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## WESTHEIMER

HOUSTON, TEXAS  
EXECUTIVE SUMMARY



# THE OPPORTUNITY

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JLL Capital Markets, as exclusive advisor to the owner, is pleased to present for sale a 100% fee simple interest in **5718 Westheimer** (“the Property”), a 491,092 square-foot Class A office building located in an irreplaceable urban infill, walkable location with close proximity to some of Houston’s most prestigious residential neighborhoods. The Property offers investors the comfort of secure cash flow with the asset being 67.6% leased and having a 7.5 year weighted average lease term coupled with significant value-creation potential via lease up of the vacancy. Offered at an attractive basis at a significant discount to replacement cost, the basis of 5718 Westheimer will be reset to a fraction of its’ competition and allow an investor the opportunity to lease the vacant space at rental rates and deal term structures that other buildings will not be able to match. 5718 Westheimer represents a unique opportunity to acquire an institutional-quality, Class-A value-add asset in Houston’s most preferred institutional submarket.

## PROPERTY OVERVIEW

ADDRESS: 5718 Westheimer Road

CITY, STATE, ZIP: Houston, TX 77058

COUNTY: Harris

RENTABLE SQUARE FEET: 491,092 SF

AVERAGE FLOOR PLATE: 21,610 SF

% LEASED: 67.6%

YEAR BUILT/RENOVATED: 1982/2017

PARKING RATIO: 3.3 / 1,000 SF

STORIES: 22

BUILDING LAND: 3.54 Acres

LAND PARCEL: 3.23 Acres

WALT: 7.5 Years

MAJOR TENANTS: W&T Offshore, KHOU-TV, Fitts Roberts, Worksuites

## INVESTMENT HIGHLIGHTS

- ▶ INSTITUTIONAL-QUALITY ASSET
- ▶ SIGNIFICANT RECENT CAPITAL INVESTMENT
- ▶ DIVERSE TENANT BASE WITH MINIMAL ENERGY EXPOSURE
- ▶ HISTORICALLY HIGH PERFORMING ASSET
- ▶ INFILL, URBAN WALKABLE LOCATION (WALK SCORE: 79, VERY WALKABLE)
- ▶ RARE INFILL, VALUE-ADD INVESTMENT OPPORTUNITY
- ▶ HOUSTON'S MOST INSTITUTIONALLY PREFERRED OFFICE SUBMARKET
- ▶ SECURE CASH FLOW WITH VALUE CREATION POTENTIAL
- ▶ OFFERED AT AN ATTRACTIVE BASIS, BELOW REPLACEMENT COST

# INVESTMENT HIGHLIGHTS



## INSTITUTIONAL-QUALITY, CLASS-A ASSET WITH SIGNIFICANT RECENT CAPITAL INVESTMENT

Located in the heart of the Houston Galleria, the Property was acquired by the current owner in 2002. Since then, the building has been maintained to the highest quality as evidenced by ownership adding almost \$18 million worth of capital improvements over the last nine years. The building features a state-of-the-art lobby, new fitness center, a full-service café, full elevator modernizations, corridor modernizations, extensive site renovation work, and several HVAC systems upgrades, which has all been completed within the last decade. With unmatched city views and prominent visibility, 5718 Westheimer is a staple office building in the Houston Galleria submarket and current ownership has proven dedicated to this asset after owning it for over 18 years.

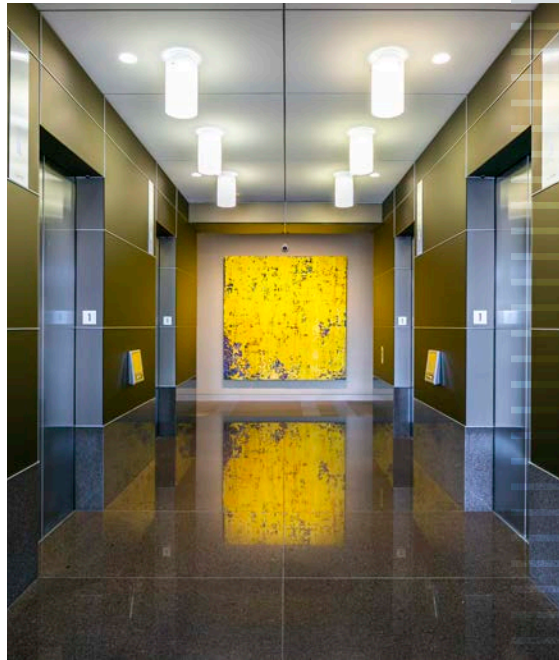
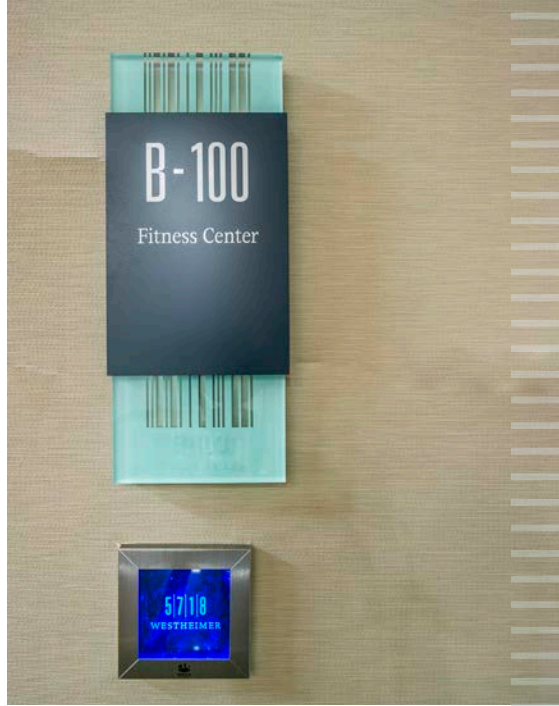
### 5718 WESTHEIMER CAPITAL INVESTMENT

