CVS NNN For Sale

Founded in 1963 and headquartered in Woonsocket, Rhode Island, CVS is the nation’s second-largest pharmacy (after only Walgreens). It operates over 9,600 retail locations in the U.S., 12% of which are located in California.

In recent years, CVS has improved its credit rating, which now surpasses Walgreens’s – making it a more attractive investment opportunity. It has received an investment-grade rating of BBB+ from Standard and Poor’s. In combination with the stability of the pharmacy industry, that makes CVS a valuable and marketable option for a corporate guaranteed net lease.

Tenant Overview

One of the most attractive elements of CVS as a commercial real estate investment is its locations. Its stores are almost exclusively hard-corner locations with top-tier visibility, parking lots, and easy accessibility.

As baby boomers grow older and America is home to more and more senior citizens, CVS’s business has been growing in its retail pharmacy operations sector. Its statistical sales clock in at about $840 per square foot, significantly ahead of market sector averages for its competitors, which are about $680 per square foot.

For this reason, CVS net leases are considered to be lower risk and to have marketable value. Plus, they’re backed by a strong corporate guarantee. When you’re looking into a CVS NNN lease, you may want to consider some of the factors outlined in the table below.

|  |  |
| --- | --- |
| CVS NNN Lease at a Glance | |
| Average sale price | $4,750,000 |
| Average NOI (net operating income) | $251,750 monthly |
| Average square feet | 8,000 - 15,000 |
| Average lot size | 1.0 - 2.0 acres |
| Typical lease term | 25 years |
| Escalators | Varies |
| Typical location | Urban and suburban hard-corner locations |
| Ticker symbol | NYSE: CVS |

CVS Lease Structure

CVS franchises typically sign a 25-year net lease, during which the rent prices will rise every five years. Most CVS locations operate as NN leases, meaning that the property owner is responsible for roofing and structural maintenance – and in some cases, landscaping. Some locations, however, operate as NNN leases, which gives the owner less responsibility.

The average cap rate, or capitalization rate, for a CVS net lease is 5.3%. The cap rate assesses a real estate investment in terms of its profitability and its return potential. Typically, cap rates that land between 5% and 10% are considered good. Lower rates within that range, like CVS’s, usually indicate that the investment is lower risk.

***[LISTINGS SECTION]***

Why Choose a Net Lease Over a Gross Lease When Investing in Commercial Real Estate?

For commercial real estate investors, there are many benefits to choosing a net lease over a gross lease. These two types of leases are essentially opposites.

A gross lease involves a predetermined amount that a tenant pays to use a space. It does not change based on operating expenses, since landlords generally cover operating costs. On the other hand, net leases allow landlords to hand operating expenses off to their tenants.

There are three tiers of net leases out there: single, double, and triple. They’re also called N, NN, and NNN leases. Each increasing level allows the landlord to pass more and more expenses onto the tenant, absolving the landlord of increased risk as the tiers increase.

Single net leases, or N leases, pass property taxes over to the tenant (in addition to the cost of rent), but the landlord remains responsible for insurance, maintenance, repairs, and utilities. N leases are less common when it comes to commercial real estate. Double net leases, also called NN leases, and triple net leases, also called NNN leases, are seen much more frequently.

What Types of Net Leases Does CVS Operate Under?

Throughout the past 10 years, CVS has signed leases of various types. Traditionally, the stores have operated under NN leases, meaning that landlords were responsible for roof and structural repairs. Those leases generally included rental bumps as frequently as every five years. But today, CVS has changed its strategy slightly.

Its newer leases generally offer flat rents over the primary term, usually 25 years, and vary from gross leases to NN leases to even a few NNN leases. While rent increases aren’t typical in CVS’s lease structure, some prime locations have been able to negotiate them. That makes those properties in high demand for net lease investors.

NNN leases are generally the most attractive type of lease for property owners and investors. That’s because they hold the tenant accountable for paying operating expenses and costs related to the property, which can include insurance premiums, property taxes, and structural maintenance or repair costs.

CVS’s NN leases are a slightly less attractive option. That’s because, with an NN lease, the tenant is responsible for only rent, insurance, and property taxes – so the property owner has to take on structural maintenance and repairs. Those types of repairs can be pricey and urgent when the need arises, especially big-ticket improvements like roofing.

With a CVS NNN lease, a tenant will often pay a lower base rent since they’re responsible for all of the operating costs. That said, NNN leases also reduce the responsibilities related to property management by passing the majority of responsibilities onto the tenant.

**[LISTINGS SECTION]**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CVS Net Lease Properties for Sale** | | | | | | | | |
| Tenant | City | State | Price | Cap | Years | Lease Type | Year Bulit | Details |
|  |  | TF | $5M+ |  |  |  |  |  |
|  |  | Nationwide | $5M+ |  |  |  |  |  |
|  |  | TF | 3-5M |  |  |  |  |  |
|  |  | Nationwide | 3-5M |  |  |  |  |  |
|  |  | TF | 1-3M |  |  |  |  |  |
|  |  | Nationwide | 1-3M |  |  |  |  |  |

How Should You Evaluate a CVS Net Lease?

It’s important to look at the property value as well as the tenant strength when considering an NNN lease. Especially when you’re reviewing single-tenant properties, like the ones many new CVS locations are opting for, your tenant concentration can be only either 100% or 0%. That is to say that you’ll be generating 100% of your potential cash flow or none of it.

In order to ensure that your CVS NNN lease pans out, you’ll want to ensure that the property you’re investing in meets the qualifications that CVS prefers in its locations – high-visibility corner locations with parking lots and plenty of access. That will help ensure that your property stays occupied and you keep generating revenue.

This is especially important because of the unique nature of these properties. Because of their large size, CVS locations can be extremely hard to fill should the pharmacy move out. So you want to make sure you’ve selected a high-traffic location where the store will thrive.

On the plus side, NNN lease tenants like CVS are usually large companies with strong balance sheets, so you can count on your payments arriving on time each month and you won’t be chasing down your tenant to get your hands on the next check.

What Makes CVS an Attractive NNN Tenant?

CVS is a well-known business with a high level of brand recognition and a dedicated customer base. It combines strong visibility with stable financials and top-tier locations, making it a premier option for an NNN lease. CVS has an investment grade rating and very low risk of defaulting on their lease making it a favorable investment option.

In November, CVS released its [third-quarter results](https://www.cvshealth.com/news/company-news/cvs-health-reports-results-2022-q3.html) for fiscal 2022. Its total revenue increased to $81.2 billion, up 10.0% over revenue in the third quarter of 2021. Year to date, its total revenue increased to $238.6 billion, up 10.7% year over year. It also repaid $4.1 billion in long-term debt.

This fantastic quarter led the company to raise its full-year guidance. It greatly exceeded the Wall Street consensus for where its shares would be priced come November, meaning the company is in a promising place and is focused on growth.

CVS also just announced that it will be incorporating new “HealthHUBs” into 1,500 of its stores. These HealthHUBs will take up 20% of the floor space within those stores and will feature a few exam rooms, health kiosks, care management services, and in-house dietary and nutrition counseling.

In 2018, CVS acquired healthcare company Aetna for $69 billion. The acquisition was part of its strategy to offer an integrated healthcare experience. These acquisitions and changes are sure signs that CVS is optimistic about its future. Overall, CVS is a high-quality, investment-grade tenant that’s a perfect option for an NNN lease.