



Tenant Description

Walgreens is one of the nation's largest retail drugstore chains. Walgreens is owned by Walgreens Boots Alliance (WBA). WBA was created through Walgreens' acquisition of Alliance Boots in 2014. The creation of the international pharmacy group allowed companies to capitalize on synergies with complementary geographic footprints.

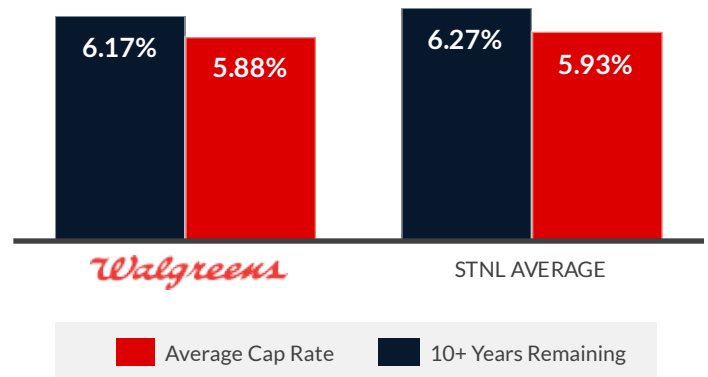
Walgreens attempted to expand its footprint with a merger with Rite Aid. The plans were announced in 2015, and were canceled in June of 2017. In lieu of a merger, Walgreens has arranged to acquire 2,186 Rite Aid locations. This will add to their existing 8,175 locations, some of which are operated under the brand Duane Reade. Walgreens looks to lease locations with 1.5 - 2 acres, enough room to fit their typical store size, 14,500 square feet.

Net Lease Overview

Walgreens remains a strong net lease asset because of the inelastic demand for prescriptions. This non-discretionary spending keeps Walgreens strong no matter the economic climate. Walgreens are located in highly sought after locations, typically on the corner of signalized intersections. Walgreens's leases are longer than most other net lease tenants. Walgreens leases typically feature a 25 year base term, with up to 50 years in options, and zero landlord responsibilities. The leases will have flat rent for the duration of the base term. Some Walgreens leases even feature a unique 75 year lease with annual cancellation options after the first 25 years, effectively creating a 25 year lease with 50, one year options.

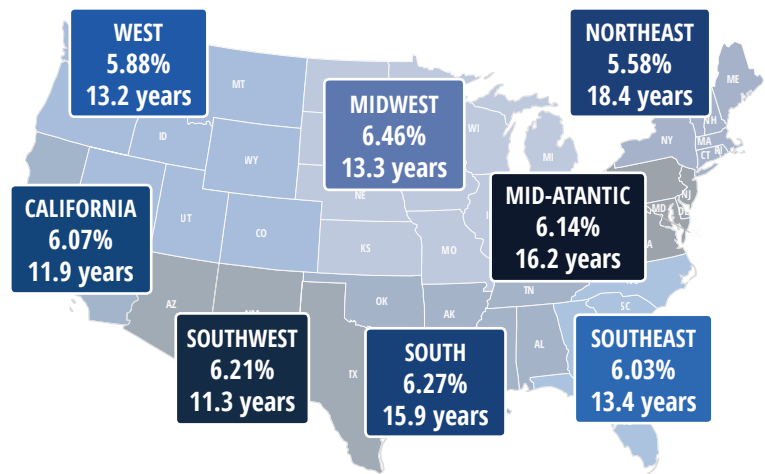
The corporate guarantee behind Walgreens leases is investment grade. Moody's rates Walgreens Baa2 and Standard & Poor's rates them BBB. Walgreens reported a net income of over \$4 billion in 2015 and 2016. Walgreens parent company, Walgreens Boots Alliance, ranks #17 on the Fortune 500.

Average Cap Rate Within the Last 12 Months



Walgreens has traded at a premium compared to the rest of the net lease market. This holds true for the overall average and the average of properties with at least 10 years remaining on their lease.

Average Regional Cap Rate



This map shows the regional differences in cap rates for Walgreens and the average lease term remaining in each region. The Northeast has the lowest average cap rate and the highest average lease years remaining.

