

CONFIDENTIAL OFFERING
MEMORANDUM



10131
MILLS ROAD
HOUSTON, TEXAS 77070

Allied Power Building



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INVESTMENT HIGHLIGHTS

Avison Young's Texas team is pleased to offer for sale 10131 Mills Road - Allied Power Building (the "Property"), a 113,675 SF Industrial Manufacturing Facility located in Houston's North Industrial Submarket. The tenant is recession resistant by nature of its business of providing critical maintenance services to base load power generators.

LOCATION:	10131 Mills Road, Houston, TX 77070
TENANT:	Allied Power Group, LLC (Owner/User)
LAND SIZE:	±13.89 Acres
AREA BREAKDOWN:	Office-15,000 sf, Engineering-1,675 sf, Shop-97,000, Yard - 14.2 acres.
BUILDING SIZE:	±113,675 sf
YEAR BUILT:	2010 (Expansion 2011)
CEILING CLEAR HEIGHT:	30'
CRANES:	Multiple, Bridge and Jib
FLOOD ZONE:	None
TRUCK COURTS:	Oversized; Both sides
WAREHOUSE:	Full HVAC

PREMIER NORTHWEST LOCATION

10131 Mills Road is located in the heart of Houston's Northwest Industrial submarket, the city's most sought-after submarket for tenants and investors alike. As Houston continues to grow north and west, demand for high quality Northwest Houston industrial product is expected to remain strong.

INSTITUTIONAL ASSET QUALITY

10131 Mills Road is located on a ±13.89 acre tract. APG Operates from a state-of-the-art ISO certified facility that opened in 2010 in Houston, leasing and eventually purchasing the property in June 2018.

The Company has invested nearly \$16.0 million since 2010 in facility expansion and upgrades.

- Two Ipsen TurboTreaters installed for heat treating
- Three new, custom-engineered Sulzer Metco High Velocity Oxygen Fuel (HVOF) and Air Plasma Spray (APS) coating booths, with latest generation ABB robotics and coating guns
- Robotic grit blasting, flow testing, and 3D measurement system for reverse engineering
- Rotor repair capabilities

The Facility offers ample room for growth, with expansion capability.



LEASE DETAILS:

- NNN

- \$900,000 Year 1 NOI

- \$7.92 psf Annual or \$0.66 psf Monthly

- 10 Year Term; Commencement at Closing

- 2% Annual Increases

- Two, Five Year Renewal Options

- Below Market Rent



HOUSTON ECONOMY CONTINUES TO STRENGTHEN

Houston is experiencing healthy economics thanks to the continued recovery of the energy industry. Overall industrial vacancy fell 50 bps year-over-year to 4.8% in the first quarter of 2018. The amount of space under construction - 8.2 msf at the end of the first quarter - was nearly double compared with one year earlier. Average asking rental rates remained relatively steady year-over-year, finishing the first quarter of 2018 at \$6.49 psf. Northwest Houston has 3.5 msf of industrial space under way, with overall market fundamentals remaining positive. The industrial market will continue to be driven by Houston's strong population growth, the rise in e-commerce and the downstream energy market.

