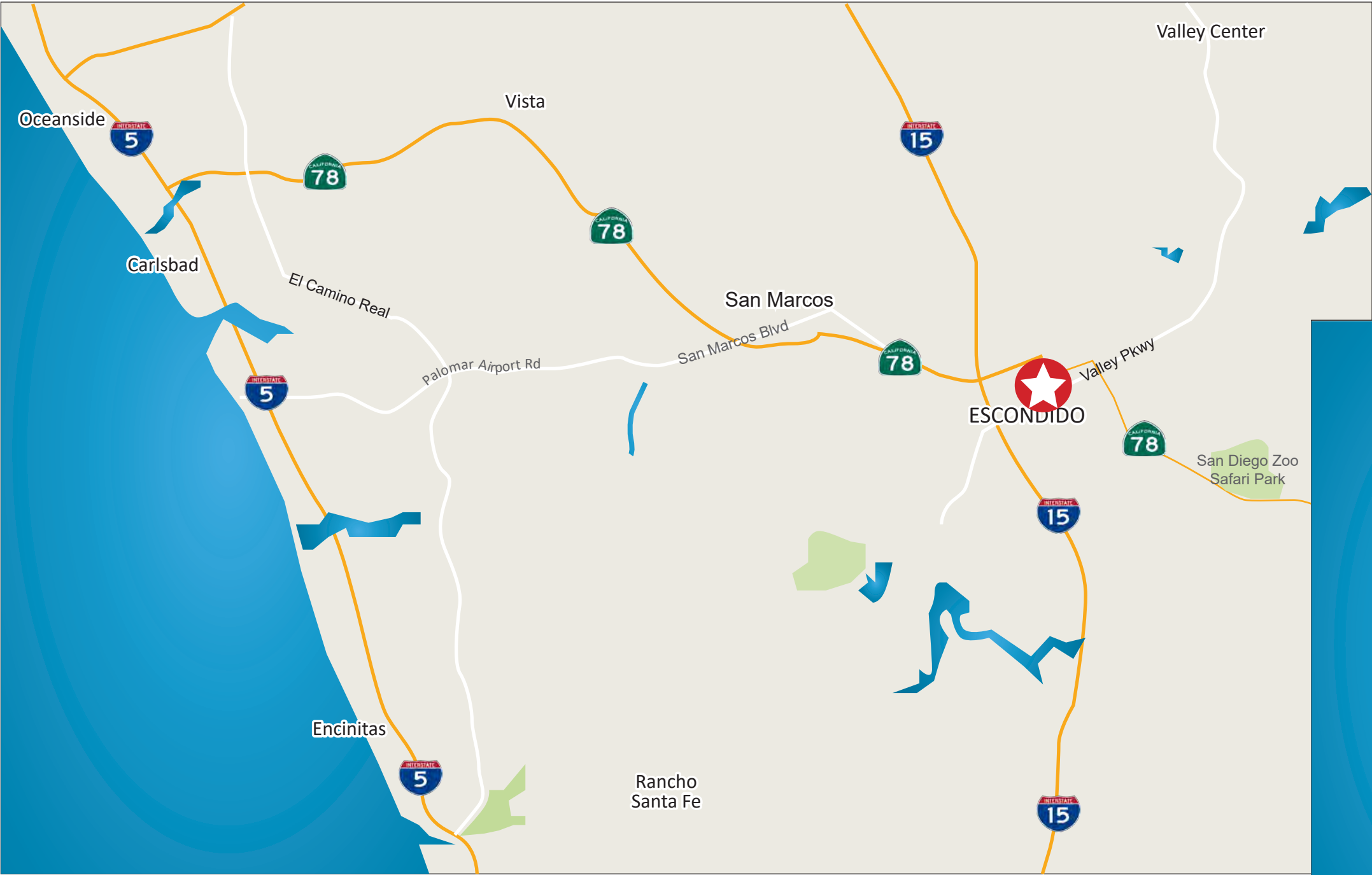
LEASE INFORMATION	
TENANT:	McDonald's
LEASE GUARANTOR:	McDonald's Corp, Inc. (Corporate; S&P: BBB+)
BUILDING SIZE:	4,180 Sq. Ft.
LOT SIZE:	40,075 Sq. Ft.
ORIGINAL LEASE COMMENCEMENT:	September 1, 1963
LEASE EXPIRATION:	August 31, 2033
LEASE TERM:	20 Year (Extension in 2011)
LEASE TERM REMAINING:	16+ Years (Tenant exercised Option 1 for 2 Years)
RENEWAL OPTIONS:	(2) Options: (1) 5-year; (1) 7-year
ANNUAL RENT:	\$162,000.00
RENTAL INCREASES:	10% 9/1/2021; 12% 9/1/2026; at Option - 9% of FMV of the Premises (not less than \$16,630/mo), then 2% Annually Thereafter



