

614

S MATEO STREET
Los Angeles, CA

ARTS DISTRICT

PRIMARY CONTACTS:

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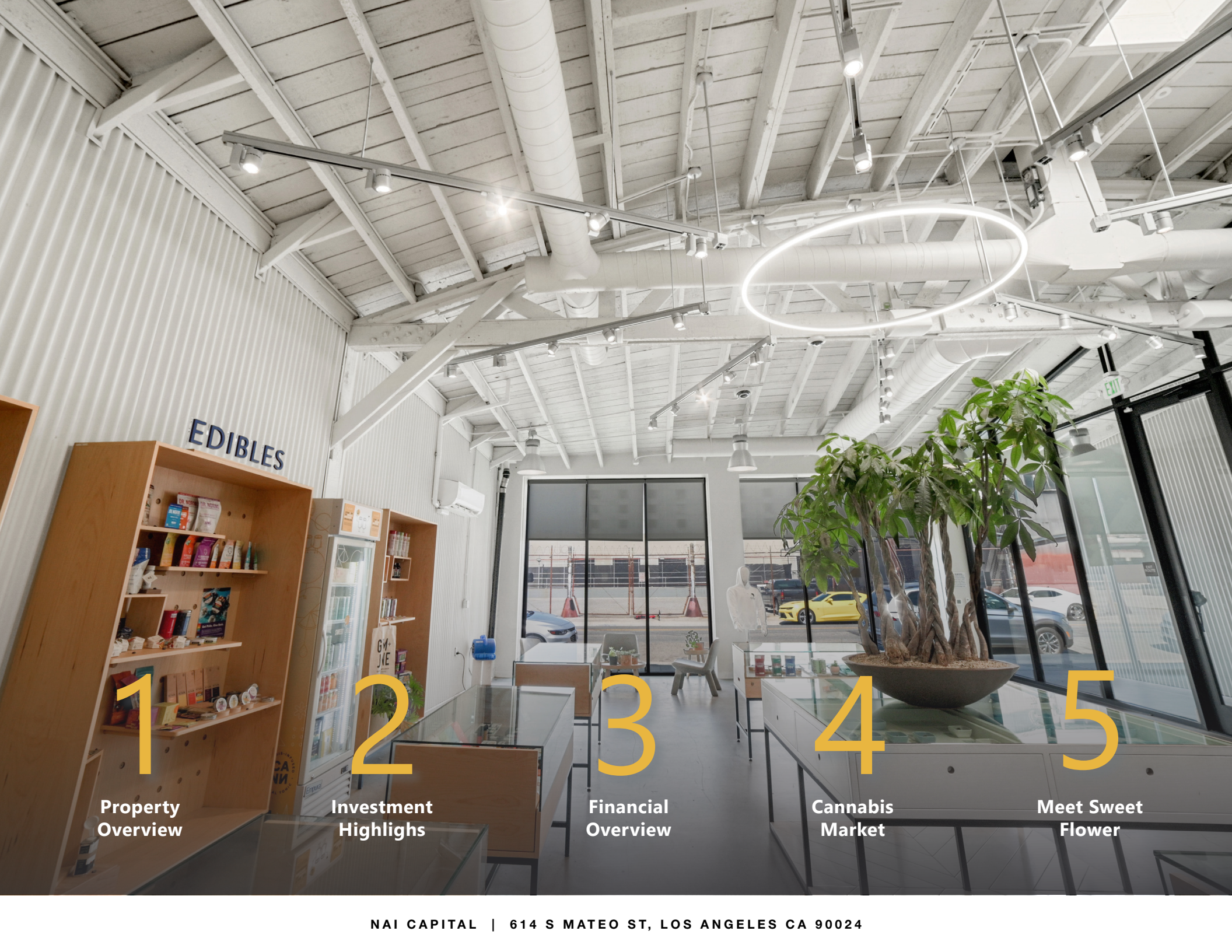
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NAI Capital

Commercial Real Estate Services, Worldwide.





