

# 7-ELEVEN - ABS. NNN CORPORATE GUARANTY (A-RATED)

**RANKED THE #2 7-ELEVEN/76 SITE IN THE REGION, TOP 20% IN CA & TOP 14% IN THE COUNTRY PER PLACER.AI  
QUALIFIES FOR BONUS/ACCELERATED DEPRECIATION  
THE CAP RATE INCREASES TO 6.29% ON 5/11/2026 AT LIST PRICE**

401 GRASS VALLEY HIGHWAY, AUBURN, CALIFORNIA



OFFERING MEMORANDUM



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# Executive Summary

401 Grass Valley Highway, Auburn, CA 95603

## FINANCIAL SUMMARY

<b>Price</b>	<b>\$3,418,803</b>
Cap Rate	5.85%
Building Size	978 SF
Net Cash Flow	5.85% \$200,000
Year Built	1962
Lot Size	0.23 Acres

## LEASE SUMMARY

Lease Type	Absolute Triple-Net (NNN) Lease
Tenant	7-Eleven, Inc.
Guarantor	Corporate
Lease Commencement Date	May 11, 2021
Lease Expiration Date	May 10, 2036
Lease Term Remaining	~12 Years
Rental Increases	7.5% Every 5 Years
Renewal Options	3, 5 Year Options

## ANNUALIZED OPERATING DATA

Lease Years	Annual Rent	Cap Rate
5/11/2021 – 5/10/2026	\$200,000	5.85%
5/11/2026 – 5/10/2031	\$215,000	6.29%
5/11/2031 – 5/10/2036	\$231,125	6.76%
Renewal Options	Annual Rent	Cap Rate
5/11/2036 – 5/10/2041	\$248,459	7.27%
5/11/2041 – 5/10/2046	\$267,094	7.81%
5/11/2046 – 5/10/2051	\$287,126	8.40%

<b>Base Rent</b>	<b>\$200,000</b>
<b>Net Operating Income</b>	<b>\$200,000</b>
<b>Total Return</b>	<b>5.85% \$200,000</b>



# Bonus & Accelerated Depreciation

## Special Tax Advantage Afforded IRS Section 1250 Property [ 7-Eleven Asset ]

### BONUS DEPRECIATION - 40% YEAR 1

These investments present a tremendous opportunity for special tax saving privileges. In 2017, the Tax Cuts and Jobs Act (TCJA) made a few changes to the bonus depreciation rules, specifically modifying Section 168 of the Internal Revenue Code to double the allowable bonus depreciation from 50% to 100% in the first year for eligible properties between 9/27/2017 and 1/1/2023, with the bonus rate phasing down by 20% each year after 2023 until 2027.

The TCJA sets a limit on the amount of net losses that can be booked in a given tax year, the calculation for which aggregates all global profits and losses for the individual or entity filing. IRC§461(l) sets these rules, which apply to sole proprietorships, partnerships, limited liability companies (LLCs), S corporations, estates, and trusts.

For individuals, the sum of all gross profits/gains and losses generated from all trading and business activity cannot result in a loss exceeding \$250,000 in a tax year, or \$500,000 if filing jointly. Any losses that exceed this threshold will be carried forwards indefinitely as an NOL, which can offset up to 80% of the tax-payer's taxable income in subsequent years, per TCJA

For example, suppose an investor filing joint taxes has aggregate gross annual income of \$5M and incurs aggregate losses of \$7M, creating an excess loss of \$2M. This investor will be subject to the \$500,000 loss threshold, and the remaining \$1.5M of excess (disallowed) loss will be carried forwards to the following tax year. Suppose the next year, this same investor earns a gross \$6M and incurs aggregate losses of \$2M, resulting in taxable income of \$4M. The investor may fully utilize their prior-year NOL to reduce their taxable income by \$1.5M.

Suppose this same investor, in year 2, had taxable income of \$1M, retaining the same \$1.5M of prior year NOL. The investor may utilize \$800,000 of the NOL (80% of their taxable income) to reduce their taxable income to \$200,000 and the remaining \$700,000 of NOL will be carried forwards (i.e. investor can't use the carry forwards from prior year to incur net loss for a subsequent year).

*See below for illustration of additional cash flow.*

\*Marcus & Millichap and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

\*Assumes 20% of purchase price is attributed to the land.

### BONUS DEPRECIATION - 7-ELEVEN

Purchase Price	\$3,418,803.00
Cap Rate	5.85%
Cash Flow	\$200,004.00
40% Bonus Depreciation Year 1	\$1,094,016.96
Year 1 Aggregate Tax Loss from Asset	\$894,012.96

### ACCELERATED DEPRECIATION

These investments present a tremendous opportunity for special tax saving privileges. 15-year accelerated depreciation schedule may be applied to these properties, under current IRS guidelines.

When looking at the comparison below between a 7-Eleven and a representative non-gas station/convenience store, one can see the tremendous tax savings when applying a 15 year accelerated method vs. the standard 39 year method utilized in connection with the depreciation of other commercial properties.

