

CONFIDENTIAL INVESTMENT OFFERING

6801 France,
a Delaware Statutory Trust (DST)

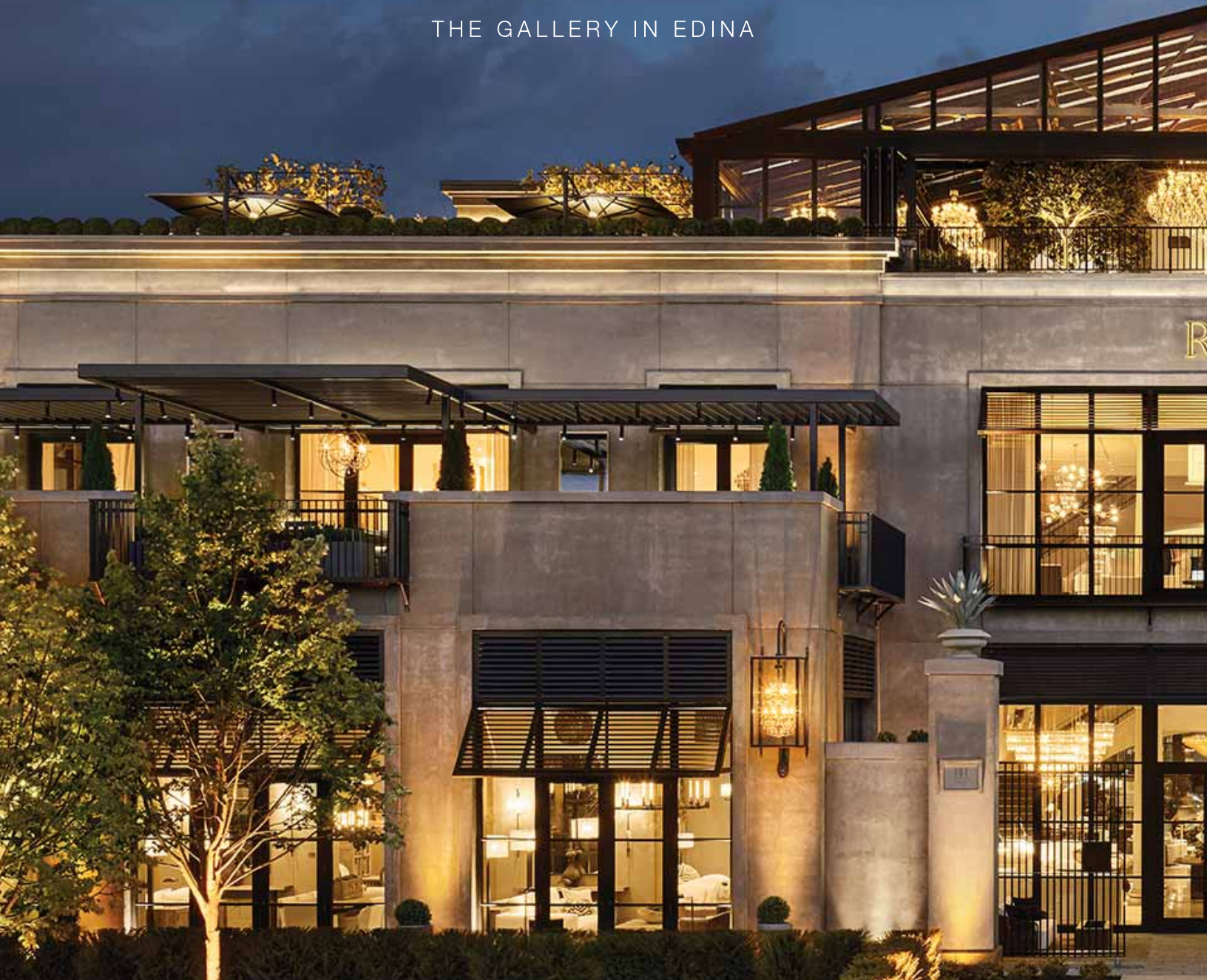
RH
MINNEAPOLIS

THE GALLERY
IN EDINA

NAILegacy

RH MINNEAPOLIS

THE GALLERY IN EDINA



NAI Legacy is offering the exclusive opportunity to invest in a newly constructed, freestanding Restoration Hardware (“RH”) Retail Showroom property located at 6801 France Avenue South in Edina, Minnesota (“Property”). The three (3) story and approximate 58,000 square foot flagship Retail Showroom store is a part of Restoration Hardware’s luxury gallery collection and was constructed as a build-to-suit for RH. The Property is ideally situated at the northeast intersection of France Avenue and West 69th Street and is the gateway to Edina’s luxury retail district consisting of the Galleria of Edina and Southdale Center. NAI Legacy and RH have entered into a new twenty (20) year Absolute NNN Lease, with a ten (10) year option to extend.

This Investment Opportunity is sponsored by NAI Legacy and will be structured as a Delaware Statutory Trust (“DST”) – which can accommodate multiple IRC Section 1031 Tax Deferred Investors.





DISCLAIMER

This analysis included in this investment summary is based on estimates and assumptions of NAI Legacy and its affiliates. NAI Legacy used a specific set of assumptions to create this analysis, but is not representing that any of the assumptions will materialize. There is a certain degree of inherent risk associated with commercial real estate investing, and you as the buyer, are advised to seek advice from your accountant, attorney and or other advisors, and to view this information as hypothetical. Although this analysis can be useful in making decisions about this investment, any of the assumptions could change, which may materially alter your conclusions.

All information furnished by NAI Legacy is from sources judged to be reliable, however, no warranty or representation is made to its accuracy or completeness.

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NAI LEGACY OVERVIEW



Investment Overview

EXECUTIVE SUMMARY

NAI Legacy is making available this unique opportunity to invest in a newly-constructed, freestanding Class A Restoration Hardware retail showroom property, consisting of approximately 58,000 square feet of building area situated on +/- 2.09 acres of land located at 6801 France Avenue South, Edina, MN 55435. The Property was self-developed by Restoration Hardware and opened in September 2019.

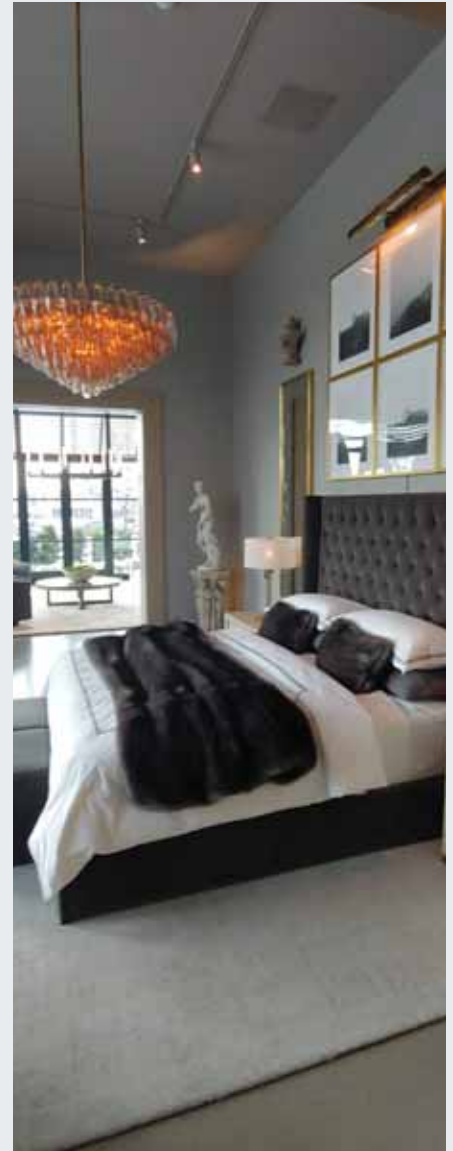
Restoration Hardware is publicly traded on the New York Stock Exchange under the ticker symbol "RH". The retailer reported adjusted 2019 revenues of \$2.647 billion, a 5.4% increase over 2019. The Property is the latest upscale "RH Gallery" flagship concept by the chain, which operates 68 RH Galleries and 38 outlets worldwide. Restoration Hardware has operated in Edina, MN, for over twenty-five (25) years. This showroom was the old format and yet was wildly successful.