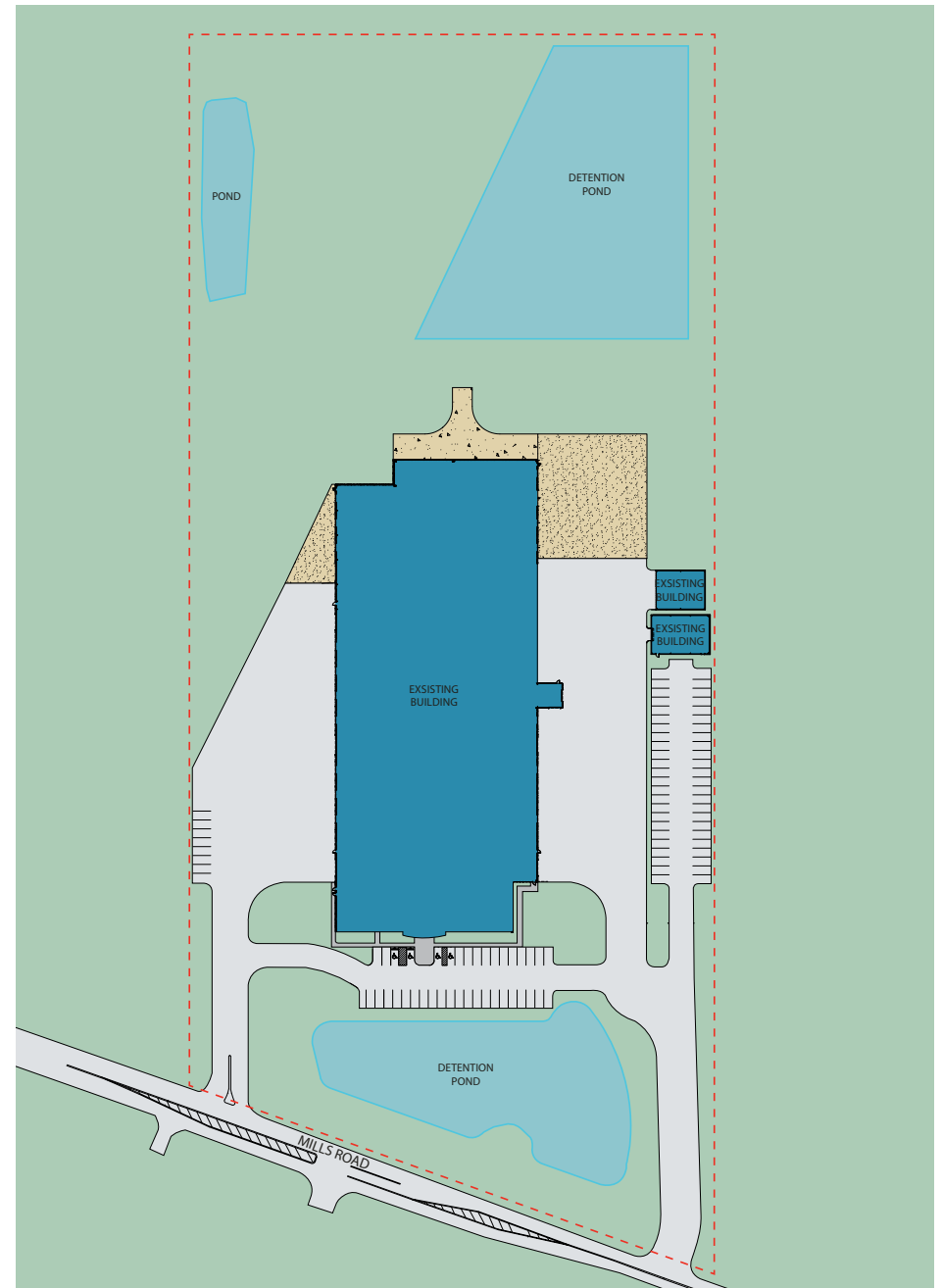
Tenant's business is not dependent on oil and gas, and therefore is stable even with fluctuations in energy pricing.



Downtown Houston

PROPERTY OVERVIEW

LOCATION:	10131 Mills Road, Houston, TX 77070
RENTABLE SF:	±113,675 sf
LAND AREA:	±13.89 acres
CEILING CLEAR HEIGHT:	30'
EXTERIOR WALLS	Tilt wall construction
HVAC:	Climate controlled warehouse
ELECTRICAL SERVICE:	Over 13,000 amps of power
FIRE PROTECTION:	ESFR - Grade level, flow through design



