# Oak Park Office Center, LLC

AVAILABLE FOR §1031 EXCHANGE & LLC INVESTMENT

Information about the property contained in this material must be read in conjunction with the Confidential Private Placement Memorandum, which contains additional important risk disclosures and more specific information about the property. This is neither an offer to sell nor a solicitation of an offer to buy an LLC interest in this property. Offers are made solely pursuant to the Confidential Private Placement Memorandum. Prospective investors should consult their own tax advisors to evaluate the tax consequences of an investment. The information in this material is current as of April 5, 2010.

THIS INVESTMENT IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.

# About OAK PARK OFFICE CENTER, LLC

| | |
|---|---|
| **Address** | 6001 Rogerdale Road<br>Houston, TX 77072 |
| **Building Type** | Office |
| **Year Built** | 2008 |
| **Total Square Foot** | 151,000 |
| **Percentage Leased** | 100% |

## Property Summary

Oak Park Office Center is an approximately 151,000-square-foot Class A office building in Oak Park at Westchase, a 225-acre master-planned office park in Houston. Situated on more than 11 acres, the building offers high visibility along the Sam Houston Parkway (Beltway 8). Oak Park Office Center features a two-story atrium complete with marble walls, wood accents and both cove and pendant lighting. The building has open floor plans, card key access, two electric vehicle fueling stations and cameras at all entries. The property offers ample parking with 855 parking spaces, an overall ratio of 5.7 spaces per 1,000 rentable square feet. Oak Park Office Center is conveniently located 30 minutes from both of Houston's major airports and 10 minutes from the Houston Galleria. The property is currently 100 percent leased to Jacobs Engineering Group Inc. and 100 percent subleased to CB&I Inc.

## Tenant

### Jacobs Engineering Group Inc.

**www.jacobs.com**
**Square Feet Leased:** 151,000 or 100% of the property
**Lease Expiration:** June 2018*

***Tenant has the option to terminate the lease as of December 31, 2015 by providing a 12-month written notice and a termination fee.***

Jacobs Engineering Group Inc. was founded in 1947 and has since grown steadily to become one of the world's largest and most diverse engineering service firms. One of Fortune magazine's most admired companies with 38,000 employees in 160 offices in 20 countries, the company offers full-spectrum support to industrial, commercial and government clients across multiple markets and has annual revenues in excess of $11 billion.

Much of Jacobs Engineering's revenues are generated from construction projects for the chemical, petroleum and pharmaceutical and biotech industries. U.S. government contracts, chiefly for aerospace and defense, also add significantly to the company's revenue.

## Subtenant

### CB&I Inc.

**www.cbi.com**
**Square Feet Subleased:** 151,000 or 100% of the property
**Sublease Expiration:** December 31, 2012*

***Tenant has one 22-month and one 30-month renewal option.***

CB&I, formerly known as Chicago Bridge & Iron Company, designs, engineers and constructs some of the world's largest energy infrastructure projects, providing a full spectrum of engineering, procurement and construction solutions and process technologies. Drawing upon more than a century of experience and approximately 16,000 employees worldwide, CB&I executes more than 600 projects a year through its three business sectors: CB&I Lummus builds upstream and downstream oil & gas projects, LNG liquefaction and regasification terminals, and a wide range of other energy related projects; CB&I Steel Plate Structures designs, fabricates and constructs storage tanks and containment vessels and their associated systems for the oil & gas, water & wastewater, mining and nuclear industries; Lummus Technology capitalizes on more than 1,500 patents and patent applications to provide process technologies, catalysts and specialty equipment for petrochemical facilities, oil refineries, and gas processing plants.

# Why HOUSTON, TEXAS?

## Location Information[1]

Named in honor of the Lone Star State's founding father, General Sam Houston, the city of Houston was founded in 1836. It is the largest city in the state of Texas and the fourth-largest in the United States. The port and railroad industry, combined with oil discovery in 1901, led to rapid growth of the city's population. In the middle of the 20th century, Houston became the home of the Texas Medical Center — the world's largest concentration of healthcare and research institutions — and NASA's Johnson Space Center, home to Mission Control Center. Houston's economy has a broad industrial base in the energy, aeronautics and technology industries; only New York City is home to more Fortune 500 company headquarters.

## Office Market[2,3]

- Overall occupancy in the Houston office market ended the fourth quarter of 2009 at 83.6 percent. [2]
- The Houston office market's net absorption for the fourth quarter of 2009 was negative 295,713 feet, bringing the total net absorption for 2009 to negative 2,409,560. [2]
- Houston continues to be one of the nation's leading office markets, driven by a strong local economy and an expanding business climate. In addition to being the "Energy Capital of the World", Houston has emerged as a major center for international business, serving as the home of several of the largest energy, engineering and construction firms in the world. [3]

## Economic Trends[4]

- Houston is home to 26 Fortune 500 company headquarters, second only to New York City. Houston's economy is being driven by companies in dynamic, high-tech sectors such as electronics, computers, software, biomedical technology, aerospace, integrated power and plastics manufacturing.

