

PROFILE
&
DATA SUMMARY REPORT

WALGREEN'S
REAL ESTATE
DATA COMPILATION

PREPARED FOR
KANSAS COUNTY APPRAISERS

BY
MCCULLY & ASSOCIATES
WILLIAM MCCULLY

09-25-2007

McCully & Associates would like to thank all the County Appraisers & their staff who have participated in this project. I would also like to give a special thanks to Cindy Brenner for all of her assistance.

We hope & believe that this type of data compilation can result in greater consistency and accuracy in appraisals across county lines. While we cannot make value recommendations, we believe that improving listing procedures & consistency is an important first step. As this is our first attempt at this type of project, we welcome any suggestions, criticism or assistance for future projects. You may contact my home office for further information or comment:

William McCully
McCully & Associates
P.O. Box 1113
Louisville, Ms. 39339

662-773-5555 Office
662-773-5910 Fax

wmmccul@mchsi.com
www.mccullygroup.com

Summary information is based upon data provided & our analysis of this data. This most often represents majority data. The suggestions provided may not apply to a specific property within your jurisdiction and are not to be construed as an opinion of value but as a guide to improve listing consistency across county lines. We are not responsible for errors in initial data provided to us or the results as a consequence of these errors. This profile is for informational purposes only.

Additional commentary is based upon observation, anecdotal information or information that could not be independently confirmed. It is provided to establish a larger base of knowledge and to prompt further input and discussion from the user. It is not intended to provide data upon which to produce valuation decisions:

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BUSINESS DATA

WALGREEN CO. (NYSE: WAG) doing business as Walgreens

STOCK PRICE: \$45.36 (as of 9-24-07)

SALES: August sales for 2007 totaled \$4,621,200,000 – an increase of 10.3% over previous year (Yahoo Financial indicates revenue growth at 12.5%)

HEADQUARTERS: DEERFIELD, ILLINOIS

SERVICES: PHARMACY – RETAIL* – PHOTO DEVELOPMENT – OTHER MULTIPLE SERVICES. (*retail includes home, personal, limited grocery, toys, limited electronics, etc.)

WEBSITE: www.walgreens.com

PROFILE & HISTORY:

Founded as a single pharmacy in 1901 by Walgreen family in the Chicago area, Walgreens has shown stable growth throughout its history. The 1000th store was opened in 1984. Considerable expansion into new markets has occurred in the last few years. There are currently over 5800 stores with plans to have 7000 operating by 2010. Walgreens are located currently in 45 states. The Walgreen family continues to hold considerable interest in the company.

As of 2005, Walgreens filled approximately one million prescriptions per day which accounted for 14% of all U.S. prescriptions.

Yahoo Finance indicates that Walgreens carries no debt and has approximately \$758,000,000 cash on hand.

Current employees total 142,200.

Major competitors include: CVS Pharmacies, Rite Aid and Wal-Mart

*****Sources: Walgreens website, Wikipedia, Yahoo Financial**

STORE PROFILE

Typical Walgreen locations sell prescription and non-prescription drugs, and general merchandise. General merchandise includes beauty care, personal care, household items, candy, photofinishing, greeting cards, seasonal items, and convenience food. The company provides its services through drugstore counters, as well as through the mail, by telephone, and on the Internet.

Current growth involves site selection at typically corner locations at busy intersections. Walgreens do not necessarily look for vacant or raw land but chooses its locations and will often purchase multiple adjoining sites that are already improved with structures. The seller is sometimes given the option to remove the structures or Walgreens will demolish.

Walgreens will typically employ a real estate consultant or firm for site selection & sometimes the initial purchase to keep their name out of the process. Consultants help with some of the environmental survey work and details on labor availability, regulatory environment, union or non-union workforce, etc.

Stores built in the last seven years are almost exclusively between 14000 and 15000 sqft, of block & brick construction. In the average store, the sales area is about 11000 sqft of the total area. There are some variations in style but are generally very similar in appearance. The typical store has a drive –in window with a canopy, pneumatic tube and a fire suppression system throughout the store. Parking areas are often asphalt with heavier concrete near entrances and heavy traffic areas. Parking lots are generally lighted by pole lighting.

Approximately 30 % of these stores remain open 24 hours per day and total employees range from 25-30.

PHOTOGRAPHS OF TYPICAL WALGREENS FOLLOW:





WALGREENS DATA SUMMARY

SAMPLES SUBMITTED **29**

COUNTIES REPRESENTED **14**

PROPERTY DATA:

LAND AREA	AVG:	75887 SF
	MEDIAN	70132 SF
	RANGE:	20152 SF TO 141729 SF

VARIANCE LIKELY DUE TO PURCHASE METHODS - OFTEN PURCHASE FROM MULTIPLE SELLERS TO OBTAIN DESIRED LOCATION.

