



# Joe V's Smart Shop

4203 Red Bluff Road, Pasadena, TX 77503

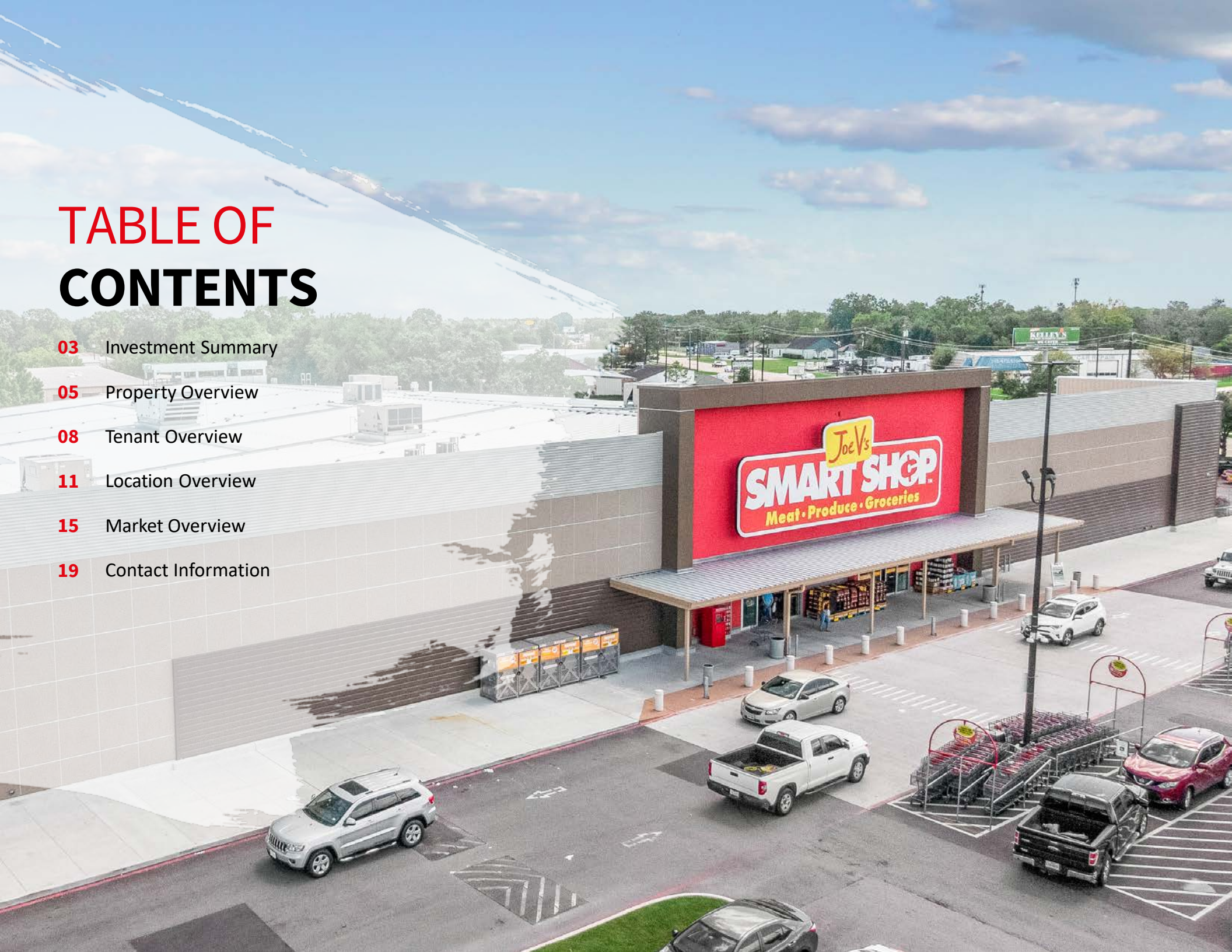
Houston MSA | H-E-B Guaranty

*Confidential Offering Memorandum*



# TABLE OF CONTENTS

- 03 Investment Summary
- 05 Property Overview
- 08 Tenant Overview
- 11 Location Overview
- 15 Market Overview
- 19 Contact Information



