

Northwestern Square Shopping Center

SAN ANTONIO, TX



OFFERING MEMORANDUM



Marcus & Millichap
Real Estate Investment Services

Northwestern Square Shopping Center

SAN ANTONIO, TX

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PROPERTY DESCRIPTION

**Northwestern Square Shopping
Center**
SAN ANTONIO, TX

INVESTMENT OVERVIEW

Investment Highlights

- Value-Add Opportunity - 83 Percent Occupied and Average Rents of \$12.50 psf
- Shadow of Super Regional Ingram Park Mall
- Strong Population Density - Over 350,000 Residents in Surrounding Five Miles
- Parallel to the Street - All Spaces Feature Good Visibility and Access
- Strong Mix of National, Regional, and Local Tenants



Marcus & Millichap is pleased to present the opportunity to acquire the Northwestern Square Shopping Center which features a mix of national, regional and local tenants on San Antonio's growing Northwest Side. The property is a 40,000 square foot value-add shopping center located across the street from the successful Ingram Park Mall which is owned and operated by Simon Property Group. Ingram Park Mall is home of Dillards, Macy's, Sears, Coach, The Disney Store, among others.

Northwestern Square is located on Wurzbach Road with more than 35,000 cars per day within two blocks and near San Antonio's innermost loop (Loop 410) with well over 148,000 cars per day. The area is a major retail hub and features many national tenants outside of Ingram Park Mall such as Chili's, Jack in the Box, Best Buy, Michaels, Ross, Etc. Population density in the surrounding five mile radius is an impressive 350,000 people.

At 83 percent occupancy and with rents averaging \$12.50 psf investors are offered the opportunity to fill the remaining vacancy and improve rents. The center just underwent several improvement projects including exterior paint, parking lot resurface, and landscaping.

The 5.598 acres of land immediately behind the center is not offered with the property but available for purchase. Contact agent for details.

Northwestern Square Shopping Center

SAN ANTONIO, TX

PROPERTY DESCRIPTION

AERIAL PHOTO 1



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Northwestern Square Shopping Center

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PROPERTY DESCRIPTION

AERIAL PHOTO 2



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Northwestern Square Shopping Center

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PROPERTY DESCRIPTION

PROPERTY PHOTOS



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PROPERTY SUMMARY

The Offering

Property	Northwestern Square Shopping Center
Property Address	3305-3399 Wurzbach Road San Antonio, TX 78238

Site Description

Number of Stories	1
Year Built	1984
Gross Leasable Area (GLA)	40,341 SF
Lot Size	3.435 Acres
Type of Ownership	Fee Simple
Parking	Approximately 212 Spaces
Parking Ratio	212 Spaces (5.25 Spaces Per 1,000 SF)
Landscaping	Moderate
Topography	Slight Slope East to West

Mechanical

HVAC	Separated by Suite
Utilities	Separately Metered

Interior Detail

Walls	Drywall
Ceilings	Open and Suspended Tile
Floor Coverings	Various
Rest Rooms	In Each Suite

