



MCDONALD'S
34814 PACIFIC HIGHWAY S, FEDERAL WAY, WA

GROUND LEASE

CBRE



PROPERTY OVERVIEW



LIST PRICE

\$4,555,000



EXPENSE OBLIGATIONS

None, "Absolute" Net



YEAR BUILT

2007



NOI

\$193,595



ADDRESS

34814 Pacific Hwy S,
Federal Way, WA 98003



PARCEL NUMBER

185295-0070



CAP RATE

4.25%



BUILDING SIZE

4,660 SF



PARKING

31 Open Spaces



LEASE TYPE

Ground Lease



SITE SIZE

35,622 SF



ZONING

CE, Commercial Enterprise Zone



INVESTMENT OVERVIEW

RARE GROUND LEASE MCDONALD'S OPPORTUNITY

The property is the first ground-leased McDonald's offered for sale in the Pacific NW in 10 years.

Popularly termed "a real estate company, that happens to sell hamburgers", McDonald's owns the majority of company real estate. The few properties that are not corporately-owned, are almost exclusively ground leased. This creates an extremely supply-constrained market for investors. McDonald's – Federal Way offers the scarce opportunity to capitalize on the long-term growth of the Pacific NW combined with stable McDonald's tenancy.

"ABSOLUTE" NET LEASE WITH ZERO LANDLORD RESPONSIBILITIES AND RENT ESCALATORS

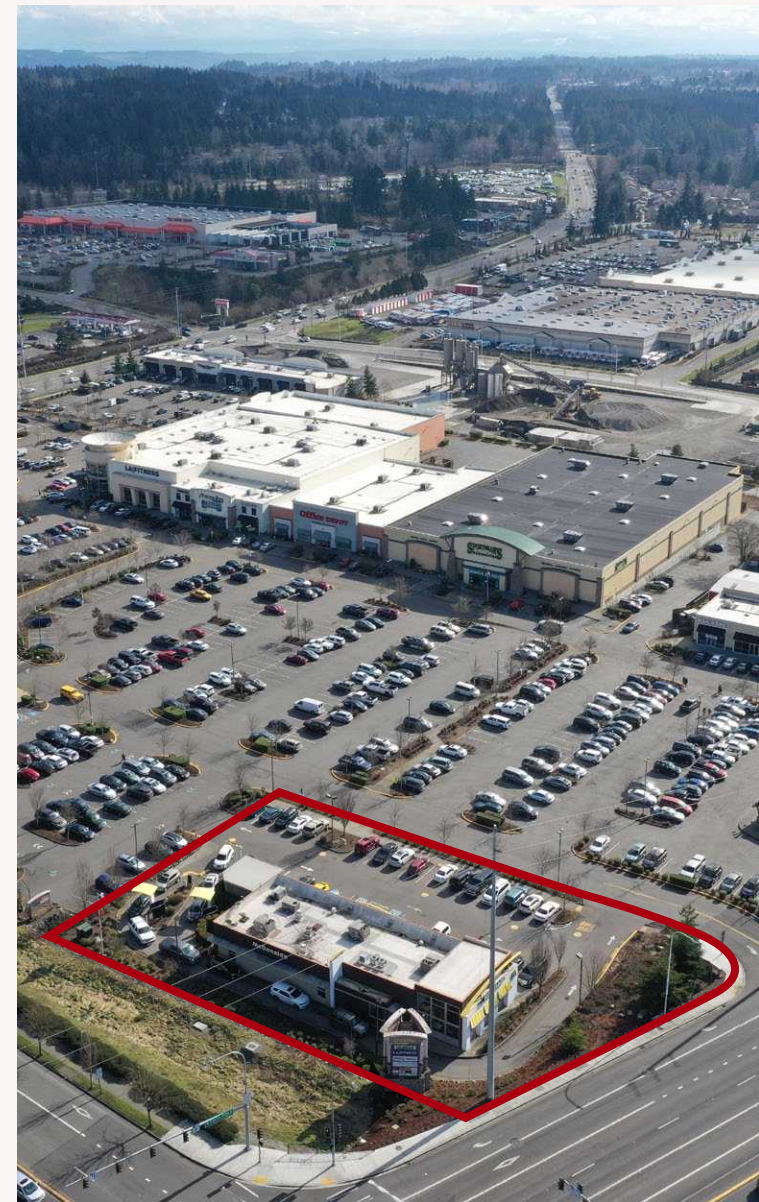
The original 20-year lease was signed in 2007 with 10% rent escalations every five years. **The next rent escalation is scheduled to occur in July 2022.** As a ground lease, the lease is "absolute" net with zero landlord responsibilities. The owner of the surrounding shopping center will provide basic landscaping services to the site (\pm \$1,500/year), the cost of which are fully reimbursed by McDonald's.