AREA LOCATION





PROPERTY PHOTOS

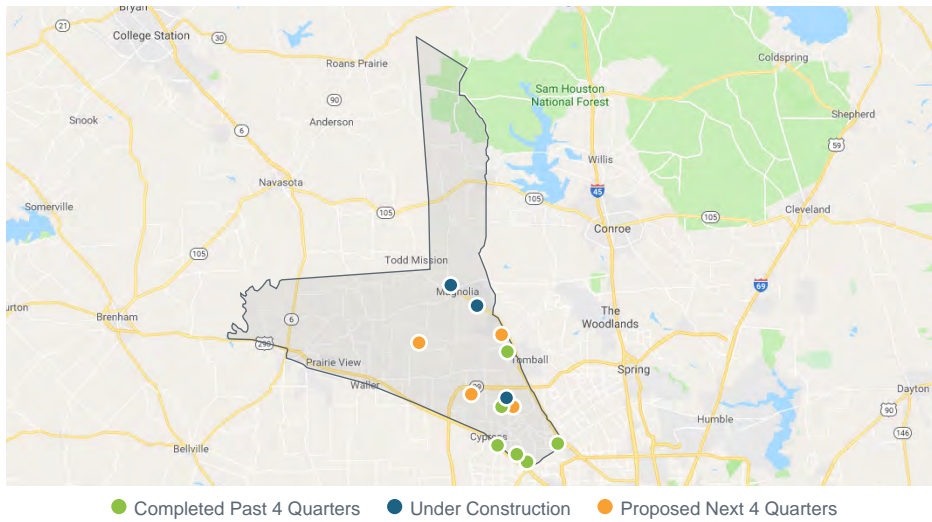


RECENT SUBMARKET CONSTRUCTION

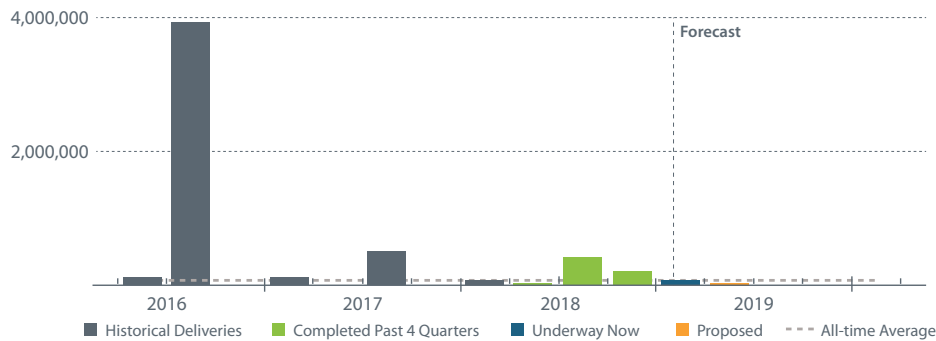
All-Time Annual Avg. SF Delivered SF Past 4 Qtrs Delivered SF Next 4 Qtrs Proposed SF Next 4 QTRS

285,136 **705,448** **130,725** **42,450**

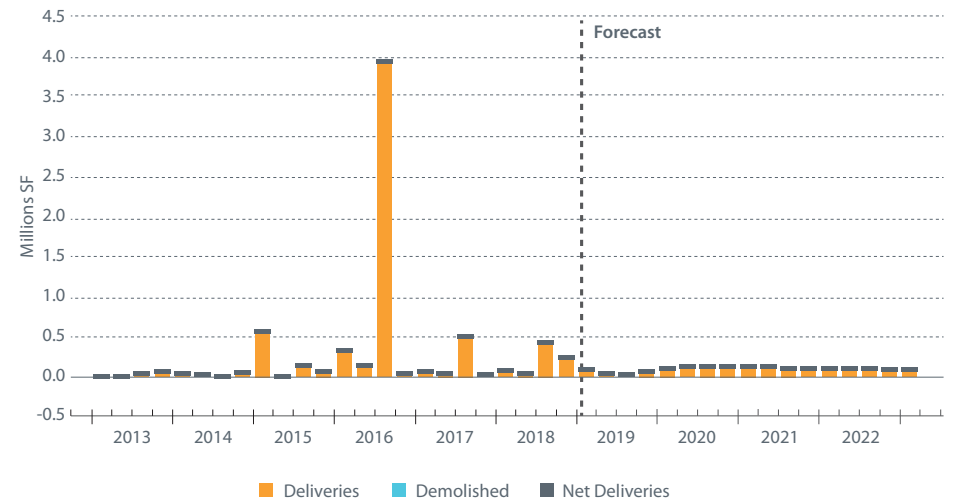
PAST 4 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



PAST & FUTURE DELIVERIES IN SQUARE FEET



DELIVERIES & DEMOLITIONS







Q4 2018 - HOUSTON INDUSTRIAL MARKET



MARKET OVERVIEW

The industrial market remains Houston's best-performing product type as expansion continues during the latter half of 2018. Leasing activity slowed during the fourth quarter after recording an average of almost five million square feet (msf) in each of the first three quarters. The fourth quarter recorded 3.4 msf of leasing activity, bringing the year-to-date total to almost 18 msf, which is about 11% less square footage leased during 2017.

Deliveries also plunged to 1.6 msf during fourth quarter, which is a slowdown when compared to the 4.2 msf completed during the previous quarter. However, overall year-to-date shows 10.8 msf delivered, which represents more than a 20% increase from the 8.1 msf delivered in the previous year.

Local employment growth has been steady, with the unemployment rate dropping to 3.8% in November compared to last November's 4.4%. For the 12 months ending November 2018, the Houston metro area created 114,400 jobs, a 3.7% increase year-over-year, according to Texas Workforce Commission statistics reported by the Greater Houston Partnership (GHP). Five sectors, including construction and professional services, accounted for three-fourth of all job gains.