The Property is situated at the northeast intersection of France Avenue and West 69th Street, adjacent to the Galleria of Edina and Southdale Center regional mall – the gateway to the Twin Cities luxury retail market. Edina is a highly desired first-ring suburb just south of downtown Minneapolis, boasting some of the Twin Cities' strongest area demographics in terms of wealth and household income.

NAI Legacy acquired the Property from RH on July 29, 2020. At closing, NAI Legacy and RH entered into a new twenty (20) year lease on absolute net ("Absolute NNN"). The first year base rent is \$1,400,000 (\$24.14 / sq. ft.) and increases by 10% every five (5) years. RH has a single ten (10) year option to extend the term. RH is responsible for all annual real estate taxes, property and casualty insurance, common area maintenance and the full repair and replacement of the roof, parking lot, all mechanical systems, windows and structural elements. The landlord has no annual maintenance or capital replacement responsibilities. The market retail

NAI Legacy has structured the investment as a 1031 | Delaware Statutory Trust (DST) allowing for multiple investors to participate in the offering, including those investors seeking to effectuate an IRC Section 1031 tax-deferred exchange.

NAI Legacy intends to offer its investors the opportunity to participate in significant Bonus Depreciation relative to the unique nature of the real estate and its improvement classifications.





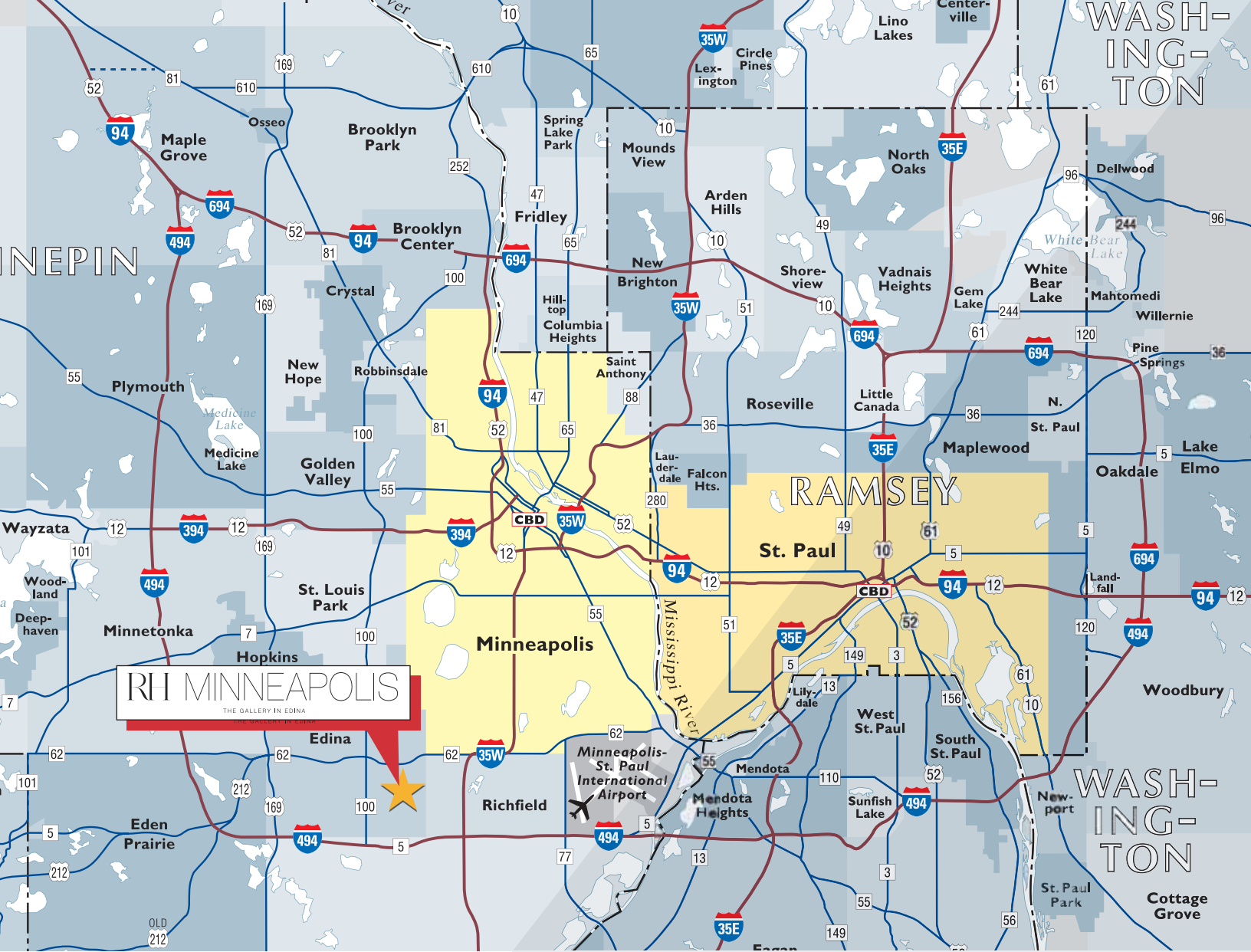
INVESTMENT HIGHLIGHTS

- Newly constructed, freestanding build-to-suit for Restoration Hardware completed in September 2019.
- Credit-worthy tenant publicly traded on the New York Stock Exchange (Ticker: RH) with a reported \$2.647 Billion in 2019 annual gross sales; a 5.4% increase over 2018 and a 19.8% increase over 2017.
- Highly visible location in established and prominent luxury retail neighborhood.
- Twenty (20) year initial lease term.
- Absolute Net Lease, with no landlord responsibilities.
- Structured as a Delaware Statutory Trust (DST) allowing for multiple investors to participate in the Offering.
- Potential for significant Bonus Depreciation utilizing IRC Section 168K.

OFFERING SUMMARY

Investment Structure:	Delaware Statutory Trust (DST)
Offering Price:	\$28,575,000
Total Equity Available:	\$12,000,00
Minimum Equity Investment:	\$50,000
Total First Mortgage Debt:	\$16,575,000
Anticipated LTV:	58%
First Year NOI:	\$1,386,000
Anticipated First Year Cash on Cash:	6.00%
Other Investment Benefits:	Bonus Depreciation Investment
Holding Period:	10 Years
Building Size:	+/- 58,000 SF
Lot Size:	+/- 2.09 Acres
Price / Sq. Ft.:	\$493
Tenant:	Restoration Hardware, Inc. (NYSE: RH)





High Quality Neighboring Property



High Quality Neighboring Property

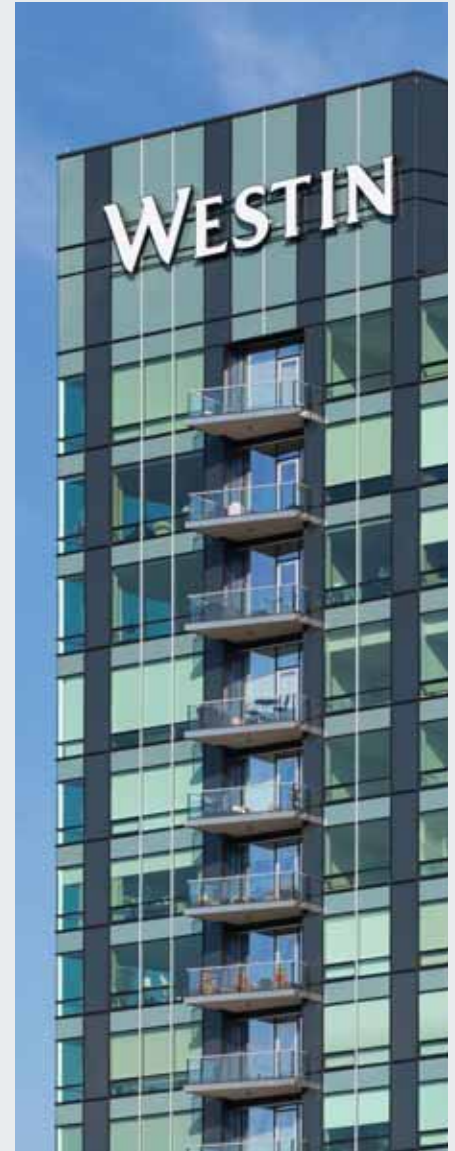
Location Overview

AN UNBEATABLE LOCATION

The RH Property is located in the affluent suburb of Edina, MN, which is the most exclusive city in the Minneapolis/St. Paul MSA. The highly sought-after, upscale suburb is located just south of Minneapolis and boasts some of the Twin Cities' highest concentration of household wealth and annual household incomes.