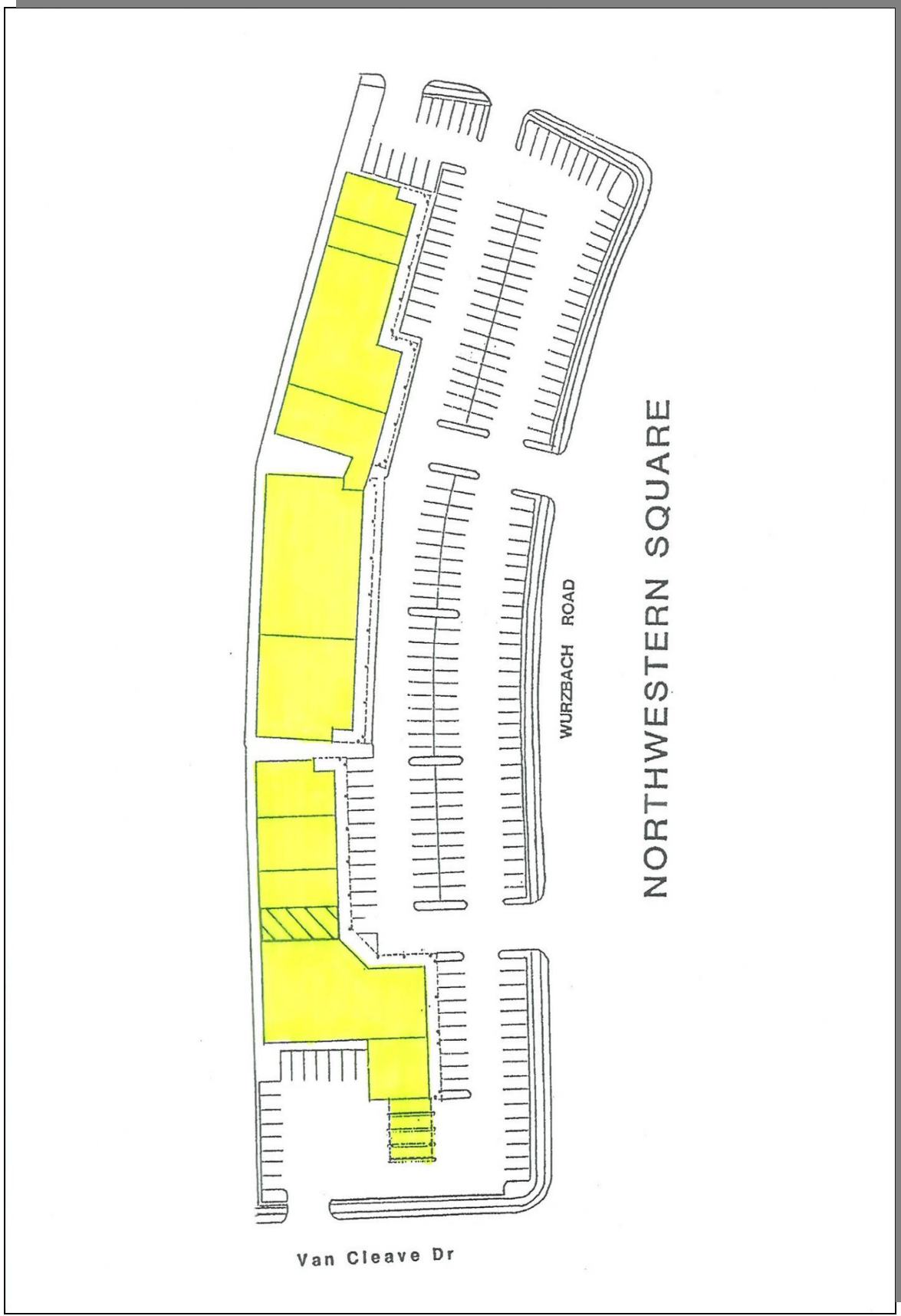


Northwestern Square Shopping Center

SAN ANTONIO, TX

PROPERTY DESCRIPTION

SITE PLAN

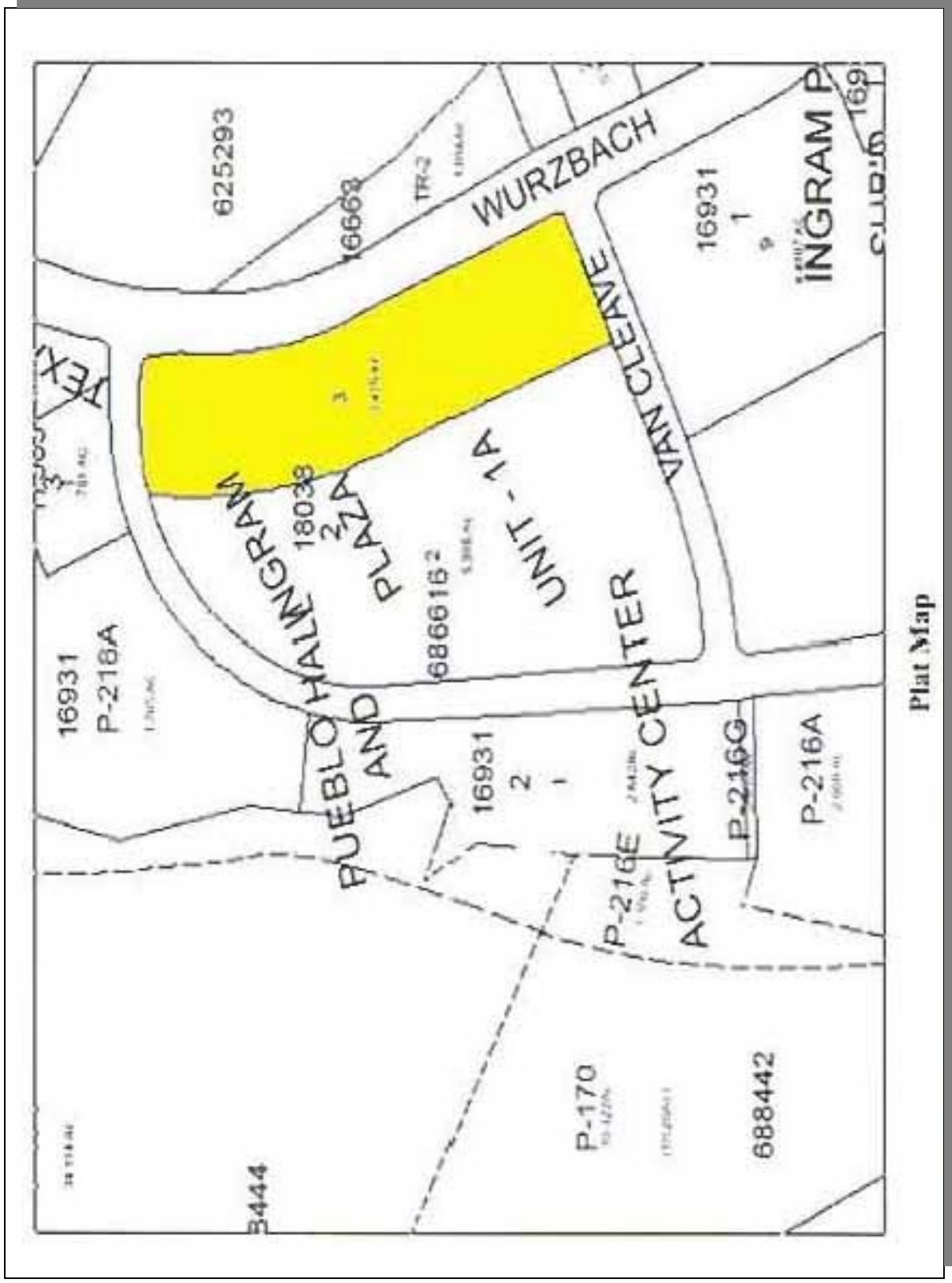


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Northwestern Square Shopping Center SAN ANTONIO, TX

PROPERTY DESCRIPTION

PLAT MAP



Plat Map

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Northwestern Square Shopping Center

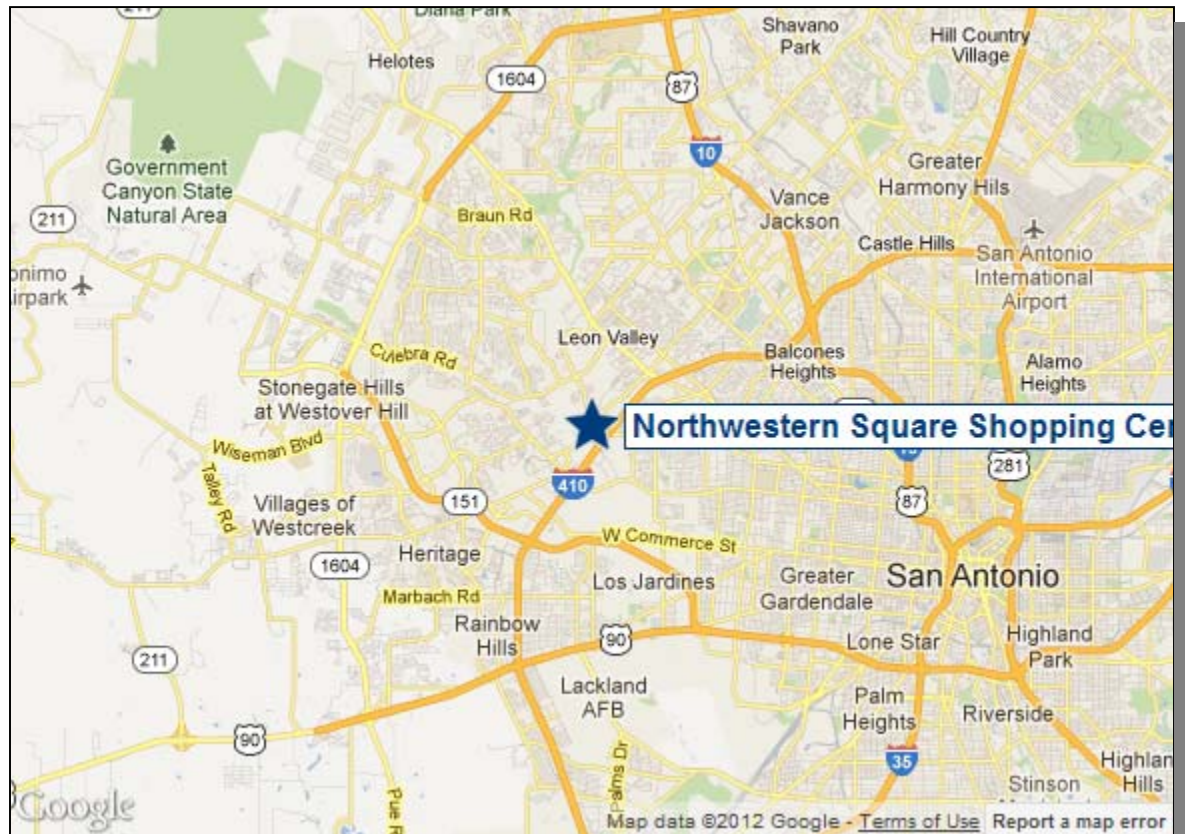
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PROPERTY DESCRIPTION



Local Map

Regional Map



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PRICING AND FINANCIAL ANALYSIS

Northwestern Square Shopping Center

SAN ANTONIO, TX

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FINANCIAL OVERVIEW

Location

3305-3399 Wurzbach Road
San Antonio, TX 78238

Price	\$4,310,000
Down Payment	30.0% / \$1,293,000
Gross Leasable Area (GLA)	40,341
Price/SF	\$106.84
CAP Rate - Current	9.25%
CAP Rate - Pro Forma	10.54%
Lot Size	3.435 Acres

Financing

FIRST TRUST DEED

Loan Amount	\$3,017,000
Loan Type	Proposed New
Interest Rate	5.0%
Amortization	30 Years
Program	Non-Recourse
Loan to Value	70%

Loan information is time sensitive and subject to change. Contact your local Marcus & Millichap Capital Corporation representative.

Annualized Operating Data

Income	Current	Pro Forma
Gross Potential Rent	\$500,654	\$500,654
Expense Reimbursements	\$148,554	\$164,554
Gross Potential Income	\$649,208	\$665,208
Vacancy/Collection Allowance	15.7% / \$101,794	7% / \$46,565
Effective Gross Income	\$547,414	\$618,643
Total Expenses	\$148,554	\$164,554
Net Operating Income	\$398,860	\$454,089
Debt Service	\$194,351	\$194,351
Debt Coverage Ratio	2.05	2.34
Net Cash Flow After Debt Service	15.82% / \$204,509	20.09% / \$259,739
Principal Reduction	\$44,512	\$44,512
Total Return	19.26% / \$249,021	23.53% / \$304,250

Expenses

Real Estate Taxes	\$59,000	\$75,000
Insurance	\$5,150	\$5,150
CAM		
Utilities	\$17,500	\$17,500
Repairs & Maintenance	\$25,000	\$25,000
Contract Ser	\$17,000	\$17,000
Miscellaneous	\$3,155	\$3,155
TOTAL CAM	\$62,655	\$62,655
Management Fee	\$21,749	\$21,749
TOTAL EXPENSES	\$148,554	\$164,554
EXPENSES/SF	\$4	\$4

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PRICING AND FINANCIAL ANALYSIS

