

Autozone Ground Lease

LOS FRESNOS, TX

OFFERING MEMORANDUM



Representation Photo - Not Subject



Marcus & Millichap

Autozone Ground Lease

LOS FRESNOS, TX

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PROPERTY DESCRIPTION

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INVESTMENT OVERVIEW

Investment Highlights

- Standard & Poor's Credit Rating of BBB (Investment Grade)- \$9.14 Billion in Annual Sales
- Next Rent Increase in March 2015 - Five Percent Rent Increases every Five Years
- Daily Traffic Count Exceeds 15,000 Vehicles Per Day
- Los Fresnos Population Increased 20 Percent from 2000-2012
- 10 Years Remaining on NNN Lease
- Located in North Brownsville Growth Area



Marcus & Millichap is pleased to exclusively present a 6,116-square foot AutoZone ground lease located at 902 W. Ocean Blvd., Los Fresnos, Texas. AutoZone holds a Standard & Poor's credit rating of BBB (investment grade) and is rated the number one supplier of aftermarket auto parts. A landlord has zero responsibilities as the lease is absolute net. AutoZone has 10 years remaining on the original 20 year base term with 4 five-year options to renew. The lease carries 5 percent rental increases in each option period.

AutoZone is the leading retailer and a leading distributor of automotive replacement parts and accessories in the U.S. We sell auto and light truck parts, chemicals and accessories through AutoZone stores in 49 U.S. states plus the District of Columbia, Puerto Rico, Mexico and Brazil. We also sell automotive diagnostic and repair software through ALLDATA, diagnostic and repair information through alldatadiy.com, and auto and light truck parts and accessories through Autozone.com

Los Fresnos population has had an incredible growth rate of 20 percent since 2000. Combine that with an increase in traffic which nearly numbers 600,000 annually, Los Fresnos is a potent combination of affordability and opportunity for entrepreneurs with an eye for an emerging market.

PROPERTY SUMMARY

The Offering

Property	Autozone Ground Lease
Property Address	902 West Ocean Boulevard Los Fresnos, TX 78566
Assessor's Parcel Number	75-023-0010-0050-00
Zoning	Commercial

Site Description

Number of Stories	1
Year Built	2005
Rentable Square Feet	7,335
Lot Size	1.0331 Acres
Type of Ownership	Leased Fee / Ground Lease