# Investment Summary



# THE OFFERING

JLL is pleased to offer for sale the fee-simple interest in a Joe V's Smart Shop (the "Property", or "Asset") located in Pasadena, Texas (Houston MSA). The Property sits within a densely populated Houston suburb located approximately 14 miles southeast of Downtown Houston. The newly-renovated Property is leased to HEB Grocery Company, LP ("H-E-B" or the "Tenant") and operating as a Joe V's Smart Shop, one of H-E-B's discount retail grocery formats with nine locations throughout the Greater Houston area. H-E-B is operating on a 20-year net lease structure with contractual rental increases throughout the primary term and in each of the six, 5-year renewal options. The lease features a highly-coveted corporate guaranty from H-E-B, the largest grocery chain and largest privately held company in Texas. The offering presents the opportunity to acquire a high-performing grocery store operating on a long-term lease with minimal landlord responsibilities.

## Investment Highlights

- The Property is leased to H-E-B and operating as a Joe V's Smart Shop, H-E-B's discount grocer subsidiary. H-E-B is the largest grocery chain in Texas with over 400 locations and the largest privately held company in Texas with \$26 billion in annual revenue.
- With 19 years of primary lease term remaining and 10% rental increases throughout the primary term and renewal options, the Property offers long-term income growth and a hedge against inflation.
- The discount grocery industry is experiencing substantial growth that is expected to continue for the foreseeable future. Discount grocers are projected to achieve sales of \$101.2 billion in the United States by 2021.
- The Property is a new-construction grocery store completed in 2018.
- There are no major grocery store operators within a one-mile radius of the Property, offering maximum market share and minimal competition.
- The Property is the newest Joe V's location and its ninth location in the Greater Houston area. This location has approximately 150 employees.
- Pasadena is the second-largest city in the Greater Houston metro area with over 159,000 residents.

## Property Summary

<b>ADDRESS</b>	4203 Red Bluff Road, Pasadena, TX 77503
<b>TENANT</b>	HEB Grocery Company, LP d/b/a Joe V's Smart Shop
<b>PRICE</b>	\$12,777,000
<b>CAP RATE</b>	5.25%
<b>ANNUAL BASE RENT</b>	\$670,800   \$10.91 PSF
<b>LEASE TYPE</b>	NN
<b>SQUARE FOOTAGE</b>	61,490 SF
<b>OWNER INTEREST</b>	Fee Simple
<b>LEASE EXPIRATION</b>	12/31/2038

# Property Overview



# PROPERTY OVERVIEW

## Building and Lease Specifications

<b>ADDRESS</b>	4203 Red Bluff Road, Pasadena, TX 77503
<b>YEAR BUILT</b>	2018
<b>OWNERSHIP INTEREST</b>	Fee Simple
<b>PARCEL SIZE</b>	±5.42 acres
<b>PROPERTY TYPE</b>	Retail
<b>PROPERTY SIZE</b>	61,490 SF
<b>TENANT</b>	HEB Grocery Company, LP
<b>LEASE TYPE</b>	NN
<b>LEASE EXPIRATION</b>	12/31/2038
<b>RENEWAL OPTIONS</b>	6, 5-year options
<b>ANNUAL BASE RENT</b>	\$670,800
<b>RENTAL INCREASES</b>	10% every 10 years in primary term; 5% every 5 years in options

## Rent Schedule

Lease Year	Start Date	End Date	Monthly Rent	Annual Rent	% Increase
1 - 10	1/1/2019	12/31/2028	\$55,900.00	\$670,800.00	-
11 - 20	1/1/2029	12/31/2038	\$61,490.00	\$737,880.00	10%
Option 1	1/1/2039	12/31/2043	\$67,639.00	\$811,668.00	5%
Option 2	1/1/2044	12/31/2048	\$71,020.95	\$852,251.40	5%
Option 3	1/1/2049	12/31/2053	\$74,572.00	\$894,863.97	5%
Option 4	1/1/2054	12/31/2058	\$78,300.60	\$939,607.17	5%
Option 5	1/1/2059	12/31/2063	\$82,215.63	\$986,587.53	5%
Option 6	1/1/2064	12/31/2068	\$86,326.41	\$1,035,916.90	5%