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Meet Sweet
Flower



PROPERTY OVERVIEW



NAI Capital Commercial is pleased to present the Sweet Flower Arts District opportunity, a unique investment in the heart of one of Los Angeles' most up and coming neighborhoods. Sweet Flower is a beautifully designed retail storefront on a long term, triple net lease. The subject property features a 5,600 SF stand alone retail building on 0.13 AC of land near the corner of Mateo St and 6th St. Originally built in 1924 and fully upgraded with \$929K in capital improvements in 2019, the property features recent exterior renovations and luxury interior finishes. It is easily accessible via the I-10 and 101 Freeways, and benefits from ample street parking and an increasingly dense and walkable surrounding neighborhood.

Sweet Flower has four locations across Los Angeles, and is pursuing five more organic expansion opportunities in California. This location has been recording exceptional revenues since its opening in December 2019. At current pricing, the asset offers a 9.09% capitalization rate on a stable tenant with eight years remaining on the initial ten year lease and two, five-year options. The lease includes a three month security deposit and 3% annual escalations in rent. The lease has a corporate guarantee and two personal guarantees behind it worth over \$100M, providing excellent investment security.

Sweet Flower is a well established, successful brand with locations in Studio City, Westwood, and on West Hollywood. The company successfully raised \$15M of equity in its first external raise in Spring of 2021, allowing Sweet Flower to rapidly scale its expansion. The store stocks medicinal and recreational products such as concentrates, pre-rolls, flowers, Pax pods, edibles, topicals, tinctures, and accessories from a range of luxury and wellness cannabis brands. They enjoy additional returns through their use of online delivery. Founded in 2018 by Tim Dodd, a thought leader in the entertainment world, its leadership team is comprised of an impressive roster of successful players from the fitness, fashion and tech industries. Their combined expertise has transitioned the brand into one of the leaders in Los Angeles' competitive dispensary market.



INVESTMENT HIGHLIGHTS



CANNABIS INVESTMENT

- Rare medical/recreational dispensary investment opportunity
- Incredible 9.09% in-place cap rate plus 3% annual increases
- Eight years remaining on initial 10-year term plus two 5-year options
- NNN Lease (Landlord responsible for roof and structure)
- Personal and corporate guarantees

PRIME LOCATION

- Located in the heart of Los Angeles
- Extremely dense, infill location with strong demographics
- Experienced operator with multiple locations

DESIRABLE ASSET

- \$929k of improvements in 2019
- Fully built out for retail and distribution with high end luxury finishes
- 12' – 17' Clear Height
- Bow Truss Roof
- Two roll up doors
- 5,600 SF of improvements on 0.13 AC
- 40' of frontage on S Mateo St

FINANCING AVAILABLE

- Contact broker for details



FINANCIAL OVERVIEW



PRICING DETAILS

Summary		
Price	\$5,450,000	
Down Payment	\$5,450,000	100%
Price Per SqFt	\$973.21	
Gross Leasable Area (GLA)	5,600 SF	
Lot Size	0.13 Acres	
Year Built/Renovated	1924/2019	
Occupancy	100.00%	

OPERATING DATA

Income	Year 1		Year 2	
Scheduled Base Rental Income		\$495,308		\$510,167
Less: Operating Expenses	0.0%	\$0	0.0%	\$0
Net Operating Income		\$495,308		\$510,167
Total Return	9.09%	\$495,308	9.36%	\$510,167

Returns	Year 1	Year 2
CAP Rate	9.09%	9.36%
Cash-on-Cash	9.09%	9.36%

TENANT SUMMARY

As of August 2021

Tenant Name	Square Ft.	% Bldg Share	Lease Dates Comm.	Lease Dates Exp	Monthly Rent per/SF	Total Rent Per/Month	Total Rent Per/Year	Changes to	Changes to	Lease Type	Renewal Options and Options Year Rental Information
Sweet Flower	5,600	100.0%	8/1/19	7/31/29	\$7.37	\$41,276	\$495,308	August 2022	\$42,514	NNN	Tenant has 2, 5-year options.