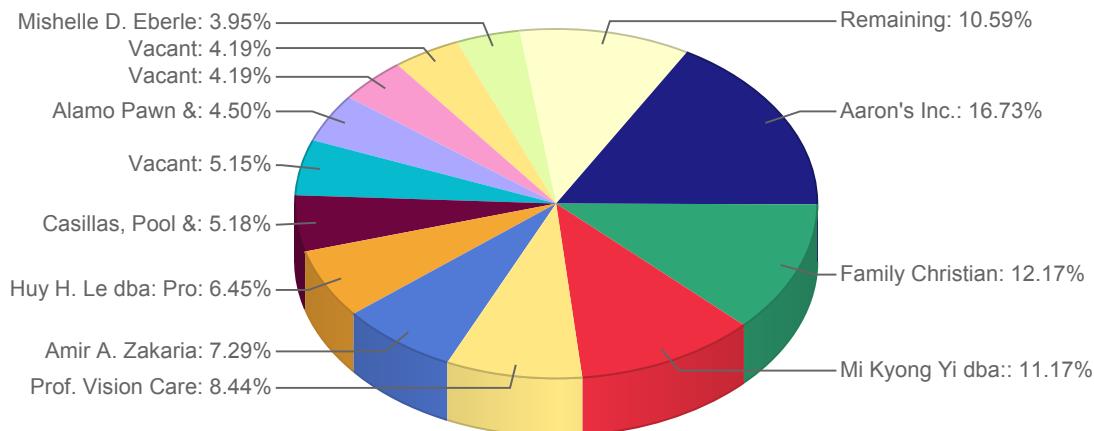
TENANT SUMMARY

Suite	Tenant	GLA	% of GLA	Lease Commence	Lease Expire	Annual Rent	Rent/SF	Changes On	Changes To	CAM Reimbs.	Other: Options/% Rent	Lease Type
01-3305	Alamo Pawn & Jewelry II	1,816	4.50%	07/01/12	06/30/15	\$30,872	\$17.00	7/1/13 7/1/14	\$32,234 \$32,688	\$6,651	None	NNN
01-3307	Aaron's Inc.	6,750	16.73%	11/15/05	12/31/14	\$60,147	\$8.91			\$24,865	1x2	NNN
01-3321	Vacant	2,078	5.15%			\$24,936	\$12.00			\$7,652		NNN
01-3323	Vacant	1,136	2.82%			\$13,632	\$12.00			\$4,183		NNN
01-3325	Rex Formal Wear	888	2.20%	11/01/92	MTM	\$11,722	\$13.20			\$3,270	None	NNN
01-3327	Tina Stewart dba: Reflections Salon	1,138	2.82%	03/01/05	02/29/12	\$16,341	\$14.36			\$4,191	None	NNN
01-3329	Casillas, Pool & Thornton, DDS	2,091	5.18%	02/01/85	11/30/13	\$48,388	\$23.14			\$7,699	None	NNN
02-3331-A	Mishelle D. Eberle dba: MM Gold Co.	1,595	3.95%	02/01/11	01/31/13	\$20,097	\$12.60			\$5,864	None	NNN
02-3331-B	Prof. Vision Care dba: Trinity Vision	3,405	8.44%	07/01/00	7/31/14	\$44,946	\$13.20	7/31/13	CPI	\$12,544	None	NNN
02-3333-A	Family Christian Stores, Inc.	4,910	12.17%	04/15/00	01/31/16	\$58,920	\$12.00	12/1/13 12/1/14	\$61,375 \$63,830	\$18,087	1x5, FMV w/CPI	NNN
02-3333-B	Amir A. Zakaria dba: Suits	2,942	7.29%	03/01/08	04/30/13	\$37,743	\$12.83			\$10,834	None	NNN
02-3335	Huy H. Le dba: Pro Solar Nails Salon	2,600	6.45%	10/01/04	09/30/14	\$26,528	\$10.20	10/1/13	CPI	\$9,586	None	NNN
03-3387-A	Mi Kyong Yi dba: By Edward	4,505	11.17%	09/01/09	07/31/14	\$48,654	\$10.80	08/01/13	CPI	\$16,602	None	NNN

TENANT SUMMARY

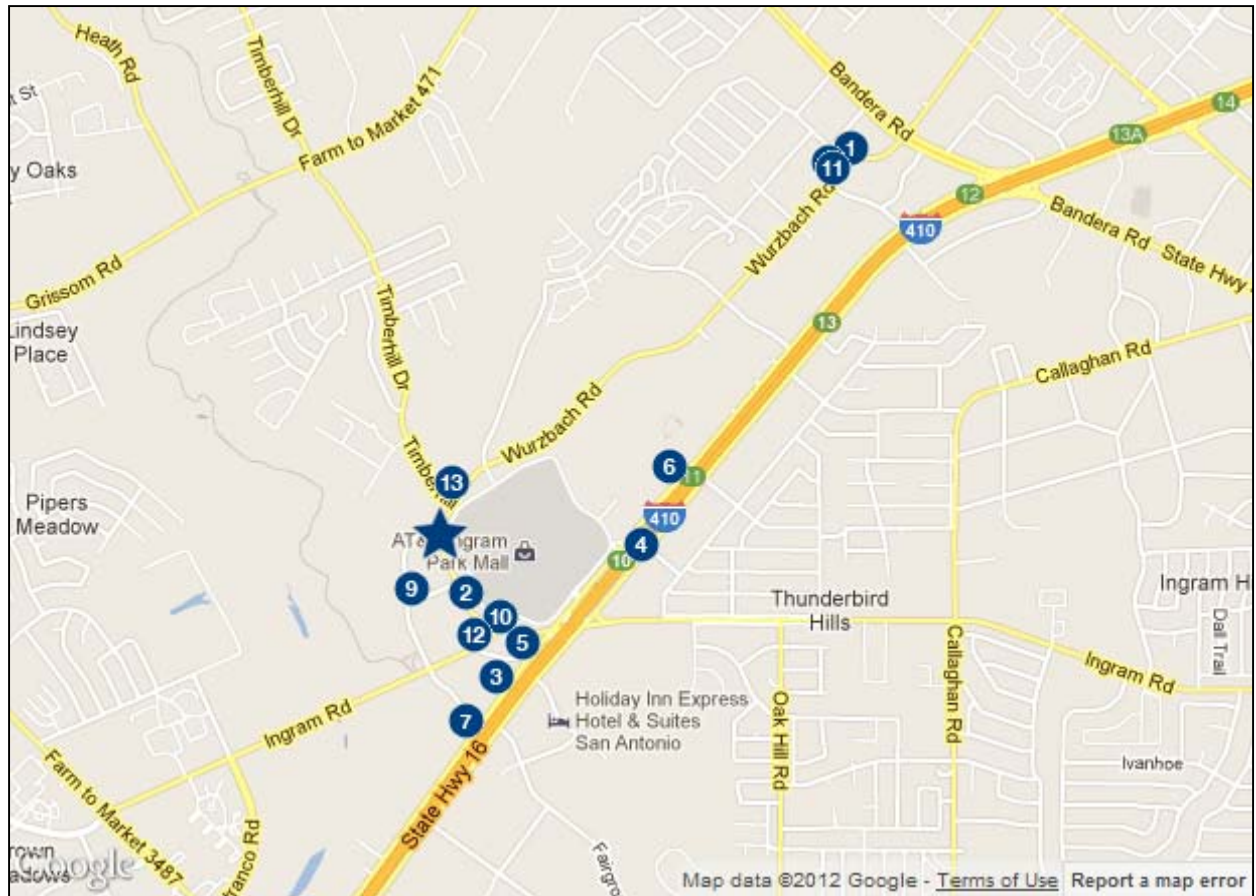
Suite	Tenant	GLA	% of GLA	Lease Commence	Lease Expire	Annual Rent	Rent/ SF	Change: On	Changes To	CAM Reimbs.	Other: Options/ % Rent	Lease Type
03-3387-B	Vacant	1,692	4.19%			\$20,304	\$12.00			\$6,231		NNN
03-3397	Joseph E. Cortez, dba: Ingram Dental	1,210	3.00%	05/01/96	04/30/13	\$18,404	\$15.21			\$4,459	None	NNN
03-3399	Vacant	1,585	3.93%			\$19,020	\$12.00			\$5,836		NNN
TOTAL VACANT		6,491	16.09%			\$77,892				\$23,902		
TOTAL		33,850	83.91%			\$422,762				\$124,652		
TOTAL		40,341	100.00%			\$500,654				\$148,554		

Tenants (% OF GLA)



**Northwestern Square Shopping
Center**
SAN ANTONIO, TX

RENT COMPARABLES MAP



- ★ Northwestern Square Shopping Center
- 1) Center
- 2) Ingram Place Shopping Center
- 3) Ingram Square Shopping Center
- 4) Village at Ingram Park I-IV
- 5) 6409 NW Loop 410
- 6) Ingram Park Plaza
- 7) Westpark Plaza
- 8) Exchange Parkway Plaza
- 9) Tap Rite Building
- 10) Ingram Square II
Ingram Park Place

RENT COMPARABLES



Subject Property

Northwestern Square Shopping Center

3305-3399 Wurzbach Road
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 84%
Year Built: 1984
Gross Leasable Area (GLA): 40,341 SF
Rent/SF (GLA): \$14.00
Available SF: 6,491
Lot Size: 3.435 Acres
Lease Type: NNN

Major Tenants
Aaron's Inc.
Trinity Vision
MM Gold
Family Christian Stores



Ingram Place Shopping Center

3235 Wurzbach Road
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 66%
Year Built: 1978
Gross Leasable Area (GLA): 55,773 SF
Rent/SF (GLA): \$14.00
Available SF: 19,029
Lot Size: N/A
Lease Type: NNN

Major Tenants
Navy Recruiting District
Ingram Wine & Liquor
Black Fly
Air Force Reserve
A Touch of Glamour
Roxy Sports Bar & Cafe
Tink a Tako



Ingram Square Shopping Center

6531 NW Loop 410
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 78%
Year Built: 1981
Gross Leasable Area (GLA): 98,829 SF
Rent/SF (GLA): \$7.20-\$9.60
Available SF: 22,065
Lot Size: N/A
Lease Type: NNN

Major Tenants
Spay-Neutrer & Animal
EZ Money Loans
Jackson Hewitt
Acceso Auto Insurance
Texas Thrift Store

Comments

Available Spaces range from 700 SF to 6,400 SF; freeway visibility with pylon sign.