Sources:
1. United States Census Bureau.
   http://money.cnn.com/magazines/fortune/fortune500/2008/cities/
2. Grubb & Ellis Company
3. Holliday Fenoglio Fowler, L.P.
4. U.S. Bureau of Labor Statistics.

*See the Confidential Private Placement Memorandum for more information about this specific market. Opinions and estimates contained herein constitute the judgment of the source or the sponsor and are subject to change without notice, as are statements of market trends, which are based on current market conditions. We believe the information provided herein is reliable, but do not warrant its accuracy or completeness.*

# Why OAK PARK OFFICE CENTER, LLC?

## Business Plan

- Preserve the capital investment.
- Realize income through the acquisition, operation and sale of the property.
- Make monthly distributions, which may be partially tax-deferred as a result of depreciation and amortization expenses.
- Within approximately 9 years, profitably sell the property based on the value added through effective management and operation of the property.
- There is no guarantee that the business plan will be successfully executed, that the property's value will be enhanced, or that the property will be sold within the planned time period.

## Points to Consider

- The property is dependent on a single tenant, that has subleased its space to a subtenant, the loss of which would negatively impact the return to investors.
- Should Jacobs Engineering exercise its early lease termination option, the property could be 100 percent vacant and the lender would begin a full cash flow sweep.
- The financial performance of the property will depend upon the financial stability of its tenant.
- Competition in office leasing could impact rental rates and the ultimate value of the property.

## Property Highlights

- The property is 100 percent leased by Jacobs Engineering, one of the world's largest and most diverse engineering firms, on a new 10-year triple net lease. Jacobs Engineering has subleased 100% of the property to CB&I Inc. , an energy infrastructure firm, on a 3-year sublease, with one 20-month and one 30-month renewal options.
- The property is located within the desirable 225-acre master-planned office park, Oak Park at Westchase, home to major corporations such as Halliburton and Quest Diagnostics.
- The property is located at the intersection of two major transportation arteries, Beltway 8 and the Westpark Tollway, and just minutes from Interstate 10, which runs east-west across the entire Houston metropolitan area. In addition, both of Houston's major airports are within a 30-minute drive.
- Due to the surrounding employee labor pool, the close proximity to the airports and Energy Corridor, as well as the excellent access to the freeway system, the location was chosen to serve as an expansion to Jacobs Engineering's regional headquarters campus that is directly adjacent to the property.
- The property was completed in March of 2008 — due to the age of the property, there should not be any major capital needs during the projected holding period.
- Jacobs Engineering is currently paying a total rent of approximately $23.00 per square foot. As of the 1st quarter of 2009, average Class A rents in the Westchase submarket were $28.24 per square foot. Jacobs Engineering's below market rent provides for additional upside and enhanced long term value.
- The property is located in the desirable Westchase district, in the heart of the largest white-collar labor pool in the region and just six miles west of the upscale Galleria/Uptown District.
- Houston continues to be one of the nation's leading office markets, driven by a strong local economy and an expanding business climate.

# About THE INVESTMENT

## Financial Information

- **Offering Purchase Price:** $9,354,800

  *Note: The Offering Purchase Price reflects a discount in the available equity in the amount of $1,448,000. The Company originally offered $18,750,000 of LLC Units and Interests in a prior offering dated August 14, 2008 (the "Prior Offering") with an Offering Purchase Price of $36,350,000. Of the $18,750,000, the total amount of LLC Units and Interests sold in the Prior Offering was approximately $13,141,687.50, leaving $5,558,312.50. The Prior Offering terminated on February 28, 2010. For this Offering, the Manager discounted the available equity in the amount of $1,448,000 based on current market values and conditions, resulting in the Offering Size of $4,110,000.*
- **Purchase Date:** October 30, 2008
- **Offering LTV:** 56.07%
- **Offering Price Cap Rate:** 7.86%
- **1st Year Cash Flow:** 8.50%
- **Loan Terms:** The loan entered into on the purchase date of the property has an overall effective fixed interest rate of 6.50 percent, a seven-year term and is interest only for the first two years of the loan. Therefore, the loan is interest only until December 1, 2010 and will mature on December 1, 2015. **The effective interest rate of 6.50 percent reflects a buy down of 40 basis points by paying a fee of 2 percent of the loan or $352,000. The property was purchased with a cash down payment of approximately $14,400,000 and a nonrecourse loan in the amount of $17,600,000.**

