



CUSHMAN &
WAKEFIELD

Midtown

HOUSTON

URBAN RETAIL INVESTMENT OPPORTUNITY

CONFIDENTIAL OFFERING MEMORANDUM



TABLE OF Contents

03 EXECUTIVE SUMMARY

14 THE MARKET

26 FINANCIAL ANALYSIS

32 THE PROPERTY

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EXECUTIVE Summary



Midtown
HOUSTON



The OFFERING

Cushman & Wakefield is pleased to present **Midtown Houston** (the "Property"), a generational investment opportunity located in the heart of Midtown (the "District"), one of the fastest and most dynamic submarkets in the Houston MSA. The Property is one of Midtown's most popular nightlife destinations, generating nearly 25% of all alcohol sales in the District (approximately \$9 million). **Midtown Houston** is currently 95% leased to six high quality tenants in nearly 43,000 square feet of leasable area on just over an acre of land, providing a relatively low 0.9 floor area ratio (FAR). This is considerably lower than the new mid-to-high rise developments occurring in the District, which include 27 to 29 story residential high rises. This phenomenon has created a unique **opportunity to capitalize on a low-density, cash-flowing asset in a high-density environment.**

	2303 SMITH STREET HOUSTON, TX	2300 LOUISIANA STREET HOUSTON, TX	612 HADLEY STREET HOUSTON, TX	TOTAL
Number of Stories:	3	1	1	
Size (GLA):	21,470	15,000	6,500	42,970 SF
Land Area (SF):	25,000	15,000	7,500	47,500 SF / ±1.09 Acres
Leased Occupancy:	90%	100%	100%	95%
Tenancy:	Multi-Tenant	Single Tenant	Single Tenant	
Tenant(s):	Pub Fiction Salt N Pepper Group Elevate Strength 3rd Floor	1-800-Lucky	Howl at the Moon	
Year Built:	1961	2011	2008	
In-Place NOI:	\$368,748	\$300,000	\$163,379	\$832,127
Ownership Type:	Fee Simple	Fee Simple	Fee Simple	
Debt:	Free & Clear	Free & Clear	Free & Clear	

OFFERING PRICE: **\$15,130,000** // CAP RATE: **5.5%**



ELEVATE
STRENGTH



HOWL
AT THE MOON



1-800  LUCKY



3rd
Floor
Crafted in America

Investment HIGHLIGHTS



Top MSA

Houston consistently ranks as one of the best cities for real estate investment due to its remarkable job growth. It is now being recognized as the Nation's Best for Millennials according to The Langston Co. and The Brookings Institution. This is a result of offering high paying jobs in the energy and medical fields along with a cost of living 26% below the average of the top 20 MSAs.



Houston's Most Walkable Urban "Cool Street" District

The Midtown District is Houston's most walkable, with a walk score of 86 and a transit score of 80. The trend towards walkable urban districts has accelerated the growth in submarkets like Midtown where there is significant pent up demand for nearly all real estate product types. This is evidenced by the phenomenal residential growth Midtown has experienced over the past 5 years.



Epicenter of the Midtown Entertainment & Nightlife Scene

The tenants at Midtown Houston currently capture an estimated 25% of all alcohol sales within Midtown and the combined sales of nearly \$9 million (TABC 2018) far exceed any other venue.



New Long-Term Leases In-Place

A brand new 5-year lease with one of Miami's most popular entertainment & nightlife venues, 1-800-LUCKYS, which is expected to open in 1Q 2020. Additionally, new 5-year leases have been signed with the recently expanded Pub Fiction and 3rd Floor nightlife venues along with a new 3-year lease with health & fitness operator Elevate Strength.



Rapidly Growing District

The number of multi-family units has doubled since 2014 and there are now over 5,000 units in Midtown, 2,300 units have been delivered and there is a staggering 1,900 units currently under construction or in lease up! It is estimated that by 2022, Midtown will add another 3,000 units, representing 60% growth over the next 5 years. **This is the highest household growth anywhere in Houston.**



Dynamic & High-Income Demographics

Midtown is growing at such a rapid clip because it attracts high-income, young professionals looking for an experiential lifestyle driven by creative food and entertainment concepts within walking distance to where they live and work. There are now over 13,000 people living in Midtown earning well over \$100k annually but over 250,000 people working within 2 miles of the property! The Millennial trend towards living closer to employment centers is playing out in Midtown.



Unparalleled Access & Visibility

The Property is ideally situated between two of the busiest streets in Midtown with access and visibility to over 50,000 vehicles per day along Louisiana St. and Smith St. and within a 5-minute walk of the Metro providing easy access to one of the largest medical, education and employment concentrations in the United States. Texas Medical Center alone is the 8th largest business district in the U.S., along with the Houston Central Business District and Rice University.



Grocery Shadow-Anchored Asset

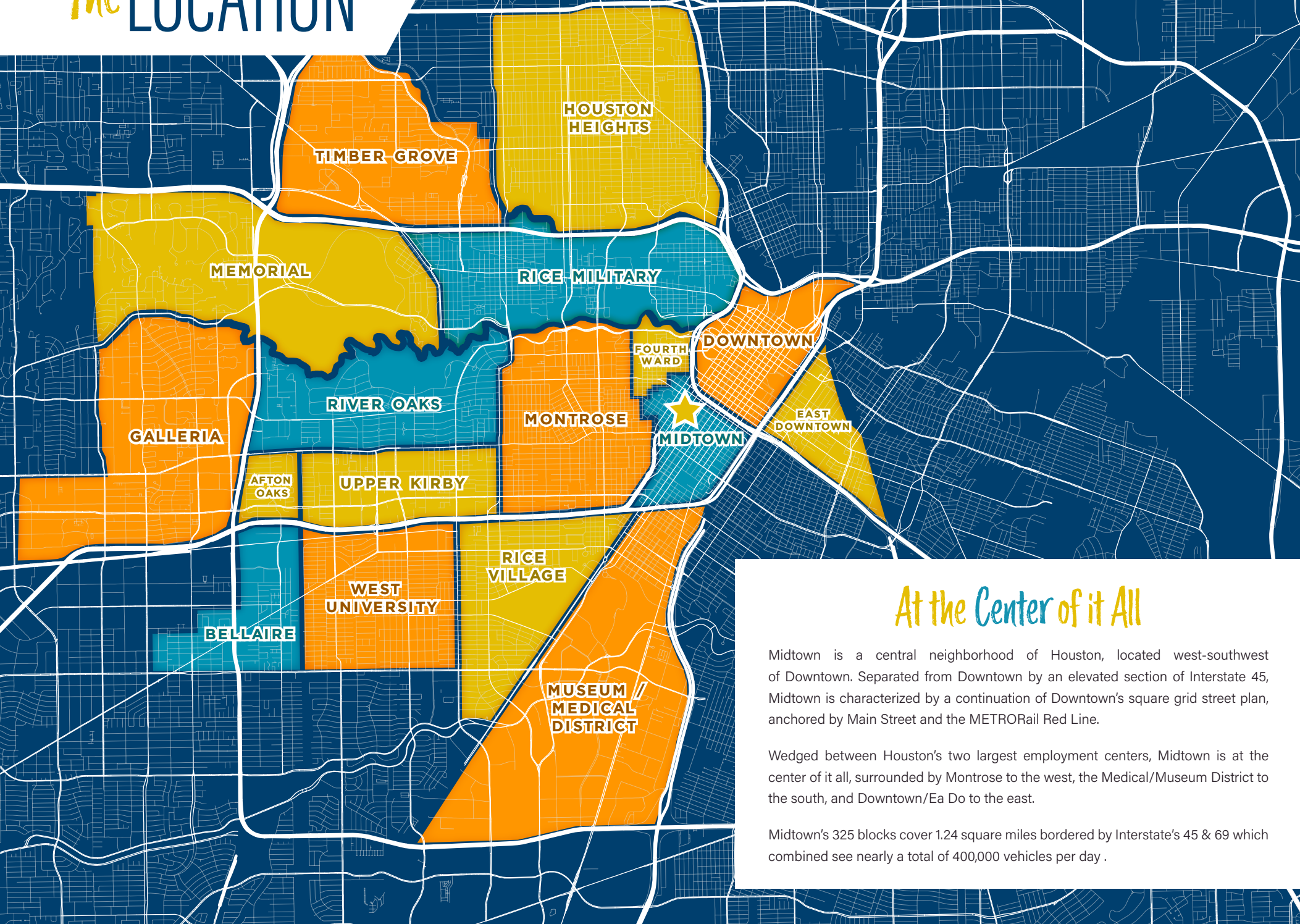
The Property is conveniently located directly across the street from Randalls, one of Midtown's busiest grocery stores. The Houston-based grocer recently completed a significant store renovation including a subgrade parking garage in 2017 with a heavy focus on convenience as it aims to better serve Midtown residents.



