

# MATTRESS FIRM AND VISIONWORKS

1011 SOUTH MAIN STREET | KERNERSVILLE, NC



PEGASUS



Video





# PEGASUS



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SITUATED WITHIN  
KERNERSVILLE'S #1 RETAIL  
CORRIDOR ACROSS FROM  
WALMART, TARGET, LOWE'S,  
AND HARRIS TEETER.



EXECUTIVE SUMMARY

# EXECUTIVE SUMMARY

## OFFERING SUMMARY

Pegasus Investments, as exclusive investment sales advisor to seller, is pleased to offer a newly constructed retail property 100% triple net leased to Mattress Firm and Visionworks in Kernersville, North Carolina. Kernersville is an upper middleclass bedroom community centrally located between Winston-Salem and Greensboro within the Piedmont Triad – with a population of 1.6 million. The property benefits tremendously from its long term (10-11 year) corporate backed triple net leases providing investors with stable and nearly management free cash flow. Both leases feature 10% rent increases every 5 years throughout the base term and option periods.

The property is located along South Main Street, Kernersville’s #1 retail corridor, and sits directly across the street from major national anchors including a Walmart Supercenter, Target, Kohl’s, Lowe’s, Harris Teeter and Food Lion. This retail corridor is strategically located off SR-421, the Piedmont Triad’s primary East/West highway, which provides access to both downtown Greensboro and Winston-Salem. FedEx Ground recently opened its new \$110 million “super hub” sorting facility in Kernersville along 421 less than 4 miles from the subject property, highlighting the Kernersville’s regional and logistical significance. The 415,000 SF FedEx facility is expected to employ up to 1,400 people at full capacity by 2021. Meanwhile, the parcels immediately surrounding the subject property have recently seen a surge in new construction and redevelopment, making way for leading service oriented retailers and restaurants including Starbucks, Chipotle, AT&T and Arby’s.

The Piedmont Triad consists of Winston-Salem, Greensboro and Highpoint, which encompasses a market population in excess of 1.6 million and represents the 33rd largest CSA in the U.S. Kernersville’s diversified employment base continues to grow rapidly through its large employers, namely Novant Health, Deere-Hitachi, FedEx, Herbalife, and VA Kernersville Health as well as several logistics companies including Best Logistics Group, TM Logistics, XPO Freight, ABF Freight and Celadon Trucking.



## FINANCIAL HIGHLIGHTS

Price	\$3,880,000
Cap Rate	6.75%
Current Occupancy	100.0%
Net Operating Income	\$261,928

## INVESTMENT HIGHLIGHTS

### NEW CONSTRUCTION

An investor will benefit from ground up 2017 construction with a 15-year roof warranty and the peace of mind that comes along with owning a recently built property. The subject property features extremely attractive architecture with all brick façade and tasteful design.

### HIGH PROFILE 2-TENANT BUILDING

Both tenants have valuable endcap / corner units which maximizes visibility, signage and presence.

### LONG TERM NNN LEASES WITH STAGGERED EXPIRATION

The Mattress Firm lease expires in in November 2028 and the Visionworks lease expires in December 2026. The two-year separation in lease rollover adds additional security and value to investors.

### SCHEDULED RENT GROWTH

Both Mattress Firm and Visionworks leases feature 10% rent increases every 5 years. The unlevered yield on investment increases to 7.42% after the first round of rent increases and to 8.16% in the second round. When introducing responsible leverage, the total yield will increase dramatically.

### EPICENTER OF NEW RETAIL DEVELOPMENT

The strength of the Kernersville retail market is exhibited by the continuous addition of new, high quality tenants. A new retail center was recently completed across the street and is 100% leased to Starbucks Coffee, Chipotle and AT&T. Additionally, Arby's [adjacent to subject] recently completed a build of their latest prototype drive thru.



### EXCELLENT SITE ACCESS AND PARKING

The property is easily accessible along South Main Street with left and right turn in / turn out access. In addition, the property has access along the rear service road, which connects Masten Drive (signalized) and Century Place Blvd (signalized). This rear service road is often used by shoppers of the Harris Teeter grocery store seeking easier access to and from South Main Street.

