



# Pep Boys – Absolute NNN Ground Lease



10041 MISSION GORGE ROAD, SANTEE, CA 92071



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**Auto Service & Tires**

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# Executive Summary

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10041 MISSION GORGE ROAD



# Property Summary

|                   |               |
|-------------------|---------------|
| PRICE             | \$5,250,000   |
| NOI               | \$175,692     |
| TENANCY           | Single        |
| LOT SIZE AC       | ±1.7          |
| LOT SIZE SF       | ±74,052       |
| GROSS SQUARE FEET | ±18,560       |
| PRICE/SF BUILDING | \$282.87      |
| PRICE/SF LAND     | \$70.90       |
| ZONING            | Commercial    |
| PARKING RATIO     | 1.35/1,000 SF |
| PARKING           | 76 Spaces     |
| YEAR BUILT        | 1998          |
| TYPE OF LEASE     | Absolute NNN  |



## RENTAL OPTIONS

- Current Rent (2023–2028): \$175,692 annually / \$14,641 monthly
- Next Rent Bump (2028–2033): \$193,261 annually / \$16,105 monthly (exercised)
- Lease Term: Through 2033
- Options: Four (4) × 5-year renewal options through January 31, 2048

# PRIME CENTRAL LOCATION





# THE OPPORTUNITY

This Pep Boys represents a **rare Southern California ground lease** opportunity with **long-term stability** and **built-in rent growth**. The tenant has already exercised its first renewal option, ensuring occupancy through 2033. With absolute NNN terms, investors enjoy predictable income with no management responsibilities.

## Prime Real Estate Value

The property sits on **1.7 acres of land** along Mission Gorge Road, one of Santee's busiest retail corridors. The underlying land value in this corridor provides investors with **secure residual upside**, regardless of tenant performance. As rents reset with each option, the property is well positioned for **long-term appreciation and redevelopment potential**.

# Pep Boys® Auto Service & Tires

## Below-Market Rent = Future Upside

Pep Boys currently pays just \$175,692 annually, translating to roughly \$9.47/SF on the building footprint – well below prevailing retail and auto-service rents in the trade area. This presents a significant rent growth opportunity for a future investor. Whether Pep Boys renews beyond 2033 or the site is eventually re-tenanted, the lease structure allows investors to capture massive upside in one of San Diego County's strongest suburban markets.

## Strength of the Market

Santee combines steady population growth, strong household incomes, and high traffic retail synergy. With nearly 120,000 residents in a 3-mile radius and proximity to both SR-52 and SR-125, the corridor draws from a wide regional customer base. National retailers in the immediate area include Walmart, Target, Costco, and The Home Depot, creating a sticky trade area with lasting consumer demand.

## Investment Summary

- Zero landlord obligations – true passive income.
- Committed tenancy through 2033, with the ability for Pep Boys to remain until 2048.
- Rent growth locked in: scheduled increases at each option period.
- Underlying land value in a high-traffic San Diego County corridor ensures long-term security.
- Future repositioning upside: below-market lease creates optionality for investors seeking redevelopment or re-tenanting plays down the line.

# INVESTMENT HIGHLIGHTS

## Location – Prime San Diego County Real Estate

Situated on Mission Gorge Road, one of Santee's busiest commercial arteries, this Pep Boys benefits from ±25,000–30,000 vehicles per day and immediate proximity to major retailers like Walmart, Target, Costco, and The Home Depot. The property sits on a 1.7-acre parcel, offering both excellent visibility today and future redevelopment potential in one of San Diego County's most desirable suburban markets.

## Tenant – National Brand with Staying Power

Founded in 1921, Pep Boys has grown into one of the nation's most recognized automotive service retailers. At this location, the tenant of record is Pep Boys – Manny, Moe & Jack of California, LLC. While the broader company has undergone restructuring in recent years, the long-term lease and exercised renewal option demonstrate ongoing commitment to this high-performing Santee store.