Below Market Rents

Due to high demand and limited supply within this submarket, the Property rents are on average \$12/ sf NNN below market rent. New retail inventory and redevelopments continue to push rents with many nearby competing centers achieving rents in the low \$40s psf.

The LOCATION



At the Center of it All

Midtown is a central neighborhood of Houston, located west-southwest of Downtown. Separated from Downtown by an elevated section of Interstate 45, Midtown is characterized by a continuation of Downtown's square grid street plan, anchored by Main Street and the METRORail Red Line.


Wedged between Houston's two largest employment centers, Midtown is at the center of it all, surrounded by Montrose to the west, the Medical/Museum District to the south, and Downtown/Ea Do to the east.

Midtown's 325 blocks cover 1.24 square miles bordered by Interstate's 45 & 69 which combined see nearly a total of 400,000 vehicles per day .

Site PLAN



SUITE	TENANT	SF (GLA)	BASE RENT PSF NNN	% OF GROSS REVENUE	EXPIRATION
100	Pub Fiction 	8,383	\$21.47/sf	21%	6/30/2024
201	Elevate Strength 	3,008	\$23.94/sf	6%	3/31/2022
300	3rd Floor 	7,900	\$19.75/sf	19%	6/30/2024
200	Salt N Pepper Group 	2,179	-	-	-

SUITE	TENANT	SF (GLA)	BASE RENT PSF NNN	% OF GROSS REVENUE	EXPIRATION
2300	1-800-Lucky 	15,000	\$20.00/sf	36%	12/31/2024

SUITE	TENANT	SF (GLA)	BASE RENT PSF NNN	% OF GROSS REVENUE	EXPIRATION
612	Howl at the Moon 	6,500	\$25.14/sf	18%	5/1/2022

Note: Property line and tenant demising wall boundaries are approximate. Please refer to survey and lease exhibits for exact boundaries.

The TENANTS



Established in 2005, Pub Fiction is a Midtown pioneer when it comes to the bar and late night party scene. As Houston's first Urban Tavern in Midtown, Pub took everything people love about their favorite neighborhood hangout and added an urban chic feel to it while not

losing that local tavern feel. Pub Fiction prides itself on its chef inspired food menu, full selection of liquor, beer and wines with a heavy emphasis on sports, entertainment and customer service. **Its popularity is now synonymous with the area and has become a staple and geographical point for the locals.** Where every inch of wall space is covered with one of their 80+ flat-screens, Pub is the standard when it comes to game watching in Houston. Initially created for the after-work professionals to unwind as well as for the late-night club goers, over time Pub has become the central place for happy hours, pub crawls, corporate events, and late night fun. Pub's success and popularity has led the way in attracting more bars, restaurants, residential, and retailers to the immediate area and transforming Midtown into Houston's most walkable neighborhood.



CUSHMAN & WAKEFIELD

8,383
SQUARE FEET

21%
OF GROSS REVENUE

6/30/2024
LEASE EXPIRATION

20%
OF GLA

\$21.47/SF^{NNN}
IN-PLACE BASE RENT

0.2
YEARS IN OCCUPANCY

WWW.PUBFICTION.COM



*Owner-occupied for 15 years; recently signed a lease.

The TENANTS

ELEVATE STRENGTH

Elevate Strength, a boutique fitness concept, was created with a specific vision: To build a fitness facility with the purpose of giving all different fitness levels an efficient, effective workout that limits injuries and

creates a functional physique in an inclusive group environment — and one that builds bodies up instead of breaking them down. A unique philosophy of innovative fitness, exceptional customer service, attention to detail, and a vision that seeks to define a lasting brand. Elevate offers a unique blend of High Intensity-Strength Training, Yoga and Barre individual classes or monthly memberships.

3,008
SQUARE FEET

6%
OF GROSS REVENUE

3/31/2022
LEASE EXPIRATION

7%
OF GLA

\$23.94/SF GROSS
IN-PLACE BASE RENT

0.5
YEARS IN OCCUPANCY

WWW.ELEVATE-STRENGTH.COM



The TENANTS



3rd Floor is an exclusive Houston rooftop bar, in the sense that it is only open during weekend nights. Located in Midtown, patrons can take the elevator up to the

3rd floor (hint the name) to find a spacious lounge and bar, leading out to a rooftop terrace with grand views of the downtown Houston skyline. The rooftop bar offers a large drink menu, with 50 unique craft beers on tap, 50 different boutique wines and a new concept of classic cocktails on draft. Whether it's hitting the dance floor with a live DJ, catching a game and enjoying a drink at the bar or challenging a friend to a game of shuffleboard, this rooftop bar offers something for just about everyone.



7,900
SQUARE FEET

19%
OF GROSS REVENUE

6/30/2024
LEASE EXPIRATION

18%
OF GLA

\$19.75/SF NNN
IN-PLACE BASE RENT

0.2
YEARS IN OCCUPANCY

WWW.3RDFLOORHOUSTON.COM



The TENANTS



Salt 'N Pepper Group is a Houston based entertainment and hospitality management group. The team behind the group operates an array of concepts with exceptional service,

incredible food, live music, distinctive settings, and night life. With decades of hospitality experience, the group continues to bring innovation to every aspect of operations and service, setting the pace as visionaries in the business of creating an experience in Houston. The team's portfolio of properties are spread out throughout Houston's most highly sought after neighborhoods including Midtown, Memorial Heights and the Historic Downtown District. The hospitality group is behind concepts such as 3rd Floor, Shot Bar, Beer Market Co., The Moonshiners Southern Table & Bar, Boots N Shoots and Pub Fiction, one of Midtown's oldest and most successful bars that has become a staple among the locals for geographical reference.



