



THE VILLAGIO

KATY, TEXAS



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Listed at \$35,000,000
90% Occupied

The Villagio Katy, Texas

Executive Summary

The Villagio, a mixed-use development consisting of 112,285 sq. ft. of retail, restaurant and office space, located at the center of the population growth occurring in the West Houston/Katy area. The site is strategically located in the heart of Cinco Ranch, the number one selling master-planned community in West Houston, at the Northeast corner of Westheimer Parkway and South Peek Road. The site is convenient to Interstate I-10, the Grand Parkway and the recently completed Westpark Tollway- which connects West Houston to the Galleria and Inner Loop area.

Neighboring commercial complexes such as Park 10 (over 3 million sq. ft. of high end office space with approximately 10,000 daytime employees) and the famous Energy Corridor (home to Conoco/ Phillips, Citgo, BP, and Shell) fuel an unprecedented pattern of growth for the immediate west of Houston.

Project Description

The Villagio is a remarkable mixed-use development on approximately 12 acres in Katy, Texas. The site will include 77,468 square feet of retail/restaurant space, 33,041 square feet of professional office space and a multi-level parking garage that will provide a total of 532 spaces. An additional 4.007 acres are available directly behind the center with valuable uses in a possible residential or office spaces. A proposed rendering and site plans have been developed for both potential uses. The subject property enjoys a superb location in the rapidly expanding master planned community of Cinco Ranch in the western suburbs of the Houston MSA.

- Location: Northeast corner of Westheimer Pkwy and Peek
- Project Size: 112,285 square feet
- Size: Approximately 12 acres
- Developer: Marcel, Inc.
- Traffic Counts* Westheimer Parkway – 8,028 cars per day
Peek Road – 4,645 cars per day

The Villagio

LOCATION

The Villagio is located on the western edge of metropolitan Houston, Texas, the fourth largest city in the country, and is located at the center of Cinco Ranch, a 7,000 acre master-planned community with the city limits of Katy, a rapidly growing, upwardly mobile, affluent trade area.

- Population of the immediate trade area is projected to grow from 166,400 in 2004, to 225,500 by 2007 – a 35% increase.
- Over one-third of the residents are in the 20-40 year old age bracket.
- Over fifty percent of residents in the trade area have a college degree.
- The area features seven challenging golf courses, over one hundred neighborhood parks, and a beach club.
- Nationally recognized Texas Children’s Hospital and Memorial Hermann Healthcare System are locating major medical facilities nearby.
- Residents of the area enjoy over one hundred miles of hike and bike trails, both existing and under development.
- Population growth in the trade area is projected to outpace population growth in the Greater Houston area by 75% from 2004 through 2008.
- The area contains seventy-eight churches from eighteen different denominations.
- In addition to Cinco Ranch, the Katy area boasts twelve additional master-planned communities totaling over 13,000 acres and 15,000 single-family homes, with a population of 78,000 people.

Housing alternatives include urban apartments, townhomes, senior communities, gated communities, and single-family homes and estates ranging from \$150,000 to more than \$1.5 million. Cinco Ranch has consistently been ranked as one of the “Top 20 Residential Developments” in the United States. It was named the Number 1 selling master-planned community in west Houston by the 2003 Metro study.

HOUSTON ECONOMY

Houston continues to see slow but steady growth, and has avoided the deceleration in job growth seen nationally and regionally since the beginning of the year. The metro area has far surpassed its previous employment peak. Industrial activity in the metro area continues to expand according to the regional NAPM index, although the pace of expansion has seen some moderation in the past six months. In addition, high oil prices are putting upward pressure on mining and rig activity in the metro area. New data confirm healthy population growth in Houston in 2004. Construction activity remains healthy, and house price growth is steady but moderate.

The unhindered energy boom is helping the metro area avoid the slowdown other areas have seen in the recent past. Mining employment in Houston has soared by 16% since hitting a nadir in 2002, and is currently at a record high; energy companies are now contending with a shortage of skilled labor. The rig count in Texas continues to rise to a new record numbers, fueled by a boom in natural gas exploration. Petroleum refining operations are growing strong, especially in and around Houston.

Wal-Mart will soon be opening its largest warehousing and distribution center in the U.S. near the Port of Houston. At four million square feet, the distribution center is expected to account for nearly 30% of Wal-Mart's total container capacity and 20% of all its imports, and represents a major shift for the company away from its traditional distribution base in California. The decision is expected to have an exceptionally strong positive impact on the broader Houston metro area. Wal-Mart's arrival serves as a tremendous economic driver for the local logistics and transportation industry, and serves as a bellwether for future distribution industry growth in the metro area.

Further, several large scale expansions at and around the Port of Houston area, headlined by Wal-Mart's huge new distribution center, are set to invigorate the local economy. Houston is expected to grow to above average from 2005 with corporate and energy industries. Longer term, continued diversification of the metro area's industrial structure and still above average population growth will ensure healthy economic growth. Houston's performance is expected to rank in the top quintile over the forecast horizon.