Construction

Foundation	Concrete Slab
Exterior	Masonry
Parking Surface	Asphalt & Concrete



PROPERTY PHOTOS



Autozone Ground Lease

LOS FRESNOS, TX

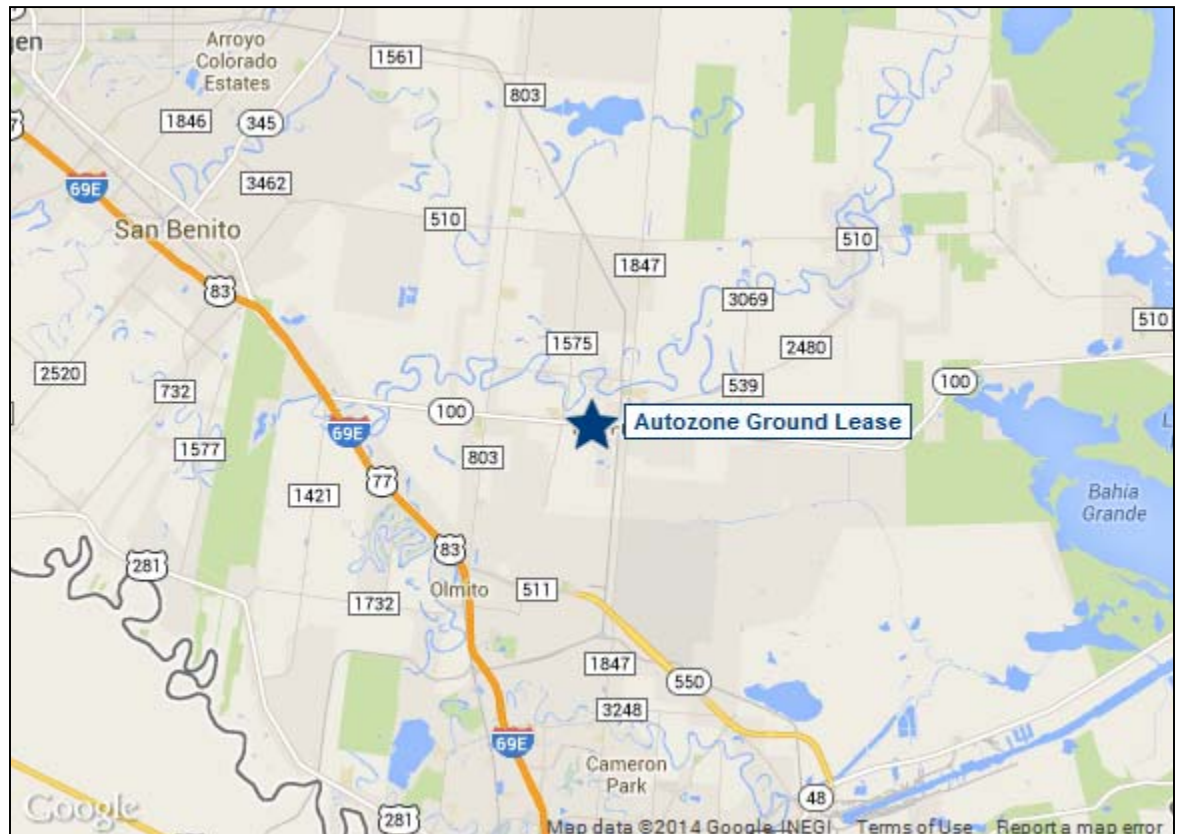
PROPERTY DESCRIPTION



Local Map

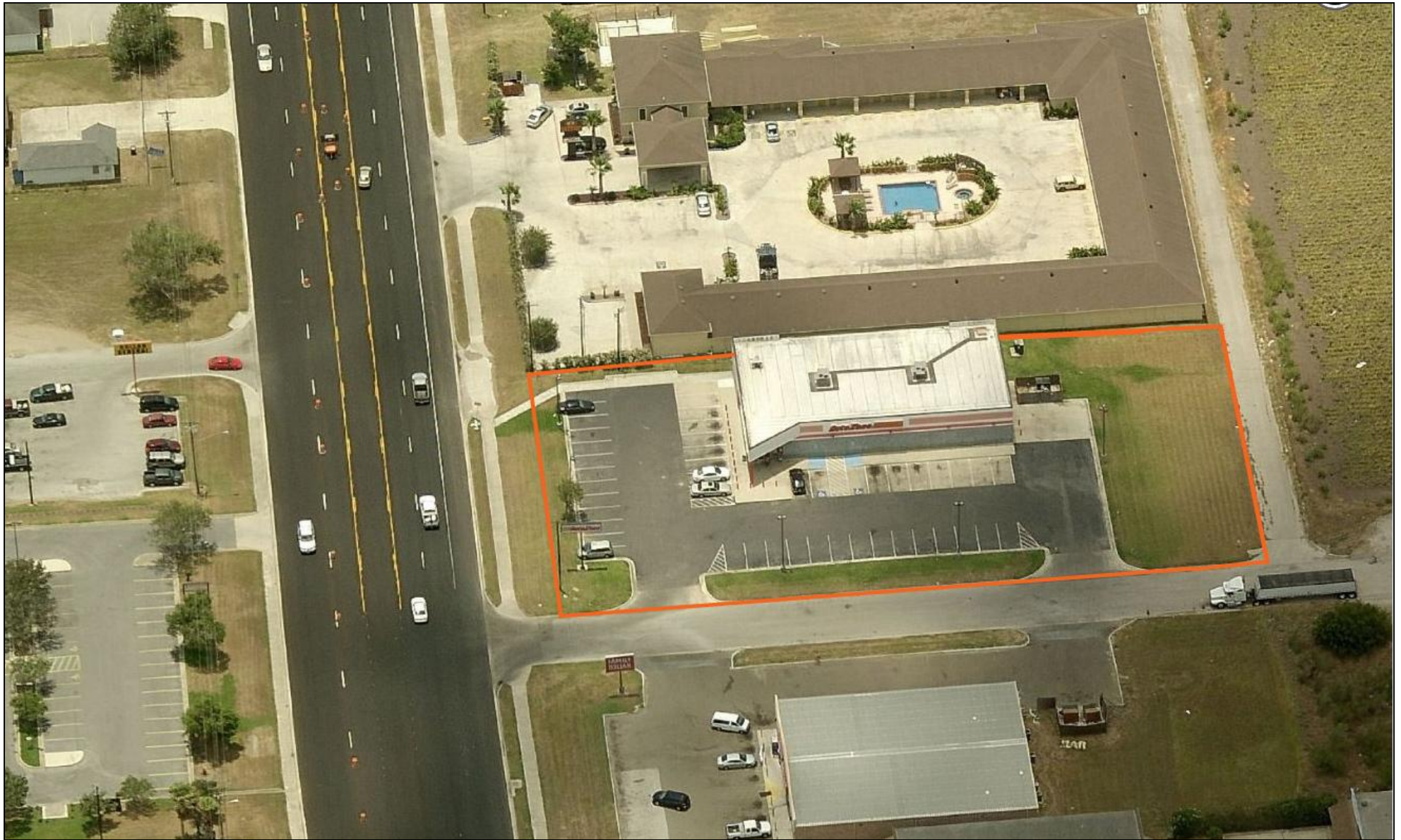


Regional Map



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AERIAL PHOTO



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TENANT OVERVIEW

Property Name	Autozone Ground Lease
Property Address	902 West Ocean Boulevard Los Fresnos, TX 78566
Property Type	Net Leased Auto Parts
Rentable Square Feet	7,335

Tenant Trade Name	Autozone
Ownership	Public
Tenant	Corporate Store
Sales Volume	\$8.48 Billion
Net Worth	\$13.62 Billion
Lease Guarantor	Corporate Guarantee
Credit Rating	BBB
Rating Agency	Standard & Poor's
Stock Symbol	AZO
Board	NYSE

Lease Commencement Date	March 2005
Rent Commencement Date	March 2005
Lease Expiration Date	March 2025
Term Remaining on Lease	10 Years
Lease Type	Ground Lease
Roof and Structure	Tenant Responsible
Lease Term	20 Years
Increases	5 Percent Every 5 Years

Options to Renew	(4) - Five year Options
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No. of Locations	4467
Headquartered	Memphis, TN
Web Site	www.autozone.com

FINANCIAL OVERVIEW

Location

902 West Ocean
Los Fresnos, TX 78566

Price	\$600,000
Down Payment	100% / \$600,000
Rentable Square Feet	7,335
CAP Rate	5.25%
Year Built	2005
Lot Size	1.0331 Acres
Type of Ownership	Leased Fee / Ground Lease

Tenant Summary

Tenant Trade Name	Autozone
Ownership	Public
Tenant	Corporate Store
Lease Guarantor	Corporate Guarantee
Lease Type	Ground Lease
Roof and Structure	Tenant Responsible
Lease Term	20 Years
Lease Commencement Date	March 2005
Rent Commencement Date	March 2005
Lease Expiration Date	March 2025
Term Remaining on Lease	10 Years
Increases	5 Percent Every 5 Years
Options	(4) - Five year Options

Annualized Operating Data

Rent Increases	Annual Rent	Monthly
Current Term	\$31,500.00	\$2,625.00
Years 11-15 (March 2015)	\$33,072.00	\$2,756.00
Years 16-20 (March 2020)	\$34,728.00	\$2,894.00