The freestanding luxury retail RH Gallery is situated at the "main & main" corner and entrance to Southdale Center, a super-regional mall, and is immediately across the street from the Galleria of Edina, a shopping center featuring a collection of the world's finest luxury retail brands, restaurants and a Westin Hotel & Residence. With 2+ million square feet of gross leasable area, Southdale Center and the Galleria of Edina are classified as "Class A" shopping malls – the most stable and successful of the shopping mall categories. The Galleria of Edina has been in the top tier of retail sales per square foot in Minnesota, at around \$850/square foot. Southdale Center ranks relatively high at approximately \$500/square foot, comparable to Ridgedale Center in Minnetonka. (Source: ESRI Business Analyst)

The RH Gallery is located along well-known France Avenue, the main north / south thoroughfare that connects the heart of Edina's shopping and commerce districts with its residents, commercial sectors and area freeway system. For over 50 years, France Avenue has been the region's #1 retail destination. The Greater Southdale District, which extends along France Avenue from Crosstown Highway 62 on the north to Interstate 494 on the south, benefits from the prosperous business and medical community in Edina and surrounding areas. Within the District's trade area, the 2019 daytime workforce population was more than 977,000, including more than 12,000 medical professionals.



LOCATION DETAILS

Property Address:	6801 France Avenue South, Edina, MN
County:	Hennepin
Street Frontage:	France Avenue
Cross Streets:	France Avenue South and West 69th Street
Traffic Counts:	30,000 VPD
Market Type:	Retail, Medical and General Commerce
Nearest Highway:	Minnesota State Highway 62 "Crosstown"
Nearest Airport:	MSP International Airport
Edina Population:	49,750 (2010 Census)





THE GREATER SOUTHDALE DISTRICT

A tremendously successful suburban destination, the Greater Southdale District plays a unique role in the City of Edina and Twin Cities region, drawing residents from Edina, Bloomington, South Minneapolis, Richfield and other neighboring communities. At 850 acres, the Greater Southdale District is larger than the core of Downtown Minneapolis and features the largest concentration of furniture and design-related retailers in the Upper Midwest, drawing designers and shoppers from adjacent states. The concentration of similar retailers (e.g. high-end fashion or furniture/design related showrooms) provides shoppers with a broad selection and an opportunity for comparison shopping in one convenient area. The District's hospitality sector – dining, entertainment and hotels – complements the shopping experience.



FIRST INDOOR REGIONAL MALL

Southdale Center is the nation's first indoor regional shopping mall. The center, which opened in 1956, is anchored by Macy's and LifeTime and includes over 120 specialty stores ranging from women's apparel to gifts and jewelry. The mall also features a wide variety of dining options from sit down restaurants to grab and go choices.



LUXURY MEETS LIFESTYLE

The Galleria of Edina, which is located across the street from Southdale Center and the RH property, is Minnesota's most exclusive shopping destination offering the finest in fashion, home, beauty and dining options. Among the top 10% of enclosed retail centers nationally, the Galleria of Edina offers a unique blend of some of the world's best know retailers and best-in-class local boutiques along with salon/spa services and formal and casual dining options wrapped within a sophisticated, relaxed atmosphere drawing visitors from beyond the MSP region.



REGIONAL HEALTHCARE COMPLEX

Located adjacent to Southdale Center is a regional healthcare complex anchored by Fairview Southdale Hospital, a 390-bed facility affiliated with the University of Minnesota. It is a Level III trauma center, providing 24-hour emergency services as well as heart, stroke, cancer care and more than 40 specialty services. As of 2019, the hospital employed a full- and part-time faculty of more than 2,300 professionals.

URBAN LIFESTYLE

Since 2014, more than 900 new multifamily units have been added in Edina – the majority within the Greater Southdale District. Nearly 700 apartments are currently under construction and more than 900 additional units have been proposed. Edina ranked eighth in the Minneapolis-St. Paul metro for the total number of multifamily units permitted between 2014 and 2016. (Source: Twin Cities Business)



DELICIOUS DINING

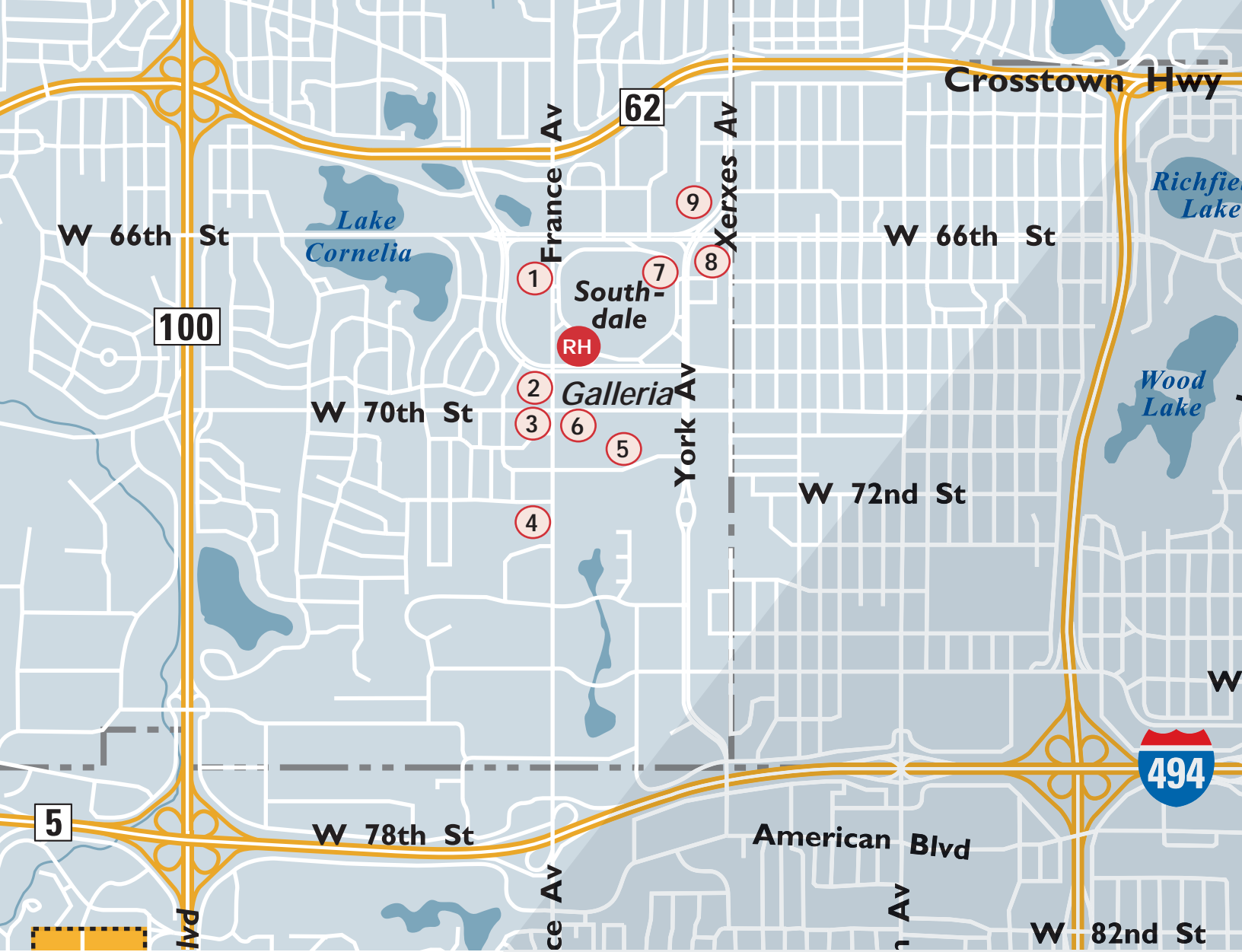
For a fabulous dining experience, consumers can enjoy a diverse selection of restaurants to wine and dine at, ranging from casual to contemporary and fine dining. Whether in the mood for a quick snack, a casual meal or upscale fare, there is a place for everyone at the table in the Greater Southdale District.