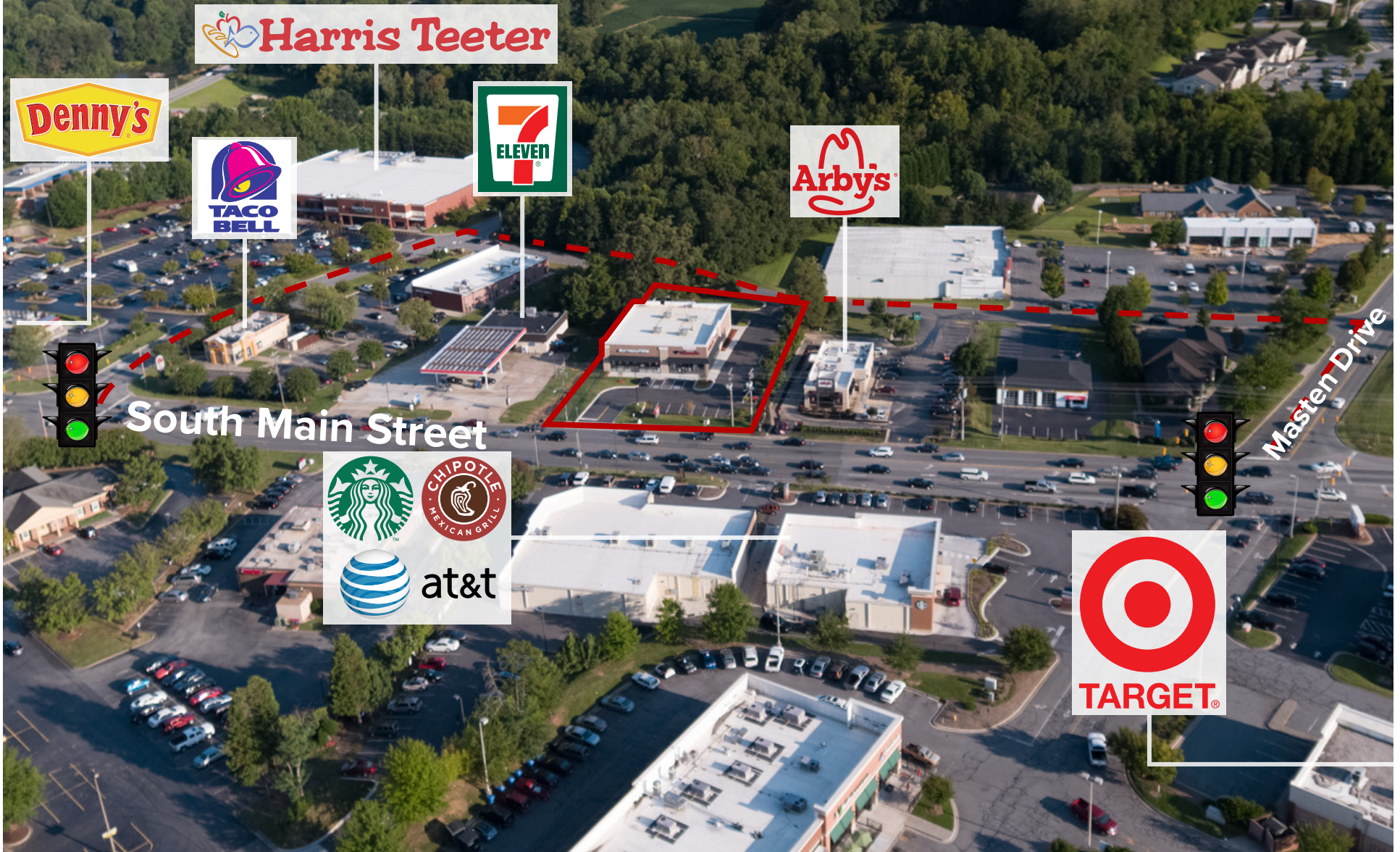
### SURROUNDED BY NATIONAL RETAIL ANCHORS

Due to its strategically dominant position immediately off SR-421, South Main Street has become the undisputed #1 retail corridor in Kernersville and is home to major retail anchors including a Walmart Supercenter, Target, Lowe's, Kohl's as well as regional grocers such as Harris Teeter, Food Lion and Aldi. The closest major retail node which includes a Target and/or Walmart is 12 miles away.