RENT COMPARABLES

3



Village at Ingram Park I-IV

6420 NW Loop 410
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 86%
Year Built/Renovated: 1997/2001
Gross Leasable Area (GLA): 61,107 SF
Rent/SF (GLA): \$16.00
Available SF: 8,733
Lot Size: 2.34 Acres
Lease Type: NNN

Major Tenants
Laser Quest
Panda Buffet
Cricket Wireless
Slick Willies
Check-N-Go

Comments

Spaces are available from 990 SF to 5,400 SF
Direct Freeway visibility and access.
Large Pylon Signage

4



6409 NW Loop 410

6409 NW Loop 410
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 71%
Year Built: N/A
Gross Leasable Area (GLA): 12,480 SF
Rent/SF (GLA): \$13.00
Available SF: 3,655
Lot Size: N/A
Lease Type: NNN

Major Tenants
Rodney D. Young
Best Pawn
Auto Sounds

5



Ingram Park Plaza

6151 NW Loop 410
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 74%
Year Built: 1986
Gross Leasable Area (GLA): 70,000 SF
Rent/SF (GLA): \$7.00-\$10.29
Available SF: 18,624
Lot Size: N/A
Lease Type: NNN

Major Tenants
Milan Institute
Alamo Craft
Amarillo College of
Fortune Cookie
Olan Mills

Comments

Available spaces ranging from 1,400 to 3,000; freeway frontage with pylon sign.

RENT COMPARABLES

6



Westpark Plaza

6707 NW Loop 410
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 61%
Year Built: N/A
Gross Leasable Area (GLA): 135,354 SF
Rent/SF (GLA): \$7.00-\$10.00
Available SF: 52,992
Lot Size: N/A
Lease Type: NNN

Major Tenants
Pittsburg Paints
FAMSA
The RoomStore
Fuddruckers Restaurant

Comments

Access, signage and visibility from Loop 410; vacant space is divisible from 1,500 SF to 25,000; NNN expenses run approximately \$3.00/Square Foot.

7



Exchange Parkway Plaza

5309 Wurzbach Road
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 88%
Year Built/Renovated: 1986/2007
Gross Leasable Area (GLA): 34,187 SF
Rent/SF (GLA): \$15.00
Available SF: 4,000
Lot Size: 3.21 Acres
Lease Type: FSG

Major Tenants
Mission Realty
Mexican Restaurant
Hair Cuts
Beauty Island Salon
DNA Reference
Advantage Insurance

Comments

New government tenant took remaining 1st floor space.
Vacant space is built out as office and located on 2nd floor.

8



Tap Rite Building

3208 Northwestern
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 95%
Year Built: 1984
Gross Leasable Area (GLA): 140,000 SF
Rent/SF (GLA): \$7.60
Available SF: 6,000
Lot Size: N/A
Lease Type: NNN

Major Tenants
Tap Rite
A Cut Above Hair
The Anointed Word
Life Choices
Christine's Dry Cleaning
Job Ready Training

Comments

Vacant Space is said to be Office/Warehouse. Approximately 85% of center is occupied by owner - Tap Rite

RENT COMPARABLES

9



Ingram Square II

6868 Ingram Road
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 100%
Year Built: 1982
Gross Leasable Area (GLA): 15,000 SF
Rent/SF (GLA): \$9.00
Available SF: 0
Lot Size: N/A
Lease Type: NNN

Major Tenants
Heavenly Ground Church
Slave to the Needle
Casa Real Mexican

Comments

Freeway visibility with pylon signage.

10



Ingram Park Place

3505 Wurzbach Road
San Antonio, TX 78238

Date Surveyed: 10/2012
Occupancy: 100%
Year Built: 1985
Gross Leasable Area (GLA): 12,708 SF
Rent/SF (GLA): \$15.00
Available SF: 912
Lot Size: 1.12 Acres
Lease Type: NNN

Major Tenants
Innovative Designs
Royal Tuxedo
Hair by Kim
Cash Zone Payday
Bridal & Casual
State Farm Insurance
Excel Nails

Northwestern Square Shopping Center

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SAN ANTONIO

Market Highlights

Strong population growth

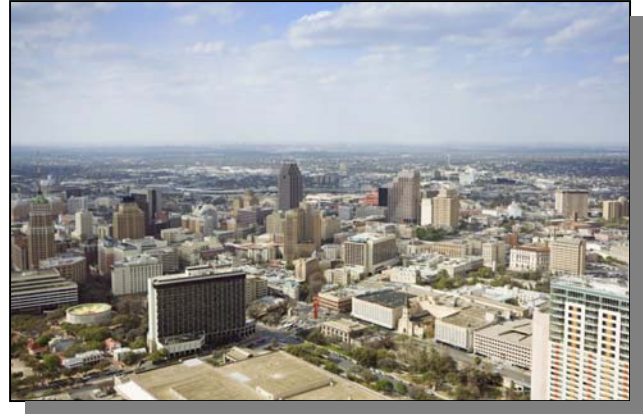
- San Antonio's population is projected to increase more than 10 percent over the next five years.

Robust job creation

- Job growth in San Antonio is expected to average 3.5 percent per year through 2016.

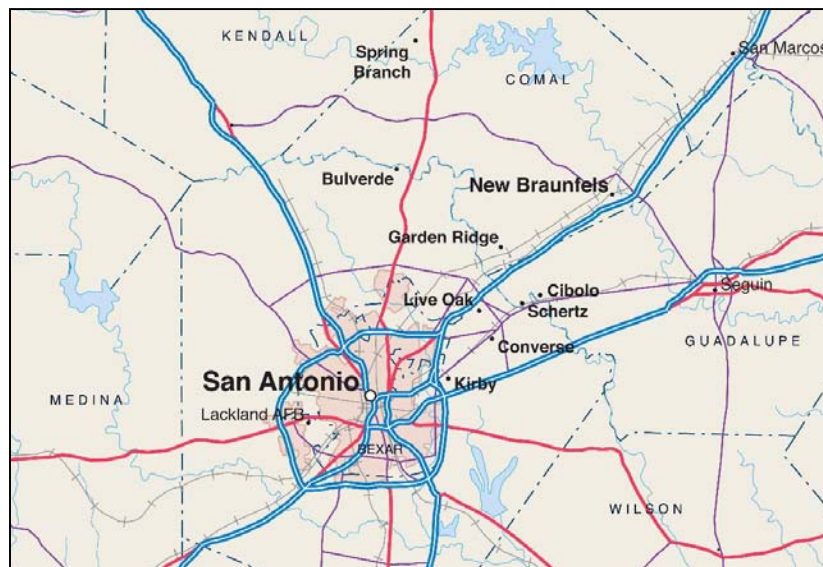
Low cost of living

- San Antonio residents enjoy a low cost of living and no state personal income taxes.



Geography

The San Antonio MSA is located in the southern portion of central Texas, with the Edwards Plateau to the northwest and the Gulf Coastal Plains to the southeast. The metro covers 412 square miles straddling the Interstate 35 corridor, one of the fastest growing areas in the state.



San Antonio MSA

SAN ANTONIO

Metro

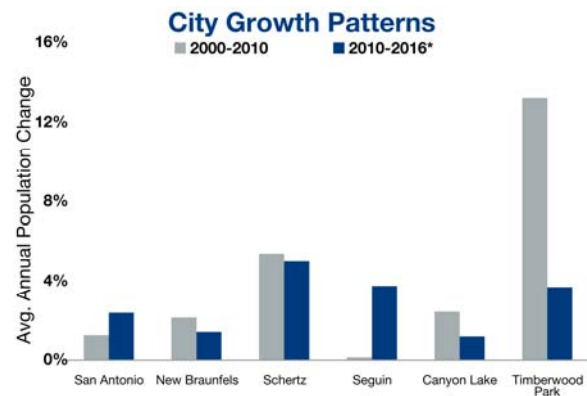
The San Antonio MSA covers eight counties—Bandera, Atascosa, Kendall, Comal, Bexar, Guadalupe, Medina and Wilson—and contains more than 2.2 million inhabitants. Six incorporated cities and towns have populations greater than 20,000. San Antonio is the largest, with nearly 1.3 million residents.

Infrastructure

San Antonio serves as a major gateway between the United States and Mexico. Situated only 145 miles from Laredo, San Antonio is an easy drive along Interstate 35 from the border. The area is further enhanced by a transportation network that provides a myriad of shipping options to domestic and international businesses.

Also bolstering San Antonio’s trade is the air cargo component of the international airport, which consists of two Foreign Trade Zones. Air Cargo East features 104,000 square feet of warehouse space and 1.1 million square feet of aircraft apron. Air Cargo West provides 65,300 square feet of warehouse space and 248,140 square feet of aircraft apron to attract companies.