*See below for illustration of additional cash flow.*

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### ACCELERATED DEPRECIATION - 7-ELEVEN

Purchase Price	\$3,418,803.00
Cap Rate	5.85%
Cash Flow	\$200,004.00
15 Year Depreciation	\$182,336.16
Taxable Income	\$17,667.84
Income Taxes (37% Tax Bracket)	\$6,537.10
Cash Flow	\$200,004.00
Income Taxes	\$6,537.10
<b>Cash Flow (After Taxes)</b>	<b>\$193,466.90</b>

### DEPRECIATION - OTHER NNN ASSET

Purchase Price	\$3,418,803.00
Cap Rate	5.85%
Cash Flow	\$200,004.00
39 Year Depreciation	\$70,129.29
Taxable Income	\$129,874.71
Income Taxes (37% Tax Bracket)	\$48,053.64
Cash Flow	\$200,004.00
Income Taxes	\$48,053.64
<b>Cash Flow (After Taxes)</b>	<b>\$151,950.36</b>



Save Mart  
McCaulou's pharmacy  
CVS

WELLS FARGO



H  
Holiday Inn

IN-N-OUT  
BURGER

71,000 CPD  
INTERSTATE 80

GROCERY OUTLET  
bargain market

SIERRA SMOG &  
AUTO REPAIR



{BURGER  
& CREAM}

STAPLES

30,500 CPD  
GRASS VALLEY HWY

DUTCH BROS  
Coffee



Dunn Edwards  
PAINTS  
FedEx  
Office



 **REGAL**

**GREEN ACRES**

  
**CHEVROLET**

  
**O'Reilly**  
AUTO PARTS

**E.V. CAIN  
MIDDLE SCHOOL**

  
**NAPA** **AUTOCARE CENTER**

  
**Save Mart** **CVS**  
**McCaulou's** **pharmacy**

  
**Dunn Edwards** **PAINTS** **FedEx**  
Office

**STAPLES**

**GROCERY OUTLET**  
bargain market

**DUTCH BROS**  
Coffee

**{BURGER  
& CREAM}**

  
**SIERRA SMOG &  
AUTO REPAIR**

  
**7-ELEVEN**

  
**K** 

**30,500 CPD**  
GRASS VALLEY HWY

**N**

# Property Description



## INVESTMENT HIGHLIGHTS

- » **Approx. 12 Years Remaining on Absolute Triple-Net (NNN) Lease with Corporate Guaranty by 7-Eleven, Inc. (A - Rated)**
- » 7.5% Rental Increases Every 5 Years with Multiple Renewal Options
- » **Site Includes a Sierra Express/7-Eleven Convenience Store and 4 Fueling Stations**
- » Signalized Hard Corner Location, Visible to 30,500+ Cars per Day Along Grass Valley Highway
- » **Property Qualifies for 40% Year One Bonus Depreciation or 15-Year Accelerated Depreciation per IRS 1250 Property Designation**
- » Located Right Off the I-80 Freeway (71,000+ Cars per Day), Providing a Direct Route to Sacramento to the Southwest and Lake Tahoe to the Northeast
- » **Average Household Income Exceeds \$113,000 within a 5-Mile Radius**
- » Surrounded by National Tenants: Dutch Bros Coffee, Grocery Outlet, Staples, etc.
- » **Situated in the Sacramento MSA with 42,754 People Living within 5 Miles**



## DEMOGRAPHICS

1-mile

3-miles

5-miles

### Population

2028 Projection	7,567	27,271	44,324
2023 Estimate	7,212	26,224	42,754
Growth 2023 - 2028	4.91%	3.99%	3.67%

### Households

2028 Projection	3,558	11,698	18,562
2023 Estimate	3,384	11,213	17,840
Growth 2023 - 2028	5.15%	4.33%	4.05%

### Income

2023 Est. Average Household Income	\$80,447	\$109,454	\$113,826
2023 Est. Median Household Income	\$54,444	\$78,323	\$80,931