### STRONG DEMOGRAPHICS & REGIONAL EMPLOYMENT HUB

Due to its strategic positioning within The Piedmont Triad, Kernersville has experienced a population explosion since 2001 of 57% within a 1-mile radius of subject and 37% within a 3-mile radius of subject. Meanwhile, the average household income within a 1-mile radius is an impressive \$78,000 per year. Kernersville's employment base is diverse and strong with heavy concentrations in healthcare and logistics. In 2011, FedEx Ground built its "Super Hub" which at capacity will employ 1,400 people while Novant Health opened Kernersville Medical Center, a 221,000 SF facility on a 38-acre parcel, which together with the adjacent VA Health Care Center will employ over 1,200 people.

**REAR EXIT FROM THE PROPERTY PROVIDES ACCESS TO THE MAJOR SIGNALIZED INTERSECTIONS  
FOR HARRIS TEETER AND TARGET**





### CORPORATE BACKED LEASES

- Both Mattress Firm, successor to Sleepy's, as well as Visionworks have signed corporate leases and operate each location as company stores.
- In 2015, Mattress Firm Holding Corp., the largest US specialty mattress retailer, agreed to buy Sleepy's for \$780 million. The acquisition resulted in a retail powerhouse of 3,500 location. Mattress Firm had previously acquired Sleep Train in 2014 for \$425 million. In 2016, Mattress Firm was acquired by Steinhoff International Holdings for \$2.4 billion.
- Visionworks is a wholly owned subsidiary of Highmark Inc. (HVHC Inc.), a health care and insurance company with nearly 20,000 employees and revenues in excess of \$15 billion annually. Visionworks was founded in 1988 and operates nearly 700 stores with 5,600 employees across 40 states.

### SERVICE / EXPERIENTIAL RETAIL

- Mattress Firm provides its customers with a crucial in-store experience and its technicians assist customers in the difficult task of mattress and bedding accessory selection.
- Visionworks features an in-store lab which has the capability of processing and fabricating lens prescriptions within an hour. Current consumer habits demand an in-store experience to try the various fit, finish and style of eyewear.

**MATTRESS FIRM**<sup>®</sup>

 **Visionworks**





**NEW 2017, BUILT FROM GROUND UP CONSTRUCTION**

# PHYSICAL DESCRIPTION

Property Name	Mattress Firm and Visionworks
Address	1011 South Main Street Kernersville, NC 27284
Assessor's Parcel Number (APN)	6876-50-4053.00
Zoning	HB-S*
Gross Leasable Area	± 7,976 SF
Lot Size	± 0.75 Acres (32,714 SF)
Year Built	2016
Number of Stories	1
Number of Buildings	1
Parking Spaces	± 37 Surface Spaces
Parking Ratio	4.6 : 1,000 SF

\*HB-S: Zoning provides for all Retail use including shopping center, banking or financial services, restaurant (with and without drive-through service), theater, arts and crafts studio, food or drug store, furniture and home furnishing store, display retail, nursery, lawn and garden supply. HB-S Zoning also provides for Office, Hotel or Motel, and Recreation Services.

