

Offering Memorandum

sleep number

1846 East Camelback Road | Phoenix, AZ



PEGASUS

PREMIERE BILTMORE/CAMELBACK CORRIDOR

Scottsdale



Arizona Biltmore Estates



Madison Camelview Elementary School

Shalimar Apartments

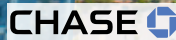
Hibiscus Apartments



Highway 51
± 159,906 ADT



Biltmore Square Condominiums



The Trend at 51 Apartment Homes





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EXECUTIVE SUMMARY

OFFERING SUMMARY

Pegasus Investments, as exclusive investment sale advisor to seller, is pleased to offer a trophy quality single tenant Sleep Number in Phoenix, Arizona. The long term, 12 year, triple net lease is corporate backed by Sleep Number Corporation (NASDAQ: SNBR), a component of the S&P 600 company with a current market capitalization of \$1.5 billion.

The most attractive feature of the investment is the location of the property along Camelback Road within the Biltmore District of central Phoenix. Known for its world class luxury shopping, which includes 3 million SF of retail leased to Saks Fifth Avenue, Apple, Lululemon, Arhaus, Nordstrom Rack, Whole Foods, Trader Joe's, and more, the real estate surrounding the Biltmore Fashion Park and The Shops at Town and Country is some of the most expensive and highly sought after in metro Phoenix.

List Price	\$5,510,000
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Cap Rate	5.50%
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NOI	\$303,043
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Additionally, the property benefits tremendously from being located within one of Phoenix's most prestigious office markets. With nearly 8 million SF of total office space, including some of the highest quality Class A space in all of metro Phoenix, the Camelback Corridor is centrally located within 10 miles of approximately 1 million daytime employees. This area is conveniently served by a strategic network of highways and major surface streets; traffic counts at Camelback Road and Highway 51 are nearly 150,000 ADT and 50,000 ADT at Camelback Road and 20th Street.

According to Fortune.com, in 2015 Sleep Number stores placed in the top 10 in the U.S. for highest annual sales volume per retail square foot (\$1,023/SF) alongside Apple, Lululemon, Tiffany & Co. and Tumi. This ranking is attributable to Sleep Number's initiative to locate in the most highly sought after demographic regions of the country and selecting the very best real estate within those affluent markets. Located at the entrance to the Camelback Colonnade across from The Shops at Town and Country, the Phoenix Sleep Number store is a perfect illustration of this corporate real estate initiative.

Subject Property

INVESTMENT HIGHLIGHTS

EXTREMELY AFFLUENT TRADE AREA / BILTMORE FASHION PARK

The property is strategically located less than a mile west of the Biltmore Fashion Park: one of Phoenix's top luxury malls owned by Macerich. Biltmore Fashion Park is tenanted by leading luxury retailers including Saks Fifth Avenue, The Apple Store, Ralph Lauren, Jonathan Adler, Pottery Barn as well as popular eateries including The Capital Grill, True Food Kitchen, The Cheesecake Factory, California Pizza Kitchen and Seasons 52. The mall's shopper is an affluent consumer with average household income of \$126,000.

STAGGERING TRAFFIC COUNTS OF 150,000 ADT

Camelback Road at 51 boasts staggering traffic counts approaching 150,000 vehicles daily. Immediately to the east of the property at Camelback Road and 20th Street, traffic counts approach 50,000 ADT. The Camelback Road corridor between the Biltmore Fashion Park and 51 is considered one of the highest traffic zones in all of metro Phoenix.

“This intersection in the Camelback Corridor has become one of the most premier retail destinations in the metro Phoenix area. Tenant demand is high for this area, due in part to the highly successful redevelopment of The Shops at Town & Country.”

- David Wetta, Founder of Wetta Ventures





PHOENIX TOPS LOS ANGELES & NEW YORK CITY IN POPULATION GROWTH

In 2016 Phoenix ranked #1 in the U.S. for population growth, according to the U.S. Census Bureau. Phoenix added 32,113 to its population between July 2015 and July 2016, more than any other city in the U.S. including Los Angeles and New York City. By comparison, Los Angeles added 27,173 and New York added 21,171 during the same time frame, according to the Census data.

