

NET LEASED INDUSTRIAL INVESTMENT

**THOMASCOMPANY**  
NET LEASE CAPITAL MARKETS

# CUMMINS, INC.

Sumner, Washington  
(Seattle MSA)



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# Executive Summary



## THE OFFERING

Thomas Company is pleased to offer for sale a +/- 55,600 square foot Cummins, Inc. (S&P: A+, NYSE: CMI) service/repair center located in Sumner, Washington. The property was recently constructed on +/- 6.37 acres of land and includes 16 service bays, 2 quick service bays, storage/warehouse and offices with a steel roof. The state of the art facility is also fully CNG/LNG compliant. The property is subject to a 20 year lease with annual increases of approximately 1.30% and four 5-year extension options.

## INVESTMENT HIGHLIGHTS

### LONG-TERM LEASE

The property has a 20-year lease in place that commenced in June 2017. The long-term lease provides the Landlord with consistent management-free cash flow throughout the lease term.

### PASSIVE OWNERSHIP

The Tenant has executed a double-net (NN) lease with very limited Landlord responsibilities. The Tenant is responsible for all management and operating repairs to the property.

### SECURE CASH FLOW

The lease is executed by Cummins, Inc. (S&P: A+; NYSE: CMI), an investment grade company with 2016 revenue of \$17.5 billion. The company has been listed on the Fortune 500 for 22 years and is currently ranked 148th.

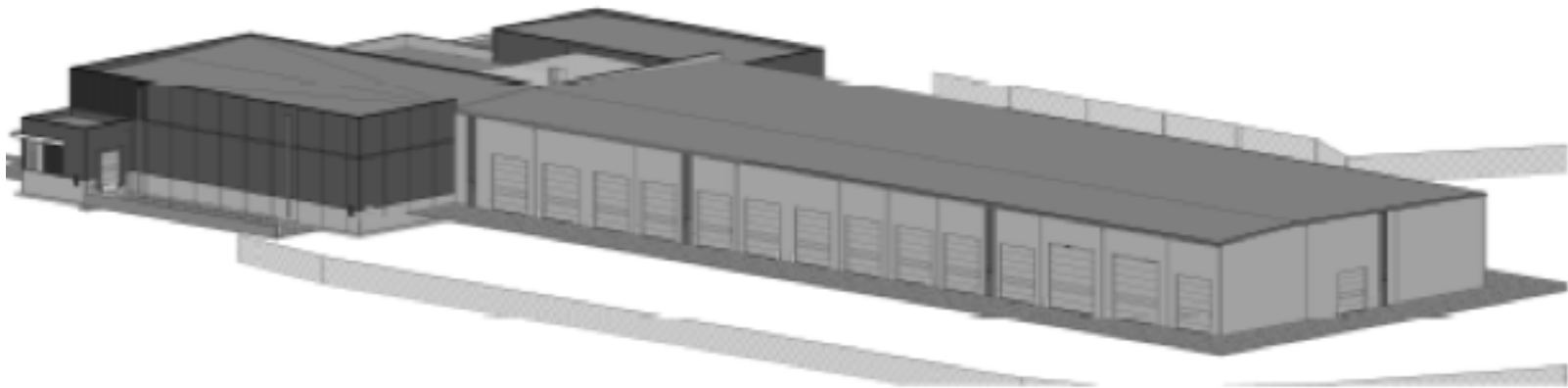
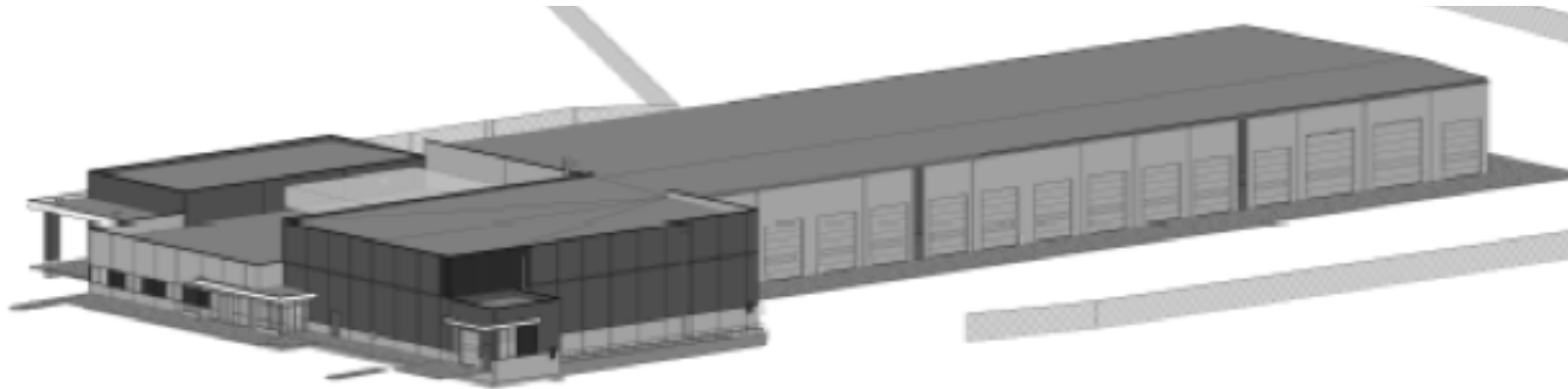
### RECENTLY CONSTRUCTED