EXECUTIVE SUMMARY		PROPERTY INFORMATION	TENANT OVERVIEW	AREA OVERVIEW
Offering Summary		Investment Highlights	Rent Overview & Lease Summary	Lease Abstract
-- LEASE ABSTRACT --				
Property Taxes		Tenant shall be responsible for paying all real estate taxes on the Property.		
Insurance		Tenant shall be responsible for payment of all Insurance coverage on the Property.		
Utilities		Tenant shall be responsible for the payment of all utilities on the Property.		
Landlord Repairs/Maintenance		None		
Tenant Repairs/Maintenance		Tenant shall be solely responsible for the maintenance of, and shall make all necessary repairs to, the driveways and parking areas, and shall maintain and keep in good repair all non-structural improvements.		
Termination Right		N/A		
Right of First Offer / Right of First Refusal		Tenant shall have a Right of First Offer with 30 Days written notice to Landlord.		
Sublease / Assignment		<p>Tenant may, without the consent of the Landlord, assign or encumber this Lease or its rights hereunder. In such event, Tenant shall remain liable for the payment of all rent required to be paid hereunder and for the performance of all terms, covenants and conditions herein undertaken by the Tenant.</p> <p>Tenant shall have the right, without the consent of the Landlord, to sublet the premises at any time and from time to time during the term of this Lease.</p>		

