SUPervalu DISTRIBUTION CENTER

1990 PICCOLI ROAD | STOCKTON, CA

INVESTMENT GRADE OFFERING | 20-YEAR 100% ABSOLUTE NET LEASE | SUPervalu GUARANTY
HIGH QUALITY INDUSTRIAL BUILDING TOTALING 986,509 SF FEATURING DESIRABLE COLD STORAGE IMPROVEMENTS
STRATEGIC CENTRAL VALLEY LOCATION
CBRE, Inc., as exclusive advisor to Ownership, is pleased to present the unique opportunity to acquire the fee simple interest in the Supervalu Distribution Center located at 1900 Piccoli Road, Stockton, CA (the "Property"). The property is 100% absolute net leased through May 2038 to Unified Grocers, Inc. (the "Tenant") with SUPERVALU INC. (B+ / B1 / NYSE: "SVU") providing a full corporate guaranty. SUPERVALU INC. ("Supervalu" or the "Guarantor") is one of the largest food wholesalers in the United States and generated $14 billion in annual revenue in FY 2018, with 78% derived from wholesale distribution. SUPERVALU ranked #158 on the Fortune 500 list in 2017. The offering presents the exceptional opportunity to acquire a rare cold storage facility in California's Central Valley with a long-term absolute net lease to a leading grocery wholesaler. A transaction level investment grade credit rating of “A-” has been obtained for the offering from a Nationally Recognized Statistical Rating Organization (NSRO).

**OFFERING SUMMARY**

- 20-Year Absolute Net Lease to Leading Grocery Wholesaler
- Attractive Escalation Structure with No Landlord Responsibilities (Absolute Net Lease)
- Desirable Cold Storage Improvements
- Strong Central Valley Market Dynamics with Steady Absorption and Low Vacancy of 4.7%
- 0% Vacancy Rate for Cold Storage Product in Stockton
- 9 Miles from the Port of Stockton, California’s Largest Port (By Acreage)
### THE OFFERING

The Stockton Supervalu Distribution Center is 100% absolute net-leased with nearly 20 years of remaining term. The lease features a current annual net rent of $5.43 million. The high-quality distribution campus totals 986,509 SF and offers 30’ clearance, Stockton Terminal & Eastern (S.T. & E.) rail access, generous loading & truck court depth, and efficient drive-around access. The building includes 183,612 SF of cold storage improvements, which are highly desirable in the Central Valley given the production of food in this market and large Northern California population.

### PROPERTY OVERVIEW

<table>
<thead>
<tr>
<th>Address</th>
<th>1990 PICCOLI ROAD, STOCKTON, CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Footage</td>
<td>986,509 SF</td>
</tr>
<tr>
<td>Cold Storage SF / %</td>
<td>±84,051 SF / 8.5% Freezer</td>
</tr>
<tr>
<td></td>
<td>±77,825 SF / 7.9% Cooler</td>
</tr>
<tr>
<td></td>
<td>±21,736 SF / 2.2% Cool Dock</td>
</tr>
<tr>
<td></td>
<td>±183,612 SF / 18.6% Total</td>
</tr>
<tr>
<td>Acreage</td>
<td>±51.76 Acres</td>
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<tr>
<td>Coverage</td>
<td>44%</td>
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<tr>
<td>Occupancy</td>
<td>100%</td>
</tr>
<tr>
<td># of Buildings</td>
<td>1</td>
</tr>
<tr>
<td>Year Built</td>
<td>1974/renovated 2007</td>
</tr>
<tr>
<td>Clear Height</td>
<td>±30’</td>
</tr>
<tr>
<td>Dock High Doors</td>
<td>177</td>
</tr>
<tr>
<td>Drive-In Doors</td>
<td>7</td>
</tr>
</tbody>
</table>
100% LEASED TO NATIONALLY RECOGNIZED, COMMITTED TENANT

- The property is 100% absolute NNN leased for 20 years with rent increases throughout the term to Unified Grocers, Inc. which is guaranteed by SUPERVALU INC.
- SUPERVALU INC. is recognized as the largest public grocery wholesaler in the U.S., operating primarily in the U.S. with 28 distribution centers serving over 3,000 retailers. The company also operates 197 retail stores under five retail grocery banners.
- With $12.5 billion in fiscal 2017 revenue, SUPERVALU ranks #158 on the Fortune 500 list. The company has grown revenue to $14.1 billion in FY 2018, an increase of nearly 30% over FY 2017, and anticipates FY 2019 sales to increase roughly 9%-11%.
- SUPERVALU has exhibited stable margins, with gross profit in the 10%-14% range and adjusted EBITDA in the 3%-4% range.
- The company has entered into a multi-year contract with Instacart, an e-commerce, same-day grocery delivery company through four of its retail banners; Cub Foods; Shop ‘n Save; Farm Fresh and Shoppers Food & Pharmacy.