FINANCIAL OVERVIEW



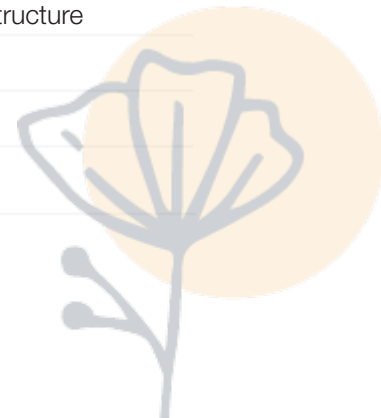
RETURN SPREAD

TERM	NET INCOME	CAP RATE	MONTHLY RENT	RENT/SF
8/1/21 - 7/31/22	\$495,307.69	9.09%	\$41,275.64	\$7.37
8/1/22 - 7/31/23	\$510,166.92	9.36%	\$42,513.91	\$7.59
8/1/23 - 7/31/24	\$525,471.93	9.64%	\$43,789.33	\$7.82
8/1/24 - 7/31/25	\$541,236.08	9.93%	\$45,103.01	\$8.05
8/1/25 - 7/31/26	\$557,473.17	10.23%	\$46,456.10	\$8.30
8/1/26 - 7/31/27	\$574,197.36	10.54%	\$47,849.78	\$8.54
8/1/27 - 7/31/28	\$591,423.28	10.85%	\$49,285.27	\$8.80
8/1/28 - 7/31/29	\$609,165.98	11.18%	\$50,763.83	\$9.06
BLENDED CAP:	\$535,219.87	9.82%	\$44,601.66	\$7.96
OPTION 1				
8/1/29 - 7/31/30	\$627,440.96	11.51%	\$52,286.75	\$9.34
8/1/30 - 7/31/31	\$646,264.19	11.86%	\$53,855.35	\$9.62
8/1/31 - 7/31/32	\$665,652.11	12.21%	\$55,471.01	\$9.91
8/1/32 - 7/31/33	\$685,621.68	12.58%	\$57,135.14	\$10.20
8/1/33 - 7/31/34	\$706,190.33	12.96%	\$58,849.19	\$10.51
BLENDED CAP:	\$666,233.85	12.22%	\$55,519.49	\$9.91
OPTION 2				
8/1/34 - 7/31/35	\$727,376.04	13.35%	\$60,614.67	\$10.82
8/1/35 - 7/31/36	\$749,197.32	13.75%	\$62,433.11	\$11.15
8/1/36 - 7/31/37	\$771,673.24	14.16%	\$64,306.10	\$11.48
8/1/37 - 7/31/38	\$794,823.44	14.58%	\$66,235.29	\$11.83
8/1/38 - 7/31/39	\$818,668.14	15.02%	\$68,222.34	\$12.18
BLENDED CAP:	\$772,347.63	14.17%	\$64,362.30	\$11.49



LEASE OVERVIEW

Tenant	Valley Herbal Healing Center Inc., DBA Sweet Flower
Guarantee	Corporate Plus Two Personal Guarantees
Term	10 years (8/29/19 - 8/31/29)
Options	Two, 5-Year
Type	NNN - Landlord is responsible for roof and structure
Escalations	3% Annual
Security Deposit	3 Months
2021 NOI	\$495,308



CALIFORNIA CANNABIS MARKET

- Currently there are only 723 legal dispensaries in the state of California.
- In 2020, California retail stores sold \$4.4 billion worth of cannabis products indicating almost 50% growth compared to 2019 and representing about 27% of legal sales in the United States while combined sales in Colorado, Washington and Oregon represented about 29% of U.S. sales.
- By 2022, recreational cannabis market in California is projected to reach \$5 billion. The California cannabis industry's total economic impact could be nearly \$10 billion.
- According to the UCAIC, about 29% of cannabis consumers may, at first, stay in the illicit market to avoid the costs of new regulations, which will add 15% to retail values.
- In December 2020, the state Cannabis Advisory Committee recommended changes that included raising the \$5,000 limit on the amount of cannabis that can be carried by delivery vans to \$10,000, making it easier for small businesses to sell different products and eventually allowing food and beverages to be served in cannabis lounges.