TENANT	SF
Mattress Firm	5,000
Visionworks	2,976
Total	7,976

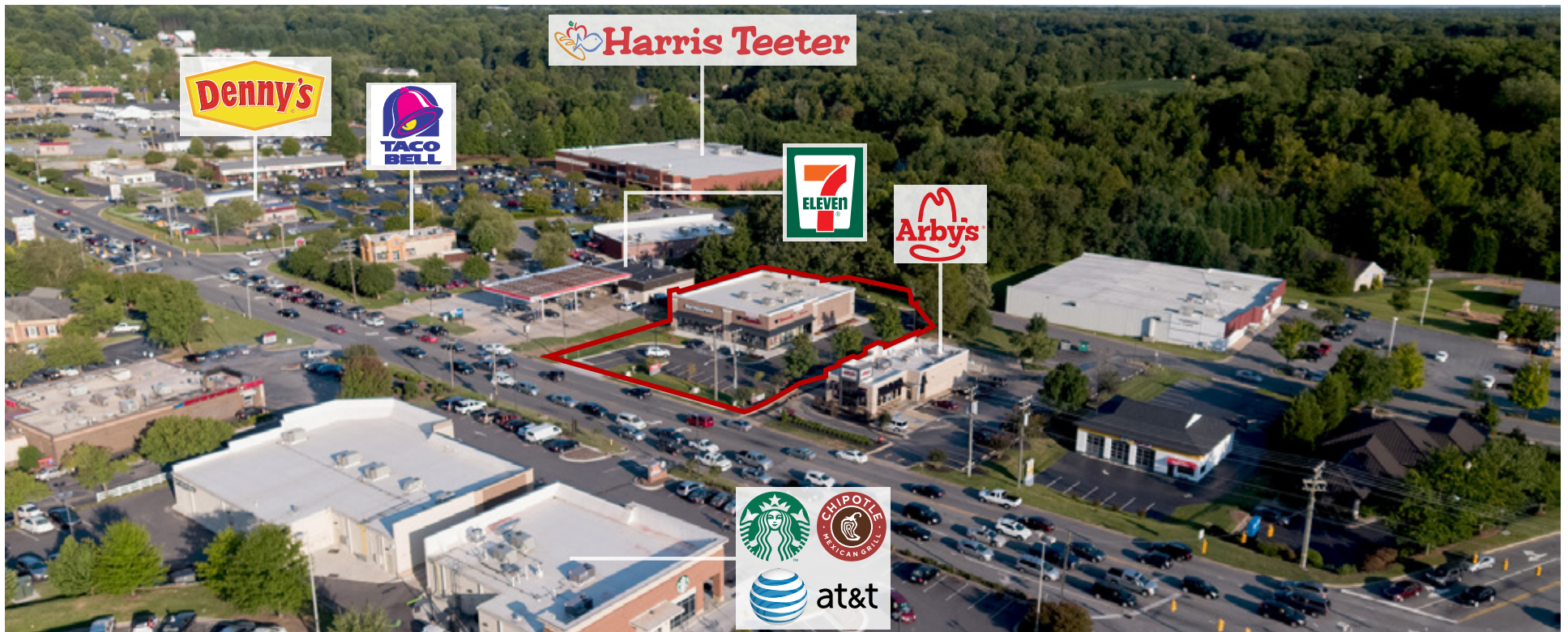


**SITE PLAN**

# FINANCIAL ANALYSIS

## RENT ROLL

TENANT	LEASE EXPIRATION	GLA	ANNUAL RENT	MONTHLY BASE RENT	RENT/SF	% OF INCOME	INCREASES	OPTIONS
Mattress Firm	11/30/2028	5,000 SF	\$160,000	\$13,333	\$32.00	61%	10% Every 5 Years	Two, 5-Year
Visionworks	12/31/2026	2,976 SF	\$101,928	\$8,494	\$34.25	39%	10% Every 5 Years	Three, 5-Year
<b>Total</b>		<b>7,976 SF</b>	<b>\$261,928</b>	<b>\$21,827</b>		<b>100%</b>		



## THE TENANTS



## TENANT SUMMARY

Lessee Name	Sleepy's LLC
Lessee Type	Corporate
Reimbursements	Modified NNN
Lease Commencement Date	12/10/2016
Lease Expiration Date	11/30/2028
Gross Leasable Area	5,000 SF
Options	Two, 5-Year Options
Increases	10% Every 5 Years
Roof and Structure	Landlord Responsible