# PROPERTY OVERVIEW

## Lease Abstract

Tenant	HEB Grocery Company, LP, a Texas limited partnership
Tenant's Share	The fraction, the numerator of which is the Floor Area of the Building at the beginning of a calendar year, and the denominator of which is the greater of (i) 115,490 square feet, or (ii) the Leasable Space at the beginning of a calendar year
Term	The original term of the Lease shall commence on the Effective Date and shall expire on the last day of the 240 <sup>th</sup> full month following the Rental Commencement Date
Options	Tenant shall have the right to extend the Term for 6 consecutive 5 year periods upon the same terms, conditions and provisions set out for the Primary Term
Real Property Taxes	Tenant shall reimburse to Landlord the amount of Tenant's Share of real property taxes and assessments for periods after the Rental Commencement Date
Insurance	Tenant shall pay as additional rent an insurance charge each calendar year during the Lease Term following the Rental Commencement Date, equal to the product obtained by multiplying Landlord's annual insurance premium for maintaining the insurance coverage by the Tenant's Share
Tenant's Share of Common Area Costs	Tenant shall pay to Landlord as additional rent Tenant's Share of Landlord's Common Areas Costs
Definition of Common Areas Costs	Landlord's "Common Areas Costs" shall mean all reasonable sums incurred by Landlord for the operation, maintenance and repair of the Common Areas, including (1) operating, maintaining, repairing, lighting, cleaning, painting, striping, providing security and removing snow, ice and debris from the Common Areas; (2) removing garbage and trash from the Common Areas; (3) planting, replanting and replacing flowers, shrubbery, plants, trees and other landscaping, and all water used to irrigate flowers, shrubbery, plants, and grass in Common Areas; and (4) an administrative fee in a reasonable amount not to exceed 10% of all other Common Areas Costs
Tenant's Repairs	Tenant shall, at its cost, perform all maintenance and repairs necessary to keep the Leased premises in a good condition, including glass, doors, windows, moldings, the interior of the Leased Premises, plumbing pipes, plumbing fixtures, water heaters, HVAC systems, and light and electrical fixtures
Landlord's Repairs	Landlord shall, at its cost, maintain, repair and replace throughout the Term all structural portions of the Leased Premises, including the foundations, roof, roof structures and supports, gutters, downspouts, subfloors and exterior walls of the Leased Premises and the Utility Facilities outside the Leased Premises
Utilities	Tenant shall arrange with the appropriate utility suppliers for services to the Leased Premises, pay all connection, meter and service charges and deposits required to connect utilities to the Leased Premises, and pay such utility suppliers directly for such services

# Tenant Overview



# TENANT OVERVIEW



## H-E-B

H-E-B is a supermarket chain based in San Antonio with over 400 locations throughout Texas and northern Mexico. With over 116,000 employees and \$26 billion in annual sales, H-E-B is the largest privately-held company in Texas and the 12th largest privately-held company in the United States. The company sells national brand products as well as H-E-B's private label products through its retail grocery locations, which include its traditional H-E-B banner as well as its subsidiaries: Joe V's Smart Shop, Central Market, H-E-B Plus!, and Mi Tienda. While H-E-B is nationally ranked as one of the best grocery chains for its in-store customer experience, the company continues to innovate and enhance the customer experience through its online store as well as curbside pickup and at-home delivery.



## Joe V's Smart Shop

Joe V's Smart Shop is a discount grocery chain and a subsidiary of H-E-B. The discount grocer first launched in 2010 and just opened its ninth location, with all locations serving the Greater Houston community. Joe V's stores offer discounted prices for produce, seafood, meat, baked goods, and organic products, providing budget-minded customers with low cost, high-quality produce. Joe V's achieves its affordable price point by offering fewer products and less SKUs than most grocery stores. In addition, the company has a competitive advantage over other discount grocery chains by offering H-E-B's private label products at a significantly lower price point without sacrificing its margin.



**#1**, *Privately Held Company in Texas (Forbes)*



**#5**, *Favorite Grocery Store Chains (MarketForce)*



**#20**, *Top 100 U.S. Retailers by Revenue (Kantar)*



**\$26 Billion** *in Annual Sales (H-E-B)*



**#1**, *Texas Grocer by Store Count (H-E-B)*



# DISCOUNT GROCERY INDUSTRY

## Positive Industry Outlook

Consumer preferences, the rise of private labels, and increased competition have contributed to the recent success and anticipated future growth of the discount grocer industry. The expansion of existing grocers and the arrival of new grocery concepts has resulted in greater competition and fragmented consumer shopping patterns. This increased competition has shifted consumer preference, as consumers now prioritize price when deciding between the wide selection of grocery stores. As consumers have grown to be more price sensitive, discount grocers have experienced robust growth that is expected to continue for the foreseeable future. In 2016, discount grocery sales in the United States reached \$74.8 billion, and that number is projected to grow to \$101.2 billion by 2021. Discount grocers' core group of customers are "budget-minded" shoppers and represent 40 percent of U.S. households, equating to approximately \$1.6 trillion in spending power.