SHOP AND STAY

Offering a direct connection to the Galleria of Edina shopping center, the Westin Edina Galleria welcomes travelers with elevated accommodations and thoughtful amenities. Travelers can also take advantage of Edina's first upscale Homewood Suites by Hilton, which recently opened adjacent to Southdale Center.





DEVELOPMENT IN THE GREATER SOUTHDALE DISTRICT

Because of the strong demographics and ongoing popularity of the Greater Southdale District, developers are aggressively pursuing forward-thinking projects in the area – similar to the newly-constructed RH Property. The majority of projects are multi-family to accommodate population growth and changing lifestyle trends, these new projects feature a mix of uses and amenities to attract residents and visitors to housing and retail destinations.

Projects recently completed and/or currently underway are plotted on the above map and showcased on the adjacent page:

1



Name: Avenue on France
Type: Mixed Use
Size: 21.78 Acres
Developer: DJR Architects/
Dennis Doyle
Notes: Redevelopment of
Southdale Office Center

2



Name: Arcadia on France
Type: Retail Strip Center
Size: 9,600 SF
Developer: Luigi Bernardi
Notes: Former condo site

3



Name: Edina Retail Center
Type: Retail Strip Center
Size: 6,702 SF
Developer: OneCorp Real Estate
Notes: Former gas station;
new building sold
for \$8.25 million

4



Name: 7200 & 7250 France
Type: Mixed Use
Size: 309 Units
30,000 SF Retail
Developer: France Equities LLC
Notes: Raze two existing
buildings

5



Name: Promenade Residences
Type: Multi-Family
Size: 167 Units
Developer: Lund Properties
Notes: Approved

6



Name: 7001 & 7025 France
Type: Mixed-Use
Size: 315 Units
55,000 SF Commercial
Developer: Ryan Companies
Notes: In Planning

7



Name: LifeTime Athletic
Type: Health Club/Coworking
Size: 120,000 SF
Developer: LifeTime
Notes: Redevelopment of
former JC Penney store

8



Name: Aria
Type: Multi-Family
Size: 190 Units
Developer: Doran Construction
Notes: Former Best Buy site

9



Name: The Millennium
Type: Multi-Family
Size: Phase I - 227 Units
Phase II - 148 Units
Developer: DLC Residential
Notes: Redevelopment of
two office buildings

EDINA, MINNESOTA

Small-Town Charm, Big City Amenities and Everything in Between



Filled with residents who support their community, volunteer and innovate, the City of Edina continues to prosper. A nationally renowned school district, thriving economy and a collection of public parks appeals to families, businesses and retirees. Founded around a gristmill in the late 1800s, Edina has become a sought after community thanks to its small-town feel and big city amenities.

Situated immediately southwest of Minneapolis in Hennepin County, Edina has an estimated 2020 population of 52,490. It is a first-ring suburb known for its shopping and dining, parks and recreational facilities, and the excellent quality of life for residents. Just a few minutes' drive from downtown Minneapolis and easily reachable from multiple highways and freeways, Edina is conveniently divided into four sections by Minnesota State Highways 62 and 100. Metro Transit offers bus service to parts of Edina.

According to the United States Census Bureau, the city has a total area of 15.97 square miles, of which 15.45 square miles is land and 0.52 square miles is water. Residential areas comprise the largest portion of the City, which is more than 95 percent developed. Within Edina are many different neighborhoods: Highlands, Indian Hills, Morningside, Country Club District, Cahill Village, Chapel Hill, South Harriet Park, Interlachen, Rolling Green, Presidents, Sunnyslope, White Oaks, Parkwood Knolls, Braemar Hills, Birchcrest, Dewey Hill and Hilldale.

Edina is home to world-class public and private schools. The public high school consistently ranks among the top 2% in the country. K-12 enrollment is approximately 8,500 students. Due in part to its strong boys and girls ice hockey programs, Edina was named by ESPN in 2020 as the "center of the center" of the American ice hockey universe.

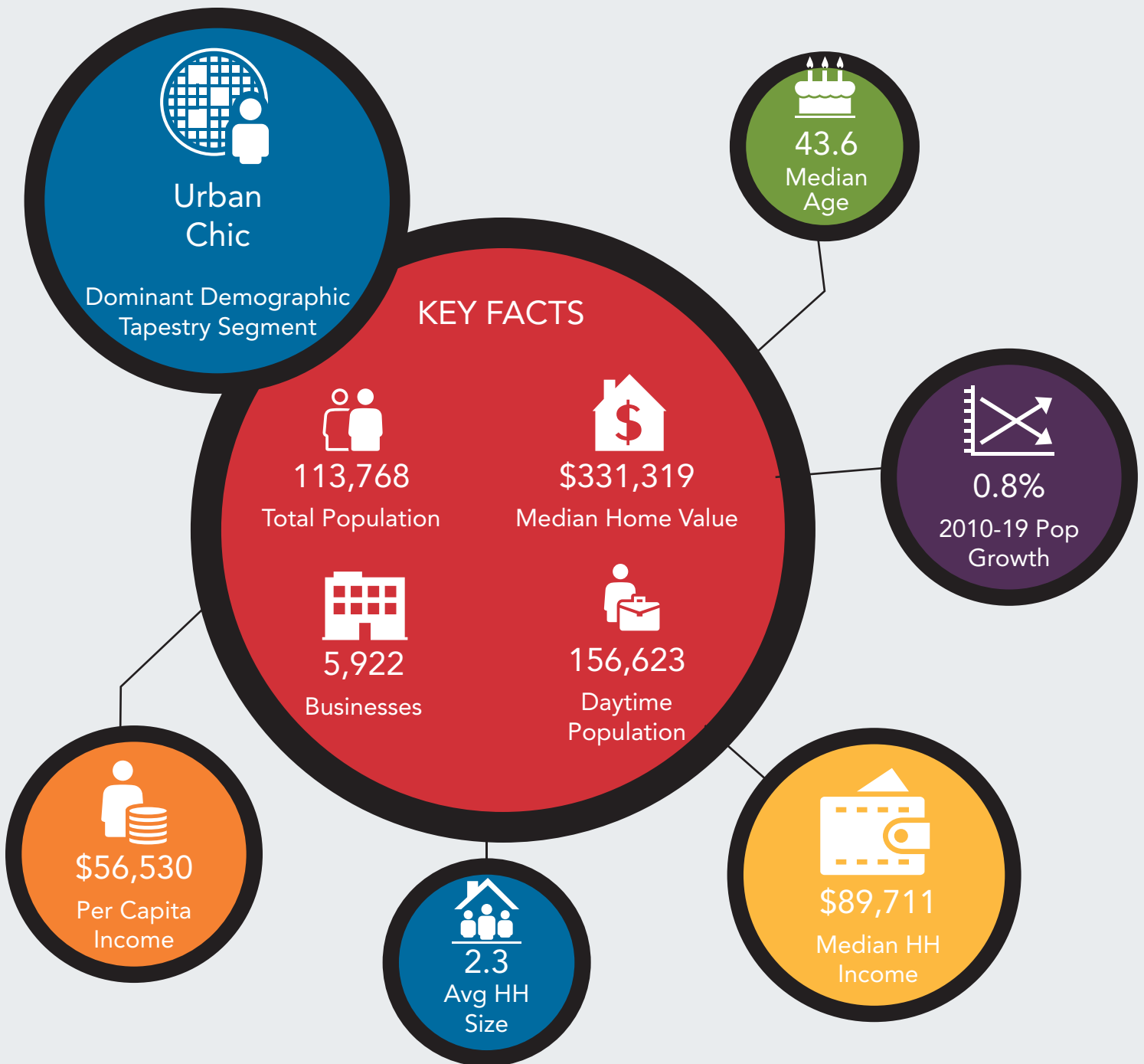
No matter the season, Edina offers an amazing variety of activities. Summers are a golfer's paradise, with three historic country clubs and two excellent public courses. Sports and nature lovers can hike, bike, fish, canoe, skate or swim at more than 40 parks and recreation areas in Edina alone. Winter brings cross-country skiing, ice skating at indoor/outdoor rinks and play dates at Edinborough Park, a huge indoor play center.

Fairview Southdale Hospital, a top-quality fast response medical facility, is located in Edina, as are several corporate headquarters, including International Dairy Queen, Regis and National Car Rental.