Absorption & Demand

Direct net absorption jumped significantly during the fourth quarter to 2.6 msf, closing out the year with more than 7.7 msf of direct net absorption. This represents an increase when compared to the previous year's annual total of almost 5.9 msf of direct net absorption. Warehouse/distribution space accounted for more than 90% of net absorption in 2018 and resulted in a slightly improved vacancy rate. One of the largest and most recent deals reported during fourth quarter is Valvoline's 472,000-sf deal at Port Crossing Commerce Center.

Available sublease space increased slightly to 3.4 msf, up from the 3.2 msf range recorded during the last few quarters. The Northwest sector offers the largest amount of sublease space at 1.1 msf, followed by the North sector at 931,959 sf. This overall total represents a slight drop from the same period last year when 3.5 msf was reported. Since leasing activity has shifted away from existing product to new construction, much of the net absorption gains this year coincide with the delivery timeline.

Quick Stats

114,400

Jobs created during the 12 months ending November 2018

3.8%

Unemployment rate in Houston, unchanged from October but down from 4.4% in November 2017

11.3

msf of industrial space under construction

4.9%

Direct vacancy in Houston's industrial market

Vacancy & Availability

The direct vacancy rate decreased a marginal 10 basis points to 4.9% from 5% during fourth quarter. Despite Houston's industrial building boom, vacancy has hovered around 5% since 2012. Vacancy rates dropped slightly this quarter for warehouse/distribution space to 5.1% from 5.2%. Manufacturing space fell to 2.3% vacant, while vacancy for flex space rose to 9.7% from 9.3% last quarter.

During the fourth quarter, 22 projects totaling almost 1.6 msf delivered to the market. Year-to-date, 77 buildings totaling 10.8 msf were completed, with the largest being Amazon's 1-msf Distribution Center in Brookshire. Retailers also built new facilities, with the larger properties including Emser Tile, who occupied its new 601,000-sf facility in Pinto Park, and Best Buy, who completed a new 550,000-sf facility during the fourth quarter in Southwest Houston.

Construction

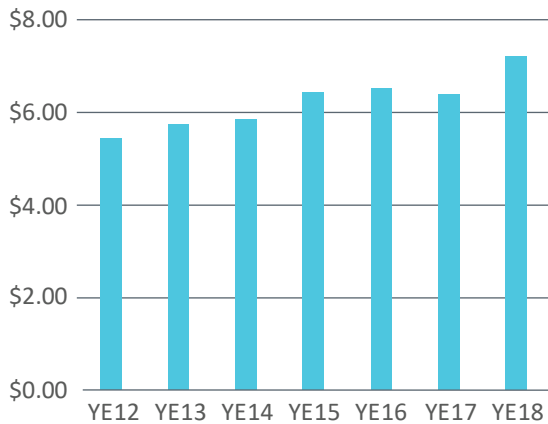
Houston's construction pipeline continues to climb as developers fulfill the demands of e-commerce suppliers and business at the Port of Houston. The under-construction total jumped to 11.3 msf during the fourth quarter. The 58 buildings primarily

represent warehouse or distribution facilities and are currently 38% preleased. Parc Air 59, a 685,400-sf project at Highway 59 and Will Clayton Parkway, is the largest spec project underway, while two of the three largest projects under construction are build-to-suit (BTS) representing almost 1.4 msf. The largest BTS projects and largest deals for 2018 include C&S Grocers' 727,600 sf at 14803 Woodham and Conn's HomePlus' 656,658-sf project, both in the North.

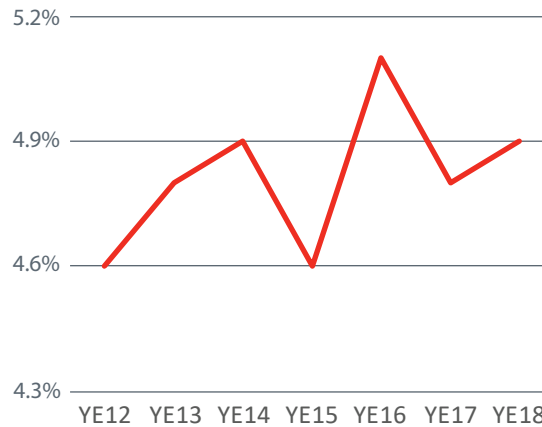
Asking Rates

After four quarters of steady average asking rates, the fourth quarter saw an increase of 2.9% to \$7.20 per square foot (psf), which is also higher than last year's fourth-quarter average of \$6.39 psf. Five of the seven submarkets recorded increases, with the largest jump of 16.6% for rates in the Southeast sector.