2,179
SQUARE FEET

5%
OF GLA

N/A
OF GROSS REVENUE

N/A
IN-PLACE BASE RENT

N/A
LEASE EXPIRATION

N/A
YEARS IN OCCUPANCY

WWW.SALTNPEPPERGROUP.COM



The TENANTS

HOWL AT THE MOON

Founded in 1990 in Cincinnati, Ohio, Howl at the Moon is a high-energy live music venue where musicians "perform" on a variety of instruments including pianos, drums, guitars, horns, and more in a show with no setlist or

agenda. **With sixteen locations across the country**, Howl at the Moon is the perfect spot for bachelor parties, bachelorette parties, birthday parties, holiday parties, corporate events, private parties, meetings, cocktail parties, networking events, fundraisers, team building events, graduation parties, award ceremonies and more. Howl is also known for the 86 oz. mixed drink buckets including the crowd favorite Hurricanes and Adios Mofos.

6,500
SQUARE FEET

18%
OF GROSS REVENUE

5/1/2022
LEASE EXPIRATION

15%
OF GLA

\$25.14/SF NNN
IN-PLACE BASE RENT

12.6
YEARS IN OCCUPANCY

WWW.HOWLATTHEMOON.COM

The TENANTS



1-800-Lucky is a sprawling 15,000 square foot food hall in the style of a hip, Asian market with indoor and outdoor seating and a booming soundtrack of hip hop. Seven vendors

hawking pan-Asian dishes from ramen to Vietnamese sandwiches encircle an open dining room that is also flanked by two full bars and a karaoke lounge. The upscale Asian marketplace originated in Miami's trendy Wynwood neighborhood and was named one of the ten hottest new restaurants in Miami by Zagat in 2018. The visionaries behind the food hall describe the marketplace as "1990s Tokyo-meets-'Blade Runner'" that's equal parts food hall, record shop, convenience store and karaoke bar. Whether it's their signature frozen beer, new and old vinyl, breath mints, lottery tickets, highly Instagramable fishtail ice cream cones, live music or karaoke, 1-800 Lucky is pioneering the food hall scene and excited to expand their presence in Texas with their first location here in Midtown.



15,000
SQUARE FEET

35%
OF GLA

36%
OF GROSS REVENUE

\$20.00/SF NNN
IN-PLACE BASE RENT

12/31/2024
LEASE EXPIRATION

1/1/2020
LEASE BEGINS

WWW.1800LUCKY.COM



THE Market



+231,601 VPD



Midtown
HOUSTON

Randalls



METRO

SPEC'S

Smith St. +24,451 VPD

Louisiana St. +25,992 VPD

East AERIAL



Camden McGowen Station
Eight-story, 315-units
\$90M



Laneways Mixed-Use Development
2.5M SF of High-Rise Residential, Hotel, Retail
Phase I: Drewery Place
27-story High-rise Residential, 357 Units