Sources:

Los Angeles Times

<https://cannabusinessplans.com/california-cannabis-market/>

CANNABIS: A PROMISING FUTURE

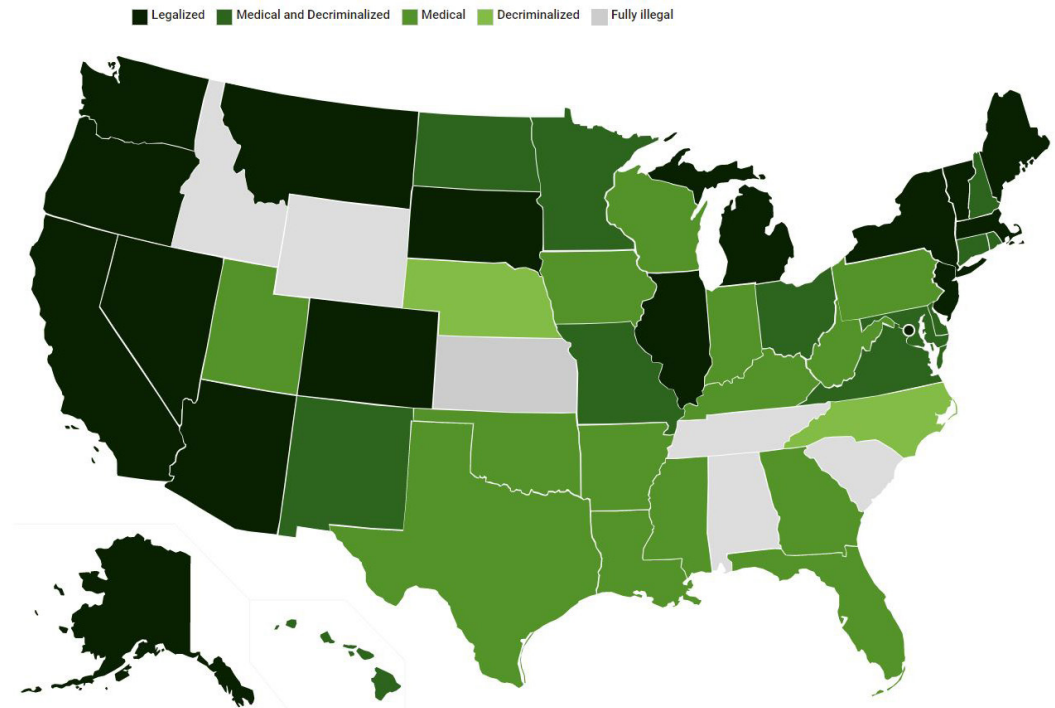


FAST FACTS OF CANNABIS

- 68% of US adults favored marijuana legalization in 2020 according to the most recent Gallup poll
- Cannabis stocks saw favorable results in 2020, and the cannabis bull market continues in 2021
- Although the market is in a high-growth phase, market volatility and the lack of federal legalization allows investors to still achieve outside returns, even on more stable aspects of the industry such as real estate

Sources:

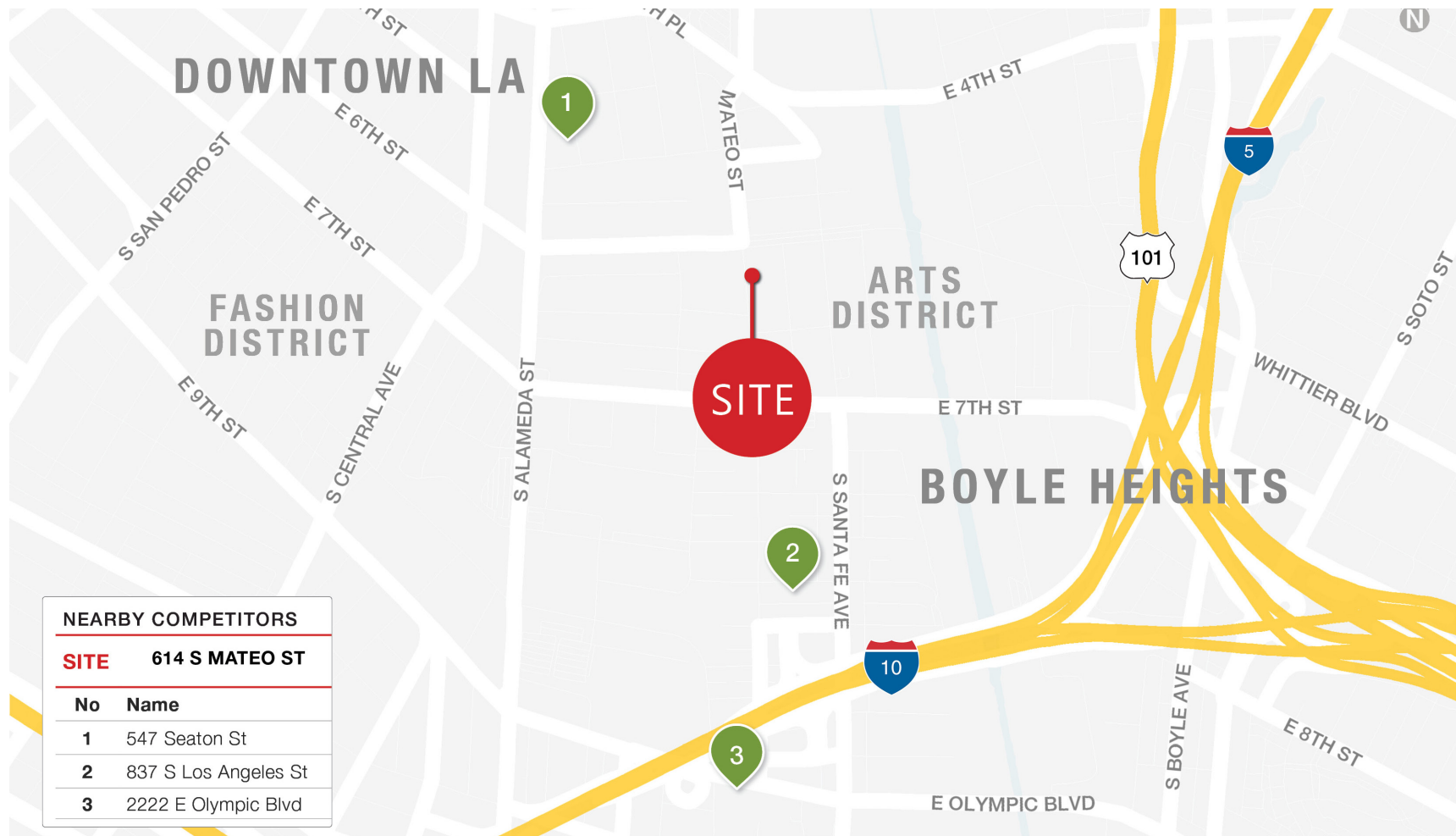
<https://disa.com/map-of-marijuana-legality-by-state>



SURROUNDING MARKET



Sweet Flower is one of only three dispensaries in the Arts District, and has only one other local competitor selling recreational marijuana. There are a total of 16 competing dispensaries in a three mile radius. The dense, DTLA market has a total population of approximately 405,000 people and growing.



MEET SWEET FLOWER



Sweet Flower has quickly made a name for itself in the creative Arts District community as an innovative brand that is highly responsive to the community it serves. Their strategic partnerships and programs include:

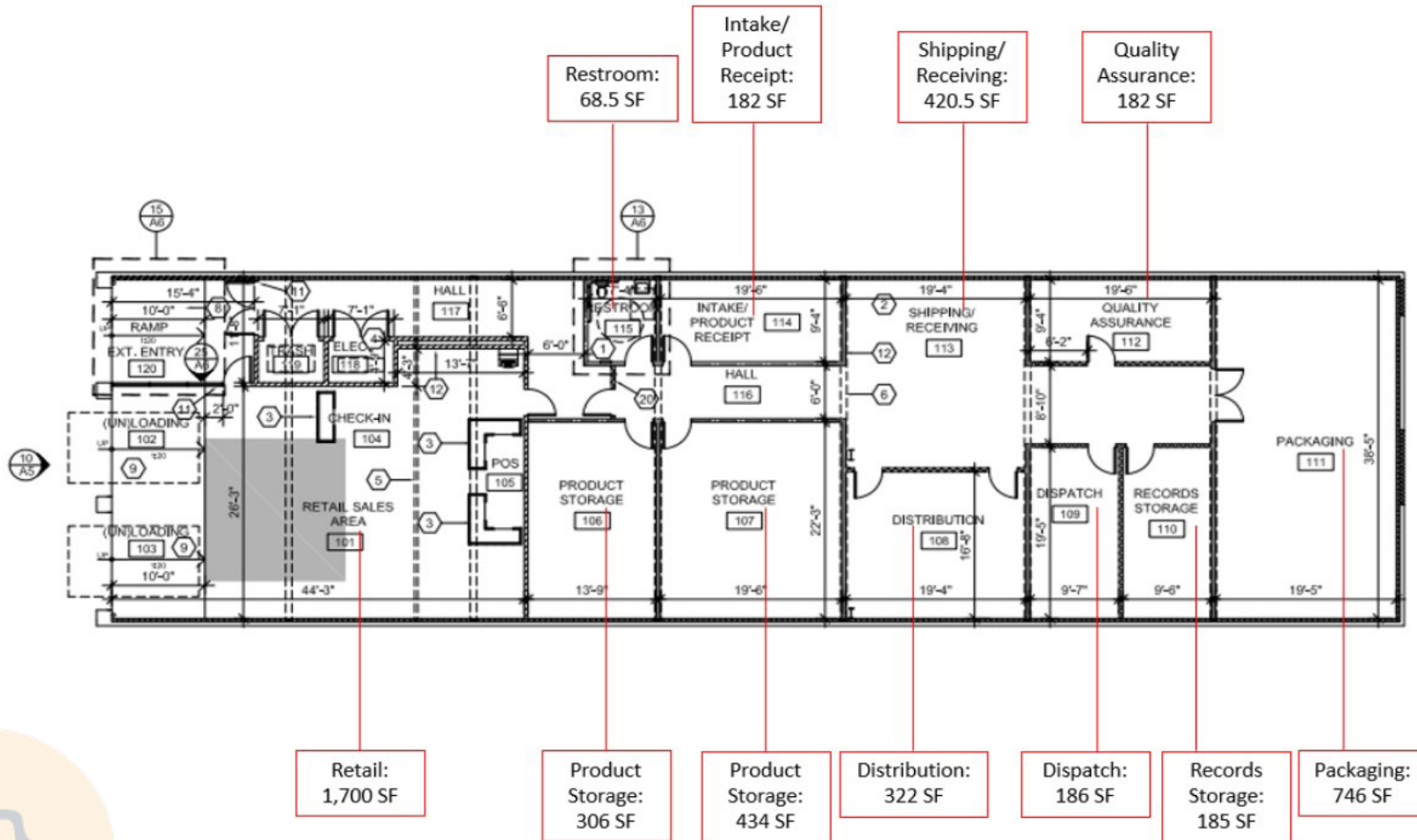
- Commitment to diversity in their brand partnerships to elevate BIPOC and LGBTQ brands.
- A strong track record of success – more stores and licenses in premium locations throughout SoCal than any competing retailer.
- 10% of Sweet Flower’s shelves are BIPOC brands.
- Over \$175K in donations to local community organizations in Los Angeles in 2.5 years.
- Frontline worker specials during the pandemic in partnership with 9th St Ramen.