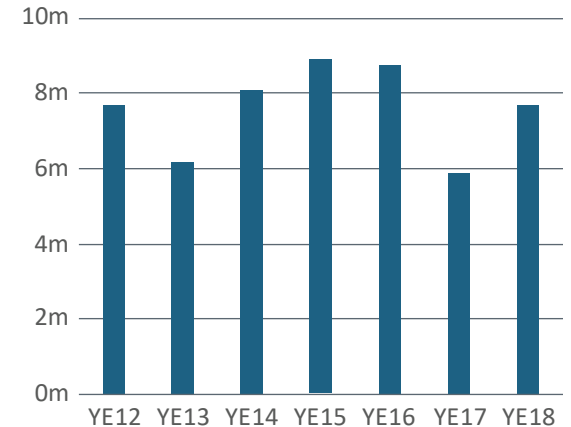
ASKING RATES



HISTORICAL VACANCY RATE



HISTORICAL NET ABSORPTION



Q4 2018 HIGHLIGHTS

- Miami-based **Southern Glazer's Wine and Spirits** purchased and occupied a newly built spec distribution center in Katy. The 673,785-sf property in West Ten Business Park was developed by the Oakmont Industrial Group.
- **Ikea** reportedly has acquired 144 acres in McCord Development's master-planned Generation Park in Northeast Houston. Specific plans have not been announced.
- Chicago-based **Logistics Property Company** has announced plans to break ground in early 2019 on two of a possible seven buildings in a new 1.7-msf CityPark Logistics Center in Missouri City.
- **Lowes** moved into its new 217,440-sf distribution facility in the Southwest.

Select Fourth-Quarter 2018 Deliveries

Best Buy Distribution Center, 636 Highway 90
(550,000 sf) Southwest

UPS, 11770 N Gessner Road
(257,909 sf) Northwest



Trends to Watch



Employment grew 3.7%, creating 114,400 jobs for the 12 months ending November 2018. All but two sectors reported growth, according to the Texas Workforce Commission.



The Purchasing Manager's Index (PMI) registered 54.9 in November, down minimally from 55 in October, indicating short-term expansion in Houston's manufacturing sector.

INDUSTRIAL SUBMARKET OVERVIEW

NORTHWEST HIGHWAY 6 INDUSTRIAL

12 Mo Deliveries in SF

755K

12 Mo Net Absorption in SF

705,448

Vacancy Rate

9.7%

12 Mo Rent Growth

2.7%

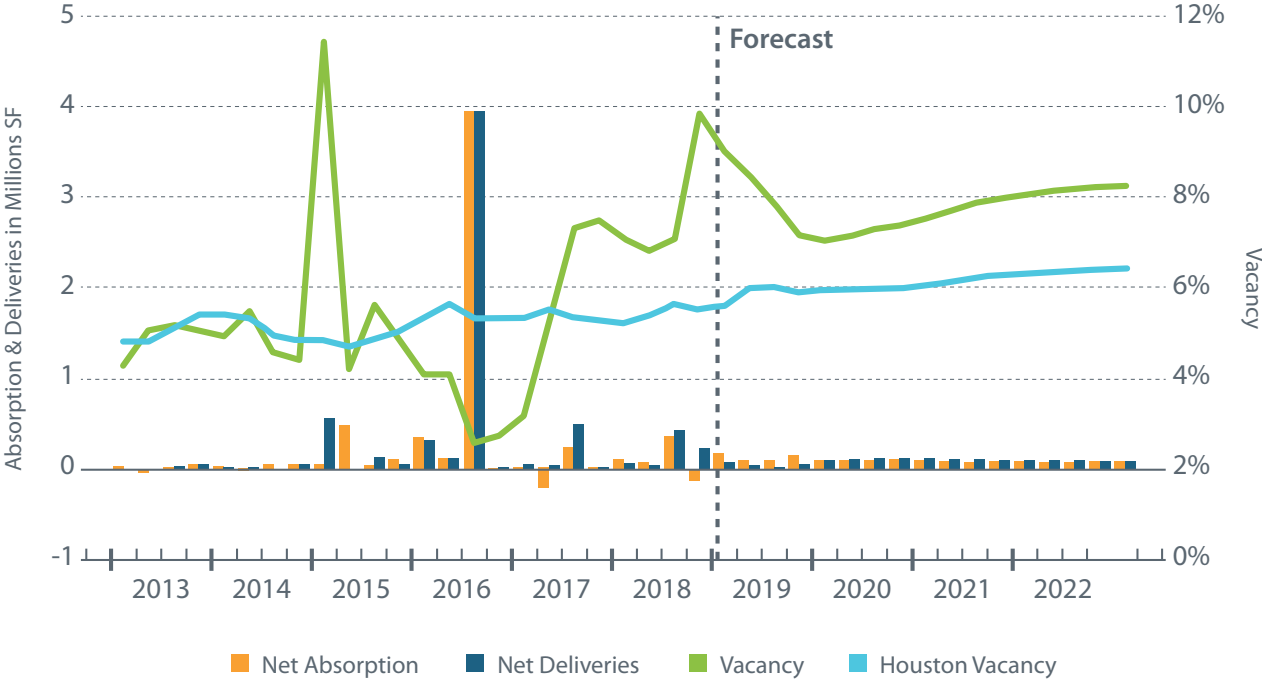
Current Quarter	RBA	Vacancy Rate	Asking Rate	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	6,174,419	15.1%	\$8.09	16.9%	18,869	0	130,725
Specialized Industrial	5,072,365	0.4%	\$8.15	1.0%	0	0	0
Flex	1,411,543	19.5%	\$8.44	20.5%	1,300	0	0
Submarket	12,658,157	9.7%	\$8.15	11.0%	20,169	0	130,725