The property completed construction in June 2017. The lease commenced on June 19, 2017, allowing an investor to acquire the asset with close to the full 20-year lease term remaining.

# Executive Summary

## THE PROPERTY

ADDRESS	1800 Fryar Avenue, Sumner, WA	BUILDING SIZE	+/- 55,660
PRICE	\$19,927,660	LAND SIZE	+/- 6.37 Acres
CAP RATE	5.00%	YEAR BUILT	2017



# Executive Summary

## THE LEASE

TENANT	Cummins, Inc. (S&P:A+; NYSE:CMI)	RENT SCHEDULE	Year	Annual Rent	Rent Increase	
OCCUPANCY	Fully-leased		1	\$996,383		
LEASE COMMENCEMENT	June 19, 2017		2	\$1,009,153	1.28%	
LEASE EXPIRATION	June 30, 2037		3	\$1,022,114	1.28%	
REMAINING LEASE TERM	+/- 20 Years		4	\$1,035,270	1.29%	
LEASE STRUCTURE	Double Net		5	\$1,048,623	1.29%	
LANDLORD RESPONSIBILITIES	Landlord is only responsible for making capital improvements to the building structure, including the slab, foundation, structural frames, façade and roof.  In the event any repairs to non-structural components of the property can be classified as a capital expenditure under GAAP, the Tenant may elect to have the cost of such repair paid directly by the Landlord, and such capital repair will be amortized over the useful life of the repair at a 7% interest factor and repaid by Tenant in monthly installments as additional rent.		6	\$1,062,176	1.29%	
			7	\$1,075,933	1.30%	
			8	\$1,089,896	1.30%	
			9	\$1,104,069	1.30%	
			10	\$1,118,454	1.30%	
			11	\$1,133,055	1.31%	
			12	\$1,147,874	1.31%	
			13	\$1,162,917	1.31%	
			14	\$1,178,184	1.31%	
			15	\$1,193,681	1.32%	
			16	\$1,209,410	1.32%	
			17	\$1,225,376	1.32%	
			18	\$1,241,580	1.32%	
			19	\$1,258,028	1.32%	
			20	\$1,274,723	1.33%	
		EXTENSION OPTIONS		Four 5-Year Extension Options		
		EXTENSION OPTION RENT		The rent is adjusted to fair market at the start of each option period, with 1.5% annual increases thereafter.		

# Property Overview



## THE PROPERTY

Construction recently completed on the new Cummins, Inc. +/- 55,600 square foot service center in Sumner, Washington. The property was constructed on a +/- 6.37 acre parcel of land in the light industrial and manufacturing region of the Seattle-Tacoma metropolitan area.

Cummins, Inc. service centers employ factory certified technicians and offer maintenance, repair and warranty for all Cummins natural gas, diesel and propane engines, as well as a parts counter with access to genuine Cummins, Onan and Fleetguard products. Other services offered include engine overhauls, new Cummins engines and ReCon (factory remanufactured) engines, engine horsepower uprates, emissions retrofitting, exhaust aftertreatment installation and service, Cummins and power generation mobile service, chassis dynamometer testing, engine dynamometer testing and diesel particulate filter cleaning and baking equipment.

Markets served are medium duty trucks, heavy duty trucks, bus and coach, fire

and emergency, agriculture, construction, marine, power generation and RV. Regular hours of operation are typically from 7am through midnight with after hours parts and services available 24 hours a day, 365 days a year.

The building includes 30,000 square feet for service bays, 10,000 square feet for storage/warehouse, 10,000 square feet of office space and an additional 4,500 square feet for quick service bays. The ceiling heights is 24 feet and Cummins supplies all service bay equipment including air compressors, new waste fluid tanks and reels, parts washers, lift equipment, chassis dyno and cranes.

