

**FERGUSON®**



# Ferguson Showroom NNN

13511 Westheimer Road, Houston, Texas 77077

Offering Memorandum

**NAI**Partners

HOUSTON | AUSTIN | SAN ANTONIO





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## Executive Summary

- STNL Ferguson Enterprises
- \$16.7 Billion in revenue
- 7% CAP
- Below replacement costs at \$178/FT
- Recent Lease Extension
- Highly visible signalized location
- Strong demographics

NAI Partners is pleased to present Ferguson Showroom NNN ("the property") for your investment consideration. The property consists of a 13,200 square foot state-of-the-art single tenant showroom with warehouse situated on a 1.61 acre parcel at 13511 Westheimer Houston, TX 77077. The tenant, Ferguson Enterprises, is a household name and market leader with \$16 billion in annual revenue. This location is one of the critical 276 showrooms generating \$1.9 billion in revenue for the company.

In 2017 Ferguson began operating at this location via the acquisition of the long established Custom Lighting & Hardware ("CLH"). CLH had been in business for over 30 years, building a reputation for offering expert advice and custom products at competitive prices.

Recently executing the first of two option periods Ferguson demonstrated their commitment to the location, which for the past 16 years has been a well-known gallery of custom lighting, hardware, plumbing, and decorative needs for clients in West Houston. The property benefits by being located at a signalized intersection on one of Houston's main thoroughfares, with great visibility and easy access in a high-growth and highly dense area.

Offered at \$2,350,000 the property provides an investor with an above average return of 7% and a substantial discount to replacement costs. Along with the backing of an \$16 billion highly rated stable company, the NNN lease structure allows an investor peace-of-mind ownership in one of the top U.S. cities.

## Property Summary

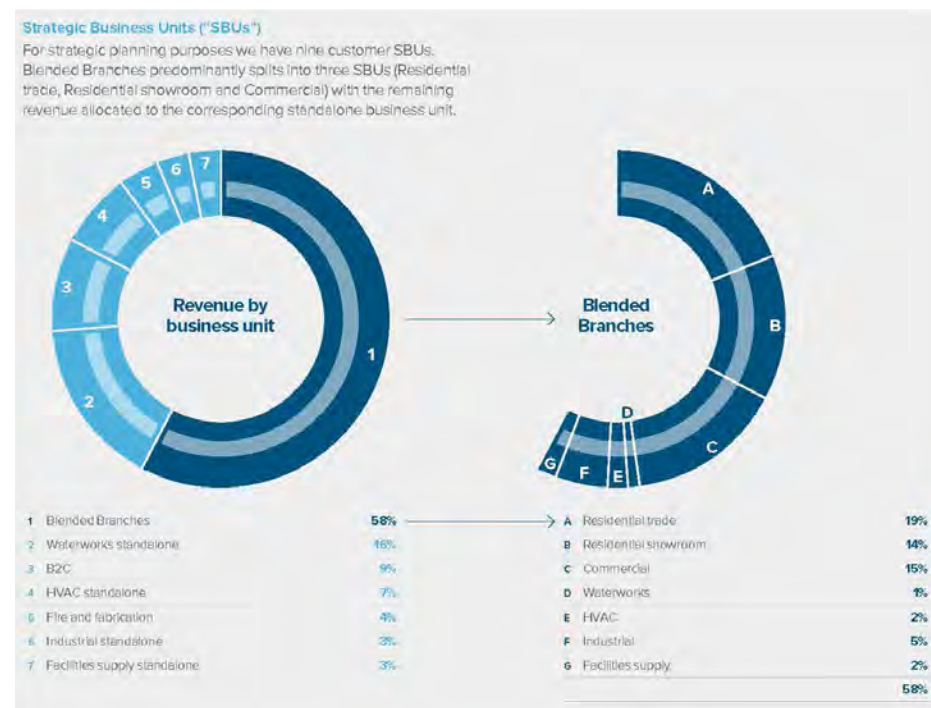
### Ferguson Showroom NNN

Property Address	13511 Westheimer Road
Price	\$2,350,000
Price/SF	\$178.03
NOI	\$164,799
Net Rentable Area	13,200 SF
Land Size	1.61 acres
Built	2003
Property Type	Retail
Tenancy	Single-Tenant



## Tenant Profile - Ferguson Enterprises

- \$16.7 billion in annual revenue
- 11.3% revenue growth in FY 2018
- Largest U.S. distributor of plumbing supplies, PVF, waterworks, and fire and fabrication products
- Third largest distributor of industrial and HVAC/R products
- 1,448 locations
- 276 showrooms
- 2,650 associates



Founded in 1953 and headquartered in Newport News, VA, Ferguson Enterprises ("Ferguson") is the largest distributor of plumbing supplies, PVF, waterworks, and fire and fabrication products serving residential, commercial, civil and industrial markets in the U.S. In 1982, Ferguson plc ("plc") acquired Ferguson Enterprises. Plc is headquartered in Switzerland and trades on the London Stock Exchange under FERG. In 2018, plc revenues were \$20.7 billion, of which \$16.7 billion were from Ferguson.