“*Sweet Flower continues to build the best-in-class retail and delivery footprint in Southern California, creating the most recognized and respected retail brand in the largest sector of the largest regulated cannabis marketplace in the world... Our ability to win new premium licenses and launch new stores while doubling same-store revenues YoY speaks to the strength, bench depth and focus of our management team.*”
- Timothy Dodd, Sweet Flower CEO and co-founder





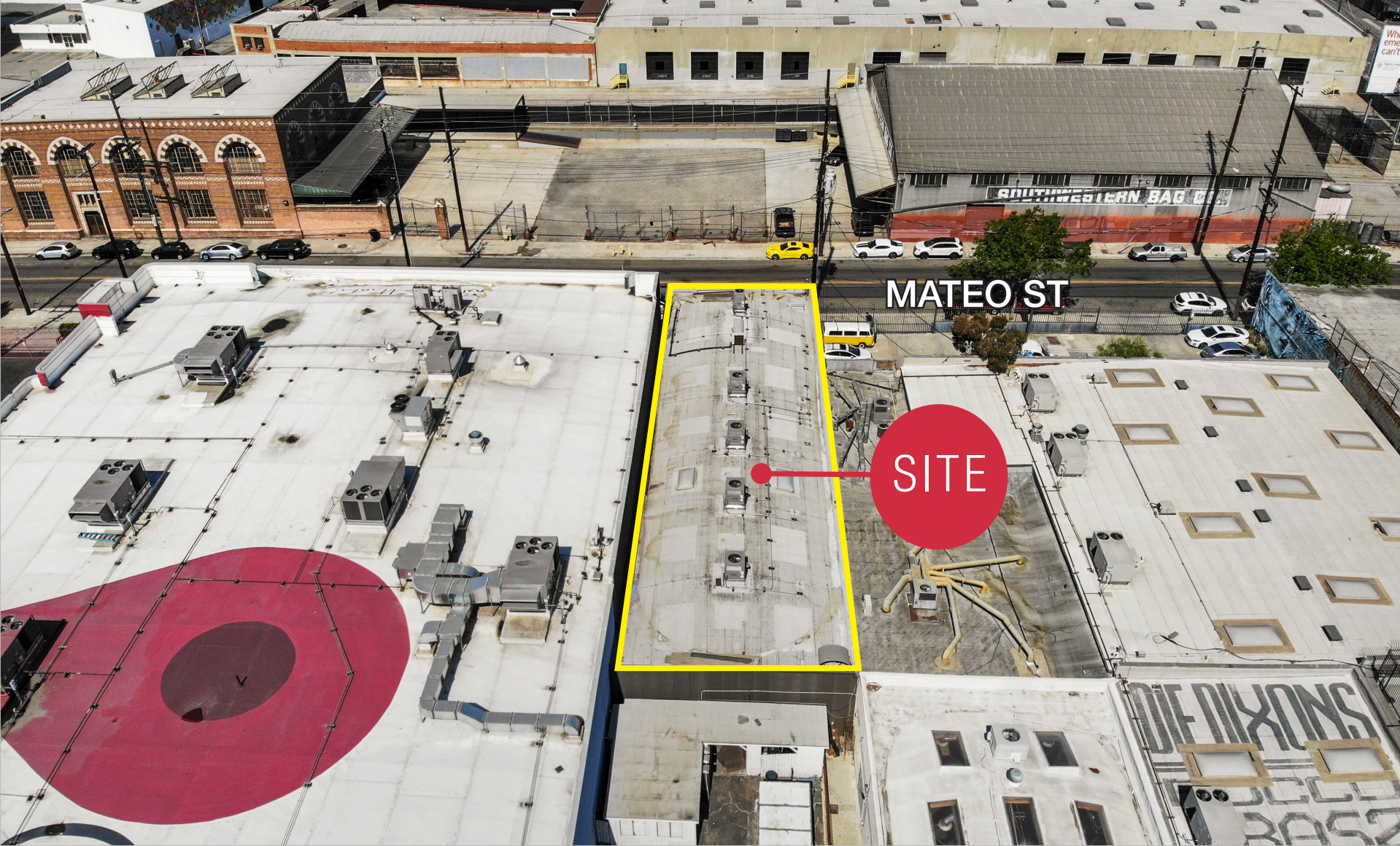
SITE PLAN



AERIAL



AERIAL



SWEET FLOWER

CANNABIS



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