The city's most notable shopping centers are Southdale Center, the Galleria of Edina and 50th & France shopping district, which is shared by the bordering city of Minneapolis.

DEMOGRAPHIC TRENDS: 3-MILE RADIUS

6801 France Avenue, Edina, MN





MARKET HIGHLIGHTS

Minneapolis-St. Paul, collectively referred to as the Twin Cities, is the nation's 16th largest MSA with approximately 3.6 million residents in a 13-county area (American Community Survey Estimates 2017). Approximately 62% of Minnesota residents live within this 13-county area — evidence of its importance as an economic engine and the cultural center of the State of Minnesota. The region grew 7% between 2010 and March 2018, according to the U.S. Census Bureau. Additionally, the Metropolitan Council projects that the Minneapolis-St. Paul metropolitan population will grow 30% between 2010 and 2050.

3.6M

**13-COUNTY MSA
POPULATION**

Source: American Community
Survey Estimates 2017

30%

**MSP POPULATION
INCREASE
FROM 2010 TO 2050**

Projected by Metropolitan Council

#1

**IN FORTUNE 500 COMPANIES PER
ONE MILLION PEOPLE AMONG LARGEST
METROPOLITAN AREAS NATIONWIDE**

Source: MN Department of Employment and Economic Development

Twin Cities Overview

ECONOMIC OVERVIEW

A total of 17 Fortune 500 public companies are headquartered in Minnesota. Target, Best Buy, 3M, General Mills, Ameriprise Financial and UnitedHealth Group are part of the diverse powerhouse of the state's business base. Fortune named Target and 3M among the "World's Most Admired Companies" in 2018 with 3M in the Top 25. The stability and growth of large corporate employers has been complemented by a dynamic small business sector.

After a review of 10 business competitiveness factors including workforce, quality of life, and education, CNBC ranked Minnesota #6 in their 2018 Top State for Business. Minnesota's workforce is highly educated with a strong labor force participation rate of 71%, and worker-training programs to help ensure future placement in jobs. Minnesota also ranked high for quality of life, noting a low crime rate, clean air and water, accessibility, and access to quality health care.

WORKFORCE QUALITY & EDUCATION

Minneapolis has one of the most educated workforces in the country with 52% of people 25 and older with an associate degree or higher and 94% with a high school degree, making Minneapolis/St. Paul one of the most desirable investment targets in the country. Minneapolis and St. Paul both ranked in the top 10 in the "America's Most Literate Cities" study performed by Central Connecticut State University in 2017, ranking third and seventh respectively. The state's legendary work ethic — a product of its hardscrabble, pioneer roots — contributes to one of the lowest workplace absenteeism rates in the country.

TRANSPORTATION & INFRASTRUCTURE

The main metropolitan area is encircled by the Interstate 694/494 loop which is bisected by Interstate 94/394 running East/West and Interstates 35W and 35E running North/South. It is served by the Minneapolis/St. Paul International Airport (MSP), which has been recognized for a second year in a row as the Best Airport in North America by Airports Council International (ACI 2018).

The State of Minnesota has 21 railroad companies: Four large (Class I) companies — BNSF, Canadian National, Canadian Pacific and Union Pacific — one (Class II) company — Rapid City, Pierre & Eastern — 14 smaller (Class III) companies and two private companies. The Metropolitan Council's "2040 Transportation Policy Plan" includes an integrated transportation system that will interface multiple forms of transportation including Light Rail Transit (LRT), Commuter Rail, and Bus Transit.

ACCOLADES

Minnesota ranked as the **2nd best state for gender equality**, standing out for high rates of health coverage and low poverty rate.

— Bloomberg

A Top Ten emerging city for Startups

— Forbes 2018

Among residents under 35, the Twin Cities place in the **Top 10** for **highest college graduation rate, highest median earnings** and lowest poverty rate.

— US Census

4th best state for millennials

— Wallet Hub 2019

A strong work ethic and entrepreneurial spirit have historically resulted in modest unemployment (**3.0% at year-end 2019 inflated to 9.2% as of June 2020 due to COVID**).

— bls.gov



Property Overview

PROPERTY HIGHLIGHTS

- Flagship showroom and retail store member of the “RH Gallery Collection” [Twenty (20) RH Galleries Worldwide].
- Approximately 58,000 Sq. Ft. of gross leasable area consisting of three (3) levels of indoor showroom space, multiple outdoor patio areas, a full glass atrium and rooftop deck space.
- Marquee location in the heart of Edina’s luxury retail district.
- Highly visible along France Avenue, boasting an estimated 29,000 vehicles per day.
- Developed by Restoration Hardware, designed by Hobbs & Black and constructed by JE Dunn.

PROPERTY FEATURES

Property Name	RH Minneapolis
Property Address	6801 France Avenue South, Edina, MN
Property Type	Retail Showroom
Property Subtype	Class A, Freestanding Build-To-Suit
Building Size	+/- 58,000 SF (including all outdoor spaces)
Lot Size	+/- 2.09 Acres
APN	29-028-24-33-0027
Zoning	Planned Commercial District – 3 (PCD-3) with a Retail and Commercial Use Designation
Year Built	2019
Number of Buildings	1
Number of Floors	3
Construction Status	Completed in September 2019
Construction Type	Slab on Grade Concrete Foundation, Concrete Floors and Wood and Steel Framed Exterior Walls with All Glass Atrium on 3rd Floor
Exterior Wall Covering	Engineered Stucco
Roof Covering	Flat with Rubber Membrane and Rock Ballast; the Restaurant on 3rd Floor Features an Enclosed All-Glass and Steel Structure
Interior Finishes	Polished Concrete Floors, Painted Sheetrock Walls, and Various Suspended Lighting Fixtures to RH Showroom Finish Standards
Stairwells	The Property Features a Single Centered Interior Grand Staircase with Access to All Levels; There are Two (2) Additional Staircases Accessing All Levels
Elevators	Single Passenger Elevator with a 5,000 Lb. Capacity
Fire Life Safety	Fully Sprinklered Throughout
HVAC	A VRF heat pump system serves the entire building and a portion of the Café. Total capacity of 68 tons. There are 2 Energy Recovery Units (ERV's) with summer/winter heat wheels to deliver conditioned fresh air for the VRF air handling units throughout. Total capacity of 24 tons. There are two (2) 15 ton DX gas fired rooftop units that serve the Atrium and upper floors.
Electrical System	The building is served by a 3000 ampere, 120/208V, 3-phase, 4-wire distribution system with electrical panels on first and third levels, and lighting control panels.
Lighting	Custom RH Lighting Throughout the Property Showcasing RH Products
Sound System	Integrated Bose Sound System Throughout the Interior and Exterior Spaces
Building Features	Rooftop Restaurant, High Ceilings, Concrete Floors, Amazing Finish Level
Outdoor Spaces	Ground Level Patios on All Sides of the Building; Upper Level Rooftop Outdoor Spaces
Parking	Forty (40) On-site Parking Stalls with a Permanent Easement to an Additional Two Hundred Eighty-Two (282) Stalls at the Southdale Center Lot, Immediately Adjacent to the Property
Parking Ratio	.83 / 1,000 SF



RH IN THE NEWS

“RH shares surge after Warren Buffett’s Berkshire Hathaway reveals new stake in furniture retailer”
(CNBC | November 14, 2019)

“Berkshire Adds to its equity investment in RH ” (Yahoo Finance | February 17, 2020)

Berkshire Hathaway added to his holdings in RH by 41.44%. His purchase prices were between \$164.95 and \$241.97, with an estimated average price of \$196.16. The stock is now traded at around \$238.18. The impact to his portfolio due to this purchase was 0.04%. His holdings were 1,708,348 shares as of the end of 2019-Q4.

Tenant Overview

ABOUT RH

RH (formerly known as Restoration Hardware) is a leading luxury retailer in the home furnishings marketplace headquartered in Corte Madera, California, and traded on the NYSE "RH". The company sells its merchandise through its retail stores, catalog, and online. RH operates a total of 68 RH Galleries and 38 outlet stores in the United States and Canada and reported +/- \$2.5B in an - Junual 2019 gross sales. RH's 2019 annual sales were 3% higher than the reported sales over 2018 and 17% higher than the reported sales over 2017.