Years 21-25 (First Option)	\$36,468.00	\$3,039.00
Years 26-30 (Second Option)	\$38,292.00	\$3,191.00
Years 31-35 (Third Option)	\$40,212.00	\$3,351.00
Years 36-40 (Fourth Option)	\$42,216.00	\$3,518.00
Base Rent (\$4.29/SF)		\$31,500
Net Operating Income		\$31,500



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LOS FRESNOS

Why Choose Los Fresnos?

Here are a few reasons why. As the Los Fresnos community grows so too does its need for additional retail and services. With a population growth of nearly 20% since 2000 (5,600 currently) and the development of large residential subdivisions along the city's periphery, Los Fresnos is poised to more than double its current population in the next ten years.



Combine that growth with an increase in traffic, which nearly numbers 600,000 annually, from Expressway 77 to the Gulf Coast and what you have, at this moment in time, is a potent combination of affordability and opportunity for entrepreneurs with an eye toward the future and an interest in taking advantage of an emerging market. Unwilling to leave the City's economic future to mere chance, City officials are working diligently to coordinate future economic development through proactive and progressive programs to assist businesses in locating and expanding in the area. Possessing a pro-business attitude that is a reflection of the "can do" spirit of the community, City officials are eager to discuss how to make Los Fresnos the site of your next retail outlet, restaurant,

"Los Fresnos Economic Development Support for Businesses"

The City of Los Fresnos Community Development Corporation strives to create a pro-growth environment that promotes local businesses. The city meets regularly with local businesses and the Los Fresnos Chamber of Commerce to get a better grasp of the business community's activities as well as to share insight about incentives or programs designed to encourage their continued growth. By proactively addressing issues of concern, Los Fresnos demonstrates our commitment and appreciation of your investment in our community.