## Lease – Absolute NNN Ground Lease

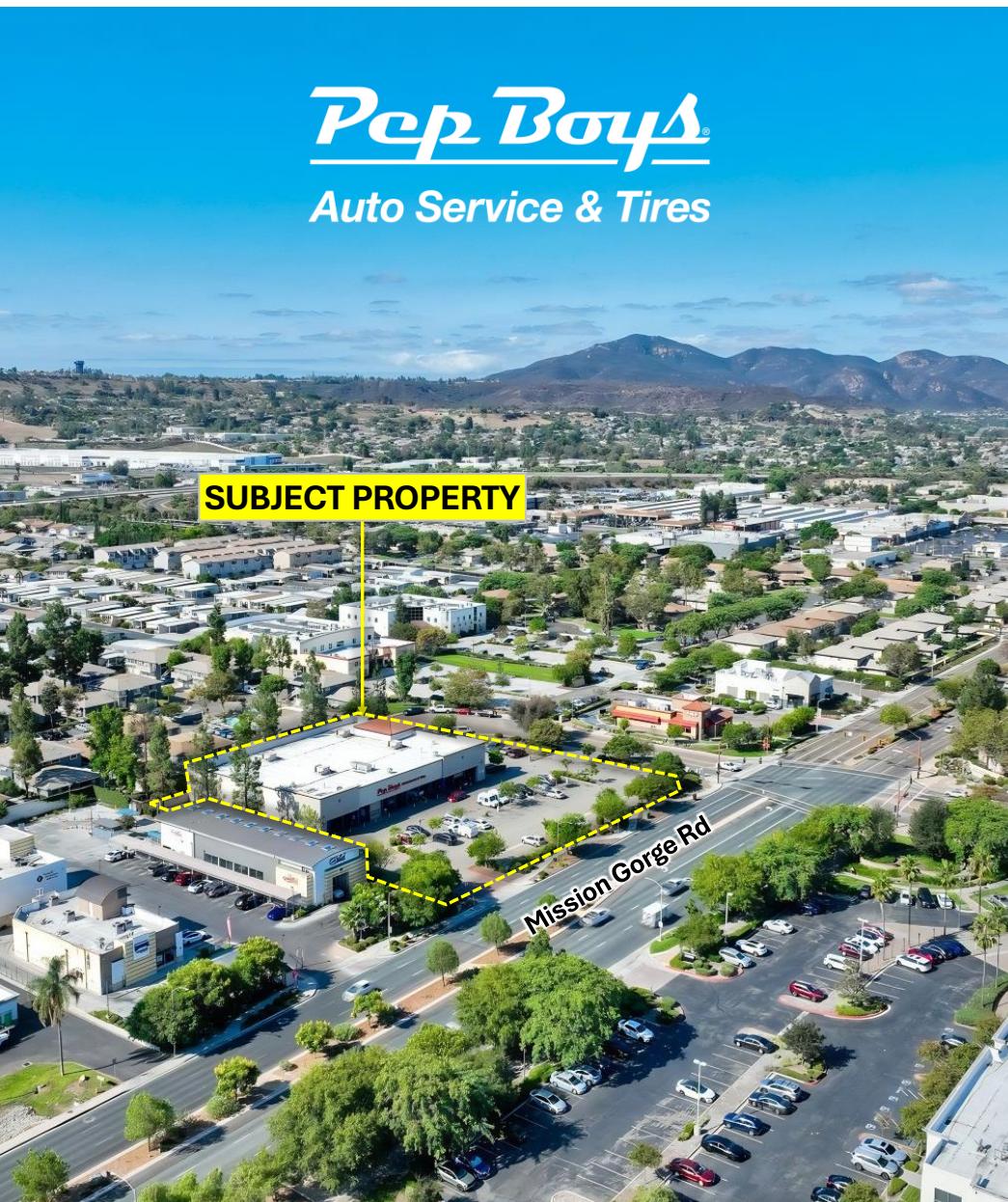
The lease is structured as an absolute triple net ground lease, with zero landlord responsibilities. Pep Boys has already exercised its first 5-year renewal option, guaranteeing occupancy through January 31, 2033. Three additional 5-year extensions are available, enabling tenancy until 2048. Investors enjoy predictable, bond-like income with scheduled rent escalations at each option period.