Ferguson's revenues of \$16.7 billion last year represented an **increase of 11% over the previous year, and a 44% increase over the last four years**. Over 50% of Ferguson's sales are in the residential market, which is predominantly accessed through blended branches. One of the most profitable channels of revenue for Ferguson in the U.S. has been through the **Ferguson Bath, Kitchen, & Lighting Galleries**, which accounted for **\$1.9 billion of revenue in 2018**. Revenue generated through these state-of-the-art showrooms consists of consultation, design, project management, sizing, sourcing, stock holding, and two-person white-glove delivery and installation.

## Why Ferguson?

### Benefits of Scale

*Bridging 43,000 suppliers and over 1 million customers*

We are the largest plumbing and heating distributor in the world. Our scale allows us to drive benefits in procurement, operations, supply chain and technology. Many of our businesses have leading positions in their respective markets.

### Attractive Growth Opportunities

*We operate in highly attractive and fragmented markets*

Opportunities for future growth include low risk, bolt-on acquisitions, and where appropriate, we can also achieve great returns from new branch expansion.

### Strong Execution Culture

*A strong culture focusing on customer service and execution*

The quality, knowledge, dedication and service that our associates provide our customers is a key differentiator.

### Low Volatility

*Our business model is highly cash generative through the cycle*

Our financial discipline and performance culture generates attractive margins and strong returns on capital, which allows us to invest and strengthen our business and return surplus capital to shareholders.



## About Ferguson Bath, Kitchen & Lighting Gallery

- More than 270 showrooms nationwide
- \$1.9 billion in annual revenue
- Product experts provide personalized, world-class service for remodels or new construction
- Products include plumbing, lighting and appliances from today's top brands
- An extension of the builder, re-modeler, designer, plumber and architect's business
- Consultants provide guidance throughout the entire project, from appointment preparation to product delivery.

Stocked with beautifully displayed products in a welcoming, hands-on environment where you can see, touch and experience the products, Ferguson's showrooms provide a total solution for clients' remodeling projects. Homeowners and trade professionals rely on Ferguson showroom consultants to advise them on product specifications for all their remodeling requirements. Often working from architectural drawings, Ferguson consultants discuss available options with clients, keeping in mind style, product design and customer budgets. Ferguson showrooms provide clients the experience of seeing and touching a wide range of alternatives on-site to better visualize their products.





