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EXCLUSIVE: Clearing environmental hurdle helps CVS building sell for \$4.65 million

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For a long-term leased building in Arden-Arcade, the key to a sale wasn't its future, but its past.

Edward Nelson, a vice president of investments and director of the national retail group for Marcus & Millichap's Sacramento office, had the listing for the CVS at 2636 Marconi Ave. Former owner Potter-Taylor & Co. built the 15,000-square-foot store in 2014, alongside a new retail strip center that also recently sold.

"I would say the biggest hurdle is we didn't have a 'no further action' letter," Nelson said. Before Potter-Taylor bought 2636 Marconi and redeveloped it, a gas station occupied the site for many years.

Because of potential underground contamination, former gas stations often require additional environmental review after they're redeveloped. That uncertainty, Nelson said, threatened to sink any potential deal.

"Closing was contingent on getting that letter," he said. "If you don't have it, you don't even know if you'll get it."

A Bay Area investor agreed to buy the property if the letter was secured, Nelson said. About two weeks before escrow was set to close for \$4.65 million, the letter came, and the building sold last week.

Nelson said the building sold for 4.62 cap rate, aggressive in the face of another drugstore nearby. But CVS Health's (NYSE: CVS) lease is for the next 23 years and is triple-net, making it a no-stress asset for the new owner, who he did not identify.

"It's very turnkey, and the location is a great location," he said. "Deals like this demonstrate the demand for retail again in Sacramento."

Nelson represented the seller, Potter-Taylor Co. Dean Copans of Retail West in San Francisco represented the buyer.

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TODD QUAM, PHOTOGRAPHER

The CVS property at 2636 Marconi Ave. has sold to a new owner.