## Dynamic Shift in Consumer Preference

Discount grocers are gaining market share through a dynamic shift in consumer preference. Affluent consumers are becoming more price sensitive, with First Insight reporting that 42 percent of affluent consumers (consumers making more than \$100,000 annually) frequently shop at discount retailers, and 36 percent of these affluent consumers report that their discount shopping has increased.

### Consumer Preference

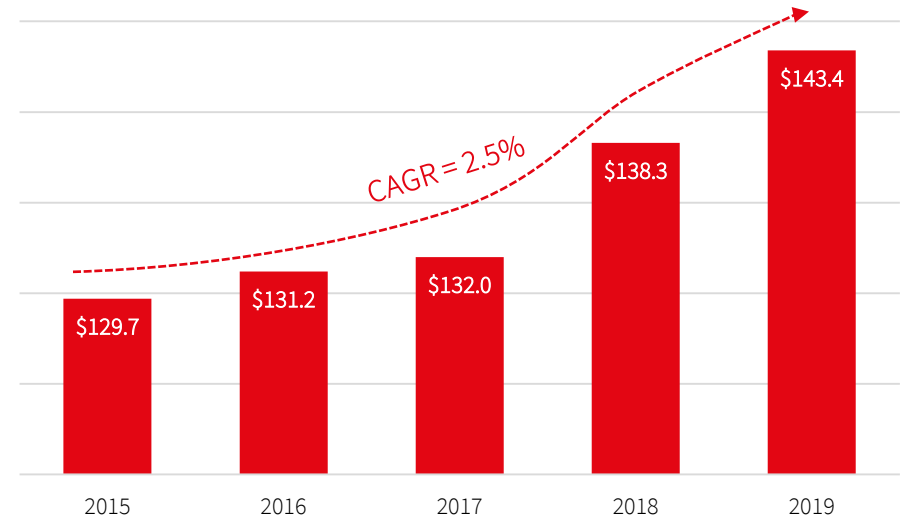


Source: Deloitte Consumer Change Study

## Growth of Private Labels

Discount grocers achieve their low prices and high margins through their private label products. Private label sales are expected to reach \$143.4 billion for 2019, marking an annual growth rate of 2.5 percent since 2015. Annual sales growth for nationally branded products only grew by 1.0 percent over this same period.

### Private Label Sales Growth (\$Billions)



Source: Nielsen Retail Measurement Services



# Location Overview

# LOCATION OVERVIEW

## Pasadena

Pasadena is the second-largest city in the Greater Houston metropolitan area with a population of 159,000 residents. The city's low cost of living and proximity to Downtown Houston have contributed to Pasadena's population growth of over six percent in the past decade. In addition, the Greater Houston metropolitan area is anticipating a population increase of four million people over the next 20 years that will ultimately create a need for more jobs and fuel local economic growth. Pasadena's proximity to Downtown Houston, sophisticated transportation infrastructure, and educated workforce draw numerous large businesses from various industries to the city.

Pasadena boasts an unemployment rate of 5.4 percent, and the city's healthy job market stems from the area's unparalleled logistical advantages that attract large corporations. The city's highway system, ports, railroads, and airports make it easy to import and export goods and raw materials on a global scale. Pasadena is home to Port Houston, the largest port in Texas and the Gulf Coast, with over 247 million tons of cargo moving through Port Houston each year. Two major airports located in close proximity and offer passenger and cargo flights to all major cities across the United States. George Bush Intercontinental Airport is located approximately 20 miles north of Pasadena and is one of the busiest airports in the country, serving 42 million passengers annually. Given these countless business incentives, Pasadena has developed into a major employment hub for petrochemical, logistics, technology, and aerospace manufacturing industries.