Lease Type

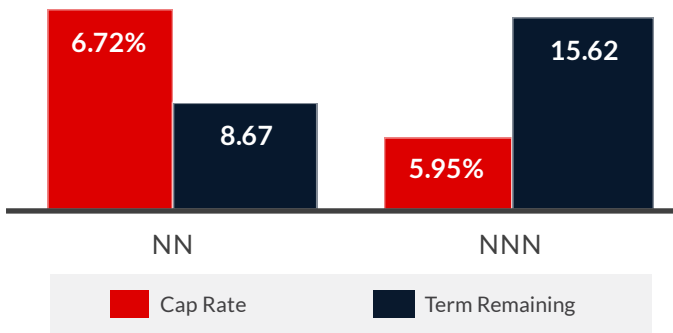
Triple net leases tend to have a significantly lower cap rate than double net leases. Double net leases make the landlord responsible for some aspect of maintenance. In exchange for this responsibility, the tenant will typically pay a higher rent.

The number of years left on the lease is also a factor driving the cap rate differences between double and triple net leases. The double net leases tend to be for older properties nearing the end of the primary term while new leases are typically triple net.

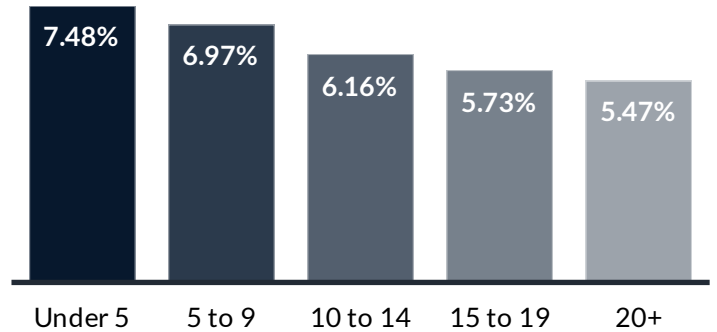
Term Remaining

The graph displays the effect of the number of lease years remaining on cap rates. The higher number of years remaining is associated with a lower cap rate.

Average Cap Rate and Term Remaining From the Past 12 Months

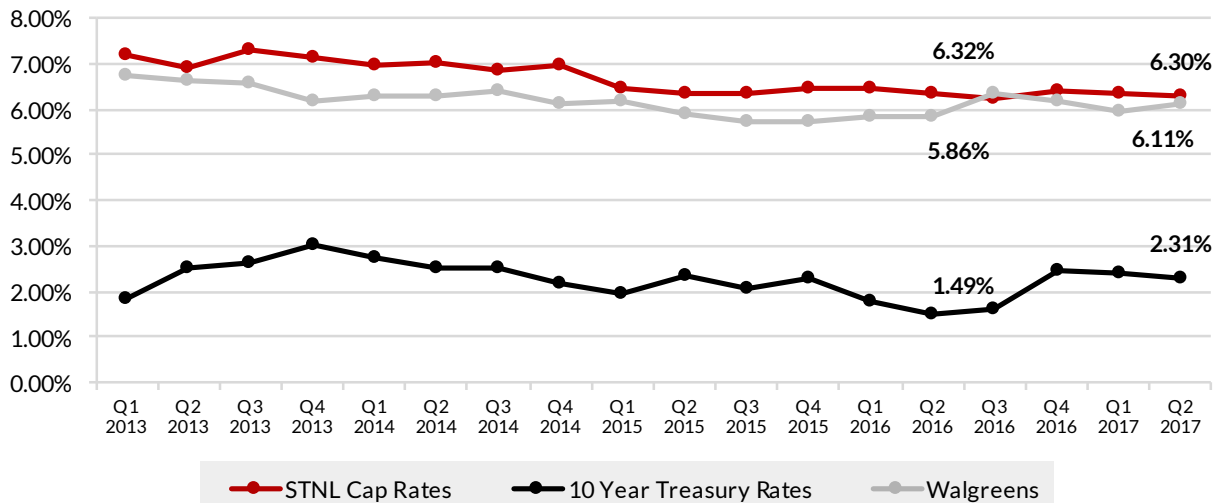


Average Cap Rate by Term Remaining From the Past 12 Months



STNL Cap Rates vs. Walgreens vs. 10 Year Treasury Rates

Since 2013, Walgreens has typically sold at a premium to the single tenant net lease average.



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Calkain Companies LLC is a national commercial real estate firm that provides consulting and brokerage services to both private and institutional clientele with an expertise on triple net lease investments. We pride ourselves on being a world class leader by providing our clients a full array of commercial real estate investment brokerage and asset management solutions, including advisory, research, estate planning and wealth management. Calkain is headquartered in Herndon, VA with multiple locations throughout the United States.