

INVESTMENT OPPORTUNITY



Leader in Growing Market

BlueRockPartners
Commercial Real Estate Advisors

PROPERTY OVERVIEW

Blue Rock Partners presents 708 Kanoelehua Avenue for an accretive cash flow single-tenant, investment opportunity. Serving the US, Mattress Firm has seven years left on a 10-year NNN lease to occupy the showroom, office spaces, and high-cube warehouse.

The current tenant, Mattress Firm belongs to Mattress Firm Holding Corp. The corporation is the nation's leading specialty bedding retailer with over \$3.6 billion in sales in 2016. The company is the first border to border, coast to coast multi-brand mattress specialty retailer in the United States. Serving customers for 30 years, Mattress Firm Holding Corp. has the largest geographic footprint with more than 3,500 company-operated and franchised stores across 48 states.

Mattress Firm at 708 Kanoelehua Avenue comprises of a showroom, office, and high cube warehouse, which totals over 14,000 square feet. The recent renovations of the showroom and office have created significant value, while adding a modern quality to the interior spaces.



INVESTMENT OPPORTUNITY

Mattress Firm Holding Corp. recently acquired by a \$25 billion dollar company, Steinhoff International Holdings N.V. purchased Mattress Firm for \$2.4 Billion in 2016. With a year-over-year growth rate of 39%, Mattress Firm Holding Corp. is the nation's largest mattress specialty retailer. New stores generate cash-on-cash payback in less than one year with consistent high correlation between penetration and profitability. The long-term stability and growth make this a unique and advantageous investment.

- **LEASE:** 10-year net lease (expires 4/30/2024)
- **ANNUAL LEASE RENT:**
 - Years 1-5: \$196,905
 - Years 6-10: \$216,600
- **TENANT:** Sleep Train
- **PRICE:** \$3,300,000
- **CAP RATE:** 6%

CREDIT STRENGTH

- America's # 1 mattress specialty retailer
- Over 3,500 company-operated & franchised stores
- Long term lease
- Strong Wall Street credit
- \$3.6 billion in sales in 2016
- NASDAQ: MRFM
- Attractive cap rate
- Rent below market
- 18% proposed CAGR growth over 15 years
- 16% CAGR store count growth over 15 years

HILO OVERVIEW

Located on the Southeast portion of the Island of Hawaii, the City of Hilo encompasses an area of approximately 4,060 square miles. Hilo is the largest city on the Island of Hawaii, and is the second largest city in the State. Hilo has a population of approximately 46,000, with over 45% of households earning over \$50,000 per year.

Hilo has evolved into a unique tourist destination, serving many people wanting to visit the Hawaii Volcanoes National Park. The downtown shopping district, bordering the Wailuku River, is an architectural throw-back to the days when the sugarcane industry was the primary economic driver. Today, these buildings house a number of art, collectible, fashion and food vendors that make for a lively atmosphere.

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ECONOMIC CONTRIBUTORS

GOVERNMENT: Hawaii's government is composed of the State Government, with four subsidiary county governments. With Hilo as the County Seat, the entire Island of Hawaii falls under the County of Hawaii.

The Aupuni Street/Kilauea Avenue block in Hilo serves as the headquarters for all government activities on the Island. The Hilo Judiciary Complex is a three-story, 175,000 square foot complex located at 777 Kilauea Avenue. This \$86 million project consists of seven general courtrooms, two family courtrooms, a law library, holding cells, witness rooms, an interview room and a grand jury room. This facility consolidates existing courtroom operations that have been scattered throughout Hilo, and is likely to spur migration of legal counsel and support services to the vicinity of the complex.

UNIVERSITY OF HAWAII AT HILO: The University of Hawaii (UH) school system is comprised of 10 campuses across the State, one of which is located in Hilo. UH-Hilo was originally established as Hilo College in 1947. This school has grown from 46 students and 3 faculty members, to a student body of more than 4,000 enrolled students. The students at UH-Hilo account for 9% of Hilo's population. Approximately 800 of these students live on campus and the remainder live in Hilo or its outlying community.

UH-Hilo is the fourth largest employer on the Big Island with approximately 600 full-time employees, which is nearly 5% of the total employment population on the Island. \$135.5 million dollars are contributed towards direct expenditures accrued annually from UH-Hilo. Currently, it is estimated that \$100.4 million is cycled through the local community as a result of UH-Hilo operations. These expenditures are a major contributor to direct local sales and benefit retailers throughout Hilo.

