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HIGH ON CVS

*Hello, LA! Allow us to introduce ourselves. We are the **original** commercial **real estate e-blast** that started in DC **five years ago** and has since expanded to NYC, Chicago, Boston, Houston, Dallas, Atlanta and (as of four weeks ago) LA. We try to be **fun**, **upbeat**, **informative**, picture-heavy, and **mercifully short**. Please give us your feedback and suggestions: Editorial@Bisnow.com*

We guess it's logical. In an ailing economy, **drug stores** are one of the healthiest segments of the retail industry. No one knows that better than the folks at **KZ DevCo**, which is staying in the pink by building **CVS/pharmacy** outlets in SoCal and Hawaii.



We chatted with **Mark Zimmerman**, a KZ general partner, who tells us the development firm just completed its sixth **CVS** or **Longs**

pharmacy this year, with seven more under way. (CVS acquired the Longs chain in 2008 and converted mainland stores to CVS, but continues to use the Longs name in **Hawaii**.) The projects' total values exceed **\$120M**. Mark tells us the firm is tracking more than **75 deals** (of which 15% to 20% typically will come to fruition) in various stages of development and negotiation. When the current projects are finished, the firm will have built more than **20 locations** for CVS.



KZ works as a fee developer for CVS, delivering **turnkey** deals to the drug chain from site selection, purchase and lease negotiations to construction and project management—like this recently completed store in **San Marcos**. According to Mark, the field of big drug chains vying for sites has been reduced from four to two, and more **realistic** expectations regarding valuation have allowed KZ to narrow the **bid/ask gap**. Rents are down 30% to **50%** and **dirt** is off as much as 40% in some cases. (A nearly 30% drop in construction costs hasn't hurt, either.)