UNFI ACQUISITION

- On July 26, 2018, SUPERVALU entered into a definitive agreement to be acquired for $2.9 billion by United Natural Foods, Inc. (“UNFI”), a leading distributor of natural, organic and specialty foods as well as non-food products in the U.S. and Canada.
- UNFI’s largest customer, Whole Foods, accounts for approximately 33% of its revenue and UNFI has a long-term contract with Whole Foods that matures in 2025.

HIGH QUALITY BUILDING FEATURES INCLUDING COLD STORAGE

- The high quality industrial building totals 986,509 SF and offers 30’ clear heights, 177 dock high doors and 7 drive-in doors.
- The site is approximately 52 acres with highly desirable, concrete truck courts and can accommodate parking for 131 cars and 320 trailers with an attractive 44% coverage ratio.
- The property features ±84K SF of Freezer and ±78K SF of Cooler, which appeals to a variety of food users. These improvements command higher rents.
- Easy truck access with two entrances along Piccoli Rd. & Wilcox Rd. and drive-around capability.
- The property is rail served, with 7 rail doors and a S. T. & E. rail spur along the south edge of 1900 Piccoli Road.

The opportunity is offered at a price significantly below replacement cost, estimated at approximately $123 PSF.

EXCELLENT MARKET DYNAMICS

- Extremely strong industrial market demand with continued rent growth.
- Tenant demand remains strong in the Central Valley with 3.1 MSF net absorption during the first half of 2018, 3.8 MSF in 2017 and 3.9 MSF in 2016. The biggest limitation for absorption has been available supply. This has driven 44% of all new product since 2015 to be partially or fully pre-leased prior to construction completion.
- California has the second lowest per capita supply of cold storage product compared to the rest of the U.S., translating into high demand for this product in both Northern and Southern California.

There is currently zero vacant cold storage product in Stockton and the lack of new, quality freezer/cooler buildings in the market will help to drive a pricing premium.
CBRE RESEARCH FORECASTS THAT THE U.S. INDUSTRIAL COLD STORAGE BASE WILL NEED TO GROW BY 19.4% BY 2024 TO ACCOMMODATE THE PREDICTED RISE IN ONLINE GROCERY SALES. CALIFORNIA IN PARTICULAR IS SEVERELY UNDERSUPPLIED IN COLD STORAGE PRODUCT (PER CAPITA), AND THE STOCKTON MARKET CURRENTLY HAS ZERO VACANCY IN COLD STORAGE PRODUCT. THE SUPERVALU DISTRIBUTION CENTER’S DESIRABLE COLD STORAGE IMPROVEMENTS PRESENT AN EXCELLENT INVESTMENT POISED FOR STRONG FUTURE RENT GROWTH.

AS DEMAND FOR ONLINE DELIVERY OF COLD AND FROZEN FOODS GROWS, SO WILL THE NEED FOR LAST MILE, COLD STORAGE FACILITIES.

$1 BILLION
E-COMMERCE SALES

1.25 MSF
DISTRIBUTION SPACE

600 MSF
STANDARD DC SPACE

175 MSF
FOOD/GROCERY SPACE

TOTAL REQUIREMENT OF 175 MSF OF ADDITIONAL DC SPACE – MUCH WILL BE FREEZER/COOLER

TOTAL REQUIREMENT OVER THE NEXT DECADE

KEY DRIVERS
- Food is the largest single retail category – $2 trillion market (with 20% of each paycheck going to food)
- Grocery represents nearly 40% of all food sales – $700 billion
- 20% e-commerce penetration in grocery sales – $140 billion

Cold storage does not face the same competition and cycles as seen in the warehouse distribution market. People need to eat and it has been proven that consumption increases during recessionary periods.
• The Supervalu Distribution Center offers immediate access to State Route 99 which connects to SR-4, the “Crosstown Freeway,” and I-5.
• Both the Union Pacific and Burlington Northern Santa Fe have new “state-of-the-art” intermodal yards within 4-6 miles of the property.
• The property is ±9 miles from the Port of Stockton and ±77 miles from the Port of Oakland.
• The site is also near three airports: Oakland and Sacramento International Airports, and Stockton Metropolitan Airport (just 8 miles away).
• The Central Valley provides easy access to the Bay Area and Western U.S. population centers.
• Some of the quality tenants in this submarket include Staples, Trader Joes, FedEx, Bed, Bath & Beyond, and Quaker Oats.
• The Supervalu Distribution Center is only ±87 miles from San Francisco.