

sleep number

2257 Commerce Drive | Rochester, MN
OFFERING MEMORANDUM

MATTHEWS
REAL ESTATE INVESTMENT SERVICES

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MATTHEWSTM
REAL ESTATE INVESTMENT SERVICES



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EXECUTIVE OVERVIEW

INVESTMENT HIGHLIGHTS

INVESTMENT SECURITY

- **Relocation Store**– Sleep Number relocated from the Apache Mall (±3.5 miles away)
- **New Construction site** (2018) with a **corporately guaranteed**, 10-year lease with a 10% rent bump after Year 5 and a **20% rent bump** at the first option period
- **Rapidly Developing Area**– six of the parcels immediately north of the subject property are currently in development; the 15-acre lot just north of Costco as well as two, ±3-acre lots behind Costco; a brand new West Bank across the street; 17 parcels across ±18 acres about ¾ of a mile north of the site; and at least six (6) hotel complexes are in development in the downtown Rochester area (±3 miles from subject property)

IDEAL LOCATION

- Site is **out parceled to a Costco** and **next door to an ALDI**, along with other national tenants in the same shopping center: McDonald's, Sherwin-Williams, Goodwill, Associated Bank, MainStay Suites, Comfort Inn & Suites, Staybridge Suites, and Kwik Trip
- Across the street from CineMagic Hollywood Movie Theatre (12 Theatres), Spectrum, West Bank, Wells Fargo, and Rooster's Barn & Grill.
- **Less than ¾ of a mile from Highway 14**, which boasts **±23,500 VPD**; **Less than 2 miles from Highway 52**, which boasts **±63,000 VPD**
- **Affluent Area** – the Average Household Income exceeds \$86,000 in the 3-mile radius
- Strong Growth – **population has grown over 15.50%** within the 1-mile radius since 2010 and is expected to grow an additional ±6% by 2024
- Over 55,000 residents within the 3-mile radius
- Less than **1 mile from the Rochester Technology Campus** – a 490-acre campus with 34 buildings and ±2.56MM SF of NRA
- **About 2.5 miles from the Mayo Clinic Hospital, Saint Marys Campus**– a 1,265-bed hospital and includes the nation's largest intensive care unit
- Mayo Clinic has been ranked the **#1 hospital in the country** for the third consecutive year (U.S. News & World Report)
[Click here for more details](#)
- Mayo Clinic in Rochester has more #1 rankings in medical specialty areas than any other U.S. medical center (U.S. News & World Report)
[Click here for more details](#)
- Approximately **80,000 patients per year**, including ±303,300 total patient days in 2018
- Generated over **±\$5.15B in patient revenue** in 2018
- Site is about **½ a mile from the Mayo Clinic** Laboratories
- About **3.5 miles from Apache Mall** (where Sleep Number relocated from) – Rochester's largest enclosed shopping mall, encompassing ±82 tenants across 750,000 SF
- About **9 miles from Rochester International Airport** – 366,542 passengers in 2018, a record year for the airport



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SUBJECT PROPERTY

FINANCIAL OVERVIEW



\$2,400,000
LIST PRICE



\$138,000
NOI



5.75%
CAP RATE

BUILDING INFO

Address

2257 Commerce Drive
Rochester, MN 55901

APN

74.29.11.083751

Year Built

2018

GLA of Building

± 3,000 SF

Lot Size

±1.00 Acres

LEASE SUMMARY

Lease Type Lease	Double-Net (NN)
Tenant	Select Comfort Retail Corp. d/b/a Sleep Number
Lease Guarantor	Corporate
Roof & Structure	¹ Landlord Responsible
Est. Rent Commencement Date	9/13/18
Est. Lease Expiration Date	9/30/28
Lease Term	±10 Years
Rental Increases	10% Every 5 Years
Renewal Options	2 (Two), 5 Year Options

¹20-year manufacturer's roof warranty to be transferred to the new owner at the close of escrow

ANNUALIZED OPERATING DATA

Lease Commence	Monthly Rent	Annual Rent	CAP
Current thru 9/30/23	\$11,500.00	\$138,000	5.75%
10/1/23 - 9/30/28	\$12,650.00	\$151,800	6.33%
Option 1	\$15,180.00	\$182,160	7.59%
Option 2	\$16,697.50	\$200,370	8.35%



TENANT OVERVIEW

SLEEP NUMBER

» Company Name Sleep Number	» Year Founded 1987	» Headquarters Plymouth, MN	» Website www.sleepnumber.com
» Ownership Public	» Industry Mattress	» Locations ±450 in 49 States	» Stock Symbol NASDAQ: SCSS

Founded more than 20 years ago and based in Minneapolis, Select Comfort Corporation designs, manufactures, markets and supports a line of adjustable-firmness mattresses featuring air-chamber technology, branded the SLEEP NUMBER® bed, as well as bases and bedding accessories. SLEEP NUMBER® products are sold through its approximately 450 company-owned stores located across the United States; select bedding retailers; direct marketing operations; and online at www.sleepnumber.com.