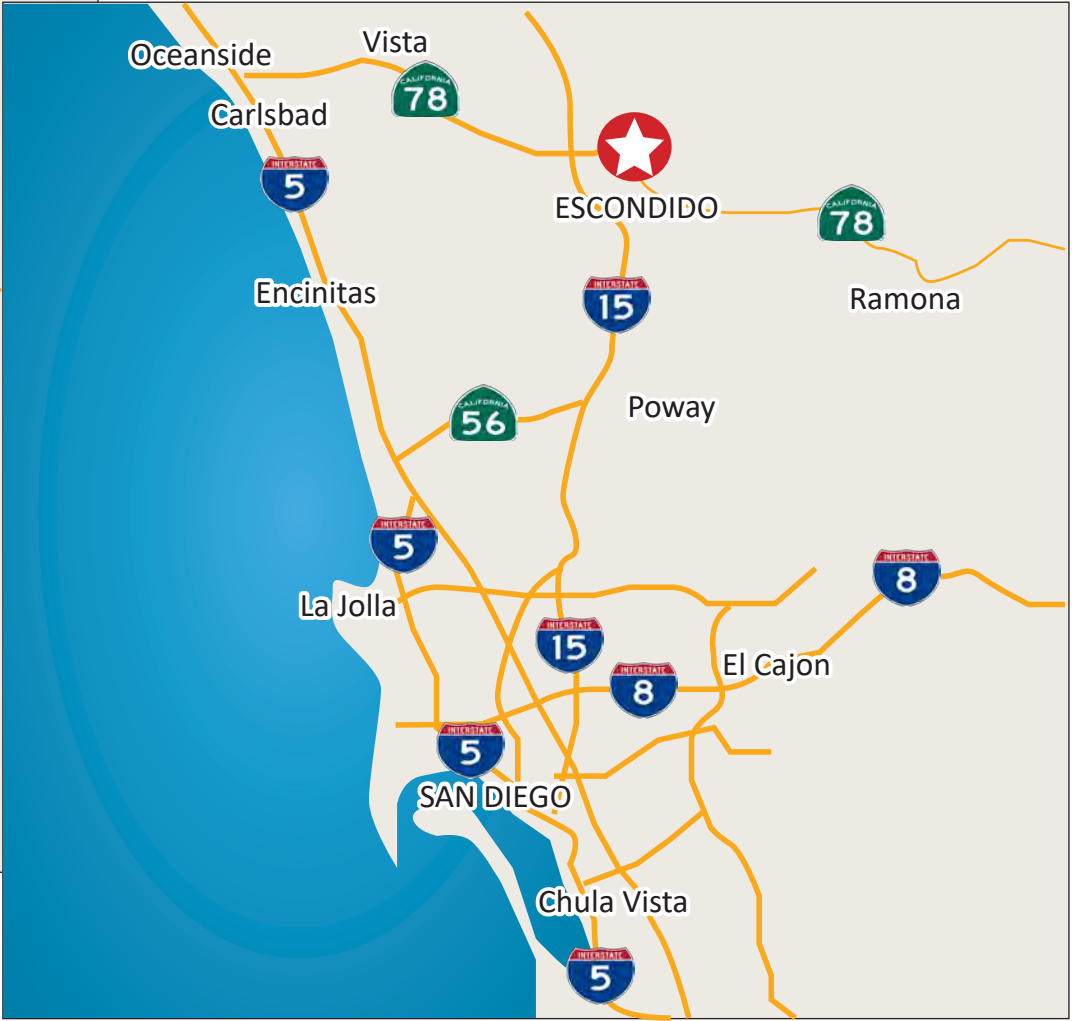


-- LOCATION MAPS --



The subject property is ideally located just 2 miles from Interstate 15, providing quick access to nearby beach cities, as well as a direct route to Downtown San Diego - only 32 miles away.

Carlsbad	21.2 miles	25 minutes
San Diego	32.4 miles	36 minutes
Temecula	30.3 miles	34 minutes
San Clemente	42.8 miles	43 minutes
Los Angeles	104 miles	1 hr 49 minutes