YEAR	TOTAL AMOUNT
2012	\$222,000.00
2014	\$1,706,762.00
2016	\$71,000.00
2017	\$11,970,287.00
2018	\$2,106,967.00
2019	\$698,462.00
2020	\$1,142,790.00
<b>TOTAL CAPEX INVESTMENT</b>	<b>\$17,918,268.00</b>



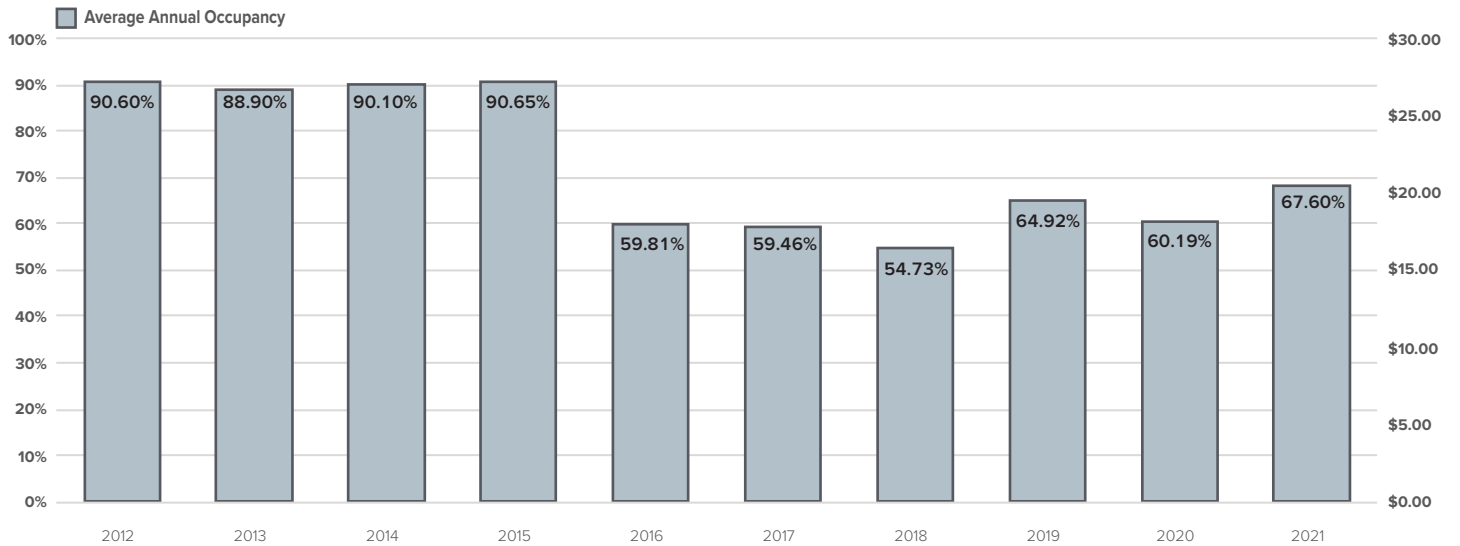


~\$18 MILLION IN RECENT CAPITAL IMPROVEMENTS



# HISTORICALLY HIGH-PERFORMING ASSET

5718 Westheimer allows investors the opportunity to acquire an asset with exceptional historical performance and strong leasing momentum at a very attractive basis.