The City provides many services free of charge for area businesses to assist them in their efforts to conduct business as well as expand in Los Fresnos. The City of Los Fresnos Community Development Corporation works closely with regional partners such as the Governor's Office of Economic Development, Cameron County, the Los Fresnos Chamber of Commerce, Certified Development Corporations (SBA), and the Texas Workforce Commission to address the needs of businesses.

LOS FRESNOS

Business Advantages:

- Fast Growing Market and Area Population
- 20 Percent Increase in Daily Traffic Counts (Tx DOT 2011-2012)
- Affordable Commercial, Industrial and Office Business Sites
- Qualified Workforce Available
- Competitive Land Values
- Low City Property Taxes



Available Business Incentives include:

Los Fresnos CDC 50/50 Matching Grants are intended to upgrade the quality of business environment in the community and assist businesses in attracting new customers as well as retention of jobs. The projects include store front improvements, landscaping, and signs. Other projects can be submitted as infrastructure improvements and can be submitted on a first-come, first serve basis for as long as funds are available. Complete applications and support documentation must be submitted by the 15th of each month to be considered for by the Los Fresnos Community Development Corporation Board on the 1st Monday of the following month. Please see the incentives instructions and



Location Information:

- 7 Miles to Port of Brownsville and ½ Mile to Brownsville City Limits
- 20 Miles to Port Isabel, Port of Port Isabel and into South Padre Island
- Located on North Brownsville Growth Area
- Direct Route to South Padre Island-Port Isabel

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DEMOGRAPHIC REPORT

	1 Mile	3 Miles	5 Miles
2000 Population	4,380	10,707	17,953
2010 Population	5,498	13,756	26,167
2013 Population	5,635	14,270	27,581
2018 Population	6,054	15,389	30,686
2000 Households	1,161	2,964	5,032
2010 Households	1,512	3,796	7,271
2013 Households	1,557	3,955	7,701
2018 Households	1,696	4,329	8,701
2013 Average Household Size	3.58	3.59	3.55
2013 Daytime Population	771	1,311	2,942
2000 Median Housing Value	\$55,012	\$52,558	\$56,428
2000 Owner Occupied Housing Units	72.82%	69.64%	66.72%
2000 Renter Occupied Housing Units	20.12%	16.41%	15.83%
2000 Vacant	13.69%	14.58%	17.06%
2013 Owner Occupied Housing Units	71.45%	75.24%	78.07%
2013 Renter Occupied Housing Units	28.55%	24.76%	21.93%
2013 Vacant	7.97%	9.46%	10.66%
2018 Owner Occupied Housing Units	71.20%	75.15%	78.36%
2018 Renter Occupied Housing Units	28.80%	24.85%	21.64%
2018 Vacant	7.88%	8.75%	9.23%
\$ 0 - \$14,999	23.2%	21.6%	20.7%
\$ 15,000 - \$24,999	12.5%	14.7%	14.2%
\$ 25,000 - \$34,999	16.7%	16.6%	15.0%
\$ 35,000 - \$49,999	15.5%	15.8%	15.7%
\$ 50,000 - \$74,999	14.1%	15.3%	16.4%
\$ 75,000 - \$99,999	8.7%	7.4%	7.6%
\$100,000 - \$124,999	5.5%	4.6%	4.5%
\$125,000 - \$149,999	1.3%	1.8%	2.0%
\$150,000 - \$199,999	0.3%	0.6%	1.6%
\$200,000 - \$249,999	0.6%	0.6%	0.9%
\$250,000 +	1.6%	0.9%	1.3%
2013 Median Household Income	\$33,375	\$33,056	\$35,082
2013 Per Capita Income	\$14,103	\$13,046	\$14,650
2013 Average Household Income	\$50,968	\$46,852	\$52,288

Demographic data © 2012 by Experian.

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SUMMARY REPORT

Geography: 5 miles

Population

In 2013, the population in your selected geography was 27,581. The population has changed by 53.62% since 2000. It is estimated that the population in your area will be 30,686 five years from now, which represents a change of 11.25% from the current year. The current population is 48.7% male and 51.2% female. The median age of the population in your area is 29.9, compare this to the U.S. average which is 37. The population density in your area is 262.81 people per square mile.

Households

There are currently 7,701 households in your selected geography. The number of households has changed by 53.05% since 2000. It is estimated that the number of households in your area will be 8,701 five years from now, which represents a change of 12.97% from the current year. The average household size in your area is 3.54 persons.

Income

In 2013, the median household income for your selected geography is \$35,082, compare this to the U.S. average which is currently \$53,535. The median household income for your area has changed by 33.98% since 2000. It is estimated that the median household income in your area will be \$38,037 five years from now, which represents a change of 8.42% from the current year.