The property replaces an existing Cummins facility located in Renton, WA, and is larger and better equipped to handle natural gas and vehicle systems, including liquified natural gas and compressed natural gas, which make up a substantial portion of Cummins' business. Liquified natural gas, in particular, is a relatively new fuel for trucking with very high demand.



\*Site map not to scale

# Property Overview

## AERIAL MAP

### Area Businesses

AA Asphaltting  
AIM Aerospace  
Amazon  
Composite Solutions  
Costco Wholesale  
CTE Logistics  
DB Schenker  
Dillanos Coffee Roasters  
Electronic Recyclers International  
Expeditors International  
Fire Sprinklers Incorporated  
Fleischmann's Vinegar  
Golden State Foods  
ITR America  
Kanimi  
LKQ Corp.  
Marine View Beverage  
Medline  
Natures World  
Pacific Northwest Baking Co.  
Pasquier Panel Products  
Port Logistics Group  
REI  
Roadrunner Transportation  
S&C Electric Company  
Samsung  
Sefnco  
Sessler  
Sonoco  
Swift Transportation  
Torklift International  
Valuepart  
Western Wood Preserving Co.



# Location Overview

## THE LOCATION

The subject property is located in a dense industrial and manufacturing area of Sumner, WA. Neighboring businesses include AIM Aerospace, Fleischmann's Vinegar, Sonoco, Torklift International, Marine View Beverage, Swift Transportation, Pacific Northwest Baking Co., Golden State Foods, Sefnco, Sessler, REI, S&C Electric Company, Valuepart, Composite Solutions and Medline among others. Only approximately a mile to the north are Roadrunner Transportation Systems, Costco Wholesale, DB Schenker and Port Logistics Group. Continuing northward is what is referred to as Kent Valley's warehouse district, which stretches from Sumner up to the city of Renton.

The Kent Valley is the fourth largest center for manufacturing and distribution in the United States. Approximately 55,000 employees work in the Kent Valley for major employers like Amazon, Boeing, REI, Starbucks and more, with job growth predicted to be as much as 40 percent in the next decade. Proximity to the greater Seattle region as well as key transportation routes have spurred the growth of this region.

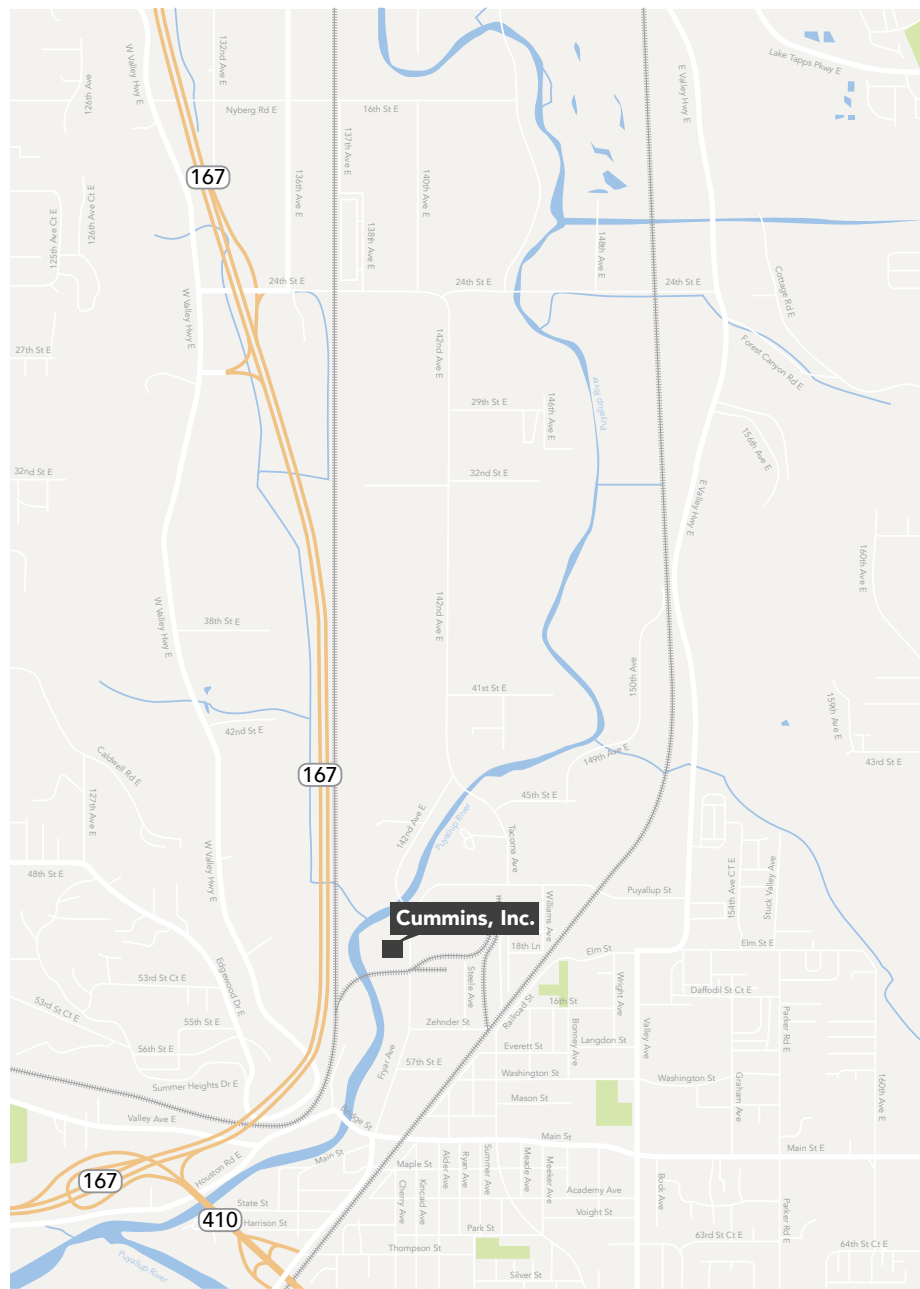
There are several major freeway and highway routes in or near Kent Valley, including Interstate 5, State Route 167 and State Route 516. Kent Valley is also central to King and Pierce County Metro transit, with the Kent Station providing service to many destinations. Heavy rail service includes two major north-south lines through the Kent Valley, with freight traffic operations by the BNSF and Union Pacific railroads.