MEDIAN TRACT SIZE TO MEDIAN BLDG SIZE 4.8 : 1

BLDG AREA	AVG	14593 SF
	MEDIAN	14736 SF

VARIANCE IN SIZE FROM MEDIAN OF LESS THAN 5% WHEN OUTLIERS ARE REMOVED

ALMOST ALL STORES BUILT SINCE 2001 FALL BETWEEN 14000 AND 15000 SF

PARKING AREA	AVG	41129 SF
	MEDIAN	40029 SF
	RANGE	14220 SF TO 65658SF

PARKING IS PREDOMINANTLY ASPHALT WITH MOST PROPERTIES HAVING SMALL AREAS OF HEAVY DUTY CONCRETE AROUND ENTRANCE AND/OR LOADING AREAS.

AMENITIES	Most properties show some type of fire suppression – usually wet sprinkler. Also a drive in window & pneumatic tube is standard. (most counties appear to be using Bank codes for these) Wall mounted lights and pole lights in the parking lot also seem to be standard.
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BASE SIZE STATISTICS

CTY	CITY	PIN	LANDAREA	YRBLT	BLDG SIZE	PAVED PARKING
105	KANSAS CITY	077435	20152	2006	14718	29748
87	WICHITA	14624033020040000	40106	2004	14980	52000
8	ANDOVER	3042002004004000	56628	2001	14418	37265
6	FORT SCOTT	2030502015011000	57120	2007	10458	40029
23	LAWRENCE	1030603025007000	59890	1993	12880	27000
87	WICHITA	1361303305001020	60887	2000	15264	22091
87	WICHITA	1292904408015000	61420	2003	14524	39060
87	WICHITA	1193201101039000	62205	2000	15099	38518
81	MANHATTAN	2041821018002000	63150	2002	14392	45630
87	WICHITA	1241701201019010	63248	2001	15183	36944
56	EMPORIA	1930801004006010	65340	2007	14736	49000
87	WICHITA	1262302203003030	68990	2002	15383	34600
63	INDEPENDENCE	0993102021002000	69696	2005	14722	20610
87	WICHITA	1130801101007000	70132	2000	15042	44040
23	LAWRENCE	0683401002002000	71352	1993	12880	32770
87	WICHITA	1330604401001010	71878	2000	15242	41590
87	WICHITA	1141802202002010	72501	2000	15073	40120
87	WICHITA	21305033030266000	76959	2000	15652	55951
87	WICHITA	1093102203004000	77560	2001	15048	41560
28	GARDEN CITY	2741702001002000	78142	2004	14475	49003
87	WICHITA	127360210100100B	83750	2000	15113	65658
87	WICHITA	2142004401002000	86973	2004	14980	46840
88	LIBERAL	149320100100101	87120	2007	14735	51636
30	OTTAWA	1310204014006000	87837	2006	14954	29218
40	NEWTON	0930804013004000	100188	2002	14274	58078
19	PITTSBURG	2041901001001.000	109600	2004	14820	35200
105	KANSAS CITY	928940	111193	2003	14488	14220
5	GREAT BEND	1892903027007000	124968	2003	14588	63628
87	WICHITA	1341901101003000	141729	2000	15072	50731
AVGS			75887	2002	14593	41129
MEDIANS			70132	2002	14736	40029
HIGH			141729	2007	15652	65658
LOW			20152	1993	10458	14220

SUMMARY DATA OF COUNTY LISTING GRADES & CODING

GR	STRUCT CODE	USE CODE	PHY	FUNC	ECO
B	345	34	3	3	100
B	345	33	2	2	100
B	373	34	2	2	100
B	373	34	4	4	100
B	373	34	4	4	100
B	373	34	3	3	100
B+	348	38	2	3	100
B+	373	34	3	3	100
B+	373	34	3	3	100
B+	373	34	3	3	100
B+	373	34	3	3	100
B+	373	34	3	3	100
B+	373	34	3	3	1.1
B+	373	34	3	3	100
B+	373	34	3	3	1.15
B+	373	34	3	3	100
B+	373	34	3	3	100
B+	373	34	3	3	1.3
B+	373	34	3	3	1.15
B+	373	34	3	3	100
B+	373	34	3	3	100
B+	373	34	3	3	0.9
C	345	33	3	3	115
C	345	33	3	3	100
C	373	34	3	3	100
C	373	34	3	3	100
C+	345	33	3	3	100
C+	373	34	3	3	100
C+	373	34	3	3	100

MOST COMMON OCCURRING LISTINGS

B+ **	373	34	3	3	100
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**STATISTICS ARE SKEWED TOWARD ONE COUNTY DUE TO NUMBER OF
SAMPLES
ON A COUNTY BASIS - THE MOST COMMON GRADE IS **B**

LISTING INFORMATION & SUGGESTIONS

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GRADE: B or B+

Grades range from C to B+. As most counties are having more difficulty getting enough value rather than too much on these properties and the construction is very specific for the occupant, grades in the higher range are probably warranted.