Adjusted revenues of \$2.647 billion in 2019 increased 5.4% over 2018, adjusted operating margins reached an industry best 14.3%, and adjusted diluted earnings per share increased 49% to \$11.66. The retailer also generated \$330 million of free cash flow in 2019, and achieved industry leading ROIC of 35.3%.

RH is one of the most innovative and fastest-growing luxury brands in the home furnishings marketplace. Their brand stands alone and is redefining this highly fragmented and growing market, contributing to their superior sales growth and market share gains over the past several years, as compared to industry growth rates. With RH's ability to innovate, curate and integrate products, categories, services and businesses with a completely authentic and distinctive point of view, then rapidly scale them across the fully integrated multi-channel infrastructure they create a powerful platform for continued long-term growth. Restoration Hardware evolved the brand to become RH, positioning the company to curate a lifestyle beyond the four walls of the home. RH's unique product development, go-to market and supply chain capabilities, together with their significant scale, enable them to offer a compelling combination of design, quality, and value that we believe is unparalleled in the marketplace.

RH

MINNEAPOLIS

THE GALLERY
IN EDINA

SAN FRANCISCO BUSINESS TIMES

RH BEATS EXPECTATIONS AND UNFURLS AMBITIONS OF BECOMING \$20 BILLION BRAND - June 4, 2020

"Luxury retailer RH posted earnings Thursday that beat analyst expectations and announced plans to make inroads into the housing market through designed and furnished homes.

The company (NYSE: RH) reported earnings per share of \$1.27 and said it expects expanded profit margins for the remainder of the year. Analysts had expected 46 cents a share.

Wall Street also was bracing for year-over-year revenue declines of 23% to \$464 million. Instead RH posted net revenue of \$482.9 million, a decline of 19.4% from \$598.8 million a year ago. Total demand, including restaurant and outlet categories, was down 17% year-over-year for the quarter.

In a long letter to shareholders prefacing the earnings results, CEO Gary Friedman attributed the results to the company's annual membership model and ability to engage with customers online rather than "chase demand through promotions."

RH DESIGN GALLERIES

As showcased in the RH Edina Property, the next-generation Design Galleries concept redefines and reimagines the shopping experience. Blurring the lines between residential and retail, indoors and outdoors, physical and digital, RH Design Galleries create spaces that are more home than store and inspire a new way of living. The retailer has a total of 22 Design Gallery concept stores as well as 40 legacy Galleries, 2 RH Modern Galleries and 4 RH Baby & Child Galleries in major markets throughout the United States and Canada.



RH NEW YORK

THE GALLERY IN THE HISTORIC MEATPACKING DISTRICT



RH WEST PALM

THE GALLERY AT ROSEMARY SQUARE



RH CHICAGO

THE GALLERY AT THE HISTORIC THREE ARTS CLUB



RH WEST HOLLYWOOD

THE GALLERY ON MELROSE



RH MODERN

THE GALLERY ON BEVERLY BOULEVARD



RH BOSTON

THE GALLERY AT THE HISTORIC MUSEUM OF NATURAL HISTORY

- RH ATLANTA
- RH AUSTIN
- RH BOSTON
- RH CHICAGO
- RH COLUMBUS
- RH DENVER
- RH GREENWICH

- RH LAS VEGAS
- RH LOS ANGELES
- RH MINNEAPOLIS
- RH MODERN
- RH NASHVILLE
- RH NEW YORK
- RH PORTLAND

- RH SEATTLE
- RH TAMPA
- RH TORONTO
- RH WEST HOLLYWOOD
- RH WEST PALM
- RH YOUNTVILLE

THE RH BRAND

The RH brand receives media coverage by the world's leading publications. The latest press about RH explores the company's evolution from creating products to conceptualizing spaces, and how it has become the leading brand in the luxury home furnishings market.

THE DEATH OF RETAIL IS OVERRATED. – Gary Friedman
"There is a growing belief in our industry that physical stores have become a liability, and the growth of online is killing traditional retail. It's spawned a widespread movement to downsize, rightsize, and optimize retail footprints. Leading many to declare "The Death of Retail."

While the web has shined a bright light on the dull and decaying stores that are dying from old age and a lack of innovation, we believe history will demonstrate that the physical manifestation of a brand will prove to be the most compelling and cost effective way to engage and inspire customers in a physical world.

Many who report on retail's imminent death are overlooking the obvious. We are physical and social creatures. It's why we still go to theaters to watch movies, concerts to listen to music, ballparks to see a game, casinos to place a bet, and restaurants to grab a bite. We don't believe "bucket lists" of the future will be filled with lonely online activities, with or without artificial intelligence, augmented reality or virtual reality. We look forward to experiencing new restaurants and resorts, plazas and parks, markets and malls, stadiums and yes, stores.

The ideas of the future don't exist in the past, and neither do the stores of the future. I believe we are witnessing the lost decade of retail. Where the vast majority of capital in our industry has been allocated to online initiatives, while retail stores are left to rot. The truth is, most retail stores are archaic, windowless boxes that lack any sense of humanity. There's no fresh air or natural light, plants die in a department store, and I'm sure it's not the best environment for humans either.

That's why we don't build retail stores. We create inspiring spaces that blur the lines between residential and retail, indoors and outdoors. Spaces that are more home than store. Spaces that are filled with fresh air and natural light, with garden courtyards, rooftop parks, restaurants, wine vaults and barista bars. Spaces that are an integration of food, wine, art and design. Spaces that activate all of the senses, and spaces that cannot be replicated online . . .

We spent the better part of five years trying to create the most innovative retail experience in the world, in the most important city in the world.

Come see for yourself, why we believe, The Death of Retail is Overrated.."



Financial Overview

LEASE SUMMARY

Tenant	Restoration Hardware, Inc., a Delaware Corporation. With a trade name of Restoration Hardware, RH Gallery, or RH.		
Leased Premises	100% of the Gross Leasable Area and all land.		
Gross Leasable Area	+/- 58,000 Square Feet.		
Lease Term	Twenty (20) Years following the Commencement Date.		
Commence Date	July 29, 2020		
Expiration Date	Plus Twenty (20) years following the Commencement Date.		
Renewal Options	Tenant has one (1) option to extend the Term for a period of Ten (10) years by providing Landlord with a written notice of at least one (1) year prior to the expiration of the Term.		
Permitted Use	Retail showroom and restaurant including the sale of alcohol.		
Base Rent	<u>Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>
	1 - 5	\$1,400,000.00	\$116,666.67
	6 - 10	\$1,540,000.00	\$128,333.33
	11 - 15	\$1,694,000.00	\$141,166.67
	16 - 20	\$1,863,400.00	\$155,283.33
Base Rent Increases	10% Base Rent increase every five (5) lease years.		
Real Estate Taxes	Tenant shall pay all Real Estate Taxes and Special Assessments directly to the taxing authority.		
Insurance	Tenant shall carry and maintain commercial general liability insurance and commercial property insurance covering the (a) Building (including the Core and Shell) and all improvements upon the Premises, (b) Tenant's personal property, inventory, trade fixtures, floor coverings, furniture and other property removable by Tenant, the glass and all leasehold improvements. The coverage shall be in an amount not less than the full construction costs, or the full replacement costs thereof.		
Utilities	Tenant shall be solely responsible for the payment of all utilities serving the Premises.		
Trash	Tenant shall be responsible for the trash and garbage removal from the Premises.		
Maintenance of Building & Premises	Tenant shall, at Tenant's sole cost and expense, keep, maintain, repair and replace the entirety of the Premises, including but not limited to the interior, exterior, hardscapes, greenscapes, sub-surfaces, structural, non-structural, and signage elements and improvements, and the Building including the Core and Shell in first class condition and good and tenable condition and repair during the Term.		
Other Maintenance	Tenant shall, at Tenant's sole cost and expense, keep, maintain, repair and replace all non-structural portions of the Premises, as well as the storefront and mechanical systems. Tenant shall be responsible for the general maintenance, repair and replacement of the parking lot, including the cleaning, striping, sealcoating and resurfacing; all snow and trash removal; and all sidewalk repair and replacement.		
Holdover	Lease shall convert to a month-to-month following the expiration of the Term. So long as Landlord and Tenant have not agreed to a new Term, the base rent shall increase by 150% during any hold-over period.		
Signage	Tenant, at its sole cost and expense, shall have the right to install the maximum allowed signage on the Premises.		
Tenant Remodeling	Tenant shall maintain the Premises in a first-class presentation and condition.		
Alterations	Tenant shall have the right to alter the interior elements of the Building, which Tenant deems necessary to carry forth its business operations.		