midtown PARK



3300 Main
High-rise Residential
29-story, 328-unit



Rice University's The Ion
\$100M
270K SF Innovation Hub





TMC TEXAS MEDICAL CENTER 3.5 Miles Away



RICE 2.5 Miles Away

INTERSTATE 69 +159,920 VPD

Louisiana St. +25,692 VPD

Smith St. +24,451 VPD

Bagby St. +55,491 VPD

INTERSTATE 45 +231,601 VPD






WHOLE FOODS MARKET

Pearl Marketplace at Midtown
264-unit MF
Development Anchored by Whole Foods

Midtown
HOUSTON

Notable
NEW DEVELOPMENTS



Property AERIAL

Smith St. +24,451 VPD

Midtown
HOUSTON



Louisiana St. +25,692 VPD

Randalls



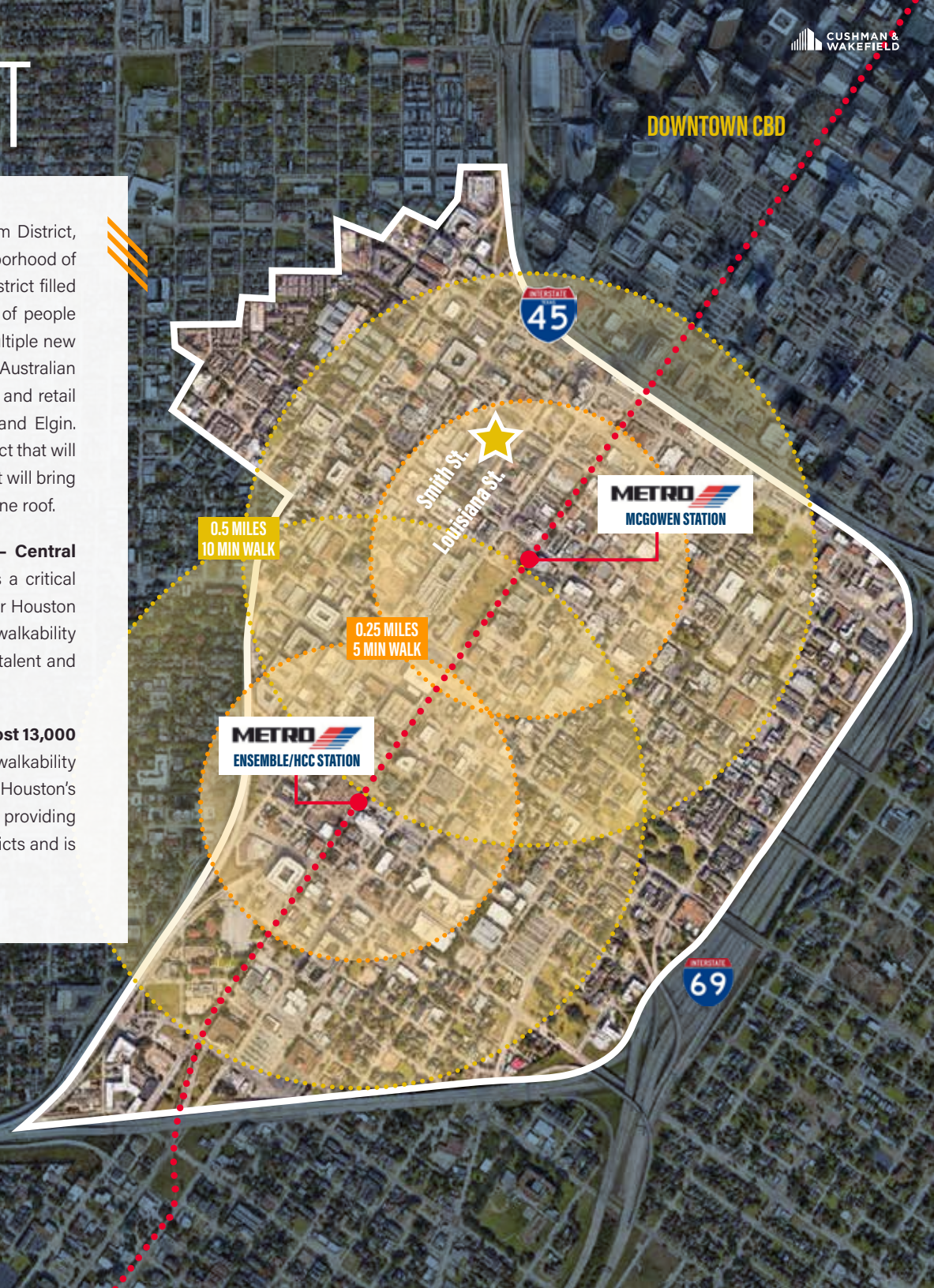
The MIDTOWN DISTRICT

Located just south of Downtown and running along Main Street toward the Museum District, Midtown has evolved over the last two decades from a largely underdeveloped neighborhood of mom-and-pop restaurants and older bungalows into a vibrant, pedestrian-friendly district filled with mixed-use mid-rises and a lively dining and nightlife scene. Today, thousands of people call Midtown home and thousands more will move to the area in coming years as multiple new projects now under construction are completed. One massive new project from Australian developer Caydon dubbed Laneways will include a 27-story residential tower, a hotel and retail spread across a 2.5-million-square-foot site on Fannin Street between McGowen and Elgin. Further south, Rice University is steering the creation of the city's new Innovation District that will be anchored by the Ion, a 270,000-square-foot facility housed in a historic building that will bring together entrepreneurs, corporations and academic institutions to collaborate under one roof.

Because of its **location between Houston's two largest employment centers - Central Business District and Texas Medical Center** - the redevelopment of Midtown is a critical component in the success of the broader economic development efforts of the Greater Houston region. Midtown offers residential and retail-driven mixed used concepts and the walkability millennials desire. These amenities and assets play a key role in attracting the new talent and businesses necessary to sustain economic development efforts in Houston.

Since 2012, Midtown Houston has experienced 50% population growth with almost 13,000 Houstonians now calling it home. Residents continue to flock to Midtown due to its walkability and access to approximately **180 restaurants, bars, and coffee shops**. Additionally, Houston's MetroRail transit rail system (Red Line) runs north and southbound along Main Street providing passengers easy access to the two largest employment centers and neighboring districts and is the second most-traveled light rail system in the Southern United States.

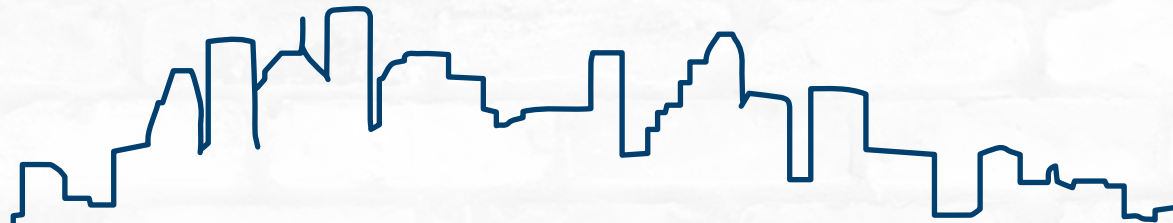
With a **Walk Score of 86**, Midtown is the **most walkable neighborhood** in Houston.



The Growth OF MIDTOWN

GROWTH IN APARTMENT UNITS BY NEIGHBORHOOD

PLACE	TODAY	2022	% OF GROWTH
All of Houston	478,053	500,490	5%
Midtown	5,091	8,168	60%
Downtown	4,091	6,098	49%
Washington	5,560	7,887	42%
Upper Kirby	6,721	7,989	19%
Galleria	8,685	10,102	16%
Montrose	5,122	5,956	16%
Heights	2,739	3,029	11%
Rice/Museum District	3,441	3,645	6%
Medical Center	7,147	7,522	5%



Currently over **5,000 MF** units in Midtown with an average monthly rental rate of **\$1,700+ / \$2.00/sf.**



Currently over **1,900** Multi-family units under construction or in lease-up.



More than **2,300** Multi-family units have been built since 2014.



Average monthly **rents have increased more than 8%** in the past 6 months alone.



Since 2012, Midtown has experienced **50% population growth** with almost 13,000 Houstonians now calling it home.



The Urbanization EFFECT

Texas Urbanization

In contemporary Texas, the vast majority of population growth occurs in metropolitan areas. With every decennial census since 1850, the state's population share in what are today's metropolitan counties has increased while the population share of the non-metropolitan counties has declined. If current trends continue, **95 percent of the state's future growth will occur in metropolitan counties.**

Approximately 80 percent of all population growth in the Lone Star State has been in the four large metropolitan areas since 2000. **Texas now boasts two of the nation's five largest metros**, the first time any state has enjoyed that distinction. **At its current rate of growth, Houston could replace Chicago as the nation's third-largest city by 2030**, and the Dallas-Fort Worth region could surpass Chicagoland as the nation's third-largest metropolitan area by the 2040s.

One trend that has remained unchanged for nearly a decade: Texas has led all states in net domestic migration, resulting in an estimated 1,019,434 new residents to our state between 2010 and 2017, or 385 per day, and the influx does not appear to be subsiding.

Between 2010 and 2014, the Austin metro area gained nearly 20,000 domestic migrants, San Antonio's numbers jumped nearly 9,000, Dallas-Fort Worth-Arlington saw an increase of more than 23,000 and the Houston metro area more than 30,000. **This shows that migration from outside of the state is fueling urbanization in Texas. The state's metro regions garnered 94 percent of the total domestic migration between 2010 and 2014**, according to statistics compiled by the Texas Demographic Center.



Quick Facts

- By 2050, the population of Texas is expected to double from about 28 million today to 55 million.
- Urban areas are projected to have more than 90 percent of the state's 2010-2050 total population growth.
- *Since 2000, Houston has boosted its population by 38 percent. New York, Chicago, Los Angeles and Boston grew by well under 10 percent.*
- Houston's living costs are 26.3 percent below the average of the nation's 20 most populous metropolitan areas, ranking it the third most affordable.
- The Houston Association of Realtors Multiple Listing Service recorded closings on 98,348 properties (includes single-family homes, townhomes, condos, high rises, etc.), an average of one every 5.3 minutes.
- Metro Houston, a major corporate center, ranks fourth in the nation in Fortune 500 headquarters and third in Fortune 1000.
- As of January 2019, 53 communities with 15,753 units are under construction, and 92 communities with 27,313 units were proposed, according to Apartment Data Services.

Houston

Houston is often characterized as a "sprawling" urban area. In fact, however, Houston has a higher than average urban density for the United States (by eight percent) and an urban density **approximately 75 percent higher than Atlanta and Charlotte and denser than Philadelphia and Boston.** Even Portland, with its carefully cultivated international reputation for high density is only 18 percent denser than Houston.