Major employers in the Kent Valley include the Boeing Kent Space Center, REI, Mikron Industries, Sysco and Alaska Airlines. A large steel industry also dates back to the early 20th century. Salmon Bay Steel Company, Puget Sound Steel, Pacific Metal Company and TMX Aerospace (a division of ThyssenKrupp Steel North America) are some of the major steel and metal manufacturers located in the area.



# Location Overview

## AREA/REGIONAL MAPS



# Location Overview

## AREA OVERVIEW | SUMNER, WA

Sumner, WA is located in northern Pierce County, approximately 40 miles south of Seattle and 15 miles east of Tacoma. It is a part of the Seattle Metropolitan Statistical Area, the 15th-largest MSA in the United States. Sumner commercial and industrial districts currently support nearly 9,000 jobs. Sumner encompasses 4,600 acres (7.2 square miles). It has a designated urban service area/urban growth area of approximately 2,000 acres (3.1 square miles).

The top industries providing employment in Sumner include manufacturing (16.3%) and retail trade (14%). Agriculture remains important to the local economy, along with manufacturing, wood products production, warehousing and distribution.

In addition to excellent road and highway access to Seattle and Tacoma, Sumner benefits from rail links to both via Sounder commuter rail.

Companies in Sumner include Amazon, Expeditors International, Swift Transportation, Samsung, Torklift International, Medline, Sessler, Port Logistics Group, REI, Valuepart, Pacific Northwest Baking Company, Costco, S&C Electric Company, Composite Solutions, Roadrunner Transportation Systems, Sefnco, Sonoco, Golden State Foods, Marine View Beverage, AIM Aerospace, Fleischmann's Vinegar, Keurig Green Mountain, The Truss Company, Western Wood Preserving and DB Schenker.

Sumner is well situated to access the Port of Tacoma, with \$25 billion in annual trade and nearly 1.5 million 20-foot equivalent units (TEUs) as well as the Port of Seattle, the nation's eighth busiest port with 22 international steamship lines moving over 2 million TEUs. Costco's president of construction and distribution has praised Sumner as "geographically... a great spot. It's close to commerce hubs Seattle and Portland, has excellent access to inbound ports and interstates..."

Nearby Seattle is the largest employment center in the region, creating a major

impact on surrounding cities such as Sumner. Seattle is best known as a robust technical hub, surpassing New York in 2016 to become the 3rd – best technical market. However, the region is strong in a range of sectors, and the presence of industry leaders Boeing, Amazon, Microsoft, Starbucks and Nordstrom have attracted a young and well-educated workforce to the region.

