



HARTMAN

# TENANTS IN COMMON INTERESTS IN THE GARDEN OAKS SHOPPING CENTER

HOUSTON, TEXAS



## INVESTMENT PLAN

- Develop two additional retail pads (9,000 SF of rentable space).
- In-Fill location
- Acquire 94,782 square-feet, Class “B” retail strip center on 7.73 acres
- Manage center to best meet the needs of an increasingly affluent neighborhood.
- Sell the property in approximately 5 years in order to achieve maximum value.

## INVESTMENT HIGHLIGHTS

- 6% projected first year cash return
- Superior neighborhood demographics and strong household growth projections.
- Desirable tenant mix creates a strong platform.
- The Houston area’s unemployment rate decreased sharply to 6.5 percent in April, 2012 according to the Texas Workforce Commission.

## HARTMAN’S “VALUE-ADDED” STRATEGY FOR THE GARDEN OAKS SHOPPING CENTER

Since founding his company in 1983, Allen Hartman has dependably achieved superior, risk-adjusted returns by embracing a “value-added” approach to real estate investing. Our value added approach requires that the properties Hartman acquires possess one or more attributes that offer the opportunity to dramatically increase net operating income and by default the market-value of the property in a relatively short timeframe.

To achieve our twin goals of increasing operating income and property value, Hartman seeks select opportunities where our experienced, in-house, acquisitions, leasing, marketing and development teams can make changes that effectively increase occupancy, improve the desirability and utility of the property, or increase rentable space.

The Garden Oaks Shopping Center offers a number of opportunities to increase the value of the property. First, Hartman is currently developing two new pads that will be marketed to national fast-food chains or other retailers that have already expressed interest in the Center. When complete, this development will increase the rentable space by approximately 9,000 square feet. Second, as the Center is located in a highly desirable, affluent community that is undergoing substantial gentrification, Hartman is planning an update to the Center’s façade in order to attract more upscale retailers as existing leases expire. Hartman has reserved funds required for both “value-added” improvements.



### DEMOGRAPHIC INFORMATION

	1 mi.	2 mi.	3 mi.
Population	11,142	133,104	348,270
Avg. Income	\$61,225	\$52,636	\$53,922
Households	4,423	52,194	130,731
Pct Homeowners	63.40%	53.50%	51.00%
Median Age	37.4	34.5	33.1

Source: U.S. Census, 2010 and Esri Forecast 2011

## LOCATION

The Garden Oaks Shopping Center is located in the Northwest Oaks Retail submarket and is situated less than ¼ mile North of Loop 610. The Center enjoys a daily traffic count of 45,000 vehicles and over 12,000 people live within 1 mile and 135,000 people live within 3 miles of the site. The area is comprised of 544 centers with an average rental rate of \$12.80 and boasts one of the best overall retail vacancy rates of only 2.9%. North Shepherd Drive is the key North/South artery connecting Hwy 249 and I-45 to the North and the Houston Medical Center to the South.



## ASSET PROFILE

Address	3800-4000 N. Shepherd, Houston, TX 77018
Year Built	1952, renovated in 1980, new facade and signage pending.
Sq. Ft.	95,046
Parking Ratio	5.15 / 1,000 SF
Loan to Purchase Price	55.55%
Expected Hold Period	5 Years
Total Expected Investors	7

## OFFERING FACTS

Offering Size	\$5,902,000
Equity Raise	\$3,403,000
Minimum TIC Investment	\$486,150
Offering Loan to Value (LTV)	42.34%
Suitability	"Accredited Investors" only
Property Acquisition Cost <sup>1</sup>	\$4,498,200
Loan Amount: <sup>1</sup>	\$2,499,000

<sup>1</sup> With Texas Capital Bank Est. at 5.75%, fixed 5-year loan. Interest only for 2 years, 25 year amortization, due Feb. 15, 2017. Based on a 49% interest in the property. The remaining 51% will be owned by the Garden Oaks Acquisitions, LLC.