Over the past decade, Houston has endured two economic downturns (the Great Recession and the Fracking Bust) and two major storms (Hurricanes Ike and Harvey), yet the region has demonstrated remarkable growth and resiliency over that period. From '08 to '18, Houston has gained 1.4 million residents, created more than 500,000 jobs and added \$100 billion to its gross domestic product (GDP). Houston lost 120,000 jobs in the Great Recession but was among the first to recover, recouping all the jobs lost in less than two years. Houston went on to lead the nation in job growth, averaging 100,000 per year during the height of the fracking boom ('10 - '14). Population growth exceeded 170,000 new residents in some years.

The current economic outlook remains bright for Houston with the region on pace to add 71,000 jobs, build more than 30,000 single-family homes and handle more than \$240 billion in foreign trade in 2019.

The FUNDAMENTALS OF Midtown



/// RETAIL

	MIDTOWN DISTRICT	DOWNTOWN DISTRICT
Inventory (SF)	2,200,000	1,300,000
Occupancy Rate	94.20%	95.10%
Vacancy Rate	5.80%	4.90%
Average Asking Rent	\$30.70/sf NNN	\$28.49/sf NNN

/// OFFICE

	MIDTOWN DISTRICT	DOWNTOWN DISTRICT
SF/RBA	2,600,000	51,200,000
Occupancy Rate	86.60%	80.60%
Average Gross Asking Rent	\$25.69/sf	\$41.51/sf

/// MULTI-FAMILY

	MIDTOWN DISTRICT	DOWNTOWN DISTRICT
Total Number of Units	4,986	4,784
Units Built Since 2000	3,577	4,001
Average Year Built	2011	2010
Occupancy	94%	93%
Average Unit Size	884	956
Average Monthly Rate	\$1,723	\$2,268
Average Rent/SF	\$1.99	\$2.36

The following properties were excluded from the overall occupancy as they are in lease-up phase:

- Drewery Place (357 units / 4% Occ.)
- Pearl Marketplace at Midtown (264 units / 5% Occ.)
- Dolce Midtown (201 units / 52% Occ.)

Source: ALN Data (Multi-family), Cushman & Wakefield (Office) & CoStar (Retail) (September 2019)



INTERSTATE
69 +159,920 VPD

MID MAIN
\$34-44/sf NNN

DREWERY PLACE
\$25/sf NNN

MILAM STREET RETAIL
\$28/sf NNN

2600 TRAVIS ST
\$29-35/sf NNN

THE CROSSING AT
MIDTOWN
\$49/sf NNN

THE PLAZAS AT
MIDTOWN II
\$42/sf NNN

THE PLAZAS AT
MIDTOWN
\$36/sf NNN

MIDTOWN CROSSING
\$40/sf NNN

INTERSTATE
45 +231,601 VPD

Louisiana St. +25,692 VPD

Smith St. +24,451 VPD

Bagby St. +55,491 VPD

Midtown
HOUSTON

Retail Rent COMPARABLES

Rent COMPARABLES

/// RETAIL

	PROPERTY	GLA (SF)	YEAR BUILT	OCC.	SMALL SHOP ASKING RATES (NNN)	DISTANCE (MI)	PRIMARY TENANTS
	Midtown Urban Retail 612 Hadley Street Houston, TX	42,970	1961 / 2008 / 2011	100%	\$22.06/sf	-	Pub Fiction, 1-800 Lucky, Howl at the Moon, 3rd Floor, Elevate Strength
MARKET RETAIL COMPS							
1	Midtown Crossing 510 Gray Street Houston, TX	14,788	2004	100%	\$40	0.2	Buffalo Wild Wings, Which Wich, River Oaks Cleaners, Gyu-Kaku Japanese BBQ
2	The Plazas at Midtown 2500 Bagby Houston, TX	15,820	1997	100%	\$36/sf	0.3	On the Kirb, Dog House Tavern, Luigi's Pizzeria, Magic Wok, Supercuts, Tiff's Treats, Jimmy John's, Poke Burri
3	The Plazas at Midtown II 2450 Louisiana Houston, TX	11,113	2001	100%	\$42/sf	0.3	Midtown Dentistry, Upscale Cleaners, The UPS Store, Ibiza Lounge
4	The Crossing at Midtown 606 Dennis St Houston, TX	19,600	1965 / 2019	50%	\$49/sf	0.3	Bar (Confidential), Local Sushi Restaurant (Confidential)
5	2600 Travis St Houston, TX	32,374	1960 / 2007	79%	\$29 - \$35/sf	0.3	Reef, Proof Rooftop Lounge, Sable Gate Winery
6	Milam Street Retail 2700 Milam St Houston, TX	11,750	1965 / 2009	87%	\$28/sf	0.3	Les Givral's Sandwich & Cafe, Red Pier Asian Bistro
7	Drewery Place Retail 2850 Fannin Street Houston, TX	13,000	2019	79%	\$25	0.6	Black Swan Yoga, Earthcraft Juicery, Flying Biscuit Café, Sushi
8	Mid Main 3500 Main Street Houston, TX	27,865	2016	85%	\$34 - \$44/sf	0.9	Natachee's, Diced Poke, Brass Tap, Kura Sushi, Project Panic Escape Room, 9 Round Fitness, Sig's Lagoon
TOTAL / AVERAGE		189,280	1991	87%	\$35/sf	0.4	

/// OFFICE

MONTROSE / MIDTOWN OFFICE 2Q 2019

One of Houston's smaller office submarkets, which includes the Midtown area and Allen Parkway Corridor. Montrose is at the heart of midtown, with strong residential and retail growth over the past ten years fueling resurgence in close-in locations. Allen Parkway Corridor is surrounded by Buffalo Bayou Park, and is located just outside of downtown. Close proximity to the Central Business District has made office projects in the area an attractive alternative to rental rates paid by downtown tenants.

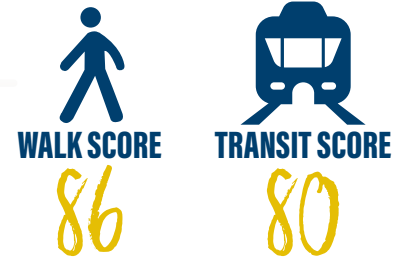
A close-in location and strong retail and residential growth have benefited the Montrose submarket enormously in the past decade.

SUBMARKET STATISTICS 2Q

Total Inventory	3,209,533 sf
Overall Wtd. Average Gross Asking Rental Rate	\$30.85 psf
Class A	\$34.03 psf
Class B	\$32.06 psf
Class C	\$24.56 psf
Direct Vacancy Rate	12.20%
Overall Vacanc Rate	12.40%
YTD Overall Absorption	-188,985 sf
YTD Construction Completions	0 sf
Under Construction	35,363 sf