## Tenant Overview

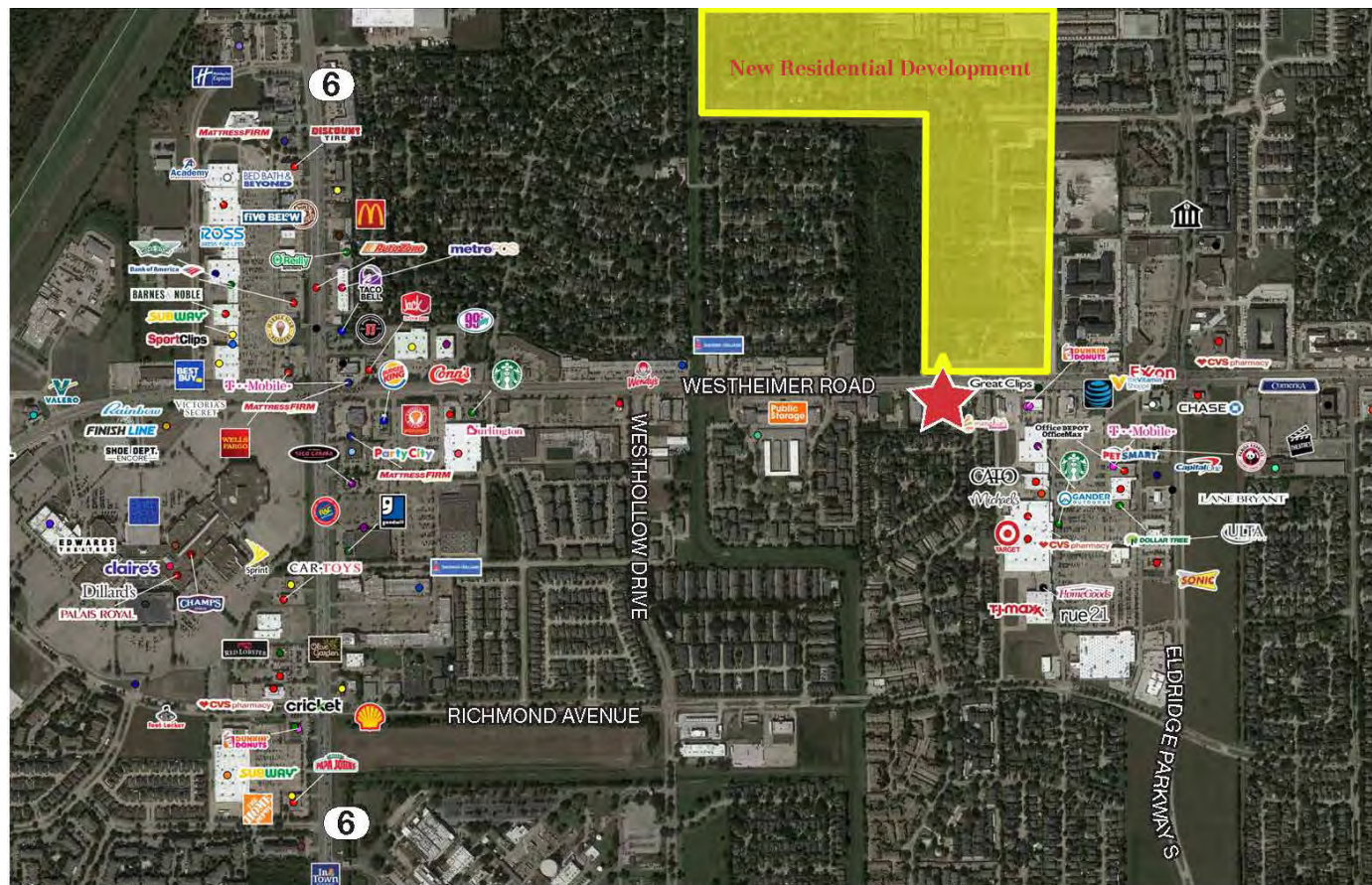
Property Name	Ferguson Showroom NNN
Property Address	13511 Westheimer, Houston, TX 77077
Property Type	Retail
Rentable Square Feet	13,200 SF
Tenant	Ferguson Enterprises
Ownership	Corporate
Sales Volume	\$16.7 Billion
Net Worth	See Financial Statements
Lease Guarantor	Corporate
Lease Commencement Date	January 1, 2019
Rent Commencement Date	January 1, 2019
Lease Expiration Date	December 31, 2021
Term Remaining on Lease	3 Years
Lease Type	Triple Net Lease (NNN)
Roof & Structure Responsibility	Landlord
Lease Term	3 Years
Year 1 Net Operating Income	\$164,799

Options to Renew	1-3 Year Option
Options to Terminate	None
No. of Locations	1,400 Locations
Headquartered	Newport News, VA
Website	<a href="http://www.Ferguson.com">www.Ferguson.com</a>
Years in the Business	65 Years