## CASH FLOW PROJECTIONS (PER \$100,000 OF INVESTMENT)

Year	1	2	3	4	5	Total
Projected Cash on Cash	6.00%	7.37%	9.19%	9.62%	9.94%	
Annual Cash Distributions	\$6,000	\$7,370	\$9,190	\$9,620	\$9,940	\$ 42,120.
Return of Investment						\$ 100,000.
Projected Profit (Loss) from Sale <sup>1,2</sup>						\$ 8,328.
<b>Projected Total Investment Return</b>						<b>\$ 150,448.</b>
<b>Projected Internal Rate of Return (IRR)</b>						<b>9.61%</b>

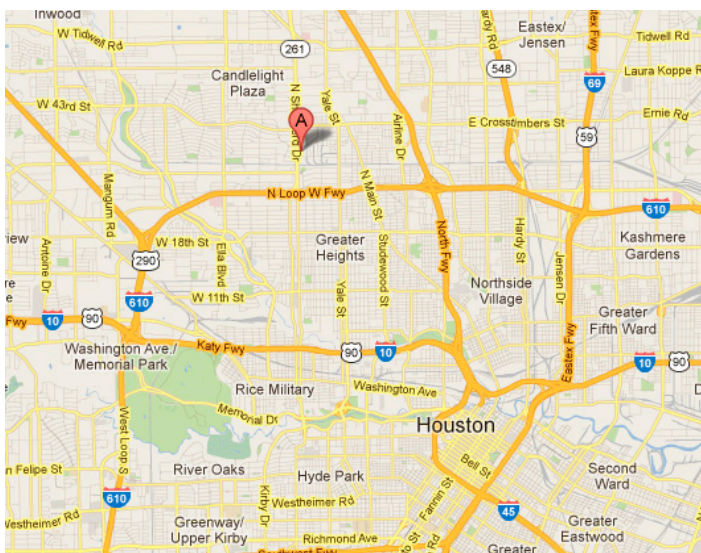
<sup>1</sup> Based on a 49% interest in the property. The remaining 51% will be owned by the Garden Oaks Acquisitions, LLC.

<sup>2</sup> Exit CAP Rate = 8.50%

## TOTAL RETURN UPON SALE (SALE OF PROPERTY ASSUMED AT END OF YEAR 5)

Assumed CAP Rate at Sale	9.00%	8.50%	8.00%
Total Return Upon Sale	8.04%	9.61%	11.27%

The projections and the anticipated rate of return are only estimates based on the specific assumptions more fully described in the memorandum. There is no guarantee that the assumptions used in the projections will be achieved. Please review the entire memorandum prior to investing. This material does not constitute an offer and is authorized for use only when accompanied or preceded by a definitive confidential private placement memorandum. Reference is made to the memorandum for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the memorandum. All potential investors must read the memorandum and no person may invest without acknowledging receipt and complete review of the memorandum.



## HOUSTON METRO OVERVIEW

Houston is the sixth-largest city in the United States and covers an area larger than the state of New Jersey. Thriving on consistent and nation-leading population growth, affordable housing, a young and well-educated workforce and a resilient energy industry, Houston has fared the global recession better than several of the nation's largest employment bases. As stated in the 2012 Houston Economic Update by the Federal Reserve, "Despite trouble from Europe and a slowly accelerating national recovery, Houston for the most part left the Great Recession behind in 2011, and its outlook remains positive."

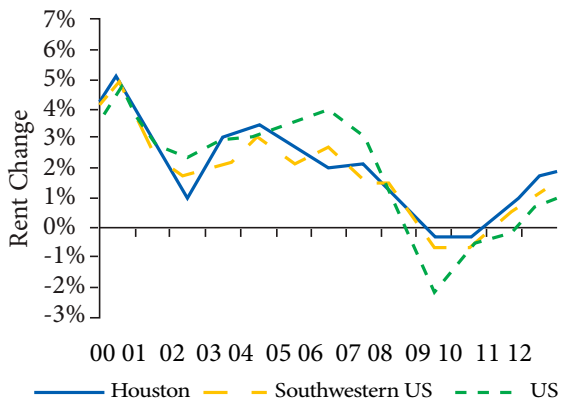
Houston was the nation's third-fastest growing metropolitan area for the decade ended 2010, adding more than 1.1 million new citizens pushing the city's population to more than 5.95 million persons. According to Texas State Data Center forecasts, Houston's population is going to continue growing at a steady pace over the next several years to 11.7 million, nearly doubling by 2040.