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.3%	12.9%	7.9%	30.0%	2005 Q1	1.7%	2002 Q3
Net Absorption SF	408K	401,541	367,984	4,530,568	2016 Q3	(1,011,503)	2002 Q4
Deliveries SF	755K	445,262	438,433	4,440,520	2016 Q3	0	2013 Q2
Rent Growth	2.7%	2.4%	1.6%	11.1%	2000 Q2	-4.0%	2010 Q2
Sales Volume	\$1.4M	\$6.0M	N/A	\$29.4M	2013 Q1	\$0	2016 Q1



NORTHWEST HIGHWAY 6 SUBMARKET SUMMARY

NET ABSORPTION, NET DELIVERIES & VACANCY



TENANT PROFILE



WWW.ALLIEDPG.COM - ALLIED POWER GROUP

- We are the leading independent global provider of comprehensive maintenance solutions for industrial gas turbines and related turbomachinery.
- Combines the depth and diversity of expertise of an OEM with the top-quality service you can expect from the leading independent provider of maintenance solutions for gas-fired power generators.
- We envision ourselves as a true partner to our global clients, trusted to ensure maximum availability, reliability and efficiency of their power generation assets.



QUALITY

We work and act safely, develop our talent, and are committed to applying rigorous continuous improvement in all we do.



PARTNERSHIP

We act with integrity, innovate, and are committed to a mindset of critical thinking and problem solving to alleviate customer challenges.



STEWARDSHIP

We promote and encourage diversity, require teamwork, and are keenly focused on serving the interests of our communities and stakeholders.



COMMITMENT

We do what we say and are unyielding in our dedication to provide the highest quality products and services that mitigate power generation challenges.

FREQUENTLY ASKED QUESTIONS

1. How far reaching is your client base?
We serve a global client base of blue-chip power generators such as Calpine, Duke and Dow.
2. Ownership - credible and capitalized Houston based private equity firm.
3. Management - seasoned executives with decades of Industrial, sales, finance and private equity experience.
4. Allied Power Group has been around since the late 90's into early 2000, what kind of experience do the principals of the company have prior to the formation of Allied?
Combined experience of all management and engineering exceeds 100+ years of experience in the IGT business. Management – seasoned executives with decades of industrial, sales, finance and private equity experience.

CAPABILITIES

- Component & Rotor Repair
- Plant & Field Services
- Capital Assets
- Engineered Performance Solutions

FINANCIAL SUMMARY

\$ in M	2018 Adjusted	2019 Projected
Revenue	\$40.2	\$46.8
Gross Margin	\$17.2	\$19.6
%	43%	42%
EBITDA	\$6.5	\$7.5
%	16%	16%

* No rent reflected

* Company has meaningful free cash flow to support proposed rent.



HOUSTON ECONOMIC PROFILE

The Houston economy is one of the largest in the world. Houston is the fourth-most-populous city and fifth most populous metro in the United States, with more than 6.9 million residents in the metro area, and it has grown at an impressive pace recently. If Houston were a nation, it would be the 24th-largest economy in the world and is currently the seventh-largest economy in the U.S. in terms of GDP. There are 20 Fortune 500 companies that call Houston home, helping to spur the more than 3 million jobs that exist here. Houston is known as the Energy Capital of the World, owing to its preeminent cluster of energy-related companies that are headquartered in the city. It is also home to the world's largest health care complex (the Texas Medical Center, or TMC), the NASA Lyndon B. Johnson Space Center, and the nation's largest U.S. export port. Houston's resilience through the Global Financial Crisis, the recent height of the Shale Boom, and the oil downturn is supported by its strong demographic trends.