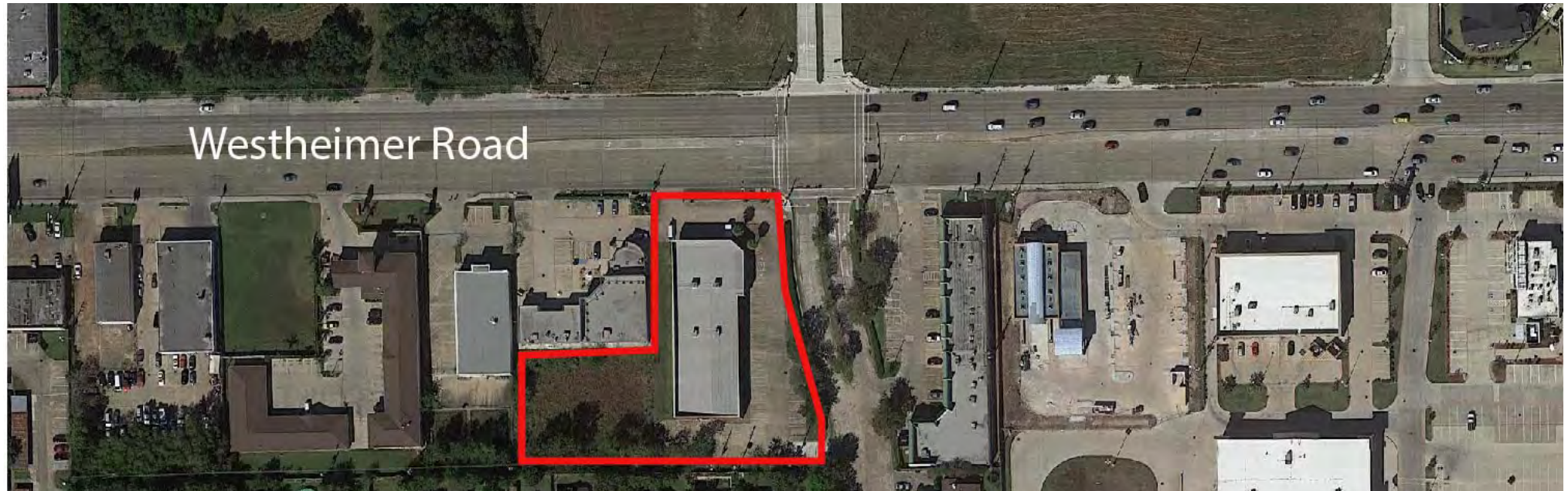
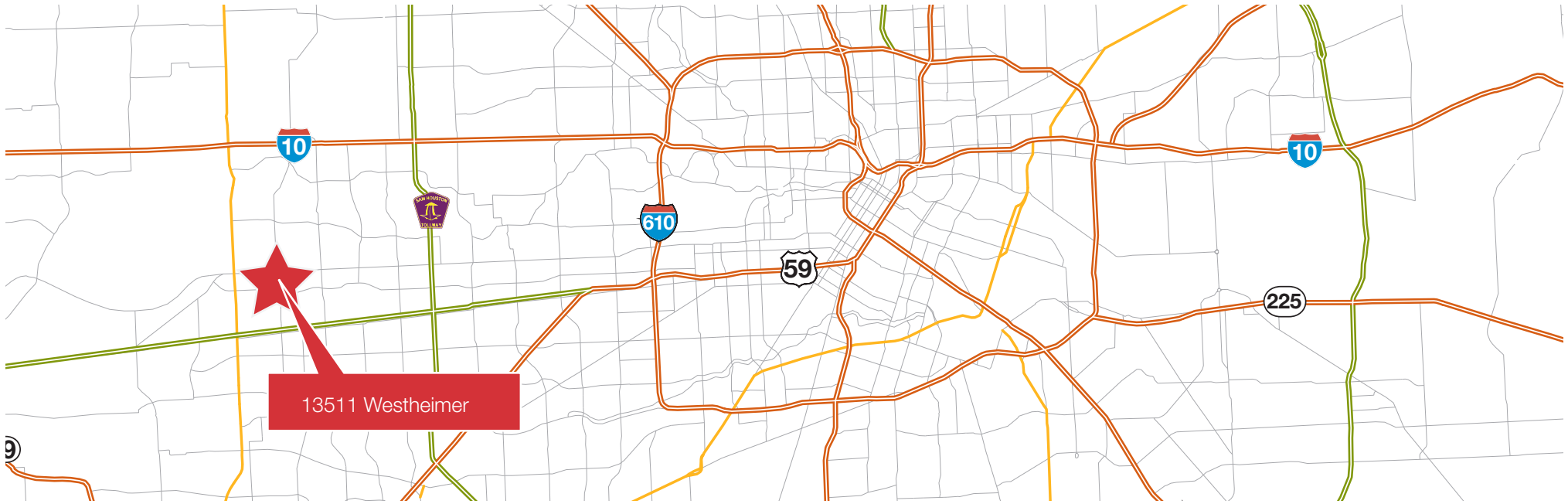
## Location Highlights

- Excellent location at a signalized corner on Westheimer Road, between Eldridge Parkway and Highway 6 - high visibility with easy ingress and egress.
- High density and high growth area - Population in a 3-mile radius is over 150,000 and within a 5-mile radius, the population is over 360,000. 13% growth over the last 8 years and 9% projected growth in the next 5 years.
- Traffic counts along Westheimer exceed 44,000 Vehicles Per Day.
- Surrounding national retailers include: Super Target, Academy, Starbucks, 24 Hour Fitness, Office Depot, Office Max, Chase Bank, Home Goods, Burlington, TJ Maxx, Michael's, Petsmart, Floor & Decor, and many more.





## Location Map









## Rent Roll

Tenant	Rentable SF	Lease Commence	Lease End	Rent/SF	Annual Rent	Lease Type
Ferguson Enterprises	13,200	1/1/2019	12/31/2021	\$12.48	\$164,799	NNN



### Pricing & Annualized Operating Data

Price	\$2,350,000
Rentable Square Feet	13,200 SF
Rentable Price/SF	\$178.03
CAP Rate—Current	7%
Year Built	2003
Parcel Size	1.61 Acres
Type of Ownership	Fee Simple

Annual Rent	\$164,799.00
Base Rent per SF	\$12.48
Net Operating Income	\$164,799.00
Total Return	\$164,799.00

## Rent Schedule

Year	Annual Rent
2019 - 2021	\$164,799.00
2022 - 2025	\$174,886.00

# HOUSTON RETAIL | Q4 2018

## Quarterly Market Report

JANUARY 2019

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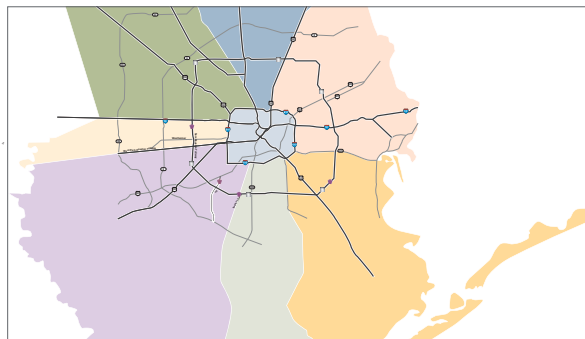
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## MARKET OVERVIEW