## NEIGHBORHOOD

The Garden Oaks Shopping Center is located in the central portion of the City of Houston and Harris County and consists of a variety of residential, commercial and industrial properties. The majority of the housing in the area was built during the 1920's to 1940's. However, there is new residential and retail construction as well as upscale residential renovations. The Washington Avenue corridor is undergoing a transformation to up-scale singlefamily/townhome/condominium development. The Garden Oaks neighborhood includes portions of the eclectic Heights District renowned for its many antique and boutique shops, with furniture, clothing, books and art among its treasures. Five area parks and playgrounds and more than 80 restaurants are located within a five-mile area.



Retail Rent Trends



Source: Reis, Inc.

## DEMAND GENERATORS

According to Marcus & Millichap, strong energy markets, rising trade activity, and increased demand for professional and business services will drive outsized job growth in the Houston area to 3.6%, more than two times the national average. Garden Oaks is one of Houston's best-kept secrets. Nestled among towering pines and grand magnolias, this quaint and architecturally unique neighborhood of approximately 1400 homes continues to attract homebuyers desiring to be near to downtown. For local retail property owners, these trends will translate into strengthening occupancy. Strip properties within the loop remain in particularly high demand even for aging centers with local tenants. Given limited availability, investors stand to capture outsized returns as economic growth intensifies and occupancies build.

## PROPERTY STRENGTHS

- Established, in-fill location
- Current Occupancy: 91.78%
- Diverse, top-quality tenants
- Staggered lease maturities
- High demand for retail space
- Close to downtown Houston
- Affluent, growing neighborhood
- Strong population growth
- ¼ mile North of 610 Freeway
- New façade planned and reserved
- Development of two (2) add'l retail pads planned and reserved

## TOP HOUSTON FORTUNE 500 COMPANY HEADQUARTERS:

- Conoco Phillips
- Enterprise Products Partners
- Sysco
- Plains All American Pipeline
- Halliburton
- Baker Hughes
- Apache