## MATTRESS FIRM®

### MATTRESS FIRM

PRIVATE

[WWW.MATTRESSFIRM.COM](http://WWW.MATTRESSFIRM.COM)

# of Locations	± 3,600
# of Employees	± 10,552
Headquartered	Houston, TX
Year Founded	1986

### OVERVIEW

With the largest geographic footprint in the United States among multi-brand mattress retailers, Mattress Firm is the #1 mattress specialty retailer in the country. It is the nation's first and only border-to-border, coast-to-coast specialty bedding retailer: there are more than 3,600 company-operated and franchised stores across 49 states under the Mattress Firm, Sleepy's, and Sleep Train brand names. In September 2016, the company was acquired by South African retail group Steinhoff International Holdings N.V. for \$3.8 billion, and Mattress Firm ceased operating as a public company and now operates as a subsidiary of Steinhoff.

### BEST-IN-CLASS SPECIALTY RETAILER

Since its founding in 1986, the company set out to be a different kind of mattress retailer, focused on creating a unique shopping experience for the customer with a large selection of quality, brand name bedding products, competitive pricing and knowledgeable, well-trained associates. Mattress Firm's buying process creates a differentiated customer experience as associates focus on the consumer's buying process through the company's trademarked Comfort by Color process.



## VISIONWORKS

PRIVATE

[WWW.VISIONWORKS.COM](http://WWW.VISIONWORKS.COM)

# of Locations	± 700
# of Employees	± 5,600
Headquartered	San Antonio, TX
Year Founded	1984

### OVERVIEW

Visionworks is a leading provider of eye care services that is committed to providing its customers with an excellent shopping experience and high-quality products and services with the best value and selection in the industry. Formerly Eye Care Centers of America, Inc., Visionworks is now a wholly owned subsidiary of HVHC, Inc. The company operates an estimated 700 optical retail stores through 42 states and the District of Columbia. All Visionworks locations offer designer and exclusive brand frames, lenses, sunglasses and accessories along with leading technology in vision correction.

### IN-STORE LAB SERVICES

Many locations feature in-store labs where many eyeglasses can be made within an hour. Producing eyewear in its stores and its off-site network of labs ensures Visionworks controls cost and quality, thereby proving invaluable to customers. All jobs processed through the company's lab are closely tracked to ensure the best delivery service. Each lab and distribution center uses robotics and state-of-the-art optical-processing equipment to meet customers' needs when in-store production is not available.

## TENANT SUMMARY

Lessee Name	Visionary Properties Inc.
Lease Guarantor	Visionworks of America, Inc.
Reimbursements	Modified NNN
Lease Commencement Date	1/1/2017
Lease Expiration Date	12/31/2026
Gross Leasable Area	2,976 SF
Options	Three, 5-Year Options
Increases	10% Every 5 Years
Roof and Structure	Landlord Responsible



# MARKET AREA & LOCATION OVERVIEW



## MAJOR EMPLOYERS



## WINSTON-SALEM, NC: THE MARKET AREA

Called the Twin City for its dual heritage, Winston-Salem is a city located in the Piedmont Triad region of North Carolina; it is the fifth largest city in the state and the second largest in the region. Locally known as just Winston, Winston-Salem has emerged into an area renowned for its diverse business climate and residential community. Cultures from around the globe combine with traditional Southern hospitality as the city continues to see a steady, upward trajectory. Diversity is celebrated in Winston with an array of festivals throughout the year and a variety of cuisines.

This steady growth has preserved the region's small-town feel, allowing for improvements such as repurposing old textile and tobacco factories into contemporary loft apartment spaces and building a new \$48.7 million baseball park

downtown. Heavy interest in residential and corporate development have made Winston-Salem a hub for entrepreneurs and small businesses.

## WAKE FOREST UNIVERSITY

Wake Forest University is a private research university located in Winston-Salem. The university's 340-acre main campus enjoys a suburban setting just north of the city's downtown, providing students access to all the amenities Winston-Salem has to offer and just a few hours by car from the Blue Ridge Mountains and the beaches of South Carolina. In the 2017 edition of Best Colleges in National Universities, Wake Forest University was ranked #27; it was also ranked #5 in Best Undergraduate Teaching.