Houston Retail Submarkets

- 1. Inner Loop
- 2. North
- 3. Northeast
- 4. Northwest
- 5. South
- 6. Southeast
- 7. Southwest
- 8. West

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

## Submarket Stats

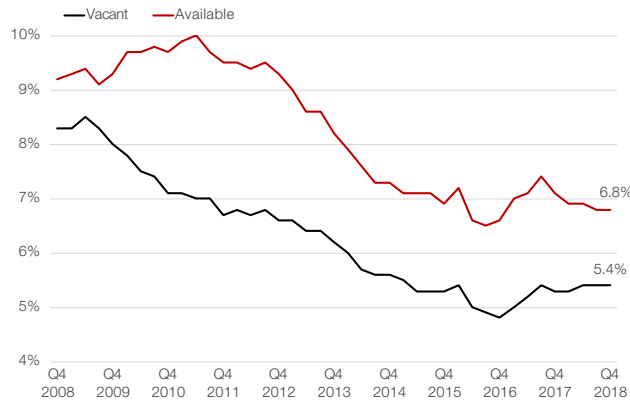
Submarket	Net Rentable Area (SF)	Vacancy (%)	Q4 2018 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q4 2018 Leasing Activity (SF)	Q4 2018 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
Houston Total	352,605,554	5.4	697,514	4,090,686	1,546,972	889,774	4,702,744	3,854,782	17.50

Submarket	Net Rentable Area (SF)	Vacancy (%)	Q4 2018 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q4 2018 Leasing Activity (SF)	Q4 2018 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
Inner Loop	28,362,222	4.8	-40,504	95,611	144,299	76,335	310,397	297,822	25.29
North	63,469,273	6.6	91,760	721,053	289,117	244,656	1,135,711	777,242	15.15
Northeast	25,899,704	4.3	77,122	453,805	55,190	5,787	247,224	152,288	15.76
Northwest	63,473,72	5.1	197,370	611,574	299,924	210,735	741,780	713,112	18.05
South	14,863,44	5.0	-34,597	31,253	170,912	12,974	140,476	150,736	17.95
Southeast	54,379,16	5.2	289,889	909,354	277,696	172,787	658,962	326,125	15.05
Southwest	57,753,104	5.8	71,225	798,405	165,663	127,724	893,958	990,333	16.42
West	44,404,925	5.1	45,249	469,631	144,171	38,776	574,236	447,124	21.95