SITUATED ALONG CAMELBACK CORRIDOR NEAR CLASS A OFFICE SPACE

The property sits along the prestigious Camelback Corridor, which is known for having one of the most prominent office submarkets in the Phoenix metropolitan area. The Corridor consists of 7.9 million SF of total office space and has an estimated daytime employee population of close to 1 million people within a 10-mile radius.



OVER THE
PAST YEAR,
NEIGHBORHOOD
CENTERS
HAVE BECOME
POPULAR
PROJECTS FOR
DEVELOPERS
IN PHOENIX'S
BURGEONING
POPULATION
CENTERS

EXCELLENT ACCESS & VISIBILITY FROM CAMELBACK COLONNADE

The property enjoys unprecedented access with left-in and left-out along Camelback Road. Additionally, the property sits at the main entrance / exit to Camelback Colonnade: a 625,000 SF open air center operated by RED Development and anchored by Best Buy, Michael's, Bed Bath, Fry's Supermarket, Marshall's, Staples, ULTA and Old Navy.

ACROSS FROM THE SHOPS AT TOWN AND COUNTRY

The property also sits adjacent and across the street from the 344,000 SF Shops at Town and Country. Also operated by RED Development, the Class A open air center is anchored by best in class retailers including Whole Foods, Trader Joe's, Nordstrom Rack, Container Store and Orvis. Additionally, The Shops at Town and Country is home to a Courtyard by Marriott Hotel, LA Fitness and several other restaurant and lifestyle tenants including Athleta, Hopdoddy, Nekter juice bar and Grassroots Kitchen & Tap.



TOP 10 HIGHEST RETAILER (SALES PER SF)

According to Fortune.com, in 2015 Sleep Number stores placed in the top 10 in the U.S. for highest sales volume per retail square foot (\$1,023/SF). Other leading retailers which shared the prestigious designation with Sleep Number include Apple, Lululemon, Tiffany & Co., and Coach. This ranking is attributable to Sleep Number's initiative to locate in the most highly sought after demographic regions of the country and selecting the very best real estate within those affluent markets.

CORPORATE LEASE BACKED BY \$1.5 BILLION COMPANY

Headquartered in Minneapolis and founded in 1987, Sleep Number Corporation (NASDAQ: SNBR) is the manufacturer and retailer of the highly rated Sleep Number and Comfortaire bed. With 550 company owned retail locations and about 4,000 employees, Select Comfort Corporation is a component of the S&P 600 with a market capitalization of \$1.5 billion.

12 YEAR NNN LEASE WITH 10% RENT INCREASES

The property is secured by a long-term triple net lease with an expiration date of January 2029. The triple net lease offers investors an opportunity to own a property with very limited management responsibilities. The tenant is responsible for payment of real estate taxes, insurance, and all common area maintenance (CAM) expenses plus a 10% CAM administration fee. Additionally, the tenant is responsible for all interior maintenance, including HVAC. The lease mandates a 10% rent increase in 2023.

HIGH QUALITY NEW CONSTRUCTION

The property was built by a well-respected, preferred developer of Sleep Number retail stores. The developer built the property using very high quality craftsmanship and materials. The architecture of the building elevates the presence of the property along Camelback while incorporating the blend of luxury and technology found within Sleep Number stores. The property will be transferred with a new 15 year roof warranty.

TENANT REPORT



Sleep Number

Public | NASDAQ: SNBR
www.sleepnumber.com

# of Locations	± 550
# of Employees	± 4,000
Headquartered	Plymouth, MN
Year Founded	1987

OVERVIEW

Sleep Number Corporation is a U.S.-based manufacturing company that is the exclusive manufacturer, marketer, retailer and servicer of the revolutionary Sleep Number bed. Since its founding, Sleep Number has been a pioneer in the mattress industry, most notably in biometric sleep tracking and adjustability. Proving the connection between quality sleep, health, and wellbeing, the company's dedication to improve lives by individualizing sleep experiences continues to transform the industry.

AN INDUSTRY LEADER

Sleep Number is leading the industry by delivering an unparalleled sleep experience through high-quality, innovative and individualized sleep solutions and services, which include a complete line of Sleep Number beds and bedding. Over the past five years, Sleep Number Corporation's investments have proceeded to differentiate its brand and strengthen its competitive advantages: proprietary innovations that provide meaningful sleep benefits for its customers; ongoing customer relationships that are enabled by a direct-to-consumer business model; and exclusive distribution that is highly productive and fueled by a mission-driven sales teams. The company's initiatives have been driving sustainable and profitable growth, as evidenced by a 200% valuation increase since February 2017.