*Please see the Confidential Private Placement Memorandum for additional information and risk disclosures about investment in this property. This material has been prepared for informational purposes only; it is not intended to provide and should not be relied upon for accounting, legal or tax advice. Always remember that each property is unique and past performance is no guarantee of future results.*

## TIC Offering

- **Offering Size:** $4,110,000

  *Note: The Offering Purchase Price reflects a discount in the available equity in the amount of $1,448,000. The Company originally offered $18,750,000 of LLC Units and Interests in a prior offering dated August 14, 2008 (the "Prior Offering") with an Offering Purchase Price of $36,350,000. Of the $18,750,000, the total amount of LLC Units and Interests sold in the Prior Offering was approximately $13,141,687.50, leaving $5,558,312.50. The Prior Offering terminated on February 28, 2010. For this Offering, the Manager discounted the available equity in the amount of $1,448,000 based on current market values and conditions, resulting in the Offering Size of $4,110,000.*
- **Price per 1% Ownership:** $137,919 equity and $176,000 assumed debt
- **Minimum Investment per SPE:** 3% = $413,757 equity and $528,000 assumed debt for a total purchase price of $941,757

  *Note: The Price per 1 percent Ownership reflects a discount in the available equity in the amount of $1,448,000. The Company originally offered $18,750,000 of LLC Units and Interests in a prior offering dated August 14, 2008 (the "Prior Offering") which terminated on February 28, 2010. The price per 1 percent ownership in the prior offering was $187,500 equity and $176,000 assumed debt.*
- **Suitability:** Accredited investors only

## LLC Offering

- **Offering Size:** $4,110,000
- **Price Per Unit:** $5,000
- **Minimum Investment:** $25,000
- **Suitability:** Accredited investors only

## TIC Projected Annual Cash-on-Cash Yield

***$413,757 Investment Per SPE***

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|
| 8.50% | 8.52% | 8.54% | 8.59% | 9.50% | 9.54% | 9.72% | 9.90% | 10.40% |

## LLC Projected Annual Cash-on-Cash Yield

***$25,000 Investment***

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|
| 8.35% | 8.36% | 8.38% | 8.43% | 9.20% | 9.23% | 9.38% | 9.54% | 9.97% |

## Projected Annualized Returns

| *Terminal Cap Rate* | *TIC Return* | *LLC Return* |
|---|---|---|
| 8.00% | 13.30% | 12.21% |
| 8.25% | 12.37% | 11.42% |
| 8.50% | 11.50% | 10.68% |
| 8.75% | 10.67% | 9.98% |
| 9.00% | 9.90% | 9.31% |

***Terminal Cap Rate Sensitivity***

*These cash flow projections were created by the sponsor and are based on a number of assumptions and real estate analysis techniques. The results are necessarily hypothetical; the underlying assumptions may not be accurate, in fact recent distributions have exceeded these projections, but that trend is not anticipated to continue, thus projections do not reflect the higher levels, the results shown may not occur, and your performance could vary significantly. This material must be read in conjunction with the Confidential Private Placement Memorandum, which contains additional important risk disclosures and more specific information about the assumptions made.*

- Interests in this property are speculative and involve a high degree of risk; investors should be able to bear the complete loss of their investment.

- SOME INTERESTS ARE SUBJECT TO RECOURSE LIABILITY, i.e., tenants-in-common will be responsible for providing any cash needed in the future in connection with the property.

- There are restrictions in transferring interests; the interests are not liquid investments.

- There are a number of significant tax risks and tax issues involved with the purchase of an interest in this property; investors should consult their own tax advisors and legal counsel.

- The direct or indirect purchase of real property involves significant risks, including market risk and risks specific to a given property.

- The purchase of real property with other investors, e.g., as a tenant-in-common, presents risks related to the relationship with those other investors.

- Investment in this property is expected to be leveraged; leverage may increase volatility and may increase the risk of investment loss.

- The manager has broad authority and discretion over the property and the terms of financing; the various fees paid to the manager and its affiliates are significant and may offset profits related to the ownership and operation of the real estate.

- Cash distributed to you may constitute a return of your own capital and may be paid from proceeds of the offering, e.g., reserves.

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* Prior performance is not an indication of future results. The projections and the anticipated rate of return are only for TIC/1031 investors and LLC investors and are estimates based on the specific assumptions more fully described in the Private Placement Memorandum (PPM) and any supplements accompanying the PPM. There is no guarantee that the assumptions used in the projection will be achieved. Please review the entire PPM as supplemented prior to investing. This material does not constitute an offer and is authorized for use only when accompanied or preceded by a Oak Park Office Center, LLC PPM dated April 5, 2010. Reference is made to the PPM for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the PPM. All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM.


## Grubb & Ellis Realty Investors, LLC

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