The Port of San Antonio is a 1,900-acre aerospace and industrial complex, as well as an international logistics platform, located at the site of the former Kelly Air Force Base. The entire site is covered by a General Purpose Foreign Trade Zone. Rail service to the port and throughout the region is provided by BNSF and Union Pacific.



* Forecast
Sources: Marcus & Millichap Research Services, AGS

Largest Cities: San Antonio MSA

San Antonio	1,332,000
New Braunfels	46,000
Schertz	30,500
Seguin	23,500
Canyon Lake	22,000
Timberwood Park	21,600

2011 Estimate
Sources: Marcus & Millichap Research Services, AGS

Airports

- San Antonio International Airport
- Kelly Field

Major roadways

- Interstates 10, 35, 37 and 410
- U.S. Highways 281 and 90
- State Highway 151 and Loop 1604

Rail

- Freight - BNSF, Union Pacific
- Passenger - Amtrak

Port

- Port of San Antonio

The San Antonio MSA is:

- 75 miles from Austin
- 145 miles from Laredo
- 190 miles from Houston
- 250 miles from Dallas

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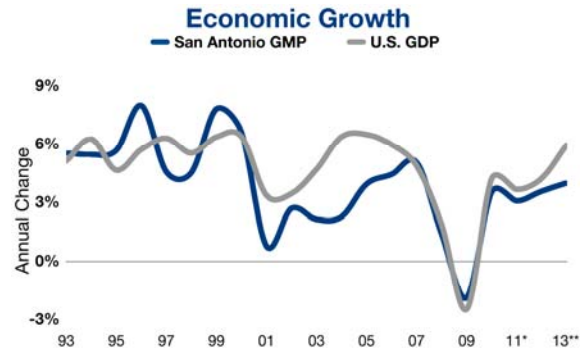
Economy

San Antonio's economy is anchored by three industries: healthcare, tourism and national defense. Despite the importance of these sectors, San Antonio continues to make great strides in diversifying its economic base, resulting in one of the nation's most abbreviated down cycles during the last recession. Oil and gas extraction from Eagle Ford Shale will likely be a boon to the South West Texas economy in the years ahead. The energy sector is becoming more prominent with expansions at NuStar Energy and Tesoro.

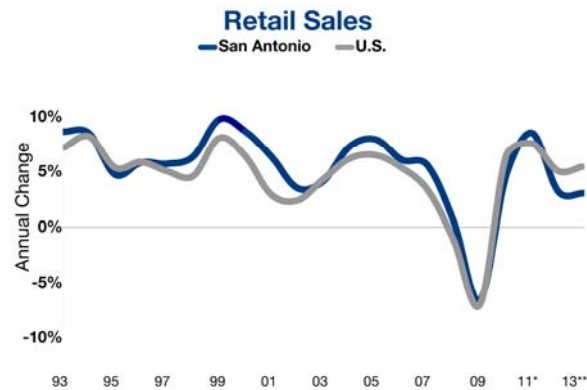
San Antonio is the clear leader in Texas when it comes to benefiting from military spending, as Fort Sam Houston, Lackland Air Force Base, Randolph Air Force Base, Camp Bullis and others are located in the MSA.

Education and healthcare play vital roles in the local economy. An important component of the healthcare industry is South Texas Medical Center, a conglomerate of hospitals, clinics, and research and higher-education facilities. The center employs thousands of workers and is directly responsible for the area's large biomedical industry.

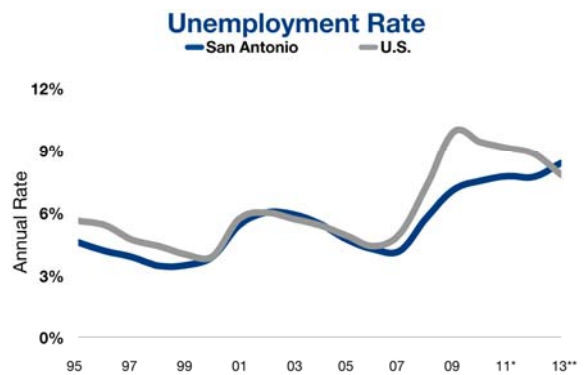
As the most-visited city in Texas, San Antonio's travel and tourism industry remains a key economic utility. Destinations such as the Alamo and River Walk make the city highly identifiable and popular. The leisure and hospitality segment will be one of the top employment generators over the next five years.



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BEA, Economy.com



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BEA, Economy.com

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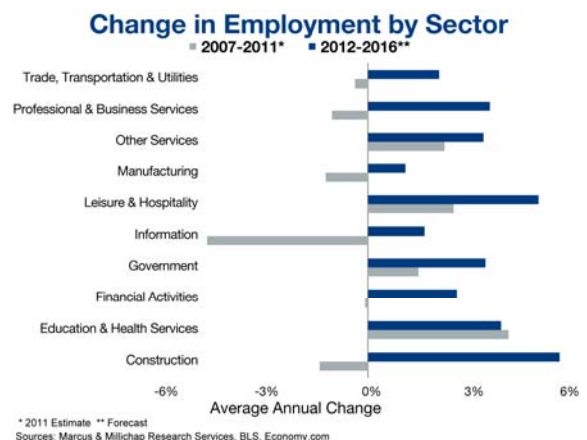
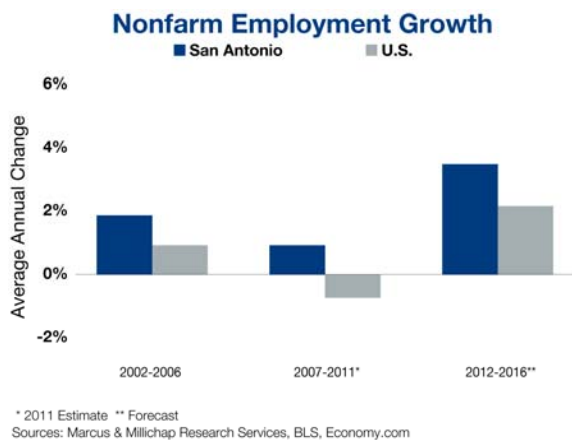
Labor

The San Antonio MSA attracts businesses seeking to take advantage of lower costs of living and doing business, which will continue to drive strong population gains over the long term. The expanded infrastructure needed to meet this growth will restore employment in the construction industry; the sector will expand at an annual average rate of 6 percent through 2016.

The largest job sector in the local economy is government, supported by the military. Overall, more than 159,000 people, or 19 percent of the labor force, is employed in this segment. The second largest industry, trade, transportation and utilities, accounts for 17 percent of all jobs in the metro.

Education and health services companies employ the third largest share of San Antonio workers, with its standing heavily influenced by the South Texas Medical Center -- the largest medical research and care provider in southern Texas. The education and health services sector is forecast to post 3.9 percent annual job creation over the next five years.

The leisure and hospitality sector plays a crucial role, employing more than 100,000 residents. Tourism in San Antonio is related not only to the U.S. economy but also to the Mexican economy. San Antonio is the only non-border town in the United States to have such a correlation. Substantial employment increases of 5 percent annually are projected for the industry through 2016.



SAN ANTONIO

Employers

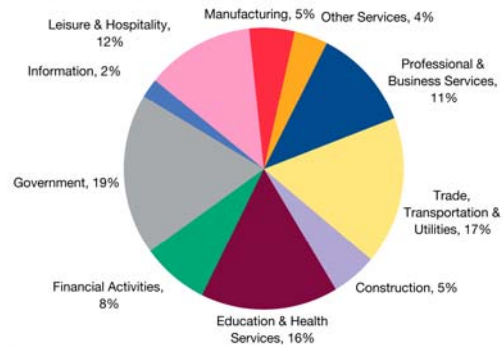
A strong, diverse private sector fosters the San Antonio economy. Major corporate headquarters in San Antonio include five Fortune 500 companies. The largest of these, the United Service Automobile Association, or USAA, leads the financial services segment that also includes Wells Fargo and JPMorgan Chase.

The MSA is home to one of the largest military concentrations in the nation. The defense industry in San Antonio employs over 89,000 and provides a \$5.25 billion impact to the city's economy, helping to make government the largest employment sector.

San Antonio is receiving greater interest from companies that manufacture items too large to affordably ship from overseas. As a result, the local manufacturing base is forecast to grow by 1.1 through 2016. Helping to drive these gains is Toyota Motor Manufacturing Texas, which began building Tundra trucks in 2006 and now hires thousands of workers.

The healthcare industry rounds out the top employers in San Antonio. The leader in both total employment and healthcare employment is South Texas Medical Center, which provides several thousand jobs. Other large healthcare employers include Baptist Health System and Methodist Healthcare System. KCI, a company that provides wound care solutions is expanding locally and Medtronic is opening a facility in San Antonio.