## Pasadena Major Employers



## Demographic Profile

	1-mile	3-mile	5-mile
<b>POPULATION</b>			
2019 Population	13,394	119,540	224,909
2019 Households	4,762	40,134	72,432
<b>ESTIMATED HH INCOME</b>			
Less than \$35,000	34.3%	28.8%	31.4%
\$35,000 - \$49,999	12.0%	12.7%	13.2%
\$50,000 - \$74,999	25.2%	20.8%	19.7%
\$75,000 - \$99,999	12.4%	13.3%	12.2%
More than \$100,000	16.2%	24.4%	23.6%
Average HH Income	\$65,506	\$74,327	\$71,816
Median HH Income	\$52,359	\$57,786	\$54,911

# LOCATION OVERVIEW

## Local Retail Market



# LOCATION OVERVIEW

## Local Retail Market





# *Market Overview*

# Houston MSA Economic Overview

## GEOGRAPHY

**9 COUNTIES**  
in the Houston MSA

**10,000 SQUARE MILES**  
larger than the state of New Jersey




## PROFESSIONAL SPORTS



## POPULATION & DEMOGRAPHICS

**7 MILLION**  
residents in the Houston MSA

**2.3 MILLION**  
residents in the City of Houston



5th most populous MSA in the nation • 4th most populous city in the nation

nearly 1 in 4 Houstonians are foreign-born



## EMPLOYMENT

**3.2 MILLION**  
jobs in the Houston MSA  
more jobs than 35 states

**73,300 JOBS** created in 2018

**71,000 NEW JOBS**  
forecasted to be created in 2019  
nearly a **QUARTER** OF TEXAS'S  
entire employment base

**2nd LARGEST**  
number of jobs created in 2018  
out of any MSA in the nation



## ECONOMY

**26th LARGEST**  
economy in the world if Houston  
were an independent nation

**7th LARGEST**  
US metro economy in the nation

**\$490 BILLION GDP (2017)**

**2.9% EXPECTED REAL GDP**  
annual growth from '20-'45

GDP expected to more than  
double between '20 and '45

## CORPORATE HEADQUARTERS



## THE TEXAS MEDICAL CENTER

**\$25 BILLION**  
in local GDP

**50 MILLION**  
developed SF

**30 ACRE TMC3**  
Innovation Campus  
slated to open in '22

**8th LARGEST**  
business district in the US

**10 MILLION PATIENT**  
encounters per year

**106,000+ employees at TMC**

**22 FORTUNE 500**  
companies call Houston home

**3rd LARGEST**  
number of **FORTUNE 1000**  
companies in the nation

**4th LARGEST**  
number of **FORTUNE 500**  
companies in the nation

The **LARGEST** medical complex in the world



## ACCOLADES

- Home of **NASA**
- #1 Nation's Best City for Millennials**  
The Langston Co. 2019
- #1 Top Metros Where Young Adults are Moving**  
The Brookings Institute 2019
- #1 Most Diverse City in US**  
WalletHub 2019
- #2 Corporate HQ Location**  
Business Facilities 2019
- #2 Best US Metro Area for STEM Workers**  
American Enterprise Institute's Housing Center 2019
- #3 Most Affordable Top Metro in the US**  
Greater Houston Partnership 2019
- #4 Economic Growth Potential**  
Business Facilities 2019
- #4 Best Startup Ecosystem**  
Business Facilities 2019

## ENERGY CAPITAL OF THE WORLD

**4,600+**  
energy-related firms

**800 Oil field companies**

**650+**  
exploration and production firms

**3rd LARGEST**  
number of engineers of  
any U.S. metro

employs **25%**  
of the nation's  
**OIL & GAS**  
extraction jobs

## GLOBAL TRADE CITY

Houston has the **LARGEST EXPORT MARKET** in the nation

+ THE LARGEST GULF COAST CONTAINER PORT

**1st** in **FOREIGN TONNAGE**  
for 22 straight years

**2nd** in **TOTAL TONNAGE**  
for 26 straight years

**15** foreign gov't trade  
and commerce offices

**35** active foreign  
chambers of commerce

**90** nations with consular  
representation

**58.3 MILLION** Houston airport  
passengers in 2018

# HOUSTON OVERVIEW

## Economic Overview

Houston Economic Engine - The Houston MSA covers nearly 10,000 square miles and is home to over 3 million jobs. It is a global gateway city, boasting a history of impressive GDP, population, and employment growth. Its citizens' storied history of philanthropy has led to the creation of, among other things, the Energy Capital of the World, the largest medical center in the world, the largest U.S. export port, and a globally renowned arts hub.