CORPORATE-BACKED LEASE WITH "INVESTMENT" CREDIT

The lease is backed by the McDonald's Corporation, the world's largest restaurant chain. The company leads the quick-service food industry with over 37,000 restaurants in 120 countries and 14 consecutive quarters of global same-store sales growth. Over 14,000 locations are located in the United States. **While over 92% of McDonald's are operated by franchisees, McDonald's offers a corporate guarantee on the lease.** With a credit rating of "BBB+" (S&P) and "Baa1" (Moody's), the credit is classified as "investment grade" and ranks in the among the highest quality in the net-leased market.



SITE PLAN



LOCATION OVERVIEW

LIGHT RAIL ENTERING SUBMARKET

In 2016 voters approved Sound Transit 3 (ST3) which will expand the light rail network from the northern-most connection points in Seattle to Tacoma in the south. The first phase will be completed by 2024 and will extend to 320th Street just 2.0 miles north of the subject. The second phase of the project will include a new station 3 blocks from the property along 348th Street and will continue south to Tacoma. The second phase is already funded and projected to be completed by 2030.

DOMINANT RETAIL CORNER IN GROWTH SUBMARKET

A massive **95,000 vehicles pass the subject daily** en route to the I-5 interchange or surrounding retailers including Costco, Walmart, LA Fitness, Home Depot, and Lowe's. The property occupies the premier position at the most active intersection in the expanded submarket.

ROAD-WIDENING PROJECT IN 2018

The city of Federal Way recently completed a road-widening and improvement project along Pacific Highway (Hwy 99) at the subject location. The project expanded the 5-lane highway to 6-lanes by adding a dedicated right-turn lane directly in front of the property. The result is increased traffic flows, improved access to the shopping center, and greater exposure for McDonald's - Federal Way.