STRUCTURE CODE: 373 -RETAIL
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Almost all counties use one of two codes:

373 RETAIL or 345 DISCOUNT STORE

I conducted a comparison of the RCN using each code (prior to application of depreciation, grade and Index) and discovered that the difference in RCN was less than 1%. Differences in depreciation tables or assigned economic life may result in greater disparity.

A majority of Counties are using the 373 code and as it may be more descriptive of the property, its use is warranted.

USE CODE: 034 – RETAIL

These codes follow the structure codes assignments. 034 is normally utilized with the 373 structure code and 033 is used in conjunction with 345 structure code.

WALL HEIGHT: at or near 20 feet
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Obvious variation may exist but the majority of counties indicated wall heights at or near **20 feet**. Significant variance from this figure should be checked.

EXTERIOR WALLS: code 4

Almost all counties utilized **code 4** which is **Brick & Conc. Blk**

CONSTRUCTION TYPE: Construction Type 2 – Fire Resistant
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Counties are split as to type 1 which is wood frame construction and type 2 which is fire resistant construction. The original KSCAMA Manual is somewhat contradictory between its descriptions and the examples. New construction observed indicates block construction and steel joists. **Construction Type 2 – Fire Resistant** is warranted.

PHY/FUNC/ECONOMIC: Most counties applied as NORMAL-NORMAL 100%. Some variance exists but this is county specific and no suggestions are warranted.

BUILDING OTHER FEATURES: The following features seem to be common in all of the newer structures. The most common code applied is listed.

DRIVE –IN WINDOW	BE7
PNUEMATIC TUBE	BE0
DRIVE IN CANOPY	BC1
SPRINKLER WET	SS1

Other features are also common such as additional canopies (CP5 or CP6 or CP8) & Overhead doors. Some counties have coolers and/or chillers listed also.

YARD IMPR/SECONDARY BLDG: Most newer stores have asphalt paving (**PA1**). There are often smaller areas of heavy duty concrete (**PC2**) at entrances or at loading/unloading areas. Most stores also have wall mounted lights (**LT2**) and pole mounted lights in the parking area (**LT4 or LT5**). It is also not uncommon for stores to have very small amounts of fencing.

ADDITIONAL INFORMATION FOR CONSIDERATION

There is a great deal of variance in final value per square foot. Some of this can be attributed to listing and grade variance. Much of the differences can be explained by significant differences in applied index.

Land value is a component that we looked at further. Values ranged from \$1.81/sf to \$20.00 sf. We looked at the relationship of assigned land value to total value. The mean & median indicated that **land constitutes about 25% of the total assigned value**. As to be expected, land values were much higher in the larger jurisdictions and this % increased significantly. **For the smaller jurisdictions, significant variance from the 25% figure might justify further review of your land's assigned value.**

Some fee appraisal information was made available. The apparent purpose of these appraisals was to challenge county valuations. Without providing specifics, these appraisals all indicated values well in excess of \$100/sf

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*The majority of the 29 properties indicated a sale within a year of construction, in some cases two sales were indicated. Most sales were between four and five million dollars. A limited review of SVQ's and verification information indicates that these sales fall into two categories:

A turn-key transfer **from** the real estate firm/construction company that purchased the site and built the property **to** Walgreens.

Or

A sale from Walgreens to an affiliated real estate holding company often established for the specific property. Data indicates that most if not all of these companies list Dearborn, Ill. as their location which is also the headquarters of Walgreens. It is unclear if there are other owners of these properties that are not affiliated with Walgreens.

While these sales do not represent open market transactions, they are interesting in their consistency. The avg per sq ft price is \$285.63

**Some limited rents were provided indicating rates higher than the local market. Initial terms seem to be a twenty year lease renewable in five year increments (with adjustment) up to 60 years. Two rents were in excess of \$20/sf and one provided indicated \$16.50. Appear to be triple net leases.

*** Land purchases for new construction seem to almost always exceed local market values, Walgreens seems to be willing to pay a premium for their desired location. One example includes a tract purchased from the city of Liberal that included an existing fire station. The sale was for \$17.70 per square foot based on tract size. Further expense to remove the existing structure was incurred. This is more than triple the highest amount paid for vacant land in the city.

The county might consider the development of an income model specifically for this property.