-- PROPERTY PHOTOS --



-- PROPERTY PHOTOS --



Location Maps

Property Photos

Aerials

-- PROPERTY PHOTOS --

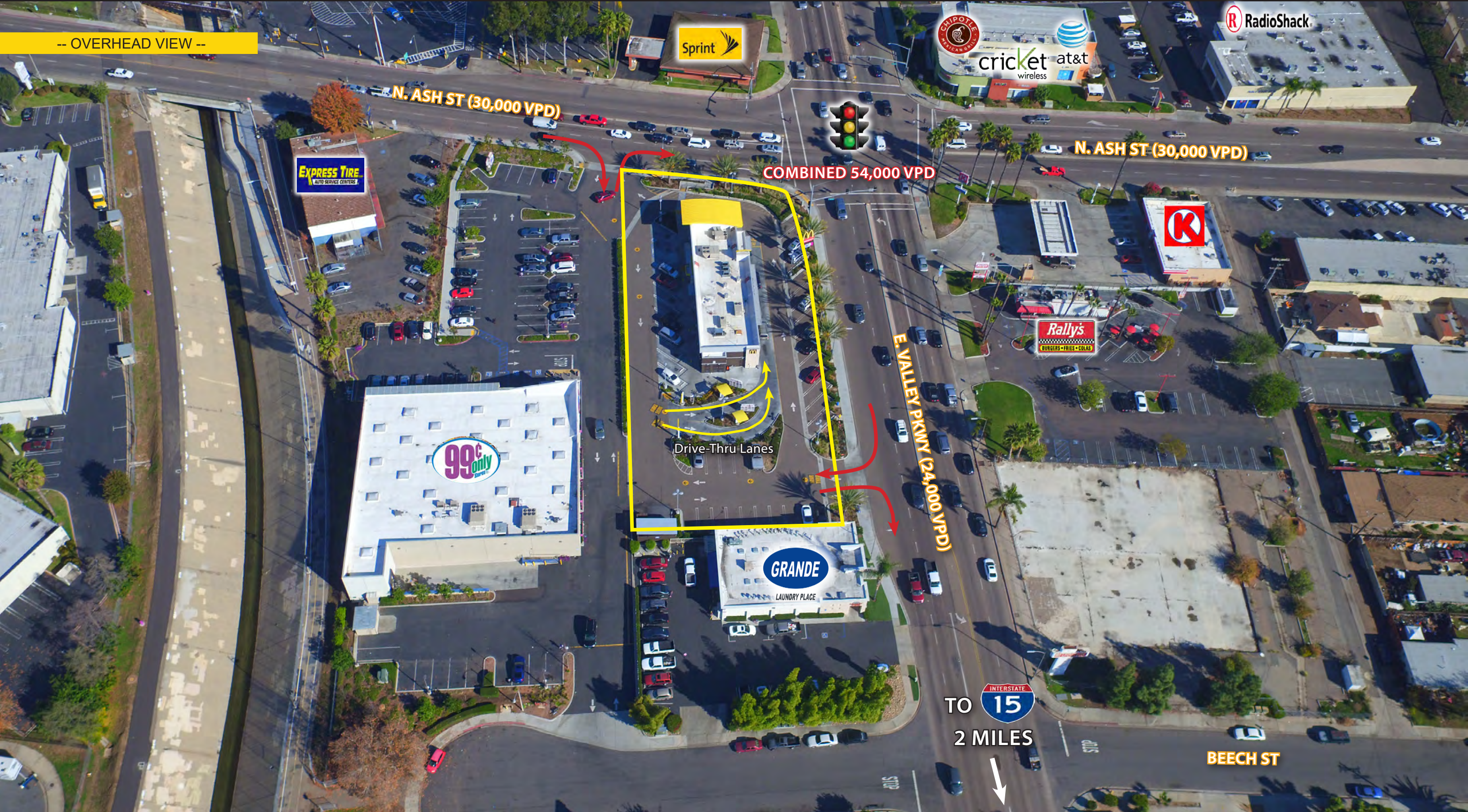


Location Maps

Property Photos

Aerials

-- OVERHEAD VIEW --



Location Maps

Property Photos

Aerials

-- LOOKING NORTH --



Location Maps

Property Photos

Aerials

-- LOOKING EAST --



-- LOOKING SOUTH --



MCDONALD'S | Escondido, CA | 17 —



About McDonald's

Site Plan

-- ABOUT MCDONALD'S --

McDonald's is the world's leading global hamburger and fast food restaurant chain, serving approximately 68 million customers daily in 119 countries across approximately 36,615 outlets.

Founded in 1940 as a barbecue restaurant operated by Richard and Maurice McDonald. In 1948, they reorganized their business as a hamburger stand, using production line principles. The first McDonald's franchise opened in Phoenix in 1953 using the arches logo. Businessman Ray Kroc joined the company as a franchise agent in 1955 and subsequently purchased the chain from the McDonald brothers. Based in Oak Brook, Illinois, McDonald's confirmed plans to move its global headquarters to Chicago by early 2018.

McDonald's primarily sells hamburgers, cheeseburgers, chicken products, french fries, wraps, breakfast items, soft drinks, milkshakes, and desserts. In response to changing consumer tastes, the company has expanded its menu to include salads, fish, wraps, smoothies and fruit. A McDonald's restaurant is operated by either a franchisee, an affiliate, or the corporation itself. The McDonald's Corporation revenues come from the rent, royalties, and fees paid by the franchisees, as well as sales in company-operated restaurants. According to a BBC report published in 2012, McDonald's is the world's second largest private employer (behind Walmart with 1.9 million employees), 1.5 million of whom work for franchises.

The McDonald's Corporation's business model is slightly different from that of most other fast-food chains. In addition to ordinary franchise fees and marketing fees, which are calculated as a percentage of sales, McDonald's may also collect rent, which may also be calculated on the basis of sales. As a condition of many franchise agreements, which vary by contract, age, country, and location, the Corporation may own or lease the properties on which McDonald's franchises are located. In most, if not all cases, the franchisee does not own the location of its restaurants.

The company currently owns all of its property – valued at an estimated \$16 to \$18 billion. The company earns a significant portion of its revenue from rental payments from franchisees. These rent payments have risen 26 percent over the past five years, and currently account for one fifth of the company's total revenue.

In recent times, there have been calls to spin off the estate investment trust. The company announced 2015 that it would not spin off its property into a Easterbrook discussed that pursuing the REIT option business model.

company's US holdings into a potential real at its investor conference on November 10, real-estate investment trust. The CEO, Steve would pose too large a risk to the company's



In 2006, McDonald's introduced its "Forever Young" brand by redesigning all of its restaurants, the first major redesign since the 1970s.

The goal of the redesign is to be more like a coffee shop, similar to Starbucks. The design includes wooden tables, faux-leather chairs, and muted colors; the red was muted to terra cotta, the yellow was shifted to golden for a more "sunny" look, and olive and sage green were also added. To create a warmer look, the restaurants have less plastic and more brick and wood, with modern hanging lights to produce a softer glow. Many restaurants now feature free Wi-Fi and flat screen TVs. Other upgrades include double drive-thrus, flat roofs instead of the angled red roofs, and replacing fiber glass with wood. Also, instead of the familiar golden arches, the restaurants now feature "semi-swooshes" (half of a golden arch), similar to the Nike swoosh.