Share of 2011 Total Employment*

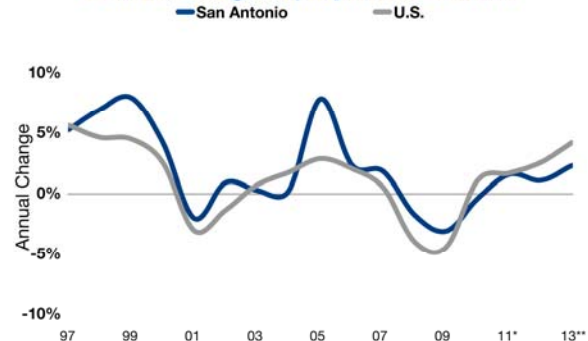


* Estimate
Sources: Marcus & Millichap Research Services, BLS, Economy.com

Major Employers

South Texas Medical Center
USAA
Wells Fargo
Baptist Health System
Southwest Research Institute
Methodist Healthcare System
JPMorgan Chase
Christus Santa Rosa Healthcare
Toyota Motor Manufacturing Texas
Sea World San Antonio

Office-Using Employment Growth



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com

SAN ANTONIO

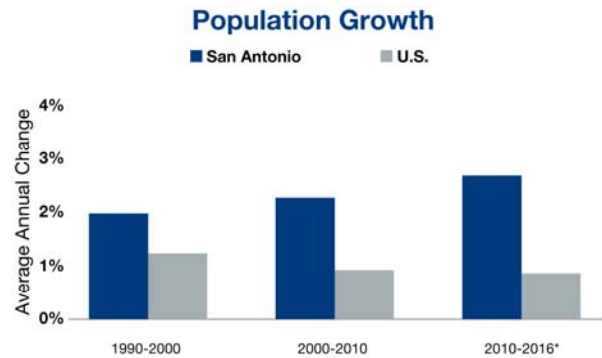
Demographics

The San Antonio MSA's population at 2.2 million will grow at a rate triple the U.S. average over the next five years, expanding 2.7 percent annually. The city of San Antonio will register the largest absolute increase, while areas such as Schertz, located along the Interstate systems, will lead in percentage growth.

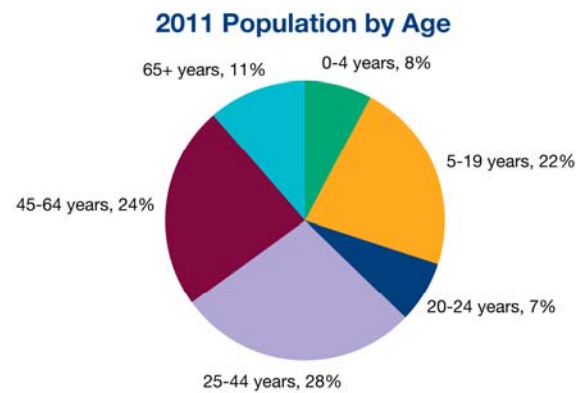
Area residents are relatively young, with 31 percent under the age of 20, compared with just 27 percent for the nation. In addition, 11 percent of the population are in their retirement years, ages 65 and older, as opposed to 13 percent for the U.S. The low median age of 34 years is also due in large part to the area's strong military presence, as well as its sizable student population; the region houses 17 institutions of higher learning.

The median household income in the San Antonio MSA, at \$48,800 per year, falls below the U.S. median of \$54,200 annually. Although this trend is expected to continue over the next few years, income levels should grow faster than home values, bolstering disposable incomes. This, in turn, will help boost retail sales.

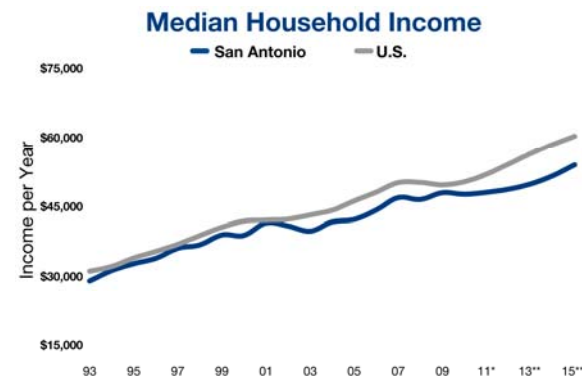
The median home price of \$150,600, which is well below the national median of \$163,700, has afforded nearly 60 percent of households to own their homes.



* Forecast
Sources: Marcus & Millichap Research Services, AGS



Sources: Marcus & Millichap Research Services, AGS



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau

SAN ANTONIO

Quality Of Life

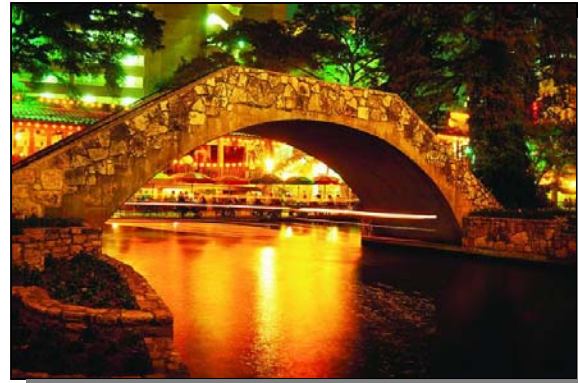
With over 300 days of sunshine annually and an average temperature of 68.8 degrees, San Antonio's mild climate makes it easy to enjoy the numerous outdoor activities available in the region, including golf at one of more than 50 courses.

Hispanic culture and history abounds in such places as La Villita, the Spanish Governor's Palace, San Fernando Cathedral, Jose Antonio Navarro State Historical Park and the Alamo. Tradition blends with more modern attractions such as the River Walk, a 2.5-mile stretch of parks, cafés, nightclubs and hotels.

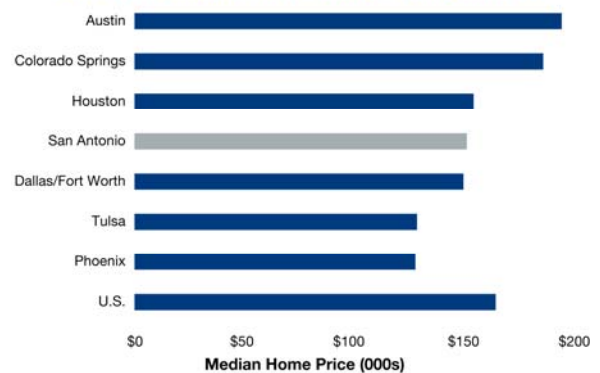
Locals and tourists can enjoy theme parks such as SeaWorld San Antonio, the world's largest marine life park, and Six Flags Fiesta Texas. In addition, the city is home to numerous sporting events and teams, including the NBA's San Antonio Spurs, the WNBA's San Antonio Silver Stars, the AHL's Rampage and AA baseball's Missions.

Art enthusiasts can visit any one of San Antonio's many museums and cultural centers. McNay Art Museum and the San Antonio Museum of Art, for instance, both display a wide variety of works.

The broad mix of recreational activities, together with a low cost of living and consistent job growth, will continue to attract residents to the San Antonio metro.

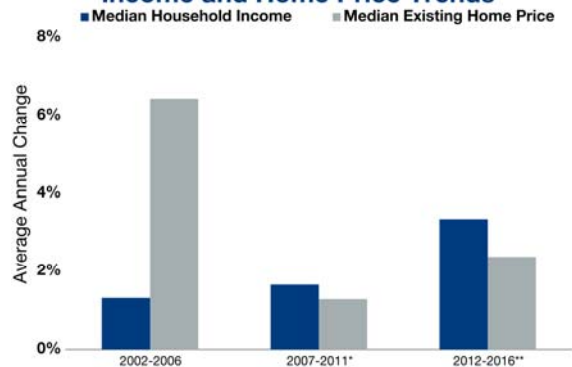


2011 Median Home Price Comparison



Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors®

Income and Home Price Trends



* 2011 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors®, U.S. Census Bureau

SAN ANTONIO

Multi-Tenant Assets More Favorable as Economy Improves

Major retailers will move forward with expansion plans in San Antonio this year, hastening the pace of the recovery. Necessity-based tenants, especially grocers, are committing to the greatest amount of new space. H-E-B, for instance, recently wrapped up construction on its largest store. Additionally, Walmart recommitted to space in Helotes, bringing an end to a two-year delay on the development brought on by financing issues during the recession. Nonetheless, small-business financing remains a hurdle to a full-scale resurgence of the retail sector, despite the return of consumer spending. With a limited number of small-space users expanding, large, traffic-generating centers will out-compete neighborhood/community center operators for tenants, keeping in-line space dark in these properties for several more quarters. A turnaround in the local housing market should be a catalyst for small business growth, though homeowners' equity positions may not improve enough to utilize residences as collateral until at least 2013.