## KEY NOTES

- ▶ **Average annual occupancy of 91.4% over a 14-year period from 2002 to 2015.**
- ▶ In 2016, Capital One vacates to 5444 Westheimer, occupancy falls to 59.8%. Full building renovation completed in 2017-2018.
- ▶ 59,907 SF of new leases signed in 2019 with the commencements of KHOU-TV, Fizer Beck, and Next Level Urgent Care.
- ▶ W&T Offshore moves into 64,978 SF in 2020, relocating to the building from 9 Greenway Plaza.
- ▶ In 2021, occupancy has reached its' highest level since 2015 and will be up to 67.6% by year-end with the TBK lease out for signature.

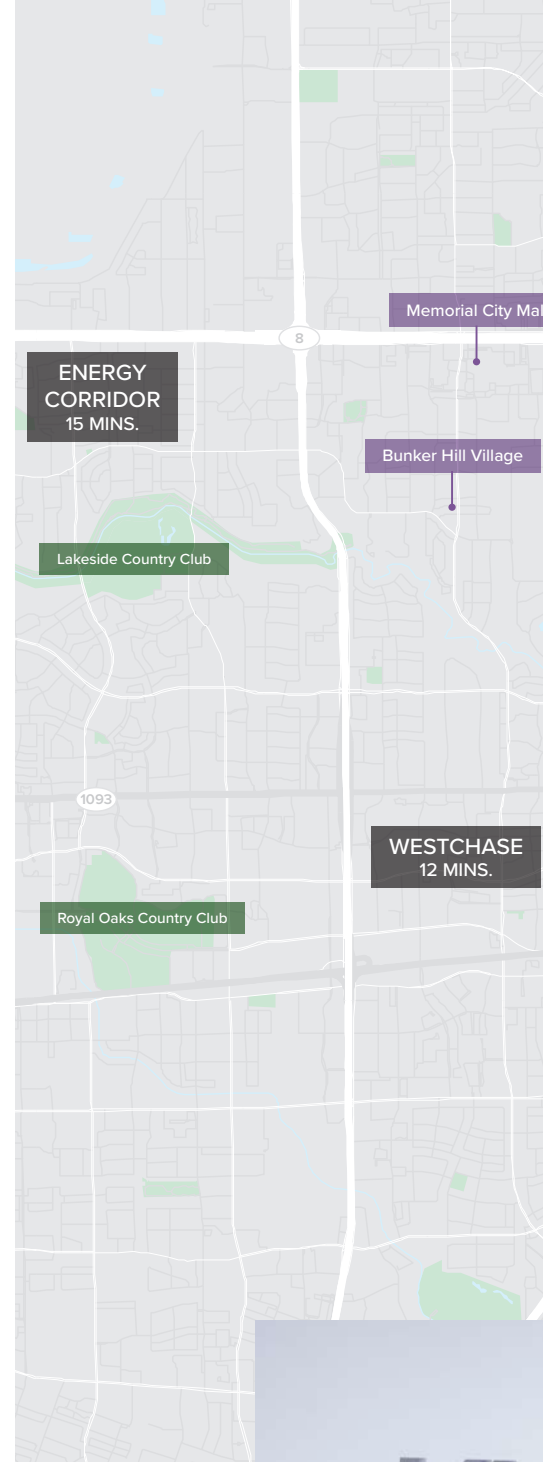






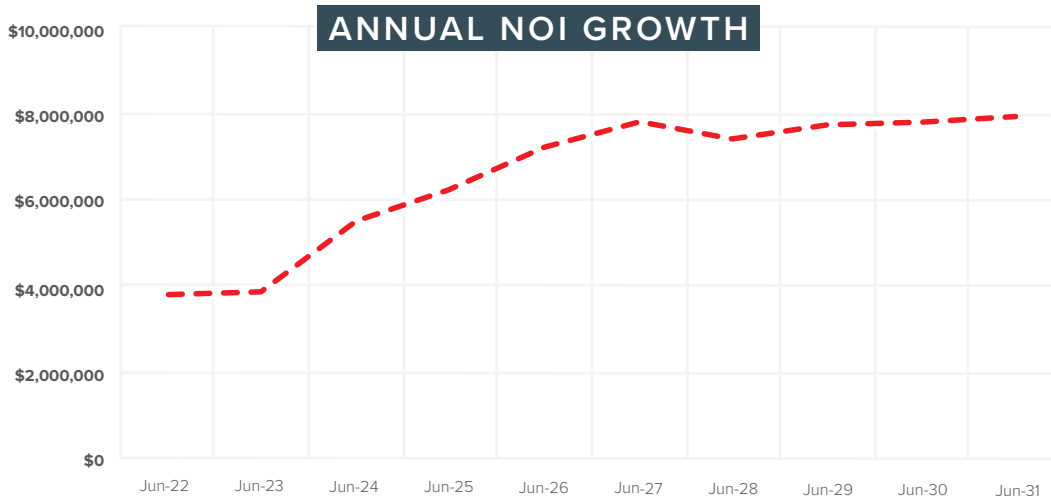
## RARE INFILL, VALUE-ADD INVESTMENT OPPORTUNITY