McDonald's continues to be recognized as a premier franchising company around the world. More than 80% of our restaurants worldwide are owned and operated by our Franchisees.



Over the last several years McDonald's has been recognized as one of the Top 10 Franchises.



Franchise Times Magazine – McDonald's has been ranked #1 on its list of top 200 franchises.



USA Today – McDonald's has been selected by the National Minority Franchise Initiative (NMFI) as one of the 50 Top Franchises for Minorities.



Black Enterprise Magazine – McDonald's was listed as one of the 40 best Franchises for African Americans.

-- SITE PLAN --





-- SAN DIEGO COUNTY OVERVIEW --

With breakthrough technology companies and research organizations, the largest military concentration in the world and a strong tourism industry, the San Diego region has one of the most diverse, dynamic economies in the country.

San Diego County is the second-most populous county in California and the fifth-most populous in the United States. Situated in Southern California, the San Diego area is known for its mediterranean climate, ethnic diversity, sprawling metropolis, and as a major hub for the country’s military industry. The culture of San Diego is influenced heavily by American and Mexican cultures due to its position as a border town, its large Hispanic population, and its history as part of Spanish America and Mexico.

The county’s largest continuous high-income urban area is a triangle from a first point on the northern edge of Carlsbad, a second point southeast of Escondido, and a third point on the southern edge of La Jolla. Inland North San Diego County, of which Escondido is at the core, is emerging as a regional economic leader in the forefront of job development and new industries.

Tourists are drawn to the region for everything from shopping to surfing as well as its mild climate. The area features many historical attractions, a thriving musical and theatrical scene, numerous notable special events, professional sports events, a varied cuisine, and a reputation as one of America’s premier centers of craft brewing, with over 100 craft/micro/nano breweries throughout the county that have been sweeping award ceremonies at national and international contests.

The San Diego visitor industry is the **third largest industry** in the county, and plays a huge role in the region’s economy, generating more than **\$704.6 million annually** in state and local taxes and employing over 180,000 San Diegans - 13% of the jobs in the county. Approximately **34.3 million tourists** visit San Diego every year, spending nearly \$9.9 billion annually at San Diego businesses and produce \$246 million in transient occupancy tax revenues.

The region is host to the **second largest cruise ship industry in California** which generates an estimated \$2 million annually from purchases of food, fuel, supplies, and maintenance services. In 2008 the Port of San Diego hosted 252 ship calls and more than 800,000 passengers.

San Diego has a **strong military presence** with 16 naval and military installations of the U.S. Navy, U.S. Marine Corps, and the U.S. Coast Guard. It is the headquarters of the U.S. Navy’s Eleventh Naval District and is the Navy’s principal location for West Coast and Pacific Ocean operations. Naval Base San Diego, California is principal home to the Pacific Fleet (although the headquarters is located in Pearl Harbor). NAS North Island is located on the north side of Coronado, and is home to Headquarters for Naval Air Forces and Naval Air Force Pacific, the bulk of the Pacific Fleet’s helicopter squadrons, and part of the West Coast aircraft carrier fleet. The Naval Special Warfare Center is the primary training center for SEALs, and is also located on Coronado. The area contains five major naval bases and the U.S. Marines base Camp Pendleton. Marine Corps Base Camp Pendleton is the major West Coast base of the United States Marine Corps and serves as its prime amphibious training base. It is located on the Southern California coast, bordered by Oceanside to the south, San Clemente to the north, and Fallbrook to the east.

Education in San Diego is as innovative as many of its industries. The region has established public charter schools that have influenced primary and secondary education across the country. In addition, with its more than 80 universities – including the largest engineering school in the state – and world-class research institutions, San Diego is well-positioned to compete globally in attracting some of the most talented engineers, scientists and technology professionals in the world. The quality of life in the region, combined with strong technology-based industries, means only the best and brightest work and live here. Add to that a robust service sector with professionals in finance, marketing, sales, facilities management and other administrative positions, San Diego is a thriving, diverse economy.

*Forbes rated San Diego
one of the Coolest Cities”in 2014.*



-- ESCONDIDO OVERVIEW --



The Heart of San Diego

Escondido lies about 18 miles inland, 100 miles south of Los Angeles, and 30 miles northeast of San Diego. The city is home to major attractions, beautiful wineries, craft breweries, unique arts and theatre, delicious culinary experiences and a charming historic downtown.