WASHINGTON STATE
INCOME TAX-FREE

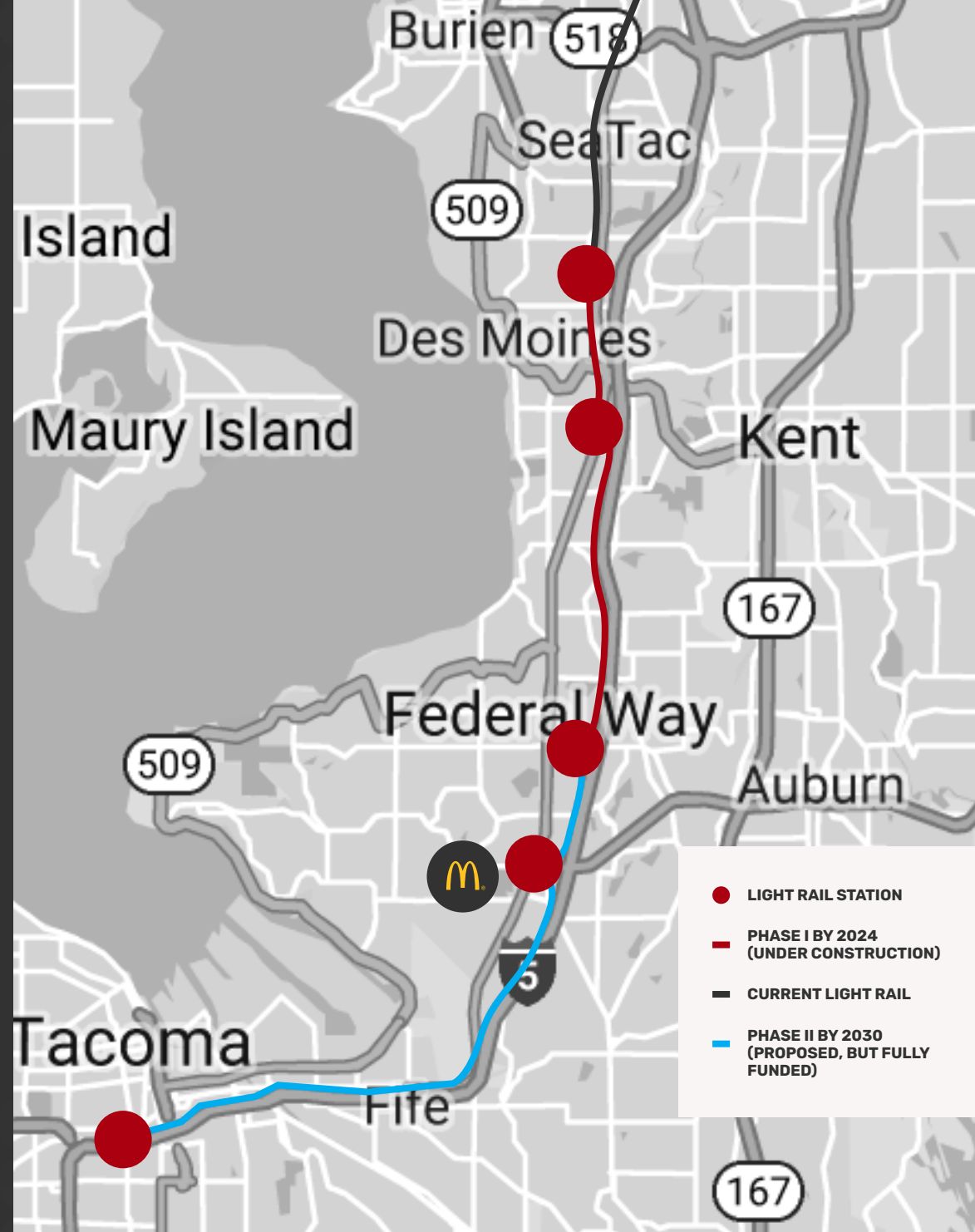
3-MILE POPULATION
95,709





FEDERAL WAY OVERVIEW

Federal Way is the largest community along the I-5 corridor between the metropolitan areas of Seattle to the north and Tacoma to the south. The city is settled at the convergence of three primary highway systems; Interstate-5, Highway 18, and Highway 99 (Pacific Highway). The area serves as a bedroom community with residents primarily commuting to the nearby employment centers. The city is strategically located adjacent to two of the most active ports in the state, SeaTac Airport and the Port of Tacoma, which combine to offer over 50,000 jobs.

Almost all the retail and commercial uses for the area are concentrated within two primary nodes, one along 320th Street, and the other along 348th Street. The northern 320th Street node is dominated by the aging 780,000 sf Commons at Federal Way Mall which is planned for redevelopment to higher-density mixed-uses over the upcoming years. The southern 348th Street node includes the subject and hosts the most active retailers in the market including, Costco, Walmart, LA Fitness, Lowe's, and Home Depot.



DEMOGRAPHICS

	1 MILE	3 MILES	5 MILES
 PLACE OF WORK			
2018 BUSINESSES	644	2,891	6,558
2018 EMPLOYEES	10,289	38,985	95,772
 POPULATION			
2018 POPULATION - CURRENT YEAR ESTIMATE	5,272	95,709	211,896
2023 POPULATION - FIVE YEAR PROJECTION	5,654	102,611	225,953
 POPULATION GROWTH			
2010-2018 ANNUAL POPULATION GROWTH RATE	2.42%	1.48%	1.31%
2018-2023 ANNUAL POPULATION GROWTH RATE	1.41%	1.40%	1.29%
 AVERAGE INCOME			
2018 AVERAGE HOUSEHOLD INCOME	\$75,191	\$84,744	\$88,721
2023 AVERAGE HOUSEHOLD INCOME	\$86,240	\$97,646	\$102,317
 MEDIAN INCOME			
2018 MEDIAN HOUSEHOLD INCOME	\$56,681	\$68,680	\$70,181
2023 MEDIAN HOUSEHOLD INCOME	\$63,651	\$78,425	\$80,261
 HOUSING VALUE			
2018 MEDIAN VALUE OF OWNER OCC. HOUSING UNITS	\$276,630	\$304,910	\$318,174
2018 AVERAGE VALUE OF OWNER OCC. HOUSING UNITS	\$314,000	\$345,181	\$369,837

MEDIAN HH INCOME
\$70,181

BACHELOR'S OR HIGHER
26.6%

MEDIAN AGE
37.0

AVERAGE HOUSEHOLD SIZE
2.74

MEDIAN HOME VALUE
\$318,174



LOCAL RETAIL & TRAFFIC MAP



COMPETITION MAP



DRIVE TIMES



DISTANCE TO SEATTLE
14 MILES

DISTANCE TO TACOMA
5 MILES

DISTANCE TO BELLEVUE
20 MILES





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