TENANT SUMMARY

Tenant Name	Sleep Number
Lease Guarantor	Select Comfort Retail Corporation, A Minnesota Corporation
Lease Type	NNN
Roof and Structure	Landlord Responsible
Original Lease Term	12 Years
Rent Commencement Date	1/12/2017
Lease Expiration Date	1/31/2029
Increases	10% Increases in Year 7 and in Options
Options	Two, 5-Year Options



ANNUALIZED OPERATING DATA

	ANNUAL RENT	MONTHLY RENT	RENT/SF	CAP RATE
Years 1 - 6	\$303,043	\$25,253.57	\$70.59	5.50%
Years 7 - 12	\$333,351	\$27,779.29	\$77.65	6.05%
Option 1	\$366,708	\$30,559.01	\$85.42	6.66%
Option 2	\$403,327	\$33,610.60	\$93.95	7.32%



PHYSICAL DESCRIPTION

THE SITE

Property Name	Sleep Number
Address	1846 East Camelback Road Phoenix, AZ 85016
Assessor's Parcel Number (APN)	164-56-092B
Zoning	C-2*

*C-2, Commercial Intermediate District, is a district of commercial uses of medium intensity designed to be compatible with each other and to provide for a wide range of types of commercial activity within the district.



Gross Leasable Area	± 4,293 SF
Lot Size	0.43 Acres (18,905 SF)
Year Built	2017
Number of Stories	1
Number of Buildings	1
Parking Spaces	14 Surface Spaces / 2 Handicap
Parking Ratio	3.76 : 1,000 SF

TENANT'S NATIONAL SALES AVERAGE \$1,023 PER SF



MARKET AREA & LOCATION OVERVIEW

PHOENIX, AZ: THE MARKET AREA

The Phoenix metropolitan area, known as the Valley of the Sun, is home to more than 4.5 million people and includes the cities of Scottsdale, Glendale, Tempe, and Mesa. This area's explosive growth over the last decade has made it one of the largest metropolitan areas in the country. As the capital of Arizona, the city of Phoenix is the heart of the Sonoran Desert and a sophisticated, urban region with a population of over 1.6 million; it is the fifth largest city and the most populous state capital in the United States.

A combined promise of economic opportunity and quality living convinces more than 50,000 people to move to the alluring, desert metropolis each year. Phoenix is a place where it's easy to migrate between high culture and low, resort escapes and local hangouts, outdoor adventure and poolside lounging.



MARKETPLACE VALUED AT + \$50 BILLION

ECONOMIC SNAPSHOT

A city that has consistently been regarded as one of the fastest growing economies of all metro areas in the United States for the past 20 years, Phoenix maintains a welcoming attitude towards business. There has been an increasing number of businesses moving into the area driving Phoenix's economic expansion. Diverse and resilient, the Phoenix economy has reflected continued job market growth alongside an unemployment rate that tracks lower than the national average.

With hundreds of companies involved in software development, or computer system integration or providing internet service, Phoenix's information technology industry in particular is very robust. Numerous high tech and telecommunications companies have recently relocated to the area, making this sector Phoenix's primary industry. Most notably, tech giant Apple has announced that it is going to invest \$2B in its dormant facility in Mesa to create a command center for its global networks.



TOURISM

Also known for its warm climate during this winter, Phoenix benefits greatly from seasonal tourism and recreation especially in the golf industry with over 200 golf courses. Annually, more than 22 million people visit the Phoenix metro area due in large part to its consistent ranks among the nation's top cities in the number of Five Diamond and Five Star resorts.

Sunny days and comfortable temperatures are the rule November through April, making this time the most enjoyable and popular time of year to visit. Vacation resorts are plentiful throughout the valley and the most popular outdoor activities are golfing, hiking, hot air balloons and scenic day trips in to the nearby desert or to one of the nearby mountain towns.