## Impressive GDP Growth

- Houston's 2017 GDP of \$490 billion ranks it the 7th-largest economy in the U.S.
- If Houston were an independent nation, the region would have the 24th-largest economy in the world, behind Belgium and ahead of Thailand.
- GDP is expected to more than double between 2020 and 2045

## Nation-Leading Employment Growth

- In 2018, Houston created 73,300 jobs for 2.4% year over year growth
- Houston finished the year behind Dallas-Fort Worth and ahead of New York City in total jobs added for the same period, #2 in the total jobs added by MSA in 2018
- Over the previous 20 years, job growth averaged 1.7% annually
- Houston has more than doubled its employment base in the past 35 years, adding more than 1.5 million employees since 1980
- There are 21 Fortune 500 companies headquartered in the Houston metro area, ranking Houston fourth in the country behind New York (63), Chicago (34) and Dallas-Fort Worth (22). Houston is home to 41 companies on the Fortune 1000 list. Many of these companies are tied to upstream, midstream and downstream oil and gas, and represent several other industries, including food distribution, utilities, automotive retail, telecom, and waste management.

Skyline of Downtown Houston



# HOUSTON OVERVIEW

## Nation-Leading Population Growth

- Fifth-largest MSA in the U.S. with a population of 6.99 million, and fourth-largest city with a population of over 2.3 million.
- Houston MSA's population is larger than the populations of Maryland or Missouri.
- Projected population of over 7.5 million by 2025
- Between July 2017 and July 2018 – Houston added 91,689 new residents, ranking it #3 among U.S. metros after Dallas-Fort Worth and Phoenix
- The Dallas-Fort Worth and Houston metro areas each gained over 1,000,000 residents between 2010 and 2018; the only two metros in the country to do so
- Harris County added 605,000 people to reach 4,699,000 in 2018
- Harris County is now the third most populous country in the nation behind only Los Angeles County and Cook County, Illinois
- The average age of Houston's residents is 32 years old, well below the national average of 38.
- A recent report by the Kinder Institute of Urban Research and the Hobby Center for the Study of Texas – which analyzed U.S. census data from 1990, 2000, and 2010 – proclaimed Houston the most ethnically diverse city in the nation, surpassing even New York City.
- More than 1.6 million Houstonians, or more than one in four, are foreign-born

## The Energy Capital of the World

- Home to over 4,600 energy-related companies, Houston is known as the “Energy Capital of the World” - nearly every major energy company in the world has an office in Houston.
- The Houston region is home to 44 of the United States' 128 publicly-traded oil and gas exploration companies, including 10 of the top 25; nine more of the top 25 have subsidiary offices, major divisions and other significant operations in Houston.
- Houston employs 25% of the nation's oil and gas extraction jobs
- Houston is home to 83,100 engineers and architects, making it one of the highest concentrations of engineering talent in the nation



## Contact Information

### ADVISORS

#### George Cushing

Managing Director  
JLL Capital Markets

+1 713 425 5849

george.cushing@am.jll.com

#### Wendy Vandeventer

Senior Vice President JLL  
Capital Markets

+1 713 425 5845

wendy.vandeventer@am.jll.com

#### Meaghan Gallacher

Vice President  
JLL Capital Markets

+1 713 425 5846

meaghan.gallacher@am.jll.com

#### Adam Friedlander

Vice President  
JLL Capital Markets

+1 949 527 4978

adam.friedlander@am.jll.com

1400 Post Oak Blvd., Suite 1100 | Houston, TX 77056

[www.us.jll.com/capitalmarkets](http://www.us.jll.com/capitalmarkets)

Copyright © Jones Lang LaSalle IP, Inc. 2019

This publication is the sole property of Jones Lang LaSalle and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Jones Lang LaSalle. The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them. Jones Lang LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication. Jones Lang LaSalle Americas, Inc., California license # 01223413. Jones Lang LaSalle Americas, Inc. License # 19262.

Any opinion or estimate of value of any asset in this presentation is based upon the high-level preliminary review by JLL. It is not the same as the opinion of value in an appraisal developed by a licensed appraiser under the Uniform Standards of Professional Appraisal Practice. JLL expressly disclaims any liability for any reliance on any opinion or estimate of value in this presentation by any party.