## Upside – Below-Market Rent & Residual Value

The current rent of \$175,692 annually equates to just \$9.47 per square foot on the building footprint — well below market rents for auto service and retail users in the corridor. This provides significant future rent growth potential whether Pep Boys continues to operate long-term or the site is eventually re-tenanted. With nearly 120,000 residents in a 3-mile radius and strong median household incomes exceeding \$100,000, demand drivers support long-term appreciation and multiple exit strategies.



# FINANCIAL SUMMARY



## Tenant: Pep Boys – Manny, Moe & Jack of California, LLC

Original Lease Date: August 8, 1997

Lease Type: Absolute NNN Ground Lease (tenant responsible for all expenses)

Building Size: ±18,560 SF

Land Size: ±74,052 SF / 1.70 acres

## Initial Term

Commencement: August 8, 1997

Expiration: January 31, 2018

Term Length: 20 years

## Extension Term (First Amendment, 2017)

Commencement: February 1, 2018

Expiration: January 31, 2028

Current Base Rent (2023–2028): \$175,692 annually / \$14,641 monthly

## Options to Extend

Four (4) additional five-year options available through 2048

Option 1 (2028–2033): \$193,261 annually (\$16,105/mo) — already exercised in 2021

Option 2 (2033–2038): \$212,587 annually (\$17,716/mo)

Option 3 (2038–2043): \$233,846 annually (\$19,487/mo)

Option 4 (2043–2048): \$257,231 annually (\$21,436/mo)

## Other Key Terms

Subletting: Tenant may assign or sublet to affiliates, mergers, or successors

Landlord Responsibilities: None (absolute NNN)

Lease Expiration (if all options exercised): January 31, 2048

# Location Overview

02

10041 MISSION GORGE ROAD



# SANTEE, CA

## DO MORE – DUE EAST

Santee offers a unique balance of small-town character, modern convenience, and natural beauty. With an estimated population of just over 60,000, the city is known for its sunny climate, strong schools, and responsive local government that emphasizes quality-of-life for its residents. Community pride is evident in the city's clean streets, welcoming neighborhoods, and commitment to open space preservation.

### LOCATION SNAPSHOT

Strategically located between the Pacific coastline and the Cleveland National Forest, Santee offers both accessibility and lifestyle appeal. The city sits just 18 freeway miles from San Diego's premier beaches, connected by State Route 52, which links Interstate 5 in La Jolla to State Route 67. Additional connectivity is provided by State Route 125, creating a key transportation hub that enhances mobility for both residents and businesses.