+22 MILLION
ANNUAL VISITORS

THE BILTMORE DISTRICT: THE LOCATION

The Biltmore is an upscale residential neighborhood and financial district in central Northeast Phoenix that is the capital city's most acclaimed neighborhood; it is named after the Arizona Biltmore, a Waldorf Astoria Resort. As a luxurious resort destination with guarded and gated golf course communities, the Biltmore neighborhood is known for having some of the most exclusive homes in the Valley of the Sun. More and more upscale restaurants, theaters, museums, shopping and sports venues are popping up around the financial district, contributing to the Biltmore's collection of Arizona's best dining and specialty stores. There is also an abundance of business services selections from first-rate professional banking and financial, legal, real estate and health care.



CAMELBACK CORRIDOR

Known as Camelback Corridor, the prominent stretch of East Camelback Road extends East from Central Avenue into Scottsdale. Camelback Corridor is clustered with business and residential mid-rise tower buildings and gated neighborhoods, comprising the Biltmore financial district. Residents enjoy convenient access to all of the commerce, shopping and dining of the Biltmore alongside some of the best views of the majestic Camelback Mountain. Camelback Corridor itself features some of the finest restaurants in Phoenix, including steakhouses, Italian restaurants, seafood, French food, Mexican flavors, American, Japanese, Greek, Cuban and Asian delicacies.