Since 2010, its population has grown by more than 15%, equating to over 1 million new residents added. Although nominal growth has slowed in each of the past three years, Houston still ranked second only to Dallas-Fort Worth among major U.S. metros for population growth over that time frame. This rapid growth is impressive, especially

considering the recent local economic downturn and Hurricane Harvey. Through all of this, Houston still remains appealing to new residents due to its affordable cost of living, attractive climate, and affordable home prices, among other factors.

Over the past year, Houston has added over 100,000 jobs, returning to a level of job growth not seen since the first quarter of 2015. This follows a year of tepid, below average job growth in 2017 and two slightly negative years of job growth in 2015 and 2016. Part of this turnaround in the local economy owes itself to recovery efforts in the wake of Harvey, although the majority of growth is attributed to a recovery in oil prices and a brighter outlook for energy companies. However, a significant drop in oil prices in the fourth quarter of 2018 called into question Houston's economic recovery. West Texas Intermediate (WTI) oil prices climbed to over \$75/barrel by October 2018 before descending below \$50/barrel by December, due to concerns over global economic growth decelerating and rising crude stockpiles, particularly in the United States. During the oil downturn, Houston benefited from a strong U.S. economy as well as an increasingly diverse local economy. Since that time, the energy market has begun to regain its footing, although with new realities.



HOUSTON ECONOMIC PROFILE

The days of rig counts regularly exceeding 1,700 nationally and crude oil prices eclipsing \$100/barrel are not likely to return soon. The consensus of many energy industry experts is that cautious growth in the energy industry is the new norm.

Since the 1980s, Houston has diversified both within the energy industry—across upstream, midstream, and downstream—and outside of it. Professional and business services and a variety of other industries expanded their geographic reach and stature and grew in tandem alongside Houston’s population growth. Houston has become a central location for top medical research facilities and cutting-edge technological advances.

The Texas Medical Center (TMC) is a major economic driver, employing over 100,000 people—second only to Downtown Houston’s approximately 150,000—and that

number continues to grow. There are more than 175,000 high-tech professionals working in the combined knowledge cluster of the TMC, Rice University, and the University of Houston. The Texas Medical Center 3 (TMC|3) project is symbolic of the local health care industry’s meteoric trajectory. The TMC|3 is a proposed \$1.5 billion collaborative research campus that will foster a commercial biotech hub, formed as a partnership between TMC, Baylor College of Medicine, Texas A&M University Health Science Center, The University of Texas Health Science Center at Houston, and The University of Texas MD Anderson Cancer Center. Expected to break ground in 2019, the campus will be located just south of the existing TMC. Upon completion in 2022, it is estimated that TMC|3 will drive over \$5 billion into the Houston economy and create 30,000 jobs.

NAICS Industry	Current Jobs		Current Growth		10 Yr Historical		5 Yr Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	232	0.9	5.75%	2.01%	-0.39%	-0.04%	-0.33%	-1.44%
Trade, Transportation & Utilities	640	1.1	2.72%	1.12%	1.76%	0.84%	1.67%	0.15%
Retail Trade	320	1.0	2.18%	0.27%	1.80%	0.66%	2.10%	0.19%
Financial Activities	165	0.9	3.22%	1.35%	1.37%	0.67%	1.24%	0.62%
Government	408	0.9	0.20%	0.27%	0.95%	-0.08%	0.63%	0.53%
Natural Resources, Mining & Construction	327	1.9	9.30%	4.40%	1.08%	0.72%	2.32%	1.19%
Education & Health Services	396	0.8	3.55%	2.00%	3.14%	2.07%	1.89%	1.00%
Professional & Business Services	524	1.2	6.58%	2.78%	2.84%	2.11%	2.20%	1.22%
Information	31	0.5	-1.90%	-0.44%	-1.54%	-0.54%	0.84%	0.05%
Leisure & Hospitality	327	0.9	1.26%	1.70%	3.39%	2.18%	2.40%	1.01%
Other Services	112	0.9	2.26%	1.07%	1.71%	0.75%	1.55%	0.22%
Total Employment	3,162	1.0	3.78%	1.66%	1.82%	1.06%	1.62%	0.56%