The city boasts the nation's highest percentage of people with bachelor's degrees or above, at 59 percent. Statewide, approximately 90% of all residents are high school graduates (compared to 75% nationally). Approximately 14,100 millennials have moved to the area since 2009, a population increase of 11.7 percent for that age group.

In 2012 Seattle saw 4,200 business startups, which has consistently outpaced business closures since 2000. Washington State offers a pro-business tax climate, with no personal or corporate income tax.

In 2016, Glassdoor ranked Seattle No. 3 in the nation for jobseekers, with 103,124 job openings, a \$85,000 median base salary, and a \$382,700 median home value.

The Seattle-Tacoma-Bellevue MSA has an estimated population of 3,733,580, which is more than half of Washington's population as of 2016. The adjacent metropolitan areas are grouped together in a wider labor market region known as the Seattle-Tacoma-Olympia Combined Statistical Area (CSA) commonly known as the Puget Sound region. 4,602,591—almost two-thirds of Washington's population—as of 2016. The Seattle CSA is the 12th largest CSA in the country.

In 2015, the Seattle-Tacoma-Bellevue, WA (MSA) had a median household income of \$75,331, compared to a national average of \$55,775.

# Tenant Overview

## CUMMINS, INC. | S&P: A+; NYSE: CMI

Cummins, Inc. designs, manufactures, and distributes engines, filtration, and power generation products. The company supplies horsepower to PACCAR, Volvo Trucks, Daimler Trucks, Ford, and MAN. Cummins also services engines and related equipment, including fuel systems, controls, air handling, filtration, emission control and electrical power generation systems. Cummins has been an American Fortune 500 corporation for 22 years. In 2016, the company climbed 6 places to rank 148th on the listing.

Cummins was founded in 1919 in Columbus, Indiana, where it maintains its corporate headquarters. It is a global corporation, selling in over 190 countries and territories through its network of 600 company-owned and independent distributor facilities and more than 7,200 dealer locations.

The company employs 55,000 people worldwide. In 2016 Cummins was ranked 19th on Diversity Inc.'s list of the top 50 most diverse companies in the U.S., climbing two spots since the previous year. It received a special mention for integrating diversity into processes and procedures outside of human resources and for employing minorities in senior management roles at a rate 55.1% higher than U.S. Companies overall and women in senior management roles at a rate 41.4% higher than U.S. companies overall. For the 12th straight year, Cummins was awarded a perfect score in the 2017 Corporate Equity Index (CEI) from the Human Rights Campaign.

Investment advice website Income Investors calls Cummins stock (NYSE: CMI) "an example of a classic Warren Buffett-style value investment" and praises the company's "great business model".

In 2016, Cummins earned \$1.39 billion on sales of \$17.5 billion, and also returned 75% of Operating Cash Flow to shareholders in the form of dividends and share repurchases. The company delivered a return on equity of 18% in 2016 and rewarded investors with a cash dividend of \$1.025 on March 6, 2017.

In 2016, Cummins partnered with Peterbilt to develop and demonstrate technologies under the U.S. Department of Energy's SuperTruck II program. Cummins was also

recognized with the 2016 United States overall Best Heavy-Duty Truck Engine Supplier Leadership Award by Frost and Sullivan. Additionally, the Environmental Protection Agency certified Cummins' full range of heavy- and medium-duty diesel engines for the 2017 Greenhouse Gas Emission Standards.

Cummins Inc. is organized into four business units:

Cummins Engines manufactures and markets diesel and natural gas-powered engines for on-highway and off-highway use. Markets include heavy- and medium-duty truck, bus, recreational vehicle (RV), light-duty automotive and a number of industrial uses including agricultural, construction, mining, marine, oil and gas and military equipment.

Cummins Power Systems produces high-speed, high-horsepower engines and power generation equipment, including standby and prime power gen sets, alternators, switchgear and other components. Power Systems serves the mining, marine, oil and gas, rail, defense, telecom, and healthcare markets.

Cummins Components consists of four businesses: Cummins Filtration, Cummins Turbo Technologies, Cummins Emission Solutions and Cummins Fuel Systems. Cummins Filtration designs, manufactures and distributes heavy-duty air, fuel, hydraulic and lube filtration, chemicals and exhaust system technology products for diesel and gas-powered equipment. Cummins Turbo Technologies designs and manufactures turbochargers and related products for diesel engines above 3 liters. Cummins Emission Solutions designs, manufactures and integrates exhaust after-treatment technology to meet global emissions standards. Cummins Fuel Systems designs, develops and manufactures new fuel systems and remanufactures electronic control modules.

The company's own distribution segment consists of 17 company-owned distributors and 10 joint ventures, covering 90 countries and territories.

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