## STRONG POPULATION AND EMPLOYMENT GROWTH



### KERNERSVILLE, NC: THE LOCATION

Located at the center of the Piedmont Triad metropolitan area, Kernersville is a continuously growing suburb of Winston-Salem, North Carolina. The progressive full-service Kernersville community is just a short drive from warm beaches and stunning mountains: ideally situated for residents and visitors to take advantage of all destinations in North Carolina. Residents, business owners, and visitors continue to be attracted to emerging land use patterns and high-quality design in the city as it offers many of the features of larger communities, with a warm, welcoming small-town feel.

Employment continues to be enhanced by large employers such as Novant Health Kernersville Medical Center, Deere-Hitachi Machinery Corporation, FedEx Ground, Herbalife, Highland, Best Logistics Group and the VA Kernersville Health Care Center. New small businesses and restaurants continue to pop up all over town. Many companies in the service industry establish their base in Kernersville and serve the entire Triad.

### A RESILIENT COMMUNITY

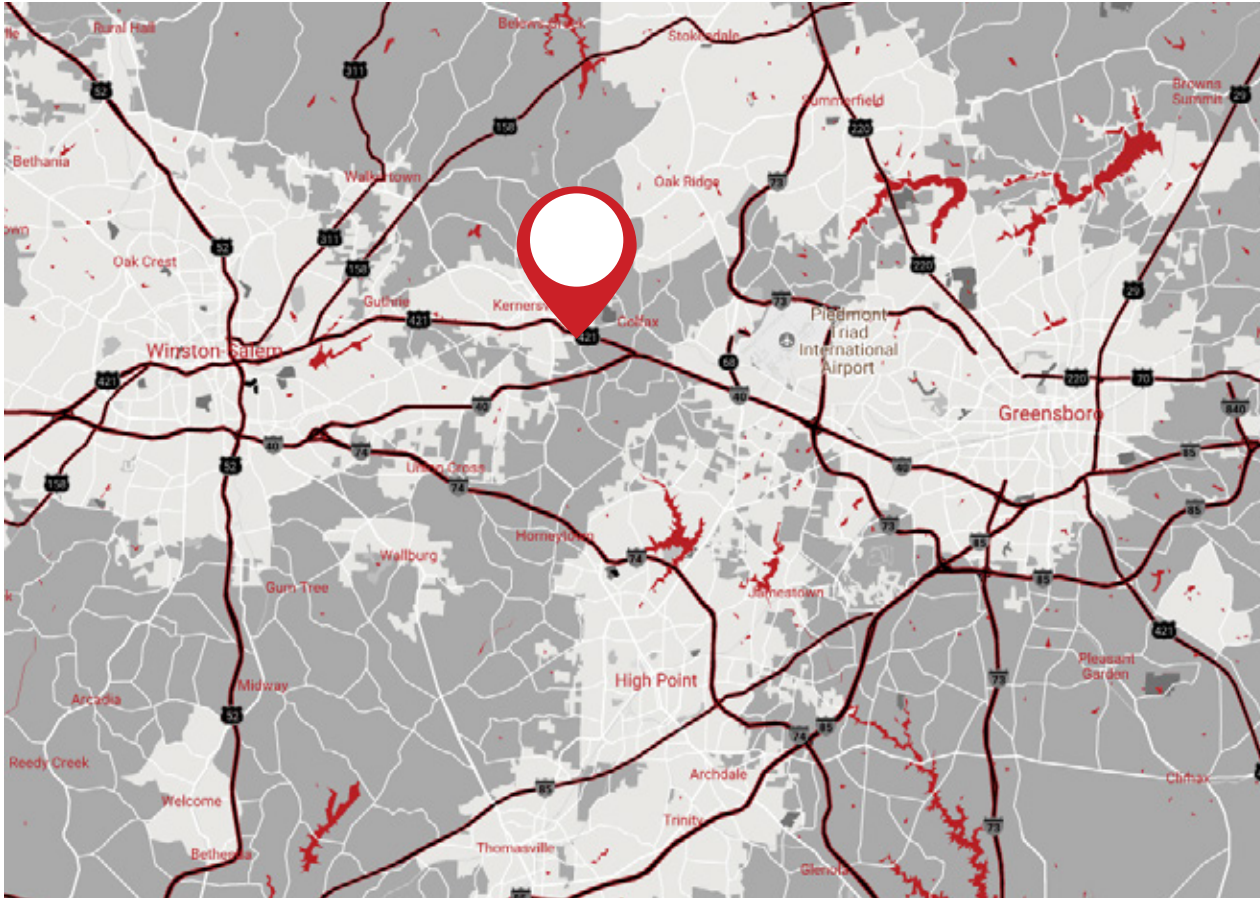
During the depths of the national economic recession, Kernersville responded by growing its manufacturing and employment base. Consistent growth in the city is demonstrated by its attractive downtown, first class medical facilities, and strong local industry. Local economic development has been propagated by the city's 25-year plan for business development. Kernersville's North Main Street was completely replaced to match previous beautification efforts on South Main Street and has secured a hospital that has attracted significant additional health care facilities. Lawrence E. Pope's vision to preserve land for key industries was largely responsible for the site of the Novant Kernersville Medical Center and the new Veterans Affairs Health Center. The Pope Companies also developed several business parks that strengthened the local economy, particularly the South Park Business Park and North Park, now home to the Deere-Hitachi expansion.