Situated at the corner of Westheimer and Bering, this offering presents the opportunity to acquire real estate in an irreplaceable location. 5718 Westheimer is located in close proximity to Houston's most prestigious neighborhoods. The building is also in direct proximity to the world-renowned Galleria Mall as well as numerous walkable amenities including Pappas Steakhouse, Pappas Burgers, Café Lili, Nomad, Beck's Prime, and several other premier dining options. The Property's location offers a plethora of exceptional demographics including: a walk score of 79 compared to the average walk score of 45 for Houston, 73,615 VPD at the Westheimer Rd & Bering Dr intersection, over 523,000 people in a 5-mile square radius, and an average household income exceeding \$110,000 within a 5-mile square radius. 5718 Westheimer represents the opportunity to acquire a high-quality asset in an A+ location.

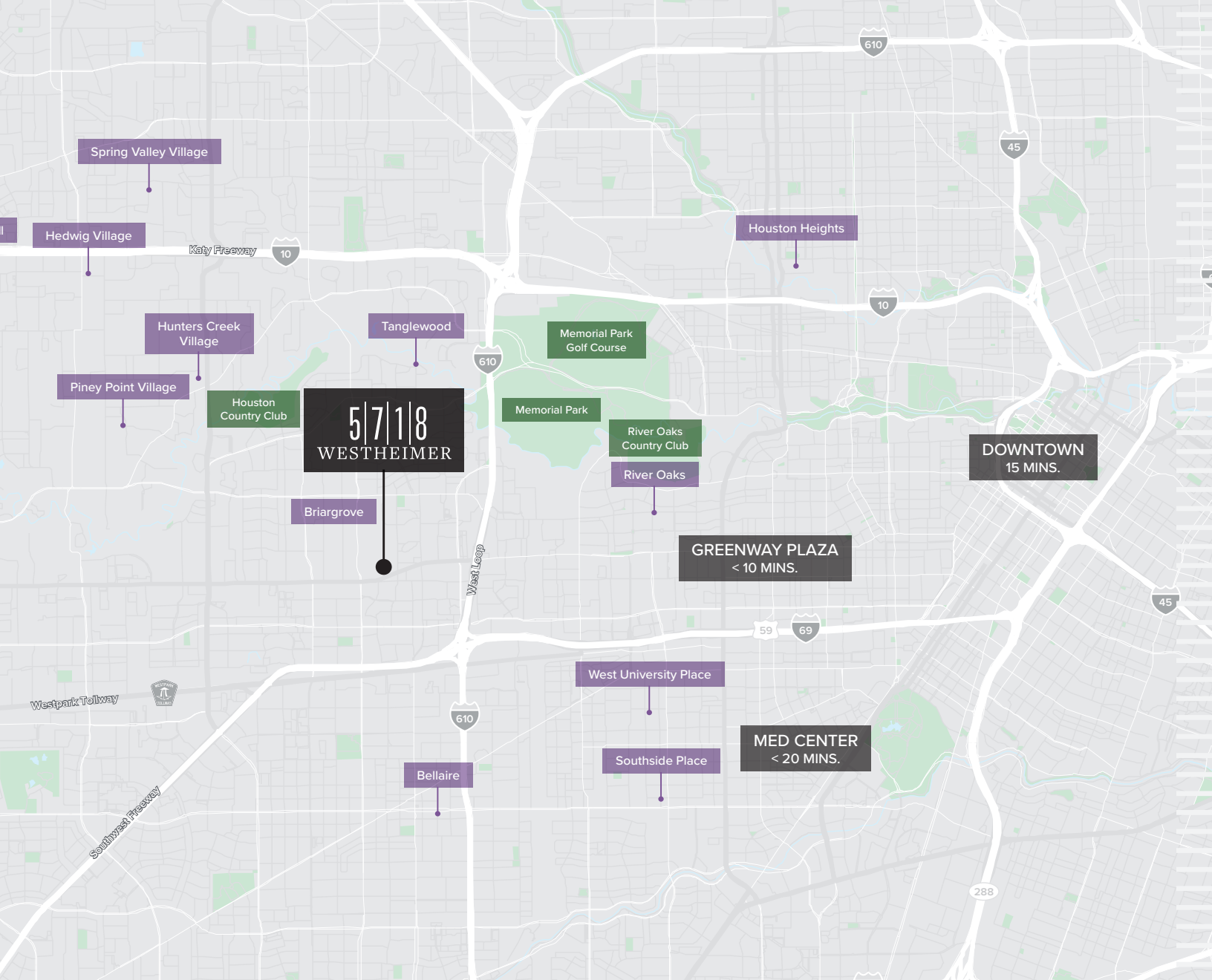


## SECURE CASH FLOW WITH VALUE CREATION POTENTIAL VIA LEASE UP OF VACANCY

Currently 67.6% leased, the Property boasts strong in-place cash flow with significant upside potential. 