INVESTMENT ASSUMPTIONS

General Assumptions

Total Investment Offering:	\$28,575,000
General Inflation:	2.50%
Vacancy Factor:	0.00%
Tenant:	Restoration Hardware (NYSE: RH)
Gross Leasable Area:	+/- 58,000 Sq. Ft.
Lease Start Date:	Acquisition Closing Date, TBD
Lease Term:	20 Years
Lease Expiration Date:	TBD
Extension Options:	One 10-Year Extension
Lease Type:	Absolute NNN
Tenant Responsibilities:	Real Estate Taxes Insurance Common Area Maintenance Property Repair/Replacement Structural Repair/Replacement Roof Parking Lot
Landlord Responsibilities:	None

Revenue Assumptions

Base Rent	Annual Base Rent	\$ / SF
Lease Years 1-5:	\$1,400,000	\$24.14
Lease years 6-10:	\$1,540,000	\$26.55
Lease Years 11-15:	\$1,694,000	\$29.20
Lease Years 16-20:	\$1,863,400	\$32.12

Additional Revenue includes recoverable expenses for Real Estate Taxes and Insurance.

Leverage Assumptions

Loan to Value:	58%
Total Loan Proceeds:	\$16,575,000
Interest Rate:	3.95%
Fixed or Floating:	Fixed
Interest Only Period:	Sixty (60) Months
Loan Term:	Ten (10) Years
Amortization:	Thirty (30) Years
First Year Debt Service:	\$654,713

Operating Expense Assumptions

Common Area Maintenance:	Responsibility of Tenant
Real Estate Taxes:	\$7.50 / Sq. Ft.
Insurance:	\$0.75 / Sq. Ft.
Asset Management Fee:	1.0% of Base Rent, Non-Recoverable
Capital Expense Reserve:	None (Absolute NNN Lease)

SCHEDULE OF PROSPECTIVE TEN (10) YEAR CASH FLOW

For the Years Ending	Year 1	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year	Lease Year
Year 1	1	2	3	4	5	6	7	8	9	10	11	11
\$/Sq. Ft.												
Base Rental Revenue	\$24.14	1,400,000	1,400,000	1,400,000	1,400,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,694,000
Scheduled Base Rental Revenue	\$24.14	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,540,000	\$1,540,000	\$1,540,000	\$1,540,000	\$1,540,000	\$1,540,000	\$1,694,000
<u>Expense Reimbursement Revenue</u>												
Insurance	\$0.69	39,750	40,744	41,762	43,806	44,973	46,098	47,250	48,432	49,642	50,883	50,883
Real Estate Taxes	\$6.85	397,500	407,437	417,623	428,064	449,735	460,978	472,503	484,315	496,423	508,834	508,834
Total Expense Reimb. Revenue	\$7.54	\$437,250	\$448,181	\$459,385	\$470,870	\$494,708	\$507,076	\$519,753	\$532,747	\$546,065	\$559,717	\$559,717
Total Gross Rental Revenues	\$31.68	\$1,837,250	\$1,848,181	\$1,859,385	\$1,870,870	\$2,034,708	\$2,047,076	\$2,059,753	\$2,072,757	\$2,086,065	\$2,253,717	\$2,253,717
Effective Gross Revenue	\$31.68	\$1,837,250	\$1,848,181	\$1,859,385	\$1,870,870	\$2,034,708	\$2,047,076	\$2,059,753	\$2,072,747	\$2,086,065	\$2,253,717	\$2,253,717
<u>Operating Expenses</u>												
Insurance	(\$0.69)	(39,750)	(40,744)	(41,762)	(42,806)	(44,973)	(46,098)	(47,250)	(48,432)	(49,642)	(50,883)	(50,883)
Asset Management Fee	(\$0.24)	(14,000)	(14,000)	(14,000)	(14,000)	(15,400)	(15,400)	(15,400)	(15,400)	(15,400)	(16,940)	(16,940)
Real Estate Taxes	(\$6.85)	(397,500)	(407,437)	(417,623)	(428,064)	(449,735)	(460,978)	(472,503)	(484,315)	(496,423)	(508,834)	(508,834)
Total Operating Expenses	(\$7.78)	(\$451,250)	(\$462,181)	(\$473,385)	(\$484,870)	(\$510,108)	(\$522,476)	(\$535,153)	(\$548,147)	(\$561,465)	(\$576,657)	(\$576,657)
Net Operating Income	\$23.90	\$1,386,000	\$1,386,000	\$1,386,000	\$1,386,000	\$1,524,600	\$1,524,600	\$1,524,600	\$1,524,600	\$1,524,600	\$1,524,600	\$1,677,060
Less: Annual Debt Service	(\$11.29)	(\$654,173)	(\$654,173)	(\$654,173)	(\$654,173)	(\$943,855)	(\$943,855)	(\$943,855)	(\$943,855)	(\$943,855)	(\$943,855)	(\$943,855)
CASH AVAILABLE FOR DISTRIBUTION	\$12.61	\$731,288	\$731,288	\$731,288	\$731,288	\$580,745	\$580,745	\$580,745	\$580,745	\$580,745	\$580,745	\$580,745
FIRST YEAR ANTICIPATED CASH ON CASH												6.0%
CUMULATIVE NET OPERATING INCOME (10 Yrs.)												\$14,553,000
CUMULATIVE CASH AVAILABLE FOR DISTRIBUTION (10 Yrs.)												\$6,560,165

RETURN EXPECTATIONS

Exit & Sale Assumptions

Exit Cap Rate:	5.50%
Disposition Fee:	1.00%
Selling Fees & Closing Costs:	2.00%
Legal / Other Closing Expenses:	\$25,000
Title Transfer Tax:	\$103,673
Anticipated Exit Price:	\$30,492,000
Exit Sale Price / Square Foot:	\$526

Disposition Assumptions and Projected Returns

Residual Adjusted NOI (Year 11):	\$1,677,060
Future Selling Price:	\$30,492,000
Broker Sales Fee:	\$609,840
Disposition Fee:	\$304,920
Legal / Other Closing Expenses:	\$128,673
Gross Sales Proceeds:	\$29,448,567
Less: Payoff of Debt Proceeds:	\$14,979,536
Plus: Year 10 Net Income:	\$580,745
Net Sales Proceeds:	\$15,049,776

Anticipated Return Summary

Average Cash on Cash Yield:	5.47%
Cumulative Cash on Cash Yield:	54.67%
Leveraged IRR over Hold Period:	7.06%
Levered Total Profit:	\$9,029,196
Levered Equity Multiple:	1.75X

Sensitivity Analysis

	Scenario 1 (-25bbs)	Scenario 2 (+25bbs)
Exit CAP Rate:	5.25%	5.75%
Cumulative Cash on Cash Yield:	54.67%	54.67%
Leveraged IRR over Hold Period:	7.83%	6.30%
Leveraged Equity Multiple:	1.87X	1.65X



Investment Structure & Potential Tax Benefits

DELAWARE STATUTORY TRUST (DST) PROGRAM

A Delaware Statutory Trust (DST) is a separate legal entity created as a Trust under Delaware Statutory Law, that allows for flexible and fractional ownership of commercial real estate. The real estate is acquired by the Trust, which holds title to the real property. Multiple investors may invest in the Trust. As opposed to acquiring the fee simple interest in the property direct, individual Investors purchase an interest in the Trust, or shares of the Trust, which for tax purposes is deemed to be treated as real estate; therefore a solution to 1031 exchange investors. Investors have the right to receive distributions from the operation of the Trust, either from rental income or from the eventual sale of the property.

Due to IRS Revenue Ruling 2004-86, DST became a popular alternative to the TIC (tenant in common) structure for fractional real estate investing.

Although it may be structured privately, a DST is typically structured for purposes of a Sponsor creating an investment vehicle to allow for individual investors to participate in the ownership of larger investment, where they may otherwise not have the capital or professional experience to acquire the property on their own. A Sponsor “packages” the DST investment by finding the property, performing due diligence, securing financing, acquiring the asset and retaining management, prior to interests being offered to individual 1031 investors and direct investors.