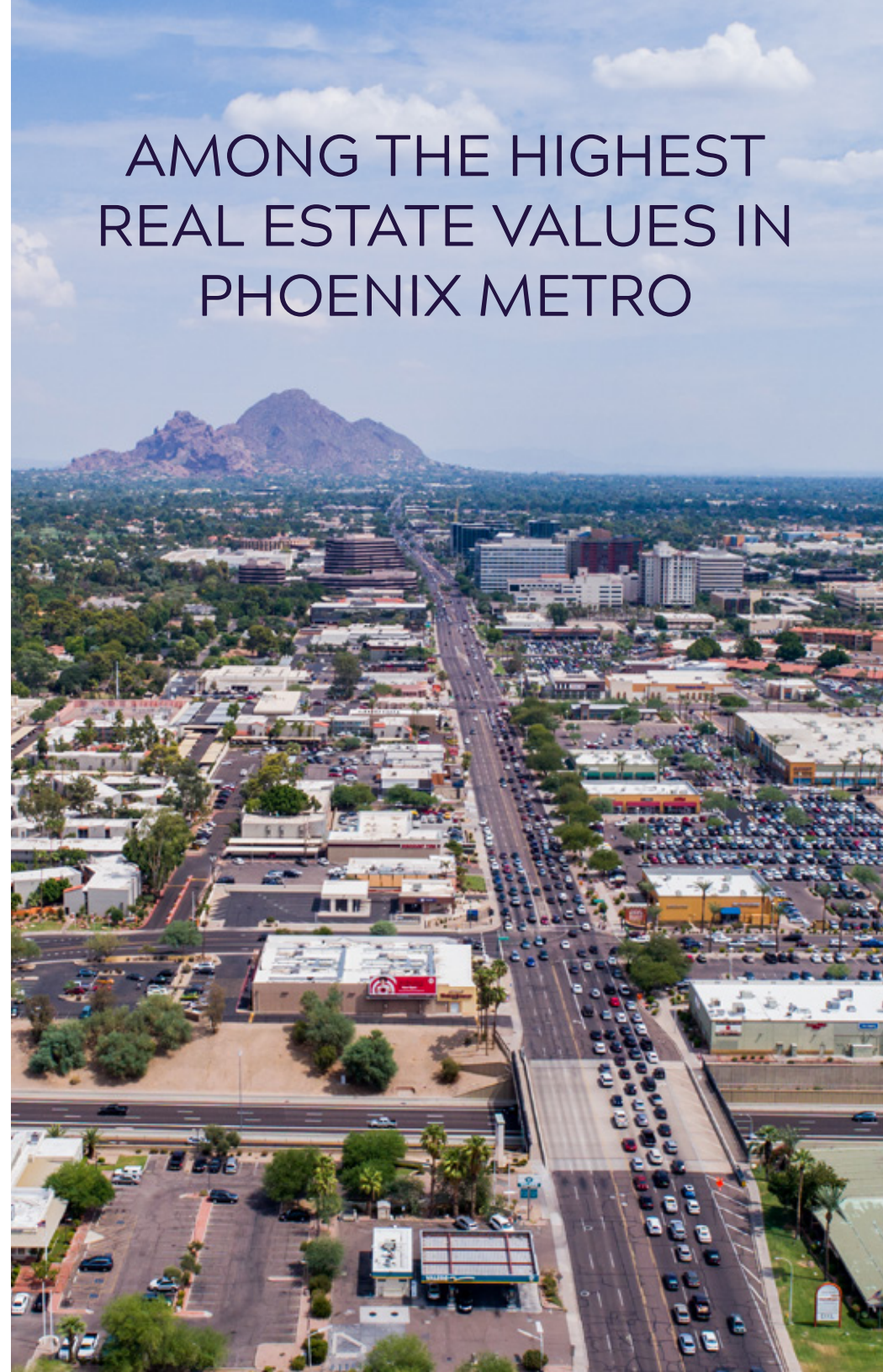


7.9 MILLION SF
TOTAL OFFICE SPACE

CAMELBACK COLONNADE

Across the street from the subject property, Camelback Colonnade is a regional shopping center at the southwest corner of Camelback Road and 20th Street in Phoenix in the heart of the Camelback Corridor. The mall offers over 40 shopping and dining options including Best Buy; Bed, Bath & Beyond; Fry's; Michaels; Old Navy; Pier 1 Imports; and In-N-Out.

In addition to being just blocks from the Ritz Carlton, Biltmore Fashion Park, the Arizona and multiple high-rise office buildings, Camelback Colonnade is adjacent to The Shops at Town & Country, a center that has been a staple in the community for over half a century, and Target's first small-format location in the market, which opened in July 2017. A strong line-up of successful and proven retailers allows for synergy across all these projects.



**AMONG THE HIGHEST
REAL ESTATE VALUES IN
PHOENIX METRO**

PROPERTY DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE
2022 Projection	19,836	155,389	411,683
2017 Estimate	18,332	143,786	380,982
Growth 2017 - 2022	8.20%	8.07%	8.06%

HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2022 Projection	9,859	70,679	166,283
2017 Estimate	9,134	65,409	153,828
Growth 2017 - 2022	7.94%	8.06%	8.10%

INCOME	1-MILE	3-MILE	5-MILE
2017 Est. Average Household Income	\$73,772	\$72,062	\$66,529

THE ARIZONA BILTMORE

Recognized as one of the best hotels in the world, the Arizona Biltmore, a Waldorf Resort has been a stand-out destination for over 88 years; it is one of the few hotels worldwide with an architectural imprint left by respected American architect, Frank Lloyd Wright. This visually stunning, historic property is a unique oasis perfectly set within 39 acres in the heart of Phoenix. With eight sparkling swimming pools, two 18-hole championship golf courses, six cushioned tennis courts, a spa and event space overlooking lush gardens and surrounding mountains, the Biltmore exudes refinement and splendor. The hotel's elegant design showcases its architectural heritage, complementing its incredible amenities.