# RETAILER MAP



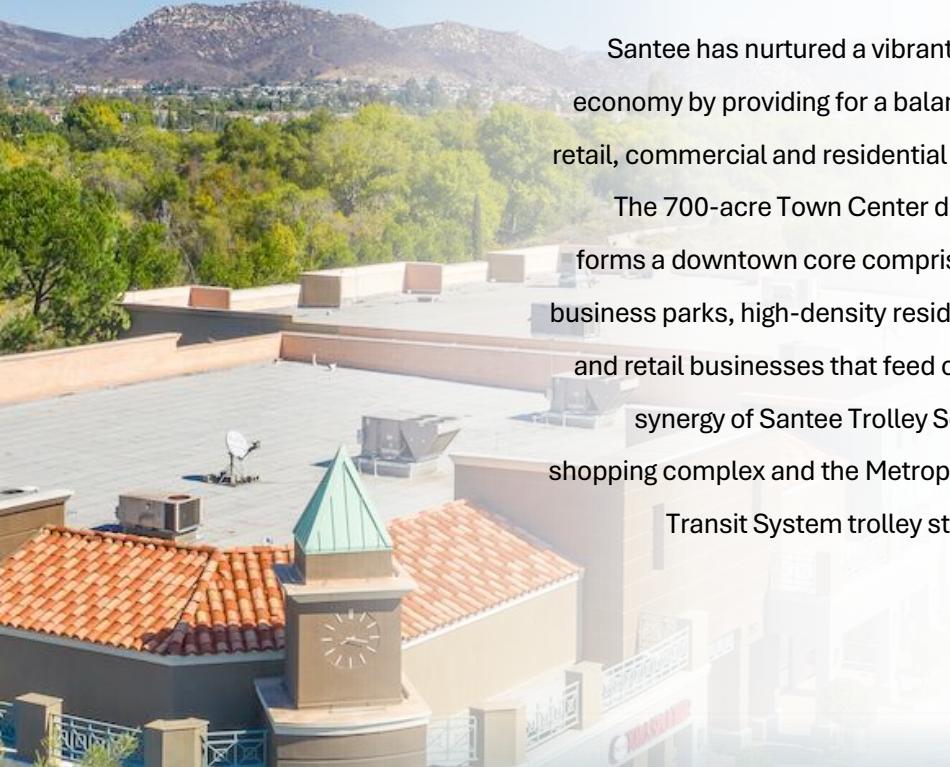
# LOCATION DEMOGRAPHICS



| METRIC                               | SANTEE CITY                     | 5-MILE RADIUS             |
|--------------------------------------|---------------------------------|---------------------------|
| <b>Population</b>                    | ±59,500–60,000                  | ±280,577                  |
| <b>Households</b>                    | ±20,500–21,000                  | ±95,933                   |
| <b>Median Household Income</b>       | ±\$105,613                      | ±\$87,556                 |
| <b>Median Age</b>                    | ±39.5 years                     | -                         |
| <b>Population Density</b>            | ±3,300–3,600 people per sq. mi. | ±3,612 people per sq. mi. |
| <b>% Under 18 / Child Population</b> | ±22–23% under 18                | ±68,055 children under 18 |



# PREMIER SAN DIEGO LOCALE



Santee has nurtured a vibrant local economy by providing for a balance of retail, commercial and residential uses.

The 700-acre Town Center district forms a downtown core comprised of business parks, high-density residential and retail businesses that feed off the synergy of Santee Trolley Square shopping complex and the Metropolitan Transit System trolley station.

- **Retail:** Santee has a thriving retail sector, with several shopping centers and large retailers, including the Santee Trolley Square and the Santee Town Center. These centers attract shoppers from all over San Diego County, boosting the local economy.
- **Healthcare:** The healthcare industry is a significant employer in Santee, with major hospitals and medical centers located nearby in San Diego. Santee also has several medical clinics and urgent care centers, which provide local residents with access to quality healthcare services.
- **Education:** Santee is home to several schools, including elementary, middle, and high schools, as well as community colleges and vocational schools. These institutions provide education and training to local residents, preparing them for careers in a variety of fields.