The Connectivity & ACCESS OF MIDTOWN

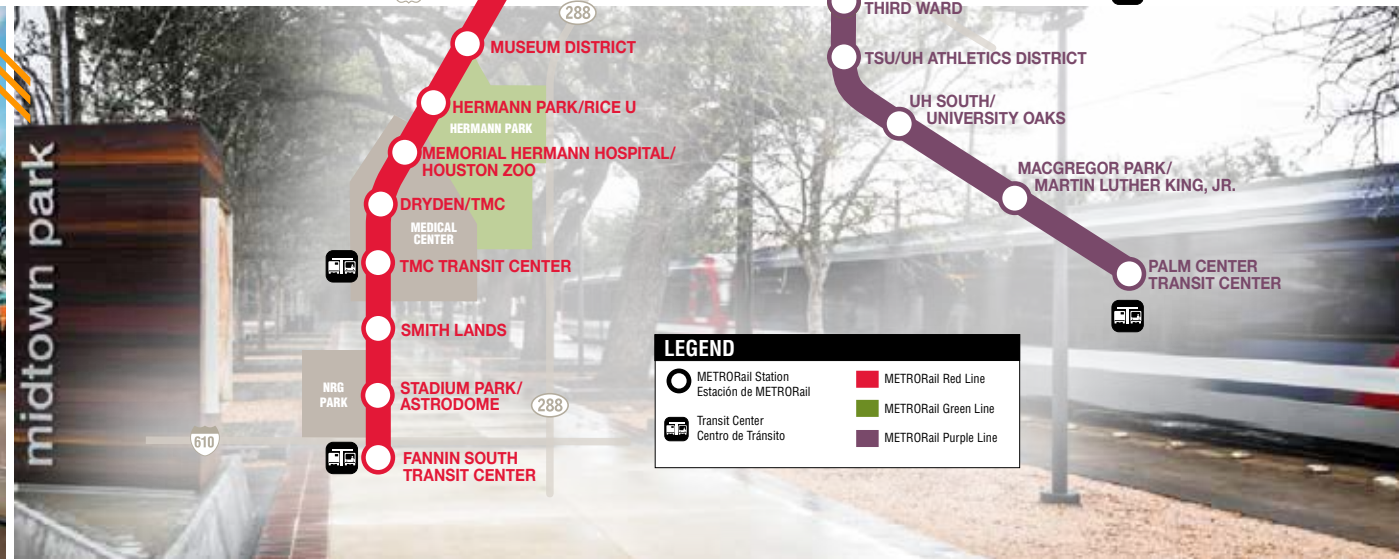
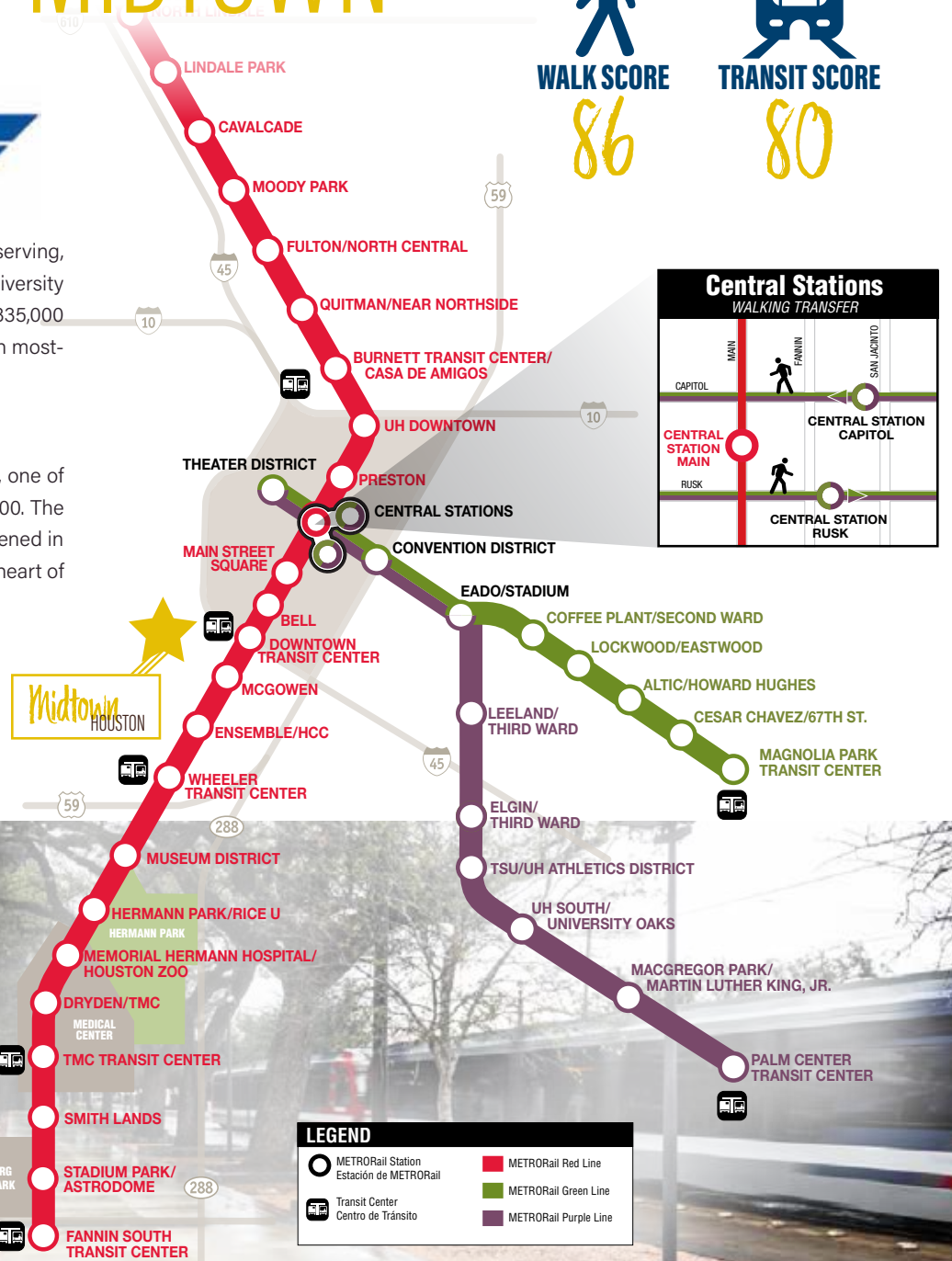
METRO Rail is the city of Houston's primary transit light-rail system, spanning 22.7-miles and consists of three light-rail lines: the Red Line, Green Line and the Purple Line. The METRO Rail quickly connects people to the most-frequented destinations in the city, traveling through downtown and serving, in part, the Texas Medical Center, Museum District, University of Houston and Texas Southern University campuses, and the historic East End. As of 2017, the METRO Rail had a total annual ridership of 18,335,000 and ranks as the second most-traveled light rail system in the Southern United States and the 12th most-traveled light rail system in the U.S.



The Red Line

The Midtown Property is located just 0.3 miles from the METRO Rail McGowen Red Line Station, one of the highest performing rail lines in the country with an average daily ridership of more than 52,000. The city of Houston has seen more than \$8 billion in new development along the Red Line since it opened in 2004. Passengers can quickly commute from the McGowen Station to Main Street Square in the heart of Downtown in just under 6 minutes.

With a **Walk Score of 86**, Midtown is the **most walkable neighborhood** in Houston.