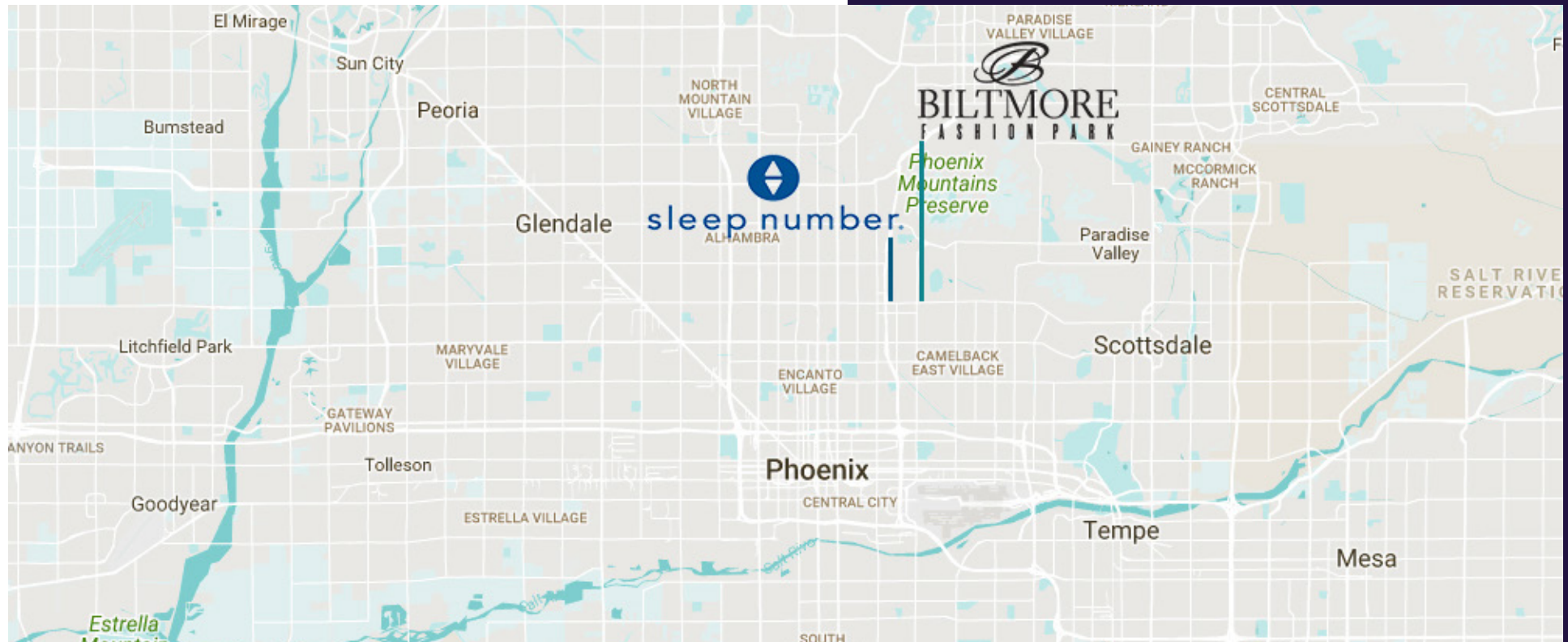
Throughout the past decade, the Biltmore has been consistently updating its look, starting with a \$300M renovation in 2008. In 2016, the resort unveiled a \$35M renovation that has further enhanced its extravagant ambiance.



BILTMORE FASHION PARK

Anchoring the Biltmore District, Biltmore Fashion Park is a 595,450 SF luxury outdoor retail and dining plaza located at the intersection of North 24th Street and East Camelback Road, less than a mile east of the subject property. This outdoor lifestyle center is Phoenix's premiere address for high-end retail and is known to have some of the finest shopping in Arizona. In recent years, it has undergone significant renovations

At 96% occupancy, Biltmore Fashion Park offers an eclectic mix of national retail brands and specialty boutique shops in a lush, open-air garden setting. The center is anchored by the state's only Saks Fifth Avenue in addition to high-end retailers Brooks Brothers, Jo Malone London, Macy's, Pottery Barn, Ralph Lauren, and Williams-Sonoma. Millions of people visit Biltmore Fashion Park annually, drawn by its regal history and unmatched ambiance.



ACROSS THE STREET FROM CAMELBACK COLONNADE



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The information contained in this Offering Memorandum is proprietary and strictly confidential. It is intended to be reviewed only by the party receiving it from Pegasus Investments and should not be made available to any other person or entity without the written consent of Pegasus Investments. This Offering Memorandum has been prepared to provide summary, unverified information to prospective purchasers, and to establish only a preliminary level of interest in the subject property.

The information contained herein is not a substitute for a thorough due diligence investigation. Pegasus Investments has not made any investigation, and makes no warranty or representation, with respect to the income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition of the business prospects of any tenants, or any tenant's plans or intentions to continue its occupancy of the subject property.

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ABOUT PEGASUS INVESTMENTS

Pegasus Investments is a boutique commercial real estate investment and advisory firm based in Los Angeles, California. Specializing in retail shopping centers, single tenant net leased and multifamily properties throughout the United States, Pegasus has consistently delivered on its 28 year reputation of providing high quality, white glove service throughout all stages of the investment sales process. Pegasus provides its clients, which include high net worth private investors, family trusts, private & public REIT's, local and regional developers and syndicators with advisory services encompassing underwriting, market research, investment sales and asset management. Pegasus continues to set the bar for high quality, boutique investment sales brokerage and advisory by relying on its industry-leading talent which include experienced institutional and private sector investors.



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