The current year per capita income in your area is \$14,650, compare this to the U.S. average, which is \$28,888. The current year average household income in your area is \$52,288, compare this to the U.S. average which is \$75,373.

Race & Ethnicity

The current year racial makeup of your selected area is as follows: 81.87% White, 0.71% African American, 0.67% Native American and 0.59% Asian/Pacific Islander. Compare these to U.S. averages which are: 72.20% White, 12.65% African American, 0.96% Native American and 5.01% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 88.98% of the current year population in your selected area. Compare this to the U.S. average of 16.55%.

Housing

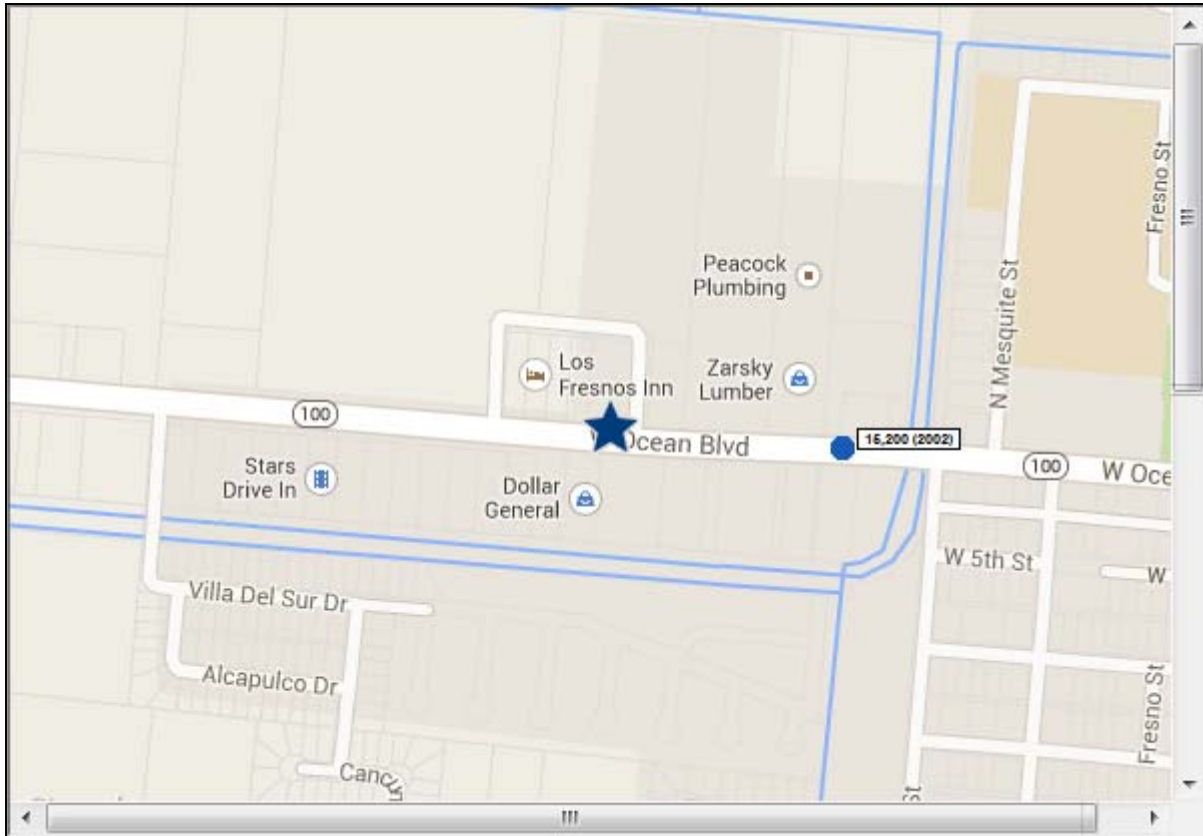
The median housing value in your area was \$56,428 in 2000, compare this to the U.S. average of \$110,781 for the same year. In 2000, there were 4,051 owner occupied housing units in your area and there were 961 renter occupied housing units in your area. The median rent at the time was \$340.

Employment

In 2013, there are 2,942 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 50.2% of employees are employed in white-collar occupations in this geography, and 49.7% are employed in blue-collar occupations. In 2013, unemployment in this area is 4.41%. In 2000, the median time traveled to work was 23.3 minutes.

Demographic data © 2012 by Experian.

TRAFFIC COUNTS



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Two-way, average daily traffic volumes.

* Traffic Count Estimate

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