

“Inflation Hedge” Retail Deal Delivers \$8.3 Million for Dudley Walgreens via Horvath & Tremblay

DUDLEY — With the new COVID variant making headlines it is yet to be seen where and when the needle peeks regarding inflation and moreover the US economic recovery. As small local retailers struggle to keep doors open, some national retailers have begun to see healthy returns in certain sectors.

For big retail pharmacies, the virus news has seen their stocks rise and fall over the past month, but Wall Street still has a bullish outlook on the retail division, as do CRE investors looking to complete exchanges, evident in yet another recent local Walgreens pharmacy trade in Dudley that has sold for \$8.3 million - a deal repped by Horvath & Tremblay - reflecting strength in the single-tenant marketplace and augurs another banner year for the Lynnfield-based commercial brokerage firm.

Principals Robert Horvath and Todd Tremblay were joined by associate Hobie Hare in representing the seller and the team also procured the buyer of the Pharmacy chain store, as the sale came with an estimated 6.43% cap rate and an NOI of \$534,000+.

“The buyer was completing a 1031-exchange with a property in New York and saw the purchase as an ‘inflation hedge’,” attests Bob Horvath. According to the exchange veteran, “there were multiple offers on this one.”

The drugstore has been the only tenant in the 11,186 square-foot building since the owner and developer acquired the 1.75 acres of land in 2010 and opened a Rite-Aid with approximately 56 parking spaces; it converted to a Walgreens in 2020. The pharmacy has ten years left on its 20-year lease with six 5-year renewal options. The lease includes scheduled 10% rent increases at the start of the first, third, and fifth option periods. The corporate parent is the guarantor.

Horvath highlighted the appeal of the property’s location; the 16,000 people living within a 10-mile radius and their healthy \$94,500 average household income. In addition, the location is just two miles from exits 1 and 2 on nearby Interstate 395 and from Nichols College, as well across the street from the historic Stevens Linen Works building (makers of the Union Army’s “Brogan Boots”), a vacant +/-285,000 square foot mill situated on 5.94 acres of land That has been approved for redevelopment and will be converted into a residential community slated for 160 apartments to be delivered by Camden Partners, who intends to invest more than \$40 million to revitalize the property.

As for the Horvath & Tremblay’s team surge of late, the company says it made it through the pandemic unscathed but it did stall, as most did, putting the breaks on and shutting down its eight US offices for a brief period in the early days of the pandemic - but returned full-steam.

“There was a short-term slowdown in lending in Q2 and Q3,” but not anything even closely resembling a recession, says Horvath. Business bounced back with lots of capital entering the market in late Q3 and Q4, restricted only by a lack of supply. Deals were closing in the 60-90 day range,” he added.

Rumored tax code changes under the new Biden administration are also leading some potential clients to sell now. Owners think, “If we’re going to sell in the next 3-4 years, let’s go now and not wait because we don’t know if there’s going to be changes to tax issues that make a difference,” said Horvath.

The national firm’s bread and butter deals are those in the \$1-\$30 million range, those in the private client space. Recently, H&T completed the \$2.454 million sale of the Aspen Dental and Heartland Pharmacy in Little Rock, Arkansas, and the \$4.1 million sale of the brand-new Davita medical facility in Cincinnati, Ohio (4.1% cap rate). Horvath & Tremblay represented the buyer in the recent \$5.75 million sale of an 8,000 square-foot Warwick, RI shopping center.

The company closed on several larger transactions, as well; in May, H&T represented the seller in a 1031-exchange deal for the Walmart and Bass Pro Shops shopping center in Hooksett, NH for \$14.9 million (cap rate in the 6% rate range) and in April sold the eight-building “Cabot Collection” in Beverly, MA for \$17.6 million, which carried a 5.9% cap rate - as first detailed on therealreporter.com.

According to Bob Horvath, Horvath & Tremblay is on track to have another successful year following the uncertainty of last year, with activity up 82% compared to 2020, which itself was up 40% from the year before. Stating the hard work of the H&T team, Horvath exclaimed of the company’s growth and success, “We’re very good at what we do.” Hedging on his company’s future, Horvath and Tremblay opened a new office on Biscayne Boulevard in Miami, just after the new year.

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