Source: AY Research
LQ = Location Quotient

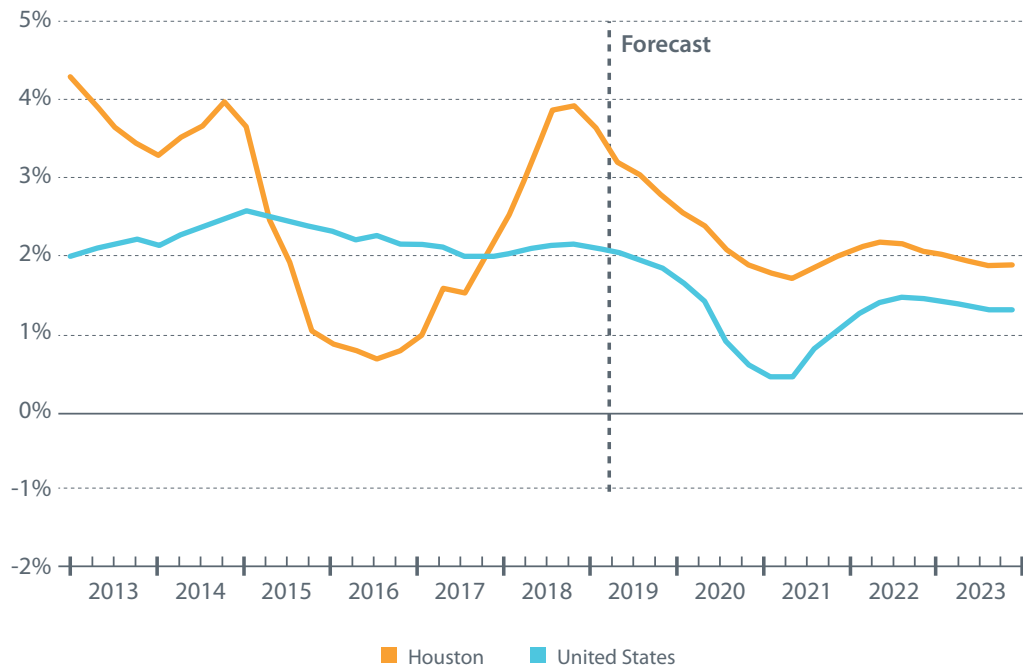


HOUSTON ECONOMIC PROFILE

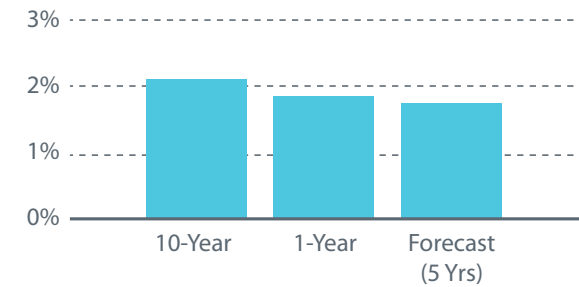
Demographic Category	Current Level		Current Change		10 Yr Change		Forecast Change (5 Yrs)	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	7,091,085	329,185,425	1.8%	0.7%	2.1%	0.7%	1.7%	0.6%
Households	2,499,898	126,781,008	1.9%	0.9%	2.1%	0.8%	1.9%	1.0%
Median Household Income	\$67,426	\$63,816	4.4%	3.6%	1.6%	2.1%	3.7%	2.8%
Labor Force	3,438,590	162,874,329	2.9%	1.3%	2.1%	0.5%	1.7%	0.8%
Unemployment	4.1%	3.7%	-0.5%	-0.4%	-0.2%	-0.04%	-	-

Source: AY Research
LQ = Location Quotient

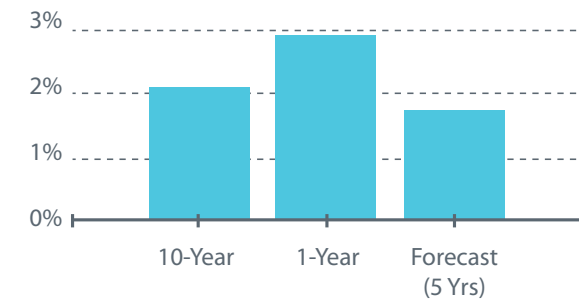
YEAR OVER YEAR JOB GROWTH



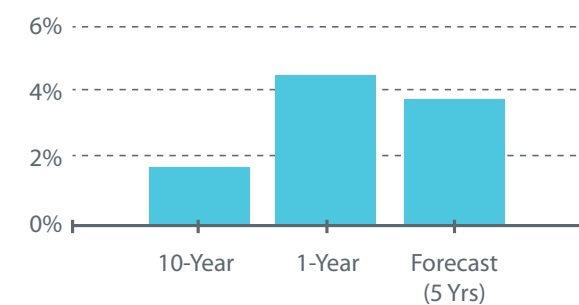
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH





Platinum member

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