## RENT ROLL

Tenant	Rentable Sq. Ft.	% of Total Sq. Ft.	Initial Term Expiration	Annual Rent / Sq. Ft.	Annual Rent (Year 1)
Terry Lee DDS	5,679	5.99%	7/1/2022	8.00	\$45,432.
Subway Restaurant	1,537	1.62%	3/1/2014	19.00	\$29,203.
Stan Cleaner	3,150	3.32%	4/30/2020	15.87	\$50,000.
Texas Car Title	2,375	2.50%	m2m	13.25	\$31,469.
U.S. Postal Service	2,500	2.64%	7/9/2016	15.51	\$38,775.
Edward D. Jones & Co.	1,150	1.21%	6/30/2016	13.60	\$15,640.
Brother's Pizzeria	3,625	3.82%	9/30/2017	10.20	\$36,975.
Millers Café	2,625	2.77%	9/30/2016	19.60	\$51,450.
Mathis Jewelry	750	0.79%	8/31/2015	16.80	\$12,600.
B Wireless, LLC	1,617	1.71%	10/31/2015	10.58	\$17,113.
Tony D. May	1,436	1.52%	5/31/2016	12.95	\$18,596.
H&R Block	1,345	1.42%	4/30/2013	13.10	\$17,617.
Jose Urias	700	0.74%	12/31/2021	14.40	\$10,080.
Newport Health	1,350	1.42%	4/30/2014	15.00	\$20,250
Blast Health Clubs	25,722	27.14%	3/31/2018	7.20	\$185,198
Kickstart	2,600	2.74%	1/31/2014	7.46	\$19,932.
Eisa Carpet Company	6,250	6.59%	11/30/2013	9.32	\$58,273.
Al Meghani Enterprises	1,050	1.11%	8/31/2015	14.00	\$14,700.
Laminate Countertops	1,500	1.58%	1/31/2019	13.60	\$20,400.
Aaron Rents, Inc	7,249	7.65%	9/30/2015	6.86	\$49,728.
Amanda Morrison	1,413	1.49%	5/31/2017	12.00	\$16,956.
Mustang Security	4,237	4.47%	10/31/2016	10.11	\$42,855.
Massage Equip. & Supply	1,803	1.90%	4/30/2018	8.00	\$14,424.
A&B Vacuum	3,454	3.64%	12/31/2014	9.60	\$33,158.
Yoga Collective, LLC	1,871	1.97%	2/28/2015	12.00	\$22,452.
Vacant - Unit 3800-A	2,408	2.54%			
Vacant - Unit 3800-C	2,600	2.74%			
Vacant - Unit 3904-B	2,784	2.94%			
Spectrasite Comm, Inc	1		5/31/2017	na	\$32,178.
Ice Ventures	1		4/30/2015	na	\$ 6,000.
<b>Total Rentable</b>	<b>94,782</b>	<b>100.00%</b>		<b>9.62</b>	<b>\$911,454.</b>
<b>Total Occupied</b>	<b>86,988</b>	<b>91.78%</b>			
<b>Total Vacant</b>	<b>7,794</b>	<b>8.22%</b>			

# SITE PLAN



## HARTMAN

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Suite	Tenant	Size(sf)	Suite	Tenant	Size(sf)	Suite	Tenant	Size(sf)	Suite	Tenant	Size(sf)
3800	Terry Lee DDS	5,679	3816	US Postal Service	2,500	3832-C	Aaron Rents	7,249	3924	Newport Health Network	1,350
3800-A	Available	2,408	3818	Edward D Jones & Co	1,150	3838	B Wireless	1,617	3936	Blast Fitness	25,722
3800-B	Kickstart	2,600	3820	Eisa Carpet Company	6,250	3902	Tony D May	1,436	3938-B	A&B Vacuum	3,454
3800-C	Available	2,600	3820-A	Mathis Jewelry	750	3902-A	Amanda Morrison	1,413	3938-A	Massage Tables & Supplies	1,803
3806	Subway Restaurant	1,537	3830	Miller's Cafe	2,625	3904-B	Available	1,984	3938-D	Yoga Collective	1,871
3808	Stan Cleaner	3,150	3832-A	Al Meghani Enterprise	1,050	3910	HRB Technology	1,345	5000	New Fast Food Retailer	3,908
3811-A	Texas Car Title	2,375	3832-B	Leminaire Counterbus	2,300	3912	Jose Urias	700	6000	New Retailer	5,000

Since 1983, the Hartman organization has been striving to maximize investor value by acquiring, leasing and managing quality shopping centers, office buildings and office/warehouse facilities. Over the years, Hartman has sponsored numerous investment programs, both public and private, and leased, managed and operated over 6,000,000 square feet of commercial real estate – making us one of the largest operating companies in Houston, Texas.. Our business model, experienced real estate investment executives and commitment to shareholder value enabled us to weather economic downturns and positioned us as a sponsor investors respect and trust.

**DISCLAIMER:** This brochure does not constitute an offer to sell nor a solicitation of an offer to buy securities. Offers can only be made through the Private Placement Memorandum, which contains various and important risk disclosures. This brochure does not purport to be complete and is qualified in its entirety by the Private Placement Memorandum. An investment of this sort is speculative and involves a high degree of risk. Projections of future performance contained herein are based on specific assumptions discussed more fully in the Private Placement Memorandum and do not constitute a guaranty of future performance. Please consult your financial and tax advisors.

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