At Sleep Number, they have a mission: to improve lives by individualizing sleep experiences. They start by focusing on the customer. By believing that each customer is unique and deserves sleep solutions that are just right for him or her, Sleep Number provides with products designed to help individuals sleep their very best, only from Sleep Number. Sleep Number has developed a team of Sleep Professionals who believe improving sleep improves lives. The company has created a successful business model by offering customers the option to engage whenever and however they like - online, by phone, or at one of the store locations.

SURROUNDING TENANTS





MAYO CLINIC HOSPITAL
Saint Marys Campus



U.S. HWY 14
± 32,000 VPD



COMMERCE DR. NW



W. CIRCLE DR. NW
± 16,500 VPD

NEW DEVELOPMENTS





LOCAL MAP

DISTANCE TO

ROCHESTER TECHNOLOGY CAMPUS
..... $\pm <1$ MI



1

MAYO CLINIC (34,700+EMPLOYEES)
..... ± 2.5 MI



2

UNIVERSITY OF
MINNESOTA ROCHESTER ± 4 MI



3

DOWNTOWN ROCHESTER..... ± 4 MI



4

ROCHESTER INTERNATIONAL
AIRPORT..... ± 9 MI



5

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REGIONAL MAP

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4

5

2

3

AREA OVERVIEW

ROCHESTER, MN

Nestled in the Upper Midwest region, Minnesota's Rochester is a thriving city of 170,500 people. Consistently rated as one of the best cities to live in the U.S., Rochester is a welcoming destination for visitors. Distinguished by its culture of caring, spirit of innovation, and fascinating history, Rochester is also renowned for its scenic beauty, relaxing pace, and abundant dining, shopping and entertainment options.

Home to the Mayo Clinic's flagship location, it's no surprise that the medical technology field is one of the city's top industries. The Mayo Clinic forms the core of Rochester's economy, employing over 34,700 people. Other top industries include food processing, computer technology, manufacturing, hospitality, and transportation. A key cog in Rochester's transportation system is Rochester International Airport, a wholly-owned subsidiary of Mayo Clinic founded in 1928 as a way to get patients from far-flung locations to the Clinic.

Due to an expansion of the Mayo Clinic and the city's multi-billion-dollar Destination Medical Center initiative, the city has come to be known as a growing innovation center. This distinction acts as a major draw for highly educated and skilled workers to work and reside in the city. More than a dozen higher education institutions are within an hour's drive of Rochester, among them: Rochester Community and Technical College, University of Minnesota Rochester, Winona State University-Rochester, Mayo Medical Center, and more.

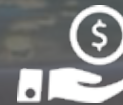
With picturesque parks, renowned historical sites, and high-quality galleries and theaters, residents enjoy the city's vibrancy and charm. In Rochester's downtown area, hotels, stores, restaurants, and the Mayo Clinic are all connected via an extensive system of climate-controlled skyways and underground walkways.

DEMOGRAPHICS

POPULATION	1-MILE	3-MILE	5-MILE
2010 Census	4,910	54,428	95,803
2019 Estimate	5,452	59,724	103,124
2024 Projection	5,751	62,634	107,370
Growth 2010-2019	11.04%	9.73%	7.64%
Growth 2019-2024	5.48%	4.87%	4.12%

HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2010 Census	1,863	22,265	39,077
2019 Estimate	2,025	24,718	42,912
2024 Projection	2,119	26,003	44,958
Growth 2010-2019	8.70%	11.02%	9.81%
Growth 2019-2024	4.64%	5.20%	4.77%

INCOME	1-MILE	3-MILE	5-MILE
2019 Avg Household Income	\$80,678	\$94,363	\$98,689
2019 Med Household Income	\$69,066	\$73,379	\$73,300



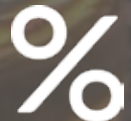
AVERAGE
INCOME

\$80,678



POPULATION
GROWTH

5.48%



HOUSEHOLD
GROWTH

8.70%

CONFIDENTIALITY AGREEMENT & DISCLAIMER

This Offering Memorandum contains select information pertaining to the business and affairs of **Sleep Number** located at **2257 Commerce Drive, Rochester, MN 55901** (“Property”). It has been prepared by Matthews Real Estate Investment Services. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Matthews Real Estate Investment Services. The material is based in part upon information supplied by the Seller and in part upon financial information obtained from sources it deems reliable. Owner, nor their officers, employees, or agents makes any representation or warranty, express or implied, as to the accuracy or completeness of this Offering Memorandum or any of its contents and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and conduct their own due diligence.

By acknowledging your receipt of this Offering Memorandum for the Property, you agree:

1. The Offering Memorandum and its contents are confidential;
2. You will hold it and treat it in the strictest of confidence; and
3. You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Matthews Real Estate Investment Services expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of the Property or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Matthews Real Estate Investment Services or any of their affiliates or any of their respective officers, Directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.

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