The retail investment market is moving in the opposite direction than two years ago, when caution was the overwhelming consideration in acquisitions. Single-tenant transaction velocity could continue to slip this year as few properties are listed by private investors. Developers, meanwhile, have depleted their stock of pad sites over the past couple of years, which is also limiting the number of properties available. When listed, single-tenant properties will trade at cap rates in the mid-7 percent range, though first-year yields fluctuate significantly based on tenant creditworthiness and location. In the multi-tenant arena, buyers are far less risk-averse than two years ago, though activity will remain subdued compared with the real estate boom in the middle of the last decade. Smaller strip centers with one or two national credit tenants are already favored by investors. As the year progresses, buyers are expected to include older centers in their searches when the tenant roster includes local retailers that have a proven track record. Overall, multi-tenant retail properties will change hands at average cap rates in the mid-8 percent range.

2012 Annual Retail Forecast



Employment: After expanding head counts by just 4,100 jobs last year, employers will accelerate hiring efforts to 20,500 positions this year, a 2.4 percent gain. Education and health services and leisure and hospitality employers will contribute over 10,000 jobs to this year's total.



Construction: Builders will add 850,000 square feet of mostly single-tenant space to the market this year, widening retail stock by 1.1 percent. Last year, 675,000 square feet came online.



Vacancy: Marketwide retail vacancy will decline 60 basis points in 2012 to 9 percent as 1.2 million square feet of space is absorbed.

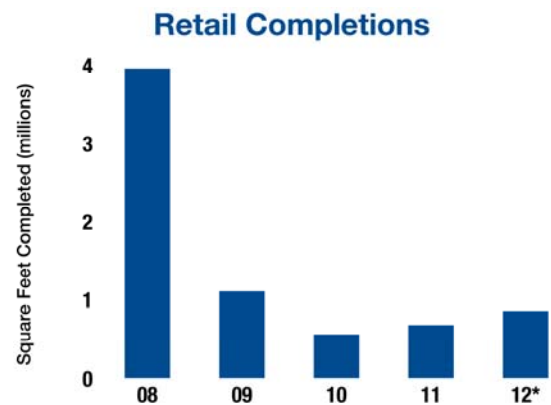
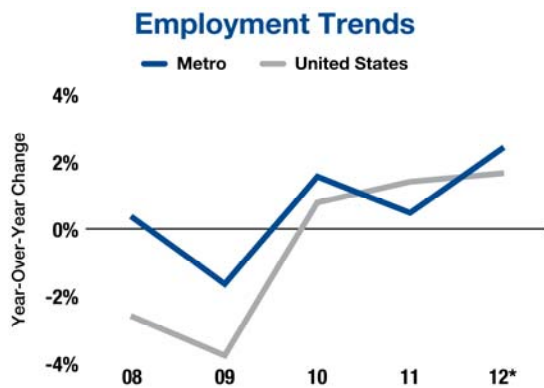


Rents: As vacancy tightens, operators will lift asking rents 1.3 percent this year to \$14.58 per square foot. Concessions, meanwhile, will finish the year at 12.5 percent of asking rents, facilitating a 1.6 percent rise in effective rents to \$12.76 per square foot.

SAN ANTONIO

Economy

- In the last 12 months, employers added 12,700 positions in San Antonio, a 1.5 percent rise in payrolls. After cutting positions in the first half of the period, nearly 17,000 jobs have been created in the last six months. Overall, San Antonio boasts 12,200 more positions than the pre-recession peak.
- Southwest Airlines and Chase recently announced plans to hire customer service representatives to local staffs. Southwest will move into a new facility and add 320 positions while Chase is creating another 100 spots at its facility on Stone Oak Parkway in north San Antonio.
- As visitor volume gains momentum, local tourist attractions are refilling positions lost during the recession. Over the past 12 months, leisure and hospitality employers added 4,700 positions. Staffing is more than 8 percent higher than the pre-recession level.
- Outlook: After expanding head counts by just 4,100 jobs last year, employers will accelerate hiring efforts to 20,500 positions this year, a 2.4 percent gain. Education and health services and leisure and hospitality employers will collectively contribute over 10,000 jobs to this year's total.



* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

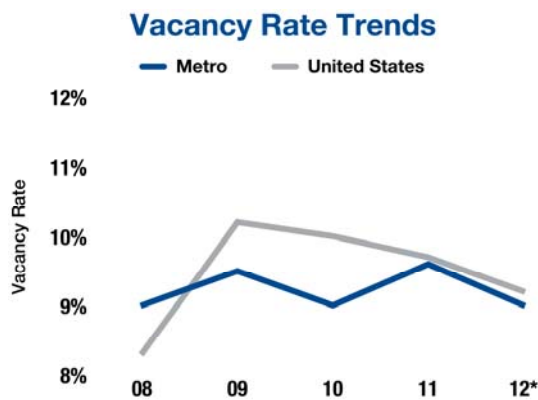
Construction

- Only 320,000 square feet of space has come online over the past 12 months, expanding inventory by just 0.4 percent. Nearly all of the space was in two community centers finished in the second half of last year.
- H-E-B completed the chain's largest store at Bandera Road and Loop 1604 in the second quarter. At 182,000 square feet, the H-E-B Plus is the 10th large-format addition and aims to capture demand from rapid population growth in the area.
- Developers have moved 6.7 million square feet into the planning pipeline, representing 8.5 percent of existing stock. The 1 million-square foot Orchard power center in South San Antonio is the largest proposed project, though no groundbreaking date has been announced as of the first quarter.
- Outlook: Builders will add 850,000 square feet of mostly single-tenant space to the market this year, widening retail stock by 1.1 percent. Last year, 675,000 square feet came online.

SAN ANTONIO

Vacancy

- Retail vacancy retreated 10 basis points in the first quarter to 9.5 percent. The current rate is still 20 basis points below the recessionary peak level and 40 basis points above the five-year average.
- Neighborhood centers performed well in the first quarter as vacancy dropped 50 basis points to 14.1 percent. The larger community centers recorded a 30-basis point decline to 8 percent.
- Operators at high-traffic power centers are securing tenants at a much faster clip than other properties. Over the past 12 months, vacancy at local power centers declined 70 basis points to 6 percent.
- Outlook: Marketwide retail vacancy will decrease 60 basis points in 2012 to 9 percent as 1.2 million square feet of space is absorbed.



* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

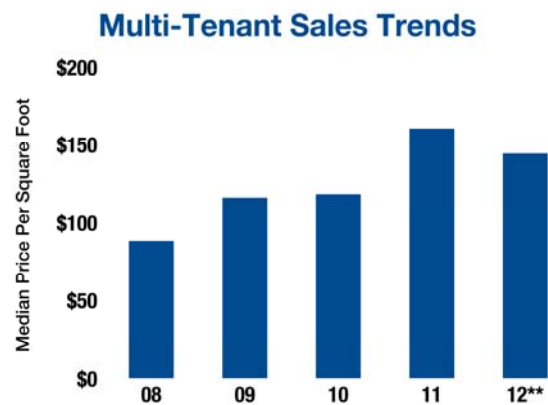
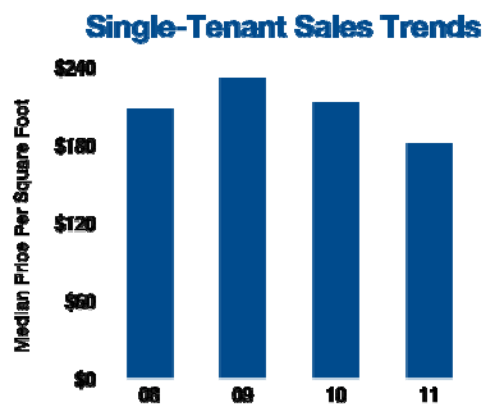
Rents

- Owners of anchored and single-tenant buildings are driving rents higher in San Antonio, while operators of unanchored neighborhood/community centers remain at a disadvantage in lease negotiations. Over the past year, asking rents for all retail properties climbed 1.1 percent to \$14.41 per square foot.
- Concessions ticked down just 10 basis points over the past 12 months to 12.8 percent of asking rents. As a result, effective rents climbed in step with asking rents to \$12.56 per square foot, a 1.1 percent rise.
- After including vacancy and leasing incentives, average revenue was \$11.37 per square foot in the first quarter, up 0.8 percent from the same period one year ago. This year, average revenue is forecast to increase 2.3 percent.
- Outlook: As vacancy tightens, operators will lift asking rents 1.3 percent this year to \$14.58 per square foot. Concessions, meanwhile, will finish the year at 12.5 percent of asking rents, facilitating a 1.6 percent rise in effective rents to \$12.76 per square foot.