FINANCIAL *Analysis*



Rent ROLL

SUITE	TENANT	SF	% OF GLA	LEASE/ OPTION START	EXPIRATION	BASE RENT (TOTAL)	BASE RENT (PSF)	RECOVERIES (TOTAL)	RECOVERIES (PSF)	GROSS REVENUE	GROSS REVENUE/ SF	% OF GROSS REV	TERM REMAINING (YRS)	YEARS IN OCC.	MLA	NOTES
300	3rd Floor	7,900	18%	7/1/2019	6/30/2024	156,000	\$19.75	\$58,981	\$7.47	\$214,981	\$27.21	19%	4.8	0.2	Fixed Rate Option / \$20 NNN	Tenant is assumed to exercise fixed rate option upon expiration, and \ then exercise market rate option at MLA.
			<i>Option</i>	7/1/24	6/30/29	168,000	\$21.27									
			<i>Option</i>	7/1/29	6/30/34		<i>market</i>									
201	Elevate Strength	3,008	7%	3/8/19	3/31/22	\$72,000	\$23.94	\$0	\$0.00	\$72,000	\$23.94	6%	2.5	0.5	\$20 NNN	Tenant is assumed to exercise market rate option upon expiration.
			<i>Option</i>	4/1/22	3/31/25		<i>market</i>									
			<i>Option</i>	4/1/25	3/31/28		<i>market</i>									
612	Howl at the Moon	6,500	15%	2/6/07	5/1/22	\$163,379	\$25.14	\$38,317	\$5.89	\$201,696	\$31.03	18%	2.6	12.6	\$40 NNN	No options remaining. Tenant pays utility expenses directly.
2300	Lucky's	15,000	35%	1/1/20	12/31/24	\$300,000	\$20.00	\$116,857	\$7.79	\$416,857	\$27.79	36%	5.3	-0.3	Fixed Rate Option / \$25 NNN	Tenant is assumed to exercise fixed rate option upon expiration, and then exercise market rate option in Year 11 of analysis. 100% of expenses are billed back to tenant.
			<i>Option</i>	1/1/25	12/31/29	\$312,000	\$20.80									
			<i>Step</i>	1/1/26		\$324,000	\$21.60									
			<i>Step</i>	1/1/27		\$336,000	\$22.40									
			<i>Step</i>	1/1/28		\$348,000	\$23.20									
			<i>Step</i>	1/1/29		\$360,000	\$24.00									
			<i>Option</i>	1/1/30	12/31/34		<i>market</i>									
100	Pub Fiction	8,383	20%	7/1/19	6/30/24	\$180,000	\$21.47	\$62,587	\$7.47	\$242,587	\$28.94	21%	4.8	0.2	Fixed Rate Option / \$40 NNN	Tenant is assumed to exercise fixed rate option upon expiration, and then exercise market rate option at MLA. Owner-occupied for 15 years; recently signed a lease.
			<i>Option</i>	7/1/24	6/30/29	\$208,669	\$24.89									
			<i>Option</i>	7/1/29	6/30/34		<i>market</i>									
200	Salt n Pepper Group	2,179	5%												\$20 NNN	Space is currently occupied by property owner. Operator of Pub Fiction, open to discuss lease terms. Suite has been left vacant for the duration of the analysis in lieu of a vacancy factor.
Total/Weighted Avg. Leased		42,970	95%			\$871,379	\$20.28	\$276,742	\$6.44	\$1,148,121	\$26.72	100%	4.0	2.7		
Total Available		2,179	5%			\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	0%				
Property Total/Weighted Avg.		42,970	100%			\$871,379	\$20.28	\$276,742	\$6.44	\$1,148,121	\$26.72	100%				

Proforma CASH FLOW

Total SF		42,970											
Cash Flow Information													
FISCAL YEAR ANALYSIS BEGINNING:													
1/1/2020	Year1/SF	1	2	3	4	5	6	7	8	9	10	11	CAGR
		YE 12/2020	YE 12/2021	YE 12/2022	YE 12/2023	YE 12/2024	YE 12/2025	YE 12/2026	YE 12/2027	YE 12/2028	YE 12/2029	YE 12/2030	
Gross Revenue													
Base Rental Revenue	\$20.28	\$871,379	\$871,379	\$939,914	\$978,416	\$1,004,322	\$1,046,779	\$1,066,055	\$1,091,580	\$1,121,160	\$1,275,605	\$1,561,183	6.00%
Absorption & Turnover Vacancy	\$0.00	\$0	\$0	(\$45,231)	\$0	\$0	\$0	\$0	(\$53,295)	(\$12,701)	\$0	\$0	NA
Scheduled Base Rental Revenue	\$20.28	871,379	871,379	894,683	978,416	1,004,322	1,046,779	1,066,055	1,038,285	1,108,459	1,275,605	1,561,183	6.00%
Expenses Reimbursement Revenue													
Total Reimbursement Revenue	\$6.44	\$276,742	\$284,091	\$290,849	\$314,100	\$323,397	\$333,548	\$343,113	\$341,107	\$363,187	\$378,964	\$399,348	3.74%
Recovery Ratio		88%	88%	87%	91%	91%	91%	91%	88%	91%	91%	90%	NA
Total Gross Revenue	\$26.72	1,148,121	1,155,470	1,185,532	1,292,516	1,327,719	1,380,327	1,409,168	1,379,392	1,471,646	1,654,569	1,960,531	5.50%
General Vacancy / Collection Loss	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	NA
Effective Gross Revenue	\$26.72	1,148,121	1,155,470	1,185,532	1,292,516	1,327,719	1,380,327	1,409,168	1,379,392	1,471,646	1,654,569	1,960,531	5.50%
Operating Expenses													
CAM	\$2.77	\$118,814	\$122,378	\$126,050	\$129,833	\$133,727	\$137,739	\$141,870	\$146,127	\$150,510	\$155,026	\$159,676	3.00%
Real Estate Taxes	\$3.06	\$131,474	\$135,418	\$139,480	\$143,665	\$147,975	\$152,414	\$156,986	\$161,696	\$166,547	\$171,543	\$176,690	3.00%
Insurance	\$0.46	\$19,781	\$20,374	\$20,985	\$21,615	\$22,263	\$22,931	\$23,619	\$24,328	\$25,057	\$25,809	\$26,583	3.00%
Management Fee @ 4.0%	\$1.07	\$45,925	\$46,219	\$47,421	\$51,701	\$53,109	\$55,213	\$56,367	\$55,176	\$58,866	\$66,183	\$78,421	5.50%
Total Operating Expenses	\$7.35	315,994	324,389	333,936	346,814	357,074	368,297	378,842	387,327	400,980	418,561	441,370	3.40%
Net Operating Income	\$19.37	832,127	831,081	851,596	945,702	970,645	1,012,030	1,030,326	992,065	1,070,666	1,236,008	1,519,161	6.20%
Leasing and Capital Costs													
Tenant Improvements	\$0.00	\$0	\$0	\$51,719	\$0	\$0	\$0	\$0	\$59,956	\$28,578	\$0	\$0	
Leasing Commissions	\$0.00	\$0	\$0	\$35,886	\$0	\$0	\$0	\$0	\$41,602	\$9,915	\$0	\$0	
Capex	\$0.25	\$10,743	\$11,065	\$11,397	\$11,739	\$12,091	\$12,454	\$12,827	\$13,212	\$13,608	\$14,017	\$14,437	
Total Leasing & Capital Costs	\$0.25	10,743	11,065	99,002	11,739	12,091	12,454	12,827	114,770	52,101	14,017	14,437	
Cash Flow Before Debt Service		821,384	820,016	752,594	933,963	958,554	999,576	1,017,499	877,295	1,018,565	1,221,991	1,504,724	

ASSUMPTIONS

/// ARGUS MODEL

ARGUS ANALYSIS PERIOD: 10 years beginning January 1, 2020

GROSS LEASABLE AREA: 42,970 SF

CURRENT OCCUPANCY: 100%

GLOBAL GROWTH RATES: 3% Income & Expenses

GENERAL VACANCY / COLLECTION LOSS: In lieu of a vacancy factor, Suite 200 is held vacant for the duration of the analysis representing a 5% vacancy rate.