• **Santee Town Center**



**Carlton Oaks Country Club**



**Santee Christian College**

# Recent Sales

02

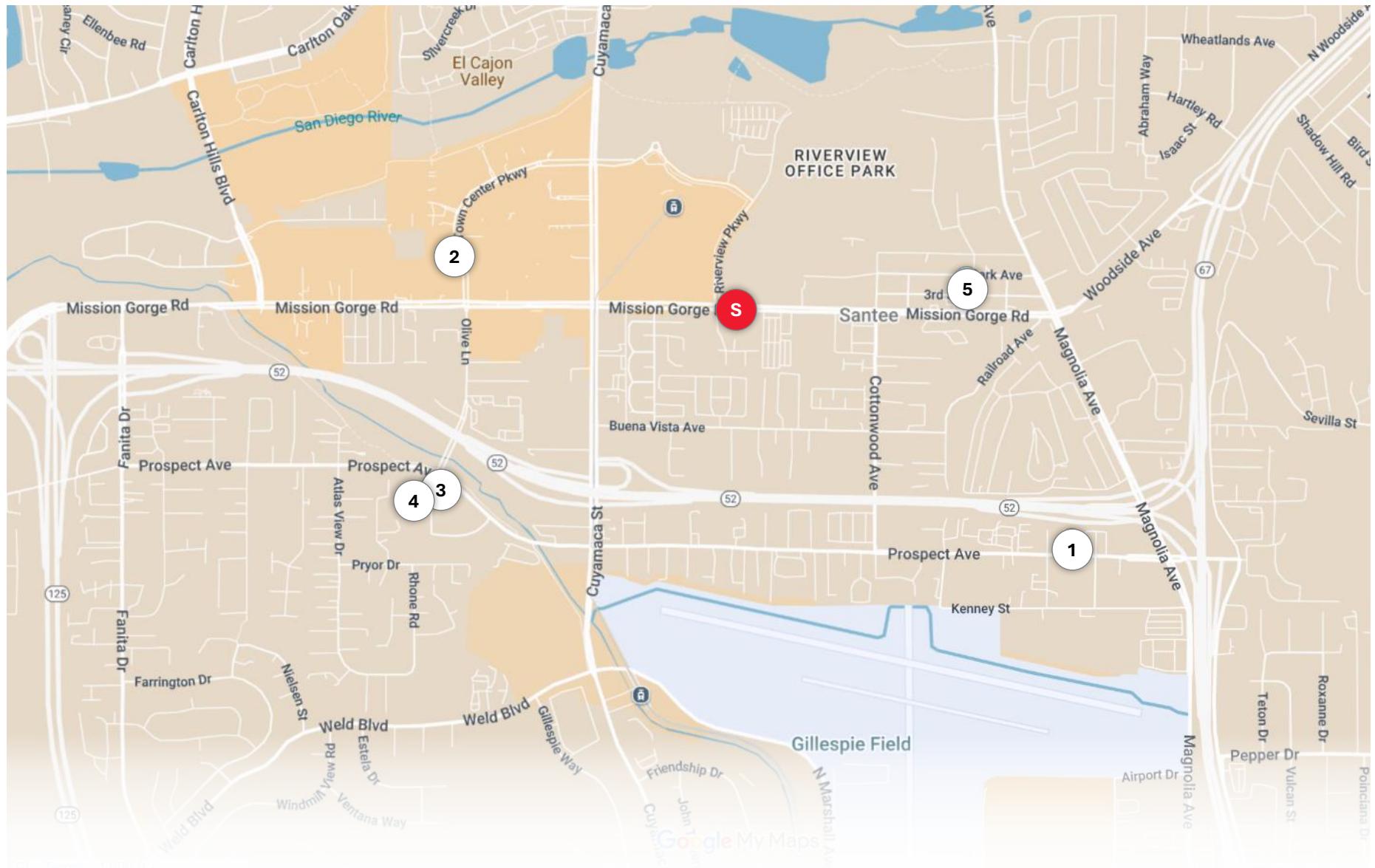
10041 MISSION GORGE ROAD



# RECENT SALES

|                 | ADDRESS  | BUILT        | GROSS SF     | LOT SIZE      | SALE DATE  | PRICE              | PRICE/SF     |
|-----------------|--|--------------|--------------|---------------|------------|--------------------|--------------|
| 1               | <b>10631 Prospect Ave</b><br>Santee, CA 92071                                | 1958<br>2023 | 1,214        | 13,671        | 6/3/2025   | <b>\$1,125,000</b> | \$927        |
| 2               | <b>50 Town Center Pky</b><br>Santee, CA 92071                                | 1991         | 9,500        | 41,382        | 2/7/2025   | <b>\$3,800,000</b> | \$400        |
| 3               | <b>8645 Argent St</b><br>Santee, CA 92071                                    | 1987         | 12,500       | 23,000        | 1/7/2025   | <b>\$3,750,000</b> | \$300        |
| 4               | <b>8630 Argent St</b><br>Santee, CA 92071                                    | 1986         | 11,000       | 31,363        | 9/5/2024   | <b>\$4,000,000</b> | \$364        |
| 5               | <b>10426 Mission Gorge Rd</b><br>Santee, CA 92071                            | 1926         | 2,179        | 14,810        | 11/29/2023 | <b>\$980,000</b>   | \$450        |
| <b>AVERAGES</b> |  | <b>1979</b>  | <b>7,279</b> | <b>24,845</b> |            |                    | <b>\$488</b> |
| S               | <b>Subject Property</b><br><b>10041 Mission Gorge Rd</b><br>Santee, CA 92071 | 1998         | 18,560       | 74,052        | On Market  | <b>\$5,250,000</b> | \$283        |

# RECENT SALES





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