5718 Westheimer has a 7.5 year weighted average lease term with all tenants over 20,000 square feet (31% of NRA) having a weighted average lease term of nearly 10 years. Less than 15% of the rent roll expires in the first 3 years of the hold period, further limiting the next owner's downside through exceptional risk-free cash yields. Due to the excellent condition of the Property and strength of the in-place rent roll, new ownership will have the opportunity to focus on creating value via lease up of the vacancy at the Property.







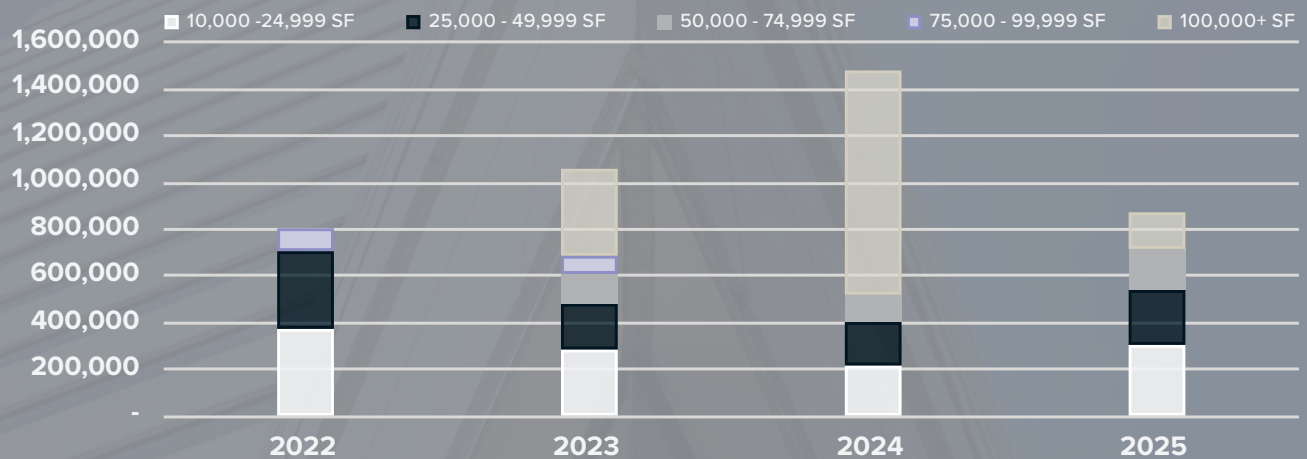
4 LARGEST TENANTS	SF	%	EXPIRATION
W&T Offshore	64,978	13.2%	
KHOU-TV	44,453	9.1%	
Fitts Roberts	22,613	4.6%	
Worksuites	22,607	4.6%	
<b>4 Largest Tenants</b>	<b>154,651</b>	<b>31.5%</b>	<b>9.9 WALT</b>



## NEAR-TERM SUBMARKET ROLLOVER AND EXCEPTIONAL BASIS

JLL knows of 83 tenants expiring in 2022-2024 in the Galleria's Class A space alone, ranging from 20,000 square feet to 180,000 square feet, and totaling 2.53 million square feet of rollover. 5718 Westheimer is well positioned to capture a variety of tenants looking to upgrade from Class B space, or reduce occupancy costs due to the competitive set's inability to meet the market.

### KNOWN GALLERIA CLASS A ROLLOVER

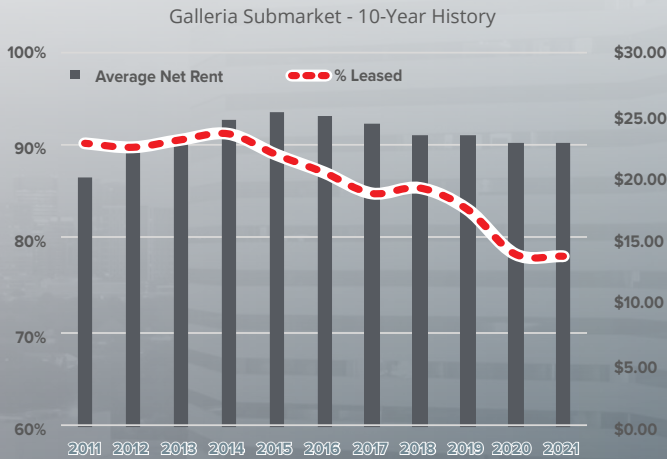


## ABILITY TO CAPTURE MULTIPLE SOURCES OF TENANT DEMAND

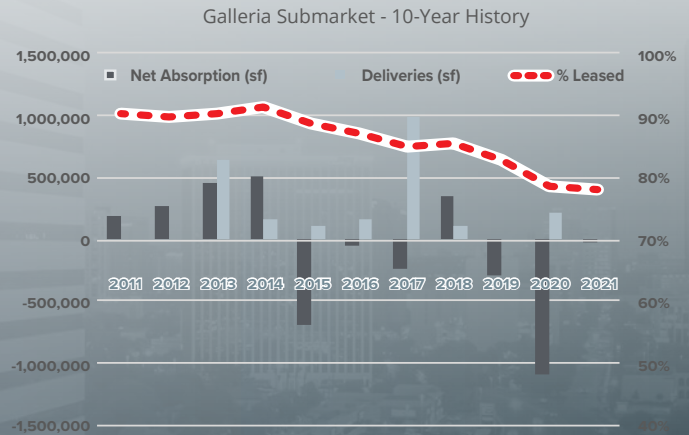
5718 Westheimer continues to be a premier option for tenants wanting affordable, Class A space in the Galleria. The asset offers an attractive upgrade from Class B buildings in the submarket, which is illustrated by the migration of tenants like Worksuites and Gamal Enterprises, who both came from Class B buildings in the area.

Additionally, the asset serves as a preferred option for tenants wanting the location and convenience that the Galleria offers without needing Class A Tier I space. This migration has been recently highlighted by the move-ins of W&T Offshore and Liberty Group from the Greenway Plaza submarket.

### HISTORICAL OCCUPANCY & RENTAL RATES



### HISTORICAL ABSORPTION & DELIVERIES



	# OF BLDGS	TOTAL SF	DIRECT VACANCY	% LEASED	AVG NET RENT	LEASING ACTIVITY 2019 - YTD 2021
Galleria/Uptown Class A&B Total	97	25,094,162	5,507,634	78.10%	\$22.56	3,450,147
Class A Tier I	16	5,683,435	638,249	88.80%	\$30.68	725,843
Class A Tier II	34	12,838,485	3,658,299	71.50%	\$21.98	1,851,761
Class B	47	6,572,242	1,211,086	81.60%	\$19.83	<b>872,543</b>

Tier I Class A buildings in the Galleria average 89% leased and \$30.68 net asking rents – only 638,000 sf of direct vacancy

- ▶ Peaked at 98.6% leased in 2012 and \$32.12 net rents in 2014

Similarly, Class B product has fared well averaging 82% leased and \$19.83 net asking rents

- ▶ Peaked at 94% occupancy in 2014 and \$23.50 net rents in 2015

**HAVING A COMPETITIVE BASIS AT 5718 WESTHEIMER WILL ALLOW THE NEW OWNER TO CAPTURE TENANTS LOOKING FOR AN UPGRADE, AND/OR THOSE NOT WILLING TO PAY THE \$26 TO \$40+ NET RATES IN THE TIER I PRODUCT THAT HAS VERY LITTLE REMAINING VACANCY.**



POST OAK HOTEL

ST. JAMES CONDOS

YORKTOWN APARTMENTS

BRIARCROFT  
Average House Value: \$1MM

5718  
WESTHEIMER

BERING DRIVE

WESTHEIMER ROAD



## OFFERED AT A SUPERIOR BASIS, SIGNIFICANT DISCOUNT TO REPLACEMENT COST

5718 Westheimer is offered at a basis that will be lower than any competing building in the submarket. The asset is offered at over half of replacement cost and will be one of the first buildings to reset the basis in the submarket. Resetting the basis of 5718 Westheimer to a fraction of its competition will allow an investor the opportunity to lease the vacant space at rental rates and deal term structures that other buildings will not be able to match. Additionally, new ownership will not have to increase their basis substantially due to non-leasing capital costs because of the building's exceptional condition as-is.



## INSTITUTIONALLY PREFERRED SUBMARKET FOR HOUSTON OFFICE INVESTORS

The submarket is a “must have” location for tenants and owners alike due to its proximity to Houston’s continued westward population growth. The Property is surrounded by some of the most renowned institutional owners in the country due to its premier Galleria location. Surrounding owners include Azrieli Group, Nuveen, Black Rock, MetLife, AIP Asset Management, Invesco, Parkway, CPPIB, and Allianz.



## EXCEPTIONAL LOCATION WITHIN THE GALLERIA, HOUSTON’S PREMIER SUBMARKET

5718 Westheimer is situated in Houston’s prestigious Galleria submarket, the 15th largest business district in the United States. Anchored by the world-renowned Galleria mall, the submarket offers Houston’s largest concentration of high-end retail, upscale hotels and fine dining. The submarket features 23,613 apartments, more than 7,100 hotel rooms, and 6 million square-feet of retail, most of which is within walkable proximity of the Property. The Boulevard Project, a \$193 million project located in the heart of the Galleria, will substantially improve traffic flow, transit service and the overall pedestrian experience in the area. The Post Oak Hotel, Houston’s only five-star hotel, is located in close proximity to the Property, offering tenants 150,000 square feet of Class A office space, four restaurants, and a luxury car showroom. The Galleria, more so than any other submarket in Houston, embodies the live-work-play 24/7 environment providing excellent walkability for residents and employees.

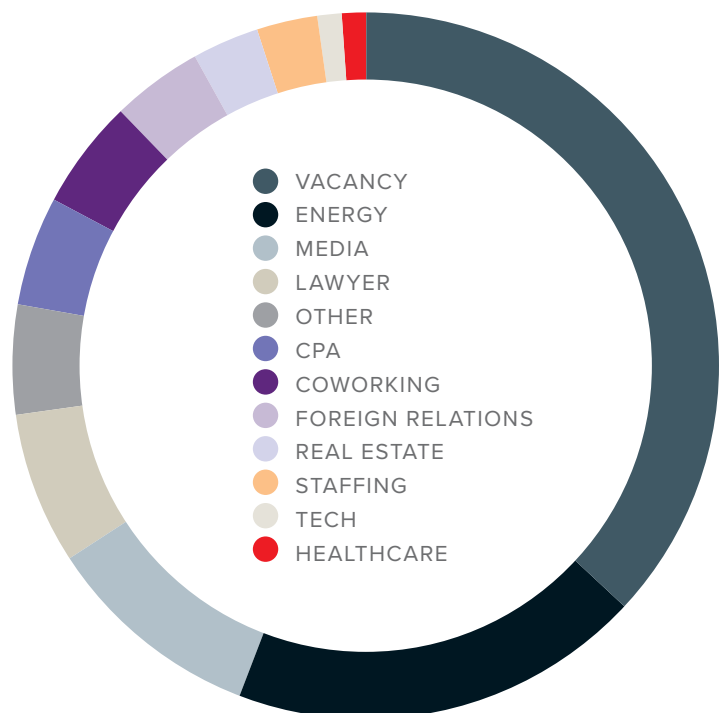
5718 WESTHEIMER IS LOCATED WITHIN CLOSE PROXIMITY TO SOME OF HOUSTON'S MOST AFFLUENT AND WELL-EDUCATED RESIDENTIAL NEIGHBORHOODS, SITUATING THE PROPERTY AT THE CENTER OF HOUSTON'S MOST PROMINENT DECISION-MAKERS.



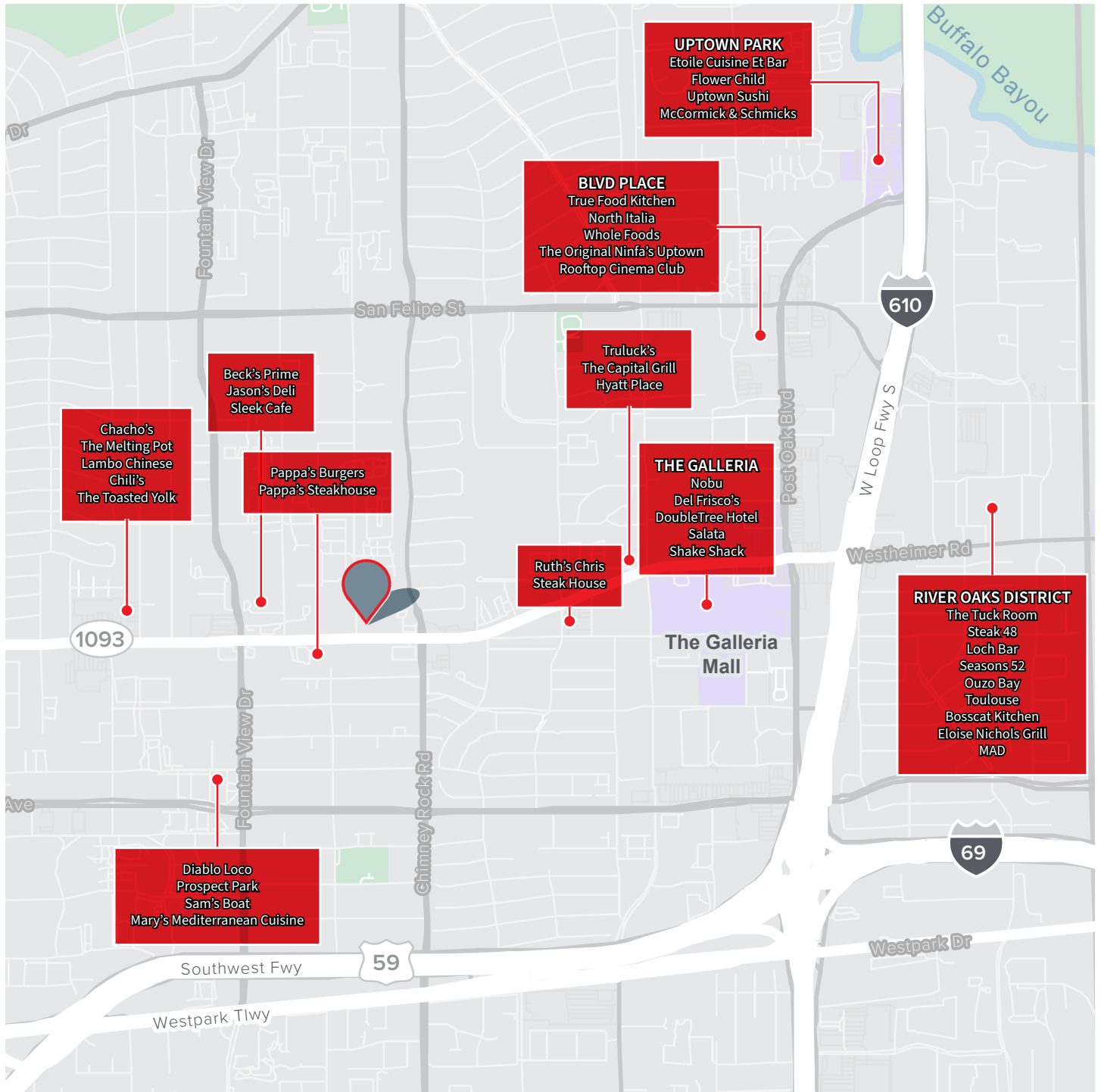


## DIVERSE TENANT BASE WITH LOW ENERGY EXPOSURE

5718 Westheimer has been very successful at limiting the Property’s exposure to any one industry by diversifying their tenant roster. Specifically, the Property provides a new owner with low energy exposure, with a rent roll consisting of approximately 19% energy related tenants. 72% of the energy related tenancy is concentrated in one tenant, W&T Offshore (NYSE: WTI), who recently relocated their headquarters to 5718 Westheimer from the Greenway Plaza submarket and signed a long-term lease that does not expire until 2032. The other anchor tenant at the Property, KHOU-TV has invested \$4.5 million worth of tenant-funded improvements in addition to their \$4.5 million tenant improvement allowance into their space, making it the parent company’s nicest news facility nationwide. The diverse rent roll also contains tenants in law, accounting, foreign relations, and real estate among others.



# SURROUNDING AMENITIES



## EXPERTLY LOCATED IN HOUSTON'S PREMIER SUBMARKET

5718 Westheimer offers investors an irreplaceable, urban-infill investment opportunity located within Houston's most desired submarket. The Property is surrounded by a surplus of dining, retail, entertainment, and fitness options as illustrated by the Property's "very walkable" walk score of 79, indicating most errands can be accomplished on foot.





JW MARRIOTT ..... 0.8 MILES

TRULUCKS SEAFOOD ..... 0.6 MILES



NOBU ..... 0.9 MILES



PAPPAS BROS. STEAKHOUSE... 0.2 MILES



DEL FRISCO'S..... 0.9 MILES



RUTH'S CHRIS STEAK HOUSE .. 0.5 MILES





## INVESTMENT SALES ADVISORY

### KEVIN MCCONN

MANAGING DIRECTOR  
+1 713 425 5839  
KEVIN.MCCONN@AM.JLL.COM

### RICK GOINGS

DIRECTOR  
+1 713 425 5855  
RICK.GOINGS@AM.JLL.COM

### TRENT AGNEW

SENIOR MANAGING DIRECTOR  
+1 713 852 3431  
TRENT.AGNEW@AM.JLL.COM

### SHERRI ROLLINS

VICE PRESIDENT  
+1 713 852 3573  
SHERRI.ROLLINS@AM.JLL.COM

### TOM WEBER

ANALYST  
+1 713 852 3495  
TOM.WEBER@AM.JLL.COM

## FINANCING

### COLBY MUECK

SENIOR MANAGING DIRECTOR  
HOUSTON OFFICE CO-HEAD  
+1 713 852 3575  
COLBY.MUECK@AM.JLL.COM

### JOHN REAM

SENIOR DIRECTOR  
+1 713 425 5919  
JOHN.REAM@AM.JLL.COM