SAN ANTONIO

Single-Tenant Sales Trends**

- Single-tenant transaction velocity slipped 28 percent in the past 12 months. As construction slowed during the recession, fewer recently completed properties have been listed by developers, reducing transaction volume for these highly sought-after assets.
- Fast-food establishments traded at a median sales price of \$471 per square foot during the past year, up 13 percent from the previous 12-month period. Prices vary significantly by property type, and investors appear to be more willing to assume greater risks when considering restaurants and storefronts.
- Single-tenant cap rates averaged in the mid-7 percent range last year, on par with the previous period. First-year returns fluctuate considerably based on tenant and lease terms. Fast-food restaurants trade below 7 percent, while drugstores can be acquired at cap rates near 7 percent.
- Outlook: Investors seeking stable, income-producing buildings will target San Antonio's offerings, though buyer demand will go largely unsatisfied this year. As construction begins to rise again, some developers may release the remaining properties from their portfolios to raise capital.



* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Multi-Tenant Sales Trends**

- As signs point to an economy on solid footing, buyers are increasingly interested in multi-tenant properties. Over the past year, transaction activity jumped 33 percent, largely due to a greater number of strip centers changing hands.
- The median sales price rose 24 percent to \$144 per square foot during the most recent 12-month period. Investors targeted mainly newer, smaller buildings to keep re-tenanting risks low.
- First-year returns averaged in the mid-8 percent range over the past year, down 30 basis points from the previous year-long period.
- Outlook: Investment activity should continue to accelerate in the quarters ahead as buyers bid up new strip centers with at least two investment-grade tenants. Core properties will also gain in popularity as rents reset to the market rate.

** Trailing 12-month period

SAN ANTONIO

Capital Markets

- The yield on the 10-year Treasury hovers below 2 percent as political uncertainty in the eurozone has investors flocking to the safety of U.S. bonds. In response, lenders have pushed out loan spreads by approximately 250 basis points to 300 basis points, with CMBS lenders pushing wider.
- Mortgage originations were up 46 percent in the second half of 2011 when compared with the same period the previous year, driven by higher activity among commercial banks and life insurance companies.
- Funding for single-tenant assets with credit tenants will remain plentiful this year. All-in lending rates for drugstore assets currently fall in the high-4 to mid-5 percent range, while loans for fast-food and restaurant properties price 50 to 100 basis points higher. In the multi-tenant sector, lenders are loosening criteria on anchored Class B centers and Class A strip centers.
- Deals under \$10 million will be dominated by local and regional banks, which offer three- to seven-year, fixed-rate recourse loans. In the \$10 million to \$20 million range, CMBS lenders and finance companies step into the picture, while deals over \$20 million typically have access to a full spectrum of sources. On average, debt yields will hover in the 9.5 to 10.5 percent range, translating into LTVs of 65 percent to as high as 75 percent.

Submarket Overview

- Developers are moving forward with the Helotes Town Centre project that was delayed during the recession. A Walmart Supercenter will break ground at the site this fall and open in late 2013. An additional 35,000-square foot strip center will be added to the 200,000-square foot project in west San Antonio.
- Boeing is moving its Wichita operations to San Antonio, which should boost employment at its Port of San Antonio facility. The company has an annual economic impact of \$500 million and employs 2,800 workers in the market, which is up 55 percent from 2010.
- Home developers are moving a far greater number of projects into the pipeline after a double-digit increase in new home sales during the first quarter. The number of subdivision plats filed in this year's opening period more than doubled the same period a year ago, which should bode well for retailers in the north and northwest, where most of the home construction is concentrated.

DEMOGRAPHIC ANALYSIS

Northwestern Square Shopping Center

SAN ANTONIO, TX

Marcus & Millichap
Real Estate Investment Services

Northwestern Square Shopping Center

SAN ANTONIO, TX

DEMOGRAPHIC ANALYSIS

AERIAL PHOTO



This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies. Marcus & Millichap Real Estate Investment Services is a service mark of Marcus & Millichap Real Estate Investment Services, Inc.

SUMMARY REPORT

Geography: 5 Miles

Population

In 2011, the population in your selected geography was 351,434 . The population has changed by 20.59% since 2000. It is estimated that the population in your area will be 397,216 five years from now, which represents a change of 13.03% from the current year. The current population is 48.0% male and 52.1% female. The median age of the population in your area is 31.6 , compare this to the U.S. average which is 36.9. The population density in your area is 4,478.23 people per square mile.

Households

There are currently 129,491 households in your selected geography. The number of households has changed by 24.70% since 2000. It is estimated that the number of households in your area will be 150,684 five years from now, which represents a change of 16.37% from the current year. The average household size in your area is 2.69 persons.

Income

In 2011, the median household income for your selected geography is \$42,112 , compare this to the U.S. average which is currently \$53,620. The median household income for your area has changed by 9.59% since 2000. It is estimated that the median household income in your area will be \$44,410 five years from now, which represents a change of 5.46% from the current year.

The current year per capita income in your area is \$18,319 , compare this to the U.S. average, which is \$28,713. The current year average household income in your area is \$48,634 , compare this to the U.S. average which is \$73,458.

Race & Ethnicity

The current year racial makeup of your selected area is as follows: 72.09% White, 6.30% African American, 0.91% Native American and 2.17% Asian/Pacific Islander. Compare these to U.S. averages which are: 72.40% White, 12.60% African American, 0.95% Native American and 4.93% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 67.87% of the current year population in your selected area. Compare this to the U.S. average of 16.90%.

Housing

The median housing value in your area was \$75,024 in 2000, compare this to the U.S. average of \$110,796 for the same year. In 2000, there were 57,430 owner occupied housing units in your area and there were 46,417 renter occupied housing units in your area. The median rent at the time was \$509 .

Employment

In 2011, there are 151,404 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 65.1% of employees are employed in white-collar occupations in this geography, and 34.9% are employed in blue-collar occupations. In 2011, unemployment in this area is 5.91% . In 2000, the median time traveled to work was 22.7 minutes.

Demographic data © 2010 by Experian/Applied Geographic Solutions.

DEMOGRAPHIC REPORT

	1 Mile	3 Miles	5 Miles
1990 Population	7,639	78,231	245,646
2000 Population	7,637	89,089	291,430
2010 Population	10,846	102,721	339,885
2011 Population	11,253	106,998	351,434
2016 Population	12,868	123,484	397,216
1990 Households	2,906	27,168	85,899
2000 Households	3,038	31,812	103,844
2010 Households	4,106	37,511	124,046
2011 Households	4,309	39,595	129,491
2016 Households	5,022	46,909	150,684
2011 Average Household Size	2.61	2.69	2.69
2011 Daytime Population	6,726	44,773	151,404
1990 Median Housing Value	\$63,867	\$65,312	\$60,458
2000 Median Housing Value	\$72,404	\$77,895	\$75,024
2000 Owner Occupied Housing Units	38.27%	53.93%	52.63%
2000 Renter Occupied Housing Units	57.45%	42.10%	42.53%
2000 Vacant	4.26%	3.97%	4.84%
2011 Owner Occupied Housing Units	42.26%	53.45%	51.16%
2011 Renter Occupied Housing Units	51.72%	39.71%	41.21%
2011 Vacant	6.02%	6.84%	7.64%
2016 Owner Occupied Housing Units	43.34%	53.02%	50.54%
2016 Renter Occupied Housing Units	50.54%	39.91%	41.60%
2016 Vacant	6.11%	7.06%	7.86%
\$ 0 - \$14,999	12.2%	14.8%	16.2%
\$ 15,000 - \$24,999	17.5%	11.8%	12.4%
\$ 25,000 - \$34,999	17.0%	13.3%	12.6%
\$ 35,000 - \$49,999	17.0%	16.3%	16.7%
\$ 50,000 - \$74,999	21.0%	21.7%	20.7%
\$ 75,000 - \$99,999	10.8%	12.0%	10.8%
\$100,000 - \$124,999	3.3%	5.2%	5.3%
\$125,000 - \$149,999	0.8%	2.4%	2.7%
\$150,000 - \$199,999	0.3%	1.9%	1.7%
\$200,000 - \$249,999	0.0%	0.2%	0.3%
\$250,000 +	0.0%	0.2%	0.6%
2011 Median Household Income	\$37,824	\$43,503	\$42,112
2011 Per Capita Income	\$16,529	\$17,760	\$18,319
2011 Average Household Income	\$40,766	\$47,557	\$48,634

Demographic data © 2010 by Experian/Applied Geographic Solutions.

BROKERAGE SERVICES

Approved by the Texas Real Estate Commission for Voluntary Use
Texas law requires all real estate licensees to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.

Information About Brokerage Services

Before working with a real estate broker, you should know that the duties of a broker depend on whom the broker represents. If you are a prospective seller or landlord (owner) or a prospective buyer or tenant (buyer), you should know that the broker who lists the property for sale or lease is the owner's agent. A broker who acts as a subagent represents the owner in cooperation with the listing broker. A broker who acts as a buyer's agent represents the buyer. A broker may act as an intermediary between the parties if the parties consent in writing. A broker can assist you in locating a property, preparing a contract or lease, or obtaining