



NET LEASE INVESTMENT SALES: SPOTLIGHT ON MATTRESS FIRM

APRIL 2017



Typical Mattress Firm Concept



Typical Mattress Firm Interior

COMPANY OVERVIEW

Established in 1986, privately held Houston-based Mattress Firm offers a comprehensive selection of mattresses, bedding and other sleep associated commodities from leading global manufacturers such as Serta, Simmons, Tempur-Pedic and more. With over \$3.5 billion in 2015 sales, Mattress Firm is recognized as the nation's leading specialty bedding retailer. Through a series of recent acquisitions the company purchased Sleepy's, Mattress Pro and Sleep Train growing both their brand and their geographical outreach.

In September 2016, Steinhoff International, a South African based furniture retail holding company, bought Mattress Firm for \$3.8 billion taking it from a publicly traded company (NASDAQ: MFRM) to a private company that operates as a subsidiary of Steinhoff. Steinhoff's acquisition reportedly stunned investors as the company paid a record 115% premium for Mattress Firm's stock. The all-cash transaction placed Mattress Firm's enterprise value at \$3.8 billion. Although a high price, analysts have placed it within the range of precedent transactions as the resulting 11.2x EBITDA falls within the 9.6x-13.7x EDBITDA the mattress sector has been witnessing for the past decade.

As a private entity, Mattress Firm no longer holds any stock or bond credit ratings or valuations. But when last reported, comparable-store net sales increased 2.1% year over year between 2014 and 2015 and total net sales increased 40.7% from \$1.80 billion to \$2.54 billion within the 2014-2015 fiscal years demonstrating that the company is in an upward earnings trajectory. Mattress Firm also has the largest geographic footprint in the United States among multi-brand mattress retailers with 3,500 company-operated and franchised stores across 49 states. The company plans to further

open an additional 180 to 200 new company-operated locations by the end of their fiscal year 2016.

Commercial properties leased to Mattress Firm can be found in both stand alone and inline locations with store footprints between 4,000 and 5,000 square feet. Recent new leases offer 10 or 11 year primary terms with periodic rent increases and multiple 5 year option periods. The lease structure is NN with the landlord being responsible for roof and structure and the tenant having responsibility for all other maintenance, costs, and expenses.

QUICK FACTS



\$32M

Total sales volume of freestanding Mattress Firm locations sold since January 2016



\$2.9M

Average sales price of Mattress Firms sold since the beginning of last year, resulting in an average PSF price of \$422

Sales Comparables

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The report below features a sampling of properties currently on market or sold since July 2016. Please note the different locations and adjust comparisons accordingly. Also note that sales comparables provide a snapshot of recent transactions and are not a perfect predictor of future market movement and behavior.

	Grand Junction Mattress Firm <i>Grand Junction, CO</i>	Terre Haute Mattress Firm <i>Terre Haute, IN</i>	Westchester Mattress Firm <i>Chicago, IL</i>	Tallahassee Mattress Firm <i>Tallahassee, FL</i>	Wytheville Mattress Firm <i>Wytheville, VA</i>	Roanoke Mattress Firm <i>Roanoke, VA</i>
Property						
Close Date	February 2017	January 2017	December 2016	August 2016	July 2016	July 2016
Sale Price	\$3,582,000	\$2,125,000	\$1,950,000	\$2,163,400	\$1,970,000	\$2,420,000
Cap Rate	6.70%	7.35%	6.75%	6.50%	7.00%	6.75%
RBA	10,000 SF	5,000 SF	4,500 SF	4,113 SF	4,400 SF	5,100 SF
Sale Price per SF	\$358.20	\$425.00	\$433.33	\$525.99	\$447.73	\$474.51
Lease Type	NN	NN	NN	NN	NN	NN
Rent Increases	10.0% Every Five Years	10.0% Every Five Years	10.0% Every Five Years	10.0% Every Five Years	10.0% Every Five Years	10.0% Every Five Years
Term Remaining	10 Years	11 Years	10 Years	11 Years	10 Years	11 Years
Year Built	2016	2016	2016	2016	2015	2016

Listed properties represent a small cross-sampling of the overall market.
Data courtesy of Greysteel Research.



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