REVENUE ASSUMPTIONS: Base rents are based upon the actual terms of each tenant's lease, unless noted as otherwise within the rent roll. Options: C&W assumes that tenants with options that have stipulated rents will exercise their options according to the terms of their respective leases (see rent roll). Tenants without options are assumed to roll into their renewal probability pool.

/// MARKET LEASING ASSUMPTIONS

NEW LEASES: Lease Term: 5 Years
Renew/Relet Ratio: 75%
Downtime between Leases: 6 Months

RENEWAL PROBABILITY: The analysis assumes a 75% probability that existing tenants (that do not have renewal options) will renew their leases at the prevailing market rate. This assumption directly affects the leasing commissions, tenant improvements and downtime between leases.

RENTAL RATES: The market rental rates are based on the location and size of the suite. See Rent Roll for each tenant's specific Market Leasing Assumption (MLA).

TENANT IMPROVEMENTS: New Leases: \$15 PSF
Renewal: \$5 PSF

LEASING COMMISSIONS: New Leases: 4%
Renewal: 2%

CAPITAL RESERVES: Due to the condition of the roof which is reportedly in good condition, a reserve of \$0.25 per square foot is established at the analysis start to cover Capital Expenditures. This figure is inflated at the global growth rate during the analysis period.

EXPENSE	YR.1 AMOUNT	EXPLANATION
CAM	\$118,814	2018 Operating Statement Grown at 3%
Real Estate Taxes	\$131,474	2019 Taxes
Insurance	\$19,781	2018 Operating Statement Grown at 3%
Management Fee	\$45,925	4.0% of EGR
Total Expenses	\$315,994	

Tax Parcel MAP



Real Estate Taxes Breakdown

	MIL RATE	2300 LOUISIANA ST.	612 HADLEY ST	2303 SMITH ST
Houston ISD	1.2067	\$14,472	\$9,017	\$36,412
Harris County	0.41858	\$5,020	\$3,128	\$12,631
Harris Co Flood Control	0.02877	\$345	\$215	\$868
Port of Houston Authority	0.01155	\$139	\$86	\$349
Harris Co Hospital District	0.17108	\$2,052	\$1,278	\$5,162
Harris Co Education Dept	0.00519	\$62	\$39	\$157
Hou CommunityCollege	0.100263	\$1,202	\$749	\$3,025
City of Houston	0.58831	\$7,056	\$4,396	\$17,752
Midtown Mgmt District	0.1181	\$1,416	\$882	\$3,564
Assessed Value		\$1,199,320	\$747,205	\$3,017,474
Parcel ID		1322990010001	81910000007	81910000001
Total Taxes	2.65	\$31,765	\$19,790	\$79,919

Note: Property line and tenant demising wall boundaries are approximate. Please refer to survey and lease exhibits for exact boundaries.

Market LEASING SUMMARY

	\$40 NNN	\$25 NNN	\$20 NNN		\$40 NNN	\$25 NNN	\$20 NNN
Term Length (Years/Months)	5/0	5/0	5/0	Recovery Type	Net	Net	None
Renewal Probability	75.00%	75.00%	75.00%	Miscellaneous Rent	None	None	None
				Incentives	None	None	None
Months Vacant	6	6	6	Tenant Improvements (UOM)	\$ / Area	\$ / Area	\$ / Area
Months Vacant (Blended)	1.5	1.5	1.5	Tenant Improvements (New)	15	15	15
Market Base Rent (UOM)	\$ / SF / Year	\$ / SF / Year	\$ / SF / Year	Tenant Improvements (Renew)	5	5	5
Market Base Rent (New)	40	25	20	Tenant Improvements (Blended)	7.5	7.5	7.5
Market Base Rent (Renewal)	40	25	20	Leasing Commissions (New UOM)	Fixed %	Fixed %	Fixed %
Market Base Rent (Blended)	40	25	20	Leasing Commissions (New)	4.00%	4.00%	4.00%
Market Rental Value (UOM)	Continue Prior	Continue Prior	Continue Prior	Leasing Commissions (Renew UOM)	Fixed %	Fixed %	Fixed %
Market Rental Value	Continue Prior	Continue Prior	Continue Prior	Leasing Commissions (Renew)	2.00%	2.00%	2.00%
Use Market or Prior	N/A	N/A	N/A	Leasing Commissions (Blended)	2.50%	2.50%	2.50%
Prior Rent	N/A	N/A	N/A	Sales Percentage (UOM)	None	None	None
Rent Increases(UOM)	% Increase	% Increase	% Increase	Sales Percentage	None	None	None
Fixed Steps	2.00%	2.00%	2.00%	Sales Volume (UOM)	None	None	None
CPI Increase	None	None	None	Sales Volume	None	None	None
New Free Rent (Months)	0	0	0	Sales Breakpoint (UOM)	None	None	None
Renewal Free Rent (Months)	0	0	0	Sales Breakpoint	None	None	None
Blended Free Rent (Months)	0	0	0	Upon Expiration	\$40 NNN	\$25 NNN	\$20 NNN



THE Property

The PROPERTY

ADDRESSES: 2303 Smith Street, Houston, TX
2300 Louisiana Street, Houston, TX
612 Hadley Street, Houston, TX

LOCATION: The Properties are bordered by Smith Street (West), Louisiana Street (East), Hadley Street (North) and Mcilhenny Street (South).

ACCESS: There are a total of three (3) entrances for ingress/egress. Access is provided via two two-way entrances from Mcilhenny Street and one one-way entrance from Smith Street. Onsite, street side & valet parking are available. The METRORail McGowen Station (Red Line) is 0.3 miles away (7 minute walk).

FRONTAGE: ±255 feet along Smith Street
±95 feet along Mcilhenny Street
±250 feet along Hadley Street
±147 feet along Louisiana Street

TRAFFIC COUNTS: ±23,451 VPA along Smith Street (one-way southbound)
±25,692 VPA along Louisiana Street (one-way northbound)

FLOOD ZONE: Zone "X", area determined to be outside the 500-year floodplain with less than 0.2% annual probability of flooding.

PARKING LOT: Asphalt pavement with concrete curbs and sidewalks generally in good condition.

HVAC: Heating & cooling provided by roof-mounted package units. Units are gas-fired and electric and are maintained in accordance to each tenants lease.

ROOF: The Property has a built up roof that is generally in good condition.



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