COUNTY VALUATION STATISTICS

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	PR/SF	LND PR/SF	IMP PR/SF	L/T RATIO	INDEX	
\$ 159,840	\$ 710,760	\$ 870,600	\$ 59.14	\$ 2.29	\$ 48.28	0.1836	1.29	
\$ 183,340	\$ 796,370	\$ 979,710	\$ 68.64	\$ 1.83	\$ 55.79	0.1871	1.37	
\$ 36,480	\$ 1,003,670	\$ 1,040,150	\$ 70.67	\$ 1.81	\$ 68.19	0.0351	1.68	
\$ 223,900	\$ 867,830	\$ 1,091,730	\$ 74.09	\$ 2.57	\$ 58.90	0.2051	1.26	
\$ 244,430	\$ 916,610	\$ 1,161,040	\$ 80.21	\$ 3.13	\$ 63.32	0.2105	1.26	
\$ 391,900	\$ 967,000	\$ 1,358,900	\$ 90.00	\$ 6.30	\$ 64.04	0.2884	1.7	
\$ 419,580	\$ 898,160	\$ 1,317,740	\$ 90.33	\$ 3.36	\$ 61.57	0.3184	1.39	
\$ 221,090	\$ 796,300	\$ 1,017,390	\$ 97.28	\$ 3.87	\$ 76.14	0.2173	1.45	
\$ 213,100	\$ 1,340,560	\$ 1,553,660	\$ 101.79	\$ 3.50	\$ 87.82	0.1372	1.7	
\$ 304,400	\$ 1,274,050	\$ 1,578,450	\$ 105.37	\$ 3.50	\$ 85.05	0.1928	1.7	
\$ 280,800	\$ 1,329,100	\$ 1,609,900	\$ 106.03	\$ 4.44	\$ 87.54	0.1744	1.7	
\$ 491,000	\$ 1,092,300	\$ 1,583,300	\$ 106.84	\$ 4.48	\$ 73.70	0.3101	1.55	
\$ 575,240	\$ 980,940	\$ 1,556,180	\$ 107.93	\$ 10.16	\$ 68.04	0.3696	1.5	
\$ 423,300	\$ 1,285,690	\$ 1,708,990	\$ 109.19	\$ 5.50	\$ 82.14	0.2477	1.7	
\$ 889,540	\$ 797,020	\$ 1,686,560	\$ 116.41	\$ 8.00	\$ 55.01	0.5274	1.68	
\$ 209,400	\$ 1,600,100	\$ 1,809,500	\$ 119.73	\$ 2.50	\$ 105.88	0.1157	1.7	
\$ 452,220	\$ 1,353,380	\$ 1,805,600	\$ 120.74	\$ 5.15	\$ 90.50	0.2505	1.6	
\$ 581,700	\$ 1,246,600	\$ 1,828,300	\$ 121.50	\$ 7.50	\$ 82.84	0.3182	1.7	
\$ 345,000	\$ 1,542,900	\$ 1,887,900	\$ 122.73	\$ 5.00	\$ 100.30	0.1827	1.7	
\$ 301,100	\$ 1,481,400	\$ 1,782,500	\$ 122.73	\$ 4.90	\$ 102.00	0.1689	1.7	
\$ 465,840	\$ 1,377,860	\$ 1,843,700	\$ 125.12	\$ 7.13	\$ 93.50	0.2527	1.46	
\$ 631,500	\$ 1,198,430	\$ 1,829,930	\$ 127.15	\$ 10.00	\$ 83.27	0.3451	1.6	
\$ 712,650	\$ 963,980	\$ 1,676,630	\$ 130.17	\$ 11.90	\$ 74.84	0.4250		
\$ 705,920	\$ 1,002,040	\$ 1,707,960	\$ 132.61	\$ 9.89	\$ 77.80	0.4133		
\$ 467,700	\$ 1,615,300	\$ 2,083,000	\$ 138.20	\$ 3.30	\$ 107.17	0.2245	1.7	
\$ 1,437,600	\$ 747,100	\$ 2,184,700	\$ 143.33	\$ 20.00	\$ 49.02	0.6580	1.7	
\$ 543,800	\$ 1,649,960	\$ 2,193,760	\$ 145.54	\$ 7.50	\$ 109.46	0.2479	1.7	
\$ 401,100	\$ 1,845,900	\$ 2,247,000	\$ 150.00	\$ 10.00	\$ 123.22	0.1785	1.7	
\$ 876,700	\$ 1,407,800	\$ 2,284,500	\$ 151.87	\$ 12.50	\$ 93.59	0.3838	1.7	
\$ 454,833	\$ 1,175,487	\$ 1,630,320	111.56	\$ 6.28	\$ 80.31	0.268	1.59	AVGS
\$ 410,340	\$ 1,198,460	\$ 1,686,560	\$ 116.41	\$ 5.00	\$ 82.14	0.248	1.7	MEDIANS
\$ 1,437,600	\$ 1,845,900	\$ 2,284,500	\$ 151.87	\$ 20.00	\$ 123.22	0.658	1.7	HI VALUES
\$ 36,480	\$ 710,760	\$ 870,600	\$ 59.14	\$ 1.81	\$ 48.28	0.0351	1.26	LOW VALUES