

**December 12, 2012**

By Mark Heschmeyer (mheschmeyer@costar.com)

## The Rising Cost of Prescription Real Estate

### *Drugstores Getting Pricier and Pricier*



Drugstores continue to be an elixir for many single-tenant net lease investors in search of income with recent sales surpassing previous eye-popping prices and setting new price highs.

Last month, Marcus & Millichap Real Estate Investment Services arranged the sale of a 22,857-square foot Walgreens drugstore on Collins Avenue in Miami Beach. The whopping \$30 million sales price equated to \$1,312 per square foot

Sean Shahar Ziv, an associate in Marcus & Millichap's San Diego office, represented the seller; Trans World Entertainment Corp.

Bruce Eisenberg is Trans World's executive vice president of stores and real estate. Ziv also procured the buyer, an international investor, who paid all cash. Kirk Felici, vice president and regional manager of Marcus & Millichap's Miami office, is the firm's broker of record in Florida.

Share this story with your followers [Tweet](#)

According to Ziv, the U.S. market is seeing increased activity from international investors as buyers turn from the Eurozone's financial instability to the strength of the single-tenant net-leased property sector.

"This Walgreens has a 60-year triple-net lease that began in July 2008, with 25 years firm," Ziv said. "The lease is guaranteed by the Walgreen Co., which has a Standard & Poor's credit rating of 'A.' The overall strength of the lease, the quality of the tenant and the property's prime location on one of Miami's hottest retail corridors all contributed to the outstanding value of this asset."

The two-story Miami Beach Walgreens at 501 Collins Ave. in the center of Miami Beach's Art Deco District. The drugstore is surrounded by retailers, restaurants and hotels. Clothing retailer Zara is next door.

This is the second high-profile Walgreens transaction for M&M's Ziv this year. In May, he represented the buyer of a Walgreens drugstore on the Las Vegas Strip that sold for \$27.8 million.

#### Drugstore Sales by the Numbers

Walgreens are the clear favorite among investors right now in terms of number of deals compared to CVS and Rite-Aid drugstore sales. In examining 225 Walgreens sales since October of last year, CoStar data shows per square foot prices are increasing.

In the fourth quarter of 2011, Walgreens were going for an average of \$374/square foot. So far in the fourth quarter of this year, prices are averaging \$419/square foot - a 12% increase.

Looking at 135 CVS drugstores sales, they too are showing significant price increases. In the last quarter of 2011, CVS stores were selling at an average of \$328/square foot. In the second half of this year, that price is coming in at

## **CONTINUED: The Rising Cost of Prescription Real Estate**

---

\$367/square foot - also a 12% increase.

CoStar looked at 55 Rite-Aid drugstore property sales. While not as robust in terms of number of sales, prices here too are showing escalation. In the last quarter of 2011, Rite-Aid stores were selling at an average of \$211/square foot. In the second half of this year, that price is coming in at \$226/square foot - a 7% increase.

Keep up weekly on national news, trends and property leads with the Watch List Newsletter, a weekly pdf that includes other news and leads not found on the CoStar Group web news pages. Sign up for the Watch List E-Mail Alert. A new issue is published late each Wednesday.

Advertisement:

Ameribid: Silver Mountain Resort Sealed Bid Auction



CoStar Group | 1331 L Street, NW, Washington, DC 20005 | [costargroup.com](http://costargroup.com) | 800-204-5960