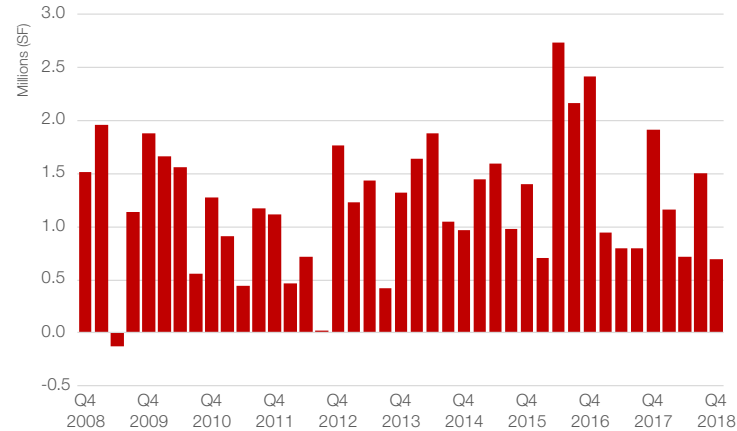


## Quarterly Market Report

### Vacancy & Availability



### Net Absorption

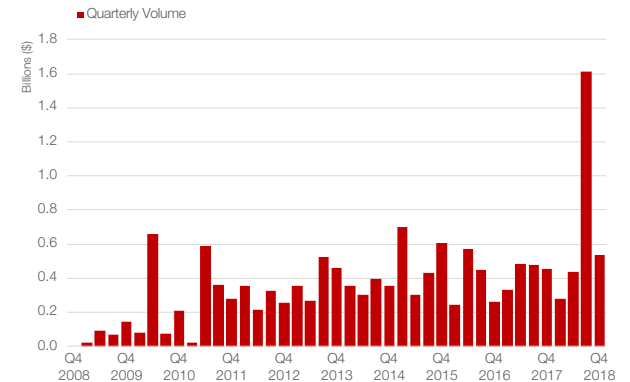


### Historical Investment Trends - Sales Volume

Quarterly Volume 12/31/18: \$533,599,605

Year-over-Year Change: 17.9%

Source: Real Capital Analytics



## MARKET OVERVIEW

### Supply and demand remained aligned in 2018

Houston has absorbed 4.1 million sq. ft., and delivered 4.7 million sq. ft. in 2018, down from 2017 at 4.5 million sq. ft. and 6.5 million sq. ft. year-over-year. However, even with the difference in space, either added or being removed from the market, the fundamentals are very strong, with occupancy at 94.6%. While deliveries had been outpacing absorption during the last three quarters of 2018—indicating a slightly slower tenant demand for new space—construction activity leveled off, averaging 4.3 million sq. ft. during the same period, signaling controlled growth. This controlled approach will support steady retail growth going forward in a challenging national retail market. The amount of square feet currently under construction is at 3.9 million, down slightly from 4.1 million sq. ft. quarter-over-quarter, and 4.3 million sq. ft. year-over-year. New development has gradually been decreasing on a quarterly basis since the third quarter of 2016, when it reached 5.5 million sq. ft., a level not seen since 2008. In addition, retail space has remained at or above 94% occupancy since the fourth quarter of 2013.

### PlazAmericas largest section sold

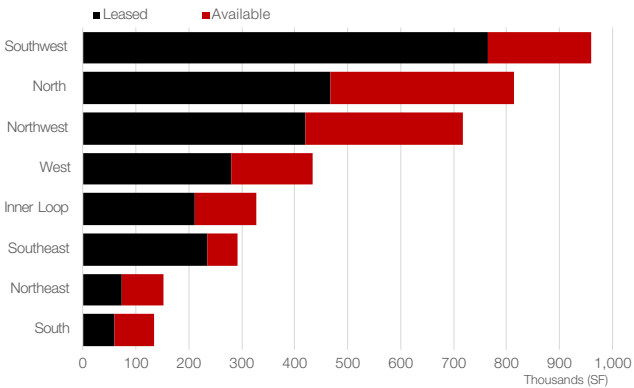
Real Capital Analytics data reports year-to-date retail sales volume for 2018 in the Greater Houston area at \$2.9 billion. The fourth quarter sales volume was \$533.5 million compared to fourth quarter 2017 at \$452.5 million, resulting in a year-over-year quarterly volume change of 17.9%. The primary capital composition for buyers in 2018 was made up of 45.9% private investors, and 45.1% cross-border investors. For sellers, the majority was 48.0% REIT/listed investors, and 38.7% private. In December RAIT Financial Trust sold the largest section of PlazAmericas mall in Houston for an undisclosed price. Baker Katz acquired the mall's largest section at 7500 Bellaire Boulevard, which totals 638,605 sq. ft. and was approximately 70% occupied at the time of the sale. According to 2018 Harris County Appraisal District records, the property was valued at more than \$12.2 million. The mall was built in 1961, known then as Sharpstown Mall. The attached anchor department stores and the ten-story high-rise office building, which are separately owned, were not included in the sale.

### Leasing activity remains stable

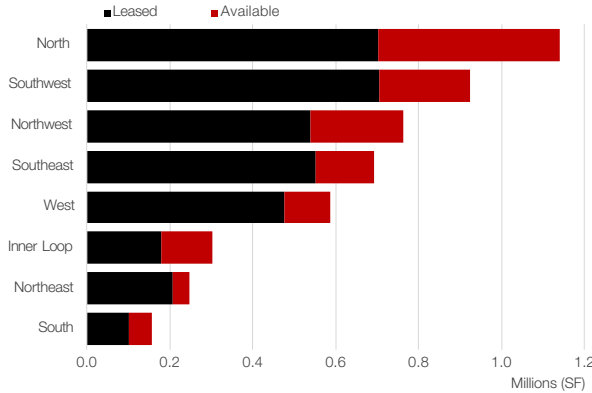
Leasing activity totaled 1.5 million sq. ft. in Q4 2018, almost unchanged quarter-over-quarter, although down 37% from this time last year. A few of the metro's largest leases signed during 2018 include the 120,000-sq.-



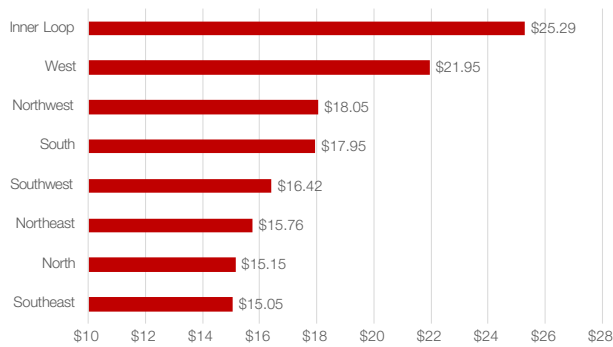
Under Construction



Completions Year-To-Date



Average NNN Asking Rent by Submarket



ft. lease signed by Life Time Fitness at Baybrook Mall in the Southeast submarket; the 108,632-sq.-ft. deal signed by At Home at 3000 Kirby Dr. in the Far South submarket; and the 89,869-sq.-ft. lease signed by H-E-B at 2121 FM 2920 Rd. in the Far North submarket. There was some unease in Houston’s retail sector with many high-profile store location closings such as Randall’s, Mattress Firm, Sears, and Toys R Us. But as the saying goes, retail follows rooftops and according to the Greater Houston Partnership, from 2010 to 2017, Houston’s population increased by 16.4%, which is the fastest rate of growth among the nation’s 10 biggest metropolitan areas.