Escondido has a comprehensive mix of successful businesses, supplying a diverse job base and high quality of life.

As the self-proclaimed “heart” of San Diego North, it is one of the few remaining communities where people of all income levels can enjoy the Southern California lifestyle. Escondido offers attractive homes in a wide range of prices, a dynamic business climate, proximity to nearby beaches, and a wealth of activities. Coupled with an unparalleled climate, endless opportunity to live an active lifestyle, and a unique culture of craft beer, arts, family and recreation, Escondido finds itself in an ideal position for growth and revitalization. In recent years Escondido was named by Money Magazine as the Best Place in the West in which to retire and, at the other end of the spectrum, was named a Kid-Friendly City for their broad range of youth programs. Ladies Home Journal also ranked Escondido number eight among the Top Ten Cities for Government.



Escondido Means Business



Escondido is located within the 78 Corridor, which has become a hub for innovation. From Oceanside to Escondido, the 78 Corridor has an ecosystem rich with companies and a talented workforce to take any concept from design to production. Some of the companies located in Escondido within this corridor that call Escondido home include:

- **Palomar Medical Center:** Nationally recognized care center offering cutting-edge technology
- **Aurora Biochem:** Research and development of personal care products using herbal compounds
- **Stone Brewing Co:** One of the largest craft breweries in the U.S.
- **BMT Scientific Marine Services:** Builds custom engineered offshore marine services and solutions



-- DEMOGRAPHICS --

		1 Mile	3 Miles	5 Miles
POPULATION	2016 Estimated Population	41,146	144,030	191,769
	2021 Projected Population	43,408	151,603	201,667
	2010 Census Population	38,071	135,591	180,599
	2000 Census Population	37,389	125,882	164,956
	Projected Annual Growth 2016 to 2021	1.1%	1.1%	1.0%
	Historical Annual Growth 2000 to 2016	0.6%	0.9%	1.0%
	2016 Median Age	30	33.7	35.7
HOUSEHOLDS	2016 Estimated Households	11,110	43,893	60,608
	2021 Projected Households	11,692	46,168	63,693
	2010 Census Households	10,439	41,999	58,004
	2000 Census Households	10,793	40,572	54,628
	Projected Annual Growth 2016 to 2021	1.0%	1.0%	1.0%
	Historical Annual Growth 2000 to 2016	0.2%	0.5%	0.7%
RACE & ETHNICITY	2016 Estimated White	51.0%	57.5%	61.6%
	2016 Estimated Black or African American	2.8%	2.8%	2.6%
	2016 Estimated Asian or Pacific Islander	4.3%	6.8%	7.3%
	2016 Estimated American Indian or Native Alaskan	1.4%	1.0%	0.9%
	2016 Estimated Other Races	40.6%	31.9%	27.5%
	2016 Estimated Hispanic	69.6%	52.4%	45.2%
INCOME	2016 Estimated Average Household Income	\$52,040	\$67,240	\$75,731
	2016 Estimated Median Household Income	\$47,419	\$57,877	\$64,068
	2016 Estimated Per Capita Income	\$14,253	\$20,626	\$24,067
BUSINESS	2016 Estimated Total Businesses	1,757	5,006	6,830
	2016 Estimated Total Employees	20,761	58,214	74,925
	2016 Estimated Employee Population per Business	11.8	11.6	11.0
	2016 Estimated Residential Population per Business	23.4	28.8	28.1



Approximately **6 million people** live within a 60-minute drive of Escondido.

Escondido’s median age is **32.8** compared to the U.S. median of 37.5 years.
This young demographic provides employers a significant source of active, well-educated workers.



Escondido’s median income is **\$64,068** which surpasses the National Average of \$53,133.

Future job growth is expected to **increase 34.32%** in next 10 years.



The City of Escondido boasts a **52% owner occupancy rate** of its single-family homes.

Escondido has the **lowest median cost of homes** in San Diego County.



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Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other locations is an important consideration, it is not a guarantee of future success. Similarly, the lease rate for some properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

By accepting this Marketing Brochure you agree to release Lee & Associates and hold it harmless from any kind of claim, cost, expense, or liability arising out of your investigation and/or purchase of this investment property.

No warranty or representation is made as to the accuracy of the foregoing information. Terms of sale, lease, and availability are subject to change or withdrawal without notice.