- Each investor owns their proportionate share of equity in the DST.
- Each investor is entitled to their proportionate share of income produced by the DST.

Proven Solution / Industry Size: According to Mounting Dell Consulting, \$2 billion of capital was invested in DSTs in 2019, signifying their popularity amongst investors.

1031 EXCHANGE & DST:

IRS Revenue Ruling 2004-86 ruled that beneficial interests in a DST would be treated as replacement property for a 1031 Exchange. This ruling, coupled with the demise of the Tenant In Common (TIC) structure after the financial crisis, cemented the DST structure’s popularity amongst investors. Utilizing the DST structure in a 1031 Exchange provides greater flexibility and opportunities.

BENEFITS OF DST:

- Only one borrower allows for simpler financing solutions
- Up to 499 investors
- Sole voting right on major decisions by Sponsor
- Access to Sponsored Investment Properties and the 1031 Exchange marketplace
- Limited personal liability
- Lower minimum investment

1031 EXCHANGE RULES:

1. Replacement property must qualify as “Like-Kind”
2. Proceeds from relinquished property must be held by qualified intermediary (QI)
3. 45-Day Identification Period
4. 180-Day Exchange Period to close on property
5. Must be same Taxpayer as relinquished property

1031 EXCHANGE

1031 Exchange and DST

IRS Revenue Ruling 2004-86 ruled that beneficial interests in a DST would be treated as replacement property for a 1031 exchange. This ruling, coupled with demise of the Tenant In Common (TIC) structure after the financial crisis, cemented the DST structure’s popularity amongst investors. Utilizing the DST structure in a 1031-Exchange provides greater flexibility and opportunities. Due to IRS Revenue Ruling 2004-86, DST became a popular alternative to the TIC (tenant in common) structure for fractional real estate investing.

1031 Exchange Overview

Selling an investment property triggers a capital gain tax for the investor. One way to defer this tax is through the 1031 exchange process. In its simplest form, a 1031 exchange is a way for investors to defer capital gains tax upon sale of a property through acquiring a like-kind property under the rules of 1031 exchange. Also called a like-kind exchange, 1031’s take their name from section 1031 of the Internal Revenue Code. In most situations, the DST structure provides flexibility in the 1031 exchange process.

BONUS DEPRECIATION

Tax Cuts & Jobs Act of 2017 - Bonus Depreciation

The expansion of the Bonus Depreciation rules was one of the most significant taxpayer-friendly surprises in the Tax Cuts and Jobs Act of 2017 (TCJA) under section 168(k) of the Internal Revenue Code. The Bonus Depreciation provision allows a taxpayer to immediately deduct a certain percentage of the cost of qualifying property in the year the property is acquired rather than capitalizing that cost and depreciating it over a period of years. The TCJA allows 100% of first-year bonus depreciation in Year 1 for qualifying assets placed in service between September 28, 2017 and December 31, 2022. The Bonus Depreciation percentage will begin to phase out in 2023, dropping 20% each year for four (4) years until it expires at the end of 2026, absent congressional action to extend the break.

Prior Law	New Law
<ul style="list-style-type: none">• Immediate tax deduction equal to 50% of the cost of the qualifying personal and real property.• Expired for property placed in service after December 31, 2019.• Only new property qualified for the deduction.	<ul style="list-style-type: none">• Immediate tax deduction equal to 100% of the cost of qualifying personal and real property.• Effective for property acquired and placed in service after September 27, 2017; expires after December 31, 2026.• New and used property qualifies for the deduction that is acquired and placed in service after September 27, 2017.

Qualified Property: Under the proposed regulations, "qualified property" for Bonus Depreciation purposes is defined to include:

- Property depreciation under the Modified Accelerated Cost Recovery System that has a recovery period of twenty (20) years or less,
- Certain computer software,
- Water utility property,
- Qualified film, television and live theatrical productions, and
- Specified plants.

Acquired Used Property: The proposed regulations provide that the acquisition of used property is eligible for Bonus Depreciation if the property wasn't used by the taxpayer or a predecessor at any time prior to acquisition of the property. Property is treated as used by the taxpayer or a predecessor had a depreciable interest in the property at any time before the acquisition, regardless of whether the taxpayer or predecessor actually claimed depreciation. Used property also must satisfy certain related party and carryover basis requirements, as well as certain cost requirements.

Amount of Deduction: According to the proposed regulations, the amount of first-year depreciation deduction equals the applicable percentage of the property's adjusted depreciable basis. The unadjusted depreciable basis generally is limited to the property's basis attributable to manufacture, construction or production of the property before January 1, 2017.

NAI Legacy intends to utilize these tax provisions offered under the Tax Cuts and Jobs Act of 2017. Additional information regarding the specific Bonus Depreciation impact for the Investment will be provided outside of the scope of this Offering Summary.



COUNTRIES

36

COUNTRIES



6,000

COMMERCIAL REAL ESTATE
PROFESSIONALS



375+

OFFICES

NAI Legacy Overview

COMPANY OVERVIEW

NAI Legacy is your Minneapolis | St. Paul full-service commercial real estate firm, with a combined 150 years and \$6 billion of brokerage, investment, and property management experience. We are headquartered in Minneapolis with a reach as far north as Duluth and south to Rochester; we serve our clients' needs in all geographical areas in between. Our affiliation with NAI Global connects us to our regional offices and beyond.

Our Team has an extensive background in structuring Tax Deferred Exchanges - including 1031 Exchanges, Property Contributions, Delaware Statutory Trusts (DSTs) and Net Leased Investments. Beyond traditional brokerage services, we are here to help manage your next tax efficient real estate investment. From buyer representation on the purchase of an investment or business use property, to planning the appropriate investment exit strategy, our professionals have the experience to guide you appropriately.

NAI Global is
**strategic &
innovative.**

We are an international real estate services organization with the institutional strength of one of the world's leading property investment companies.

Our experts are strategic and innovative, working collaboratively to realize maximum potential and generate creative solutions for our clients worldwide.

Our collaborative services platform provides an expansive, yet nimble and responsive structure enabling us to efficiently deliver superior results.





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Garrett Farmer

Garrett has 18 years of experience in the commercial real estate industry and has worked with both public and private organizations. Garrett has served roles in property acquisition/disposition, equity syndication, and business development as well as company growth. Garrett's primary emphasis has been on leadership and management as well as strategic planning and consulting / transaction services.

Throughout his career, Garrett has been involved in over \$900 million of commercial and residential property investment transactions accounting for over 4.5 million square feet of space, 300+ tenants and over 2,500 apartment units - including ground-up development/management of single-tenant retail, medical office, senior housing, and apartment projects.

Garrett's diverse background and experience provides clients with a significant benefit in evaluating select opportunities and determining appropriate ownership and investment strategies.

Michael Houge

Michael Houge, CCIM, SIOR is the Managing Director of NAI Legacy, a member of the NAI Global network of over 7,000 professionals and 400 offices worldwide. NAI Legacy is coupling the latest technology with a traditional emphasis on customer service. Our team provides strategic guidance, administrative support and brokerage services for properties totaling nearly 2,500,000 square feet. With business lines including property management, traditional sales, and leasing services, and 1031 tax-deferred exchange solutions, the NAI Legacy team is adept at navigating all aspects of quality commercial real estate assignments.

Mr. Houge has over 30 years of experience in project leasing and investment sales. Michael is a specialist in the sale of net-leased investment properties, 1031 Tax Deferred Exchanges, and more recently, commercial real estate in the Bakken oilfield markets of Western North Dakota. Mr. Houge has completed over a billion dollars in investment property transactions. Michael has also leased well over a million square feet as a landlord and tenant representative and is a frequent contributor and author in various real estate trade publications and he speaks frequently on panels and in conferences on investment sales, capital markets, marketing, the net-lease industry, 1031 tax-deferred exchanges, and North Dakota real estate.

Specialties Include: • The Purchase or Sale of Net-Leased Properties • 1031 Tax-Deferred Exchanges • Commercial Real Estate Investments • Energy (Oil Field) Related Real Estate • Real Estate Technology • Office Properties • Retail and Industrial Real Estate • Land Sales • Financing • Property Sales and Acquisitions • Consulting for Real Estate Projects • Public Speaking and Presenting on Related Topics • Real Estate Marketing • Branding and Web-Based Initiatives • Investment Analysis



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