Long-term stability for UH-Hilo is demonstrated by the ten-year accreditation awarded to this school by the Western Association of Schools and Colleges, the longest term of accreditation in their award system. Recent design and/or construction of new facilities, including the Student Life and Events Center Complex, North Hawaii Research and Education Center, Pacific Aquaculture and Coastal Resources Center, the Pharmacy Building, and the Marine Science Building, suggests the University intends on expanding its capacity.

As the University continues to grow in physical size, as well as employee and student population, more money is expected to permeate through Hilo businesses. UH Hilo has a tremendous impact on the Hilo economy and its upward trend will continue to contribute to Hilo's growth. Expansion plans also include a China-US Center to include student housing, a commercial plaza, a University Inn, additional classrooms, and conference facilities. In addition, many private facilities supporting the discipline of astronomy have formed around the infrastructure of the University Park of Science and Technology.



CONSTRUCTION: The City of Hilo has seen a surge of new development and investment in recent years, following the upward trend of the Island as a whole. There have been a number of additions to the UH-Hilo Campus in recent years, including a new Office of Student Services Building, Hale Kanilehua Student Housing (\$8 million), and Kawili Street Student Housing Phase I (\$32 million), the initial phase of University Town Center. In 2015 the campus continued new developments and broke ground to construct a \$33 million permanent building for College of Pharmacy. The Thirty Meter Telescope, a development project to construct a telescope and observatory atop Mauna Kea, is estimated to provide job creation and generate \$26 million in observatory operations.

AGRICULTURE: The agriculture industry is one of the County's largest economic contributors, with agricultural businesses including aquaculture, livestock, and production of fruits, coffee, nuts and tropical flowers.

The Big Island has over 450 cattle operations, 70 hog operations, and 41 dairy operations. Nearly 115,000 head of cattle are raised on the Big Island, and facilities such as the Parker Ranch are amongst the oldest ranges in the United States. The Parker Ranch alone is approximately 150,000 acres and is one of the country's largest cattle ranches. Livestock industries here represent \$25 million in revenue annually.

PROPERTY DESCRIPTION

The property is situated on Kanoelehua Avenue, Hilo's major thoroughfare, which boasts over 34,000 vehicles per day. Its convenient and central location offer prime exposure to Hilo's residents and visitors alike and is also within close proximity to the Hilo International Airport, Hilo Harbor, and major retail, such as the Prince Kuhio Mall, Waiakea Center, Walmart, Home Depot and the new Safeway and Target.

Property Highlights

ADDRESS: 708 Kanoelehua Avenue

TMK: (3) 2-2-37-24

TENURE: Fee Simple

ZONING: ML-20, Industrial

CONSTRUCTION: Steel

BUILT: 1966

LAND: 20,995 sf

Floor Area

SHOWROOM: 5,700 sf

OFFICE: 2,200 sf

WAREHOUSE: 6,300 sf

TOTAL: 14,200 sf



RETAIL MARKET OVERVIEW

PUAINAKO CENTER:

Puainako Center is located on Hilo's most heavily traveled highway, situated in the hub of Hilo's retail district with nearby Prince Kuhio Plaza and Waiakea Center.

Center type: Neighborhood Center

Date Opened: 1979

Total Square Feet: 80,554 sf

Vacancy: 3%

Monthly Asking Rents:

Base: \$2.50 - \$2.75 psf

CAM: \$0.67 psf

Anchor Tenants: Sack 'n Save, McDonald's, O'Reilly Auto Parts



PRINCE KUHIO PLAZA:

Prince Kuhio Plaza has been renovated several times over the years located in the busiest mall on the Island of Hawaii. Located in downtown Hilo and situated on the main thoroughfare of Hilo on the corner of Kanoelehua Avenue and Puainako Street.

Center type: Regional Center

Date Opened: 1985

Total Square Feet: 495,277 sf

Vacancy: 8%

Monthly Asking Rents:

Base: \$2.50- \$5.00 psf

CAM: \$2.50 psf

Anchor Tenants: Sears, Macy's



Disclaimer:

Blue Rock Partners, LLC members Fred Noa and Anthony Hunt are active owners in Hilo Holdings LLC. This disclaimer serves as notice to any interested party in the transaction of 708 Kanoelehua Ave, Hilo HI 96740, the involvement of Blue Rock Partners, LLC as it relates to a sales transaction of said property is to serve as the listing broker for the Seller.

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