

PETCO, BELLINGHAM, WASHINGTON

What were the considerations in pricing this property?

1. **Rare Market Availability:** Petco Stores, especially high performing ones, are infrequently available on the market, enhancing the property's desirability and justifying its price.
2. **Corporate Lease:** This is not a franchisee-operated store, but rather a corporate lease, ensuring stability and reliability in rental income.
3. **Tenant Strength and Performance:** The exceptional performance of Petco as a tenant, combined with its financial stability and long-term commitment, justifies the pricing.
4. **Financial Stability of Petco:** Petco is a public corporation with substantial sales figures, exceeding \$6 billion in sales for fiscal 2023, indicating its financial strength and ability to fulfill its lease obligations.
5. **Market Position:** Petco enjoys a significant market share, holding 26% of the pet store market and ranking as the second largest in the US, which reflects its strong brand presence and customer base.
6. **Long Term Commitment:** Petco is committed to this location by extending its lease for 10 years after having already been established there for 20 years, demonstrating confidence in the property and its surrounding area.
7. **Improvements to the Property:** Petco has plans to paint the building and replace the HVAC units at a significant cost in the next few months of 2024, indicating its interest in maintaining the property's value and attractiveness.

These points collectively bolster the rationale behind the property's pricing, providing potential buyers with a comprehensive understanding of its value proposition.

Other brands or properties on the market at higher cap rates do not enjoy these significant value features.