Port Houston surpassing the goal line

United States-bound retail container imports hit a new record in October, according to the Port Tracker report issued by the National Retail Federation. The amount of merchandise imported provides a rough barometer of retailers’ expectations. Volumes have been coming in at higher-than-usual levels in recent months, with retailers importing merchandise ahead of schedule. The past six years have represented the most significant growth period in Port Houston’s history: from 1.4 million twenty-foot-equivalent container units (TEU) to a projected 2.7 million TEU annually for the calendar year 2018 (nearly doubling in six years). In addition, more than 13 million TEU passed across Port Houston docks since 2014, and for the first time ever, container terminals reached and surpassed the 2 million TEU mark in a single year and are positioned to top the 3 million mark—perhaps as early as 2020. Port Houston Q4 2018 YTD Operating Statistics reported that container volume is solid outpacing last year by 10%; steel is up 21%; and overall tonnage is up 8%.

Rents continue to rise in tight market

The tight retail market continued to push the Houston metro average annual asking rents up, reaching \$17.50 per sq. ft. to start 2019 at a record high. As of the end of the 2018, prices have climbed 22.0% from the average asking rent of five years ago (\$14.34 per sq. ft.). While retail availability is especially limited across the Houston area, it is particularly tight within the Inner Loop area, with a total inventory of approximately 28 million sq. ft. with a vacancy rate of 4.8% and the average asking triple net rent at \$25.29 per sq. ft. Although concessions such as free rent and tenant improvement allowances make posted rents less meaningful as a market indicator, the price of Houston’s retail space is climbing. The highest-quality space, with the best location, and ease of accessibility will generate the highest rents.



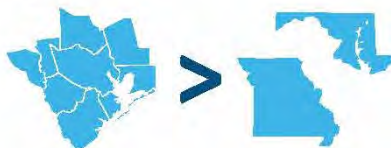
## POPULATION AND DEMOGRAPHICS

**6.8** million

residents in the 9-county  
Houston-The Woodlands-Sugar Land MSA

**Nation's 5<sup>th</sup> most  
populous metro area**

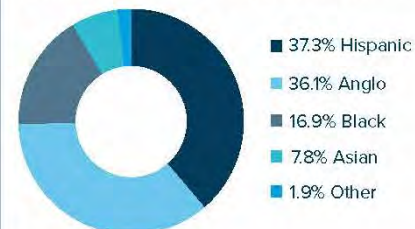
Larger than Missouri or Maryland



**Houston is the nation's  
4<sup>TH</sup> most populous city**

### Race/Ethnicity: Houston MSA

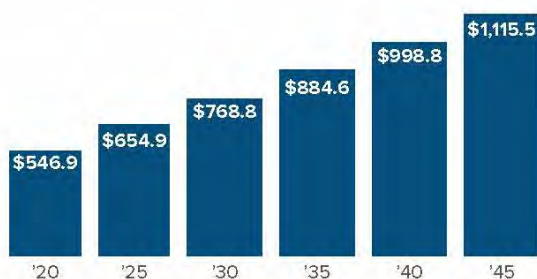
Houston today mirrors the U.S. in 5 decades



**Nearly 1 in 4  
Houstonians  
are foreign born**

## ECONOMY

**If Houston were an independent nation, the region would have the 26th largest economy in the world, behind Belgium and ahead of Thailand.**



Houston - The Woodlands - Sugarland MSA  
GDP forecast (\$ billions '09 constant dollars)  
Source: Perryman Group

**2.9**  
percent

expected real GDP  
annual growth from '20 - '45

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



**21**

**Fortune 500 Companies call Houston home**

108,300 jobs were created in Houston in 2018, the 4th largest annual gain on record. In a year that wasn't overstimulated by high oil prices, it shows the diversification of the Houston economy.

## EMPLOYMENT



Service industries  
account for

**4** out  
of **5**

workers in the region

The goods-producing  
sector accounts for nearly

**1** in **5**

of the region's jobs

**Industry Share of  
Houston MSA Employment**

20.4%	Trade, Transportation, and Utilities
15.9%	Professional and Business Services
13.5%	Government
12.7%	Educational and Health Services
10.5%	Leisure and Hospitality
7.3%	Manufacturing
7.2%	Construction
3.3%	Finance and Insurance
2.6%	Mining and Logging (Upstream Energy)
1.9%	Real Estate and Rental and Leasing
1.1%	Information
3.6%	Other Services

Source: Texas Workforce Commission



## GLOBAL PRESENCE

**15** foreign governments

maintain trade and commercial offices in Houston

**35 active foreign chambers of commerce**

**17.3%**  
of the region's economy is tied to exports

**exports support 330,000 jobs**

**54.1** million  
Houston airport passengers in '17

global travelers **11.2** million domestic travelers **42.9** million

**182 nonstop destinations**

**\$192.2** billion

in trade was handled by the Houston-Galveston Customs Districts in '17

**\$83.0** billion in imports (in '17)

**\$109.2** billion in exports (in '17)



**Houston has the largest export market in the U.S.**

**Port Houston ranks**

**1<sup>st</sup>**  
in foreign tonnage for 21 straight years

**Largest**  
Gulf Coast container port

**2<sup>nd</sup>**  
in total tonnage for 25 straight years

**5,000+**  
Houston companies doing business abroad

**1,000+**  
Houston firms report foreign ownership

**90+** nations have consular representation in Houston

**3<sup>RD</sup> largest representation in the nation**

**19** foreign banks are located in Houston from 10 nations



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# Information About Brokerage Services

*Texas law requires all real estate license holders to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.*

11-2-2015



## TYPES OF REAL ESTATE LICENSE HOLDERS:

- **A BROKER** is responsible for all brokerage activities, including acts performed by sales agents sponsored by the broker.
- **A SALES AGENT** must be sponsored by a broker and works with clients on behalf of the broker.

## A BROKER'S MINIMUM DUTIES REQUIRED BY LAW (A client is the person or party that the broker represents):

- Put the interests of the client above all others, including the broker's own interests;
- Inform the client of any material information about the property or transaction received by the broker;
- Answer the client's questions and present any offer to or counter-offer from the client; and
- Treat all parties to a real estate transaction honestly and fairly.

## A LICENSE HOLDER CAN REPRESENT A PARTY IN A REAL ESTATE TRANSACTION:

**AS AGENT FOR OWNER (SELLER/LANDLORD):** The broker becomes the property owner's agent through an agreement with the owner, usually in a written listing to sell or property management agreement. An owner's agent must perform the broker's minimum duties above and must inform the owner of any material information about the property or transaction known by the agent, including information disclosed to the agent or subagent by the buyer or buyer's agent.

**AS AGENT FOR BUYER/TENANT:** The broker becomes the buyer/tenant's agent by agreeing to represent the buyer, usually through a written representation agreement. A buyer's agent must perform the broker's minimum duties above and must inform the buyer of any material information about the property or transaction known by the agent, including information disclosed to the agent by the seller or seller's agent.

**AS AGENT FOR BOTH - INTERMEDIARY:** To act as an intermediary between the parties the broker must first obtain the written agreement of *each party* to the transaction. The written agreement must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. A broker who acts as an intermediary:

- Must treat all parties to the transaction impartially and fairly;
- May, with the parties' written consent, appoint a different license holder associated with the broker to each party (owner and buyer) to communicate with, provide opinions and advice to, and carry out the instructions of each party to the transaction.
- Must not, unless specifically authorized in writing to do so by the party, disclose:
  - that the owner will accept a price less than the written asking price;
  - that the buyer/tenant will pay a price greater than the price submitted in a written offer; and
  - any confidential information or any other information that a party specifically instructs the broker in writing not to disclose, unless required to do so by law.

**AS SUBAGENT:** A license holder acts as a subagent when aiding a buyer in a transaction without an agreement to represent the buyer. A subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first.

## TO AVOID DISPUTES, ALL AGREEMENTS BETWEEN YOU AND A BROKER SHOULD BE IN WRITING AND CLEARLY ESTABLISH:

- The broker's duties and responsibilities to you, and your obligations under the representation agreement.
- Who will pay the broker for services provided to you, when payment will be made and how the payment will be calculated.

**LICENSE HOLDER CONTACT INFORMATION:** This notice is being provided for information purposes. It does not create an obligation for you to use the broker's services. Please acknowledge receipt of this notice below and retain a copy for your records.

_____ Licensed Broker /Broker Firm Name or Primary Assumed Business Name	_____ License No.	_____ Email	_____ Phone
_____ Designated Broker of Firm	_____ License No.	_____ Email	_____ Phone
_____ Licensed Supervisor of Sales Agent/ Associate	_____ License No.	_____ Email	_____ Phone
_____ Sales Agent/Associate's Name	_____ License No.	_____ Email	_____ Phone

\_\_\_\_\_  
Buyer/Tenant/Seller/Landlord Initials

\_\_\_\_\_  
Date