# Tenant Overview



**78,000+**  
Locations  
Worldwide



**SEVEN & I  
HOLDINGS**  
Parent Company



**1927**  
Founded



**7-ELEVEN.COM**  
Website



**S&P A**  
Credit Rating



**IRVING, TEXAS**  
Headquarters

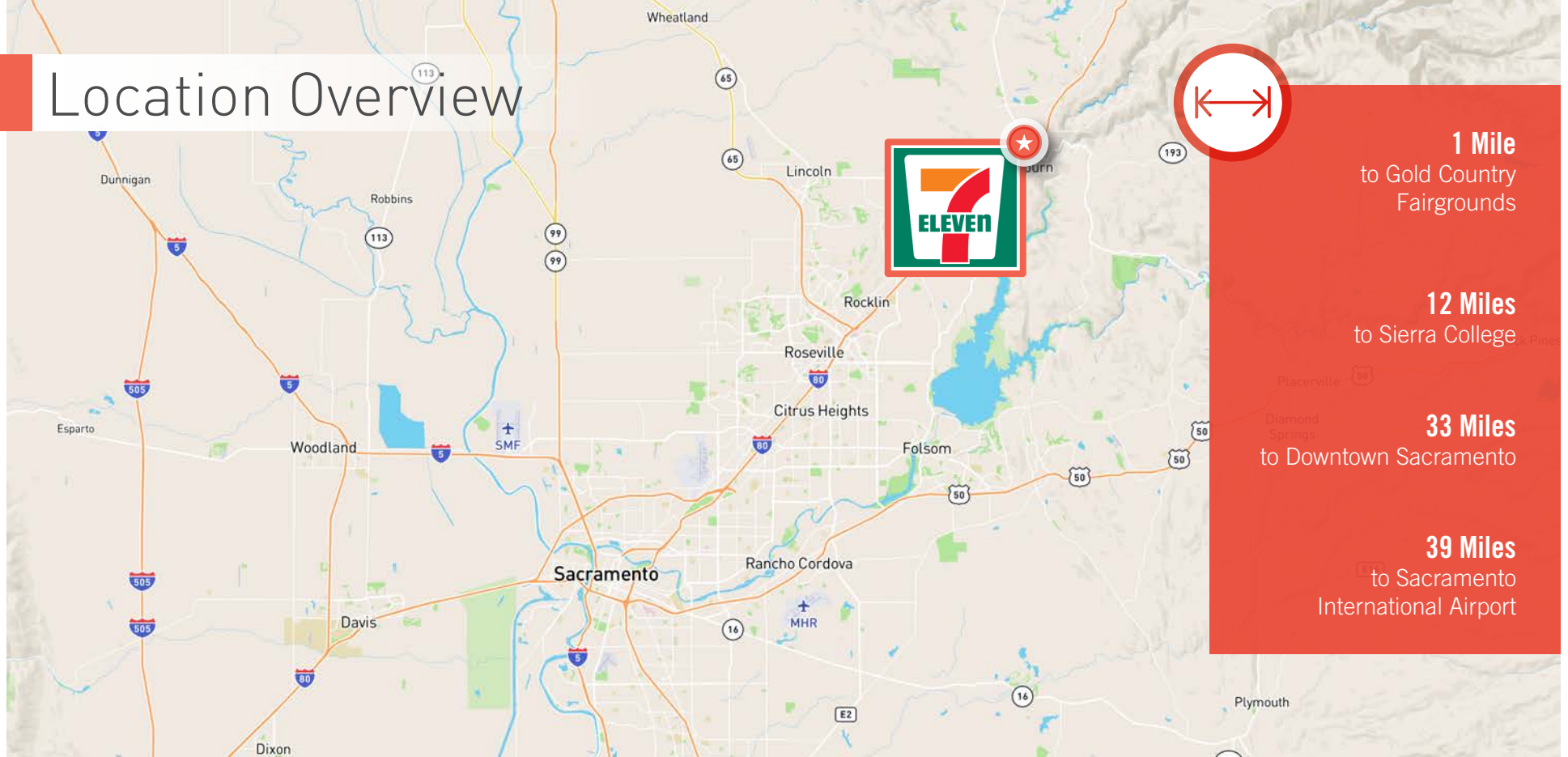
7-Eleven Inc. is a Japanese-American international chain of convenience stores, headquartered in Dallas, Texas. 7-Eleven operates, franchises, and/or licenses more than 14,000 stores in the U.S. and Canada and 78,000 stores worldwide under the brands 7-Eleven, Speedway, Stripes, Laredo Taco Company, and Raise the Roost Chicken and Biscuits. As the first to provide to-go coffee cups, offer a self-serve soda foundation, operate for 24 hours a day, and coin the phrase "BrainFreeze," 7-Eleven has a legacy of innovation. From its humble beginnings as the world's first convenience store, 7-Eleven continues its pursuit of innovative ways to cater to a new, digital-savvy generation of shoppers. 7-Eleven is customer-focused, offering convenient and user-friendly technology.



# Property Photos



# Location Overview



Auburn is a city in and the county seat of Placer County, California, part of the Sacramento metropolitan area. Placer County is one of the fastest-growing areas in the state, contributing to robust long-term local housing demand. Auburn is known for its California Gold Rush history and is registered as a California Historical Landmark. As of the 2020 census, over 13,700 people reside in Auburn.

The Sacramento-Roseville-Arden-Arcade metro is a hub of public and private sector activity. Two major universities foster an educated workforce that draws new companies to the market. New job opportunities, in turn, foster population growth as more households seek residential options in less

dense areas. Lying in the middle of the 450-mile-long Central Valley, the metro is comprised of four counties: Sacramento, El Dorado, Placer, and Yolo. More than 2.4 million people call the area home, and unlike the Bay Area, Sacramento is seismically quiet, making it an ideal location for data centers and cloud computing storage. Lower costs relative to the Bay Area attract businesses and have driven job creation in recent years.

Over the next five years, the Sacramento metro is expected to add nearly 80,000 people, resulting in the formation of roughly 32,000 households. By 2028, the metro's population is projected to increase by 3.3% and households are projected to increase by 3.6%.

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