Houston/Katy Retail Market

Houston's retail market, which contains approximately 131.7 million square feet (msf), has experienced a robust past few years. Occupancy as of third quarter 2005 was 86.4 percent, while absorption totaled 682,083 square feet. Over the past four quarters, Houston retail has absorbed over 2,504,844 square feet. Regional centers and community centers have the highest average occupancies at 88.1 percent and 86.3 percent, respectively, while neighborhood centers provide the lowest at 85.8 percent. Negative factors previously impacting the market had been closing of many major national and regional stores, flat economic conditions, as well as high completion levels. However, healthy consumer spending, moderate construction levels, and reinvigorated economic and population growth has fueled recent retail space demand.

New retail construction and absorption is particularly active in areas near strong residential growth and rapidly expanding master-planned communities in Harris, Fort Bend, and Montgomery counties. Katy has seen some of the most significant growth with the City of Houston's western expansion. Commercial activity in the area has been prevalent, particularly along Grand Parkway (Highway 99). Lifestyle and major shopping centers have attracted high end retailers which in turn have boosted local economies through job opportunities and sales revenue.

Katy, Texas Demographics

Katy, Texas is located on Interstate Highway 10 and U.S. Highway 90 at the intersection of Harris, Fort Bend and Waller counties. The city had a total population of 11,775. Experts in the area have the 2006 estimated population calculated at over 80,000 within a 3 mile radius and approximately 134,000 within a 5 mile radius. Projections for the next 5 years estimate the population to be over 100,000 within a 3 mile radius and approximately 170,000 within a 5 mile radius.

Katy is a colorful and affluent community located just 30 minutes due west of Houston, well known for its Southern hospitality and Texas charm. Katy is historically an agricultural area with rice as the major crop and soybeans having been added as an alternate crop in the late 1950's. The Katy area has been the site of one of the United States' largest gas fields since the early forties, which has been a great benefit to the economy of the area. Most recently the development of industrial sites, both east and west of Katy, have added more growth to this thriving economy.

Despite a robust and expanding economy, Katy remains affordable. Housing in Katy ranges from apartments and condominiums to large estate homes with acreage to enjoy and maintain horses - and others with championship golf courses as their backyard. Subdivisions abound with tennis courts, swimming pools, and endless amenities for their residents. With a modest cost of living and a well-paid workforce, Katy makes good economic sense for most people considering relocation. Combine local economics with a small, close-knit atmosphere and you've got a wonderful choice for raising a family. Housing prices being what they are, even a young family can find a starter home. Old Katy is considered the actual City of Katy and sits mostly north of Interstate I-10.

The Katy Area is made up of large sections of unincorporated Harris and Fort Bend counties and sits mostly east of the City of Katy. This area is located within the Katy Independent School District. The Katy Area includes newer developments such as several Cinco Ranch subdivisions and Grand Lakes, while also encompassing developments from the 1970s and 1980s with developments in Memorial Parkway and Nottingham Country. The areas of "Katy Area" are controlled by the city of Houston and the city has the ability to annex it in the future. The city of Katy can not annex this area unless the city of Houston releases the area's ETJ to Katy, which has occurred in several small chunks in recent years. The most recent instance of this was in 2001 when Houston ceded about 400 acres (1.6 km²) of ETJ to the City of Katy to allow the Katy Mills Mall and surrounding parking lot to be built entirely within the City of Katy.

Katy, Texas Demographics, continued

Katy offers a wide variety of restaurant choices. In addition, there are many cafes and outdoor coffeehouses to enjoy. Katy also has numerous retail stores and several shopping malls including Katy Mills, the popular mall which is a 1.3 million-square-foot market dominant retail and entertainment destination. Katy Mills features 200 of the best names in manufacturers' and retail outlets, off price retailers and unique specialty stores, the Katy Field Day Food Court, various themed restaurants, a 20 screen, state of the art, movie theater and several high-quality, family-oriented entertainment venues.

Katy ISD is a flourishing suburban school district that encompasses 181 square miles in east Texas. Its eastern boundaries stretch to Houston's energy corridor approximately 16 miles west of downtown Houston and extend along Interstate 10 to a few miles west of the city of Katy. In the 2005-06 school year, the projected student enrollment has grown to more than 47,000 served by 44 schools including six high schools. Rated academically acceptable by the Texas Education Agency, Katy ISD offers an outstanding instructional program with facilities, equipment and materials that are among the best in the state. There is a very low student-to-teacher ratio throughout the classrooms. This, along with a supportive community, contributes to the outstanding test results achieved by the students.

Due to its close proximity to Houston, Katy's broad transportation needs are well met. The Houston Airport System is only a quick drive away from downtown Katy. Katy also enjoys an outstanding police force and fire department.

Katy, TX

DEMOGRAPHICS

POPULATION	(#)	(%)
Total population	11,775	
Square miles (land)	10.67	
Population per square mile	1,103.75	

GENDER

Male	5,845	49.6%
Female	5,930	50.4%

AGE

15 or younger	3,008	25.5%
16-24	1,733	14.7%
25-44	3,636	30.9%
45-64	2,439	20.7%
65+	959	8.1%
Average age (years)	33.02	

RACE AND ETHNICITY

White	9,889	84%
Black or African American	499	4.2%
Hispanic or Latino	2,797	23.8%
Other	1,018	8.6%