**SURROUNDED BY NEWER, BEST IN CLASS RETAIL**





## HEART OF THE MAIN RETAIL CORRIDOR

Located on the heavily trafficked South Main Street, the subject property is established in the middle of multiple shopping centers that are anchored by top national retailers such as Target, Walmart, Kohl's, Harris Teeter, Lowe's and many more. Tenants benefit from the property's tremendous visibility and multi-directional access from the front of the site. In addition to the multi-directional access from the front, there is also a rear access point to a rear access drive, which connects to the signalized intersections on both sides of the property. Individuals driving to Target and Walmart must pass this location when coming from the main highway, Highway 421, which sees daily traffic counts of  $\pm 33,767$  ADT.

**THE NEXT CLOSEST LARGE RETAIL NODE IS  
+12 MILES AWAY**

## THE RECENT DEVELOPMENT BOOM

Kernersville has been undergoing a development boom throughout the last year and a half. Since 2016, the town has issued more than 100 construction permits for commercial and industrial projects including that of Market View shopping center, which opened the summer of 2017 after a year of construction. About a dozen businesses are expected to move into the development, adding to the 60+ businesses that have recently opened or expanded in Kernersville. Other notable projects are Kernersville Medical Center's new 50,000 SF office

building and the Pope Companies' construction of a new 47,000 SF facility in the South Park Business Center.

Meanwhile, in terms of residential developments, over 500 housing units have either been completed or have started construction since 2016. Several new homes have just gone up off Highway 66 in Welden Village and parts of the Caleb's Creek subdivision. In total, there are 200 new single-family homes and a few designated senior housing complexes that have been built. With all this new development, it is anticipated that over 1,000 people will move to Kernersville annually in the coming years.





## PROPERTY DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE	HOUSEHOLDS	1-MILE	3-MILE	5-MILE	INCOME	1-MILE	3-MILE	5-MILE
2022 Projection	4,838	36,440	67,795	2022 Projection	2,113	15,163	27,090	2017 Est. Average Household Income	\$78,046	\$70,747	\$70,712
2017 Estimate	4,646	35,039	65,105	2017 Estimate	2,026	14,569	25,996	2017 Est. Median Household Income	\$61,990	\$55,615	\$56,242
Growth 2017 - 2022	4.13%	4.00%	4.13%	Growth 2017 - 2022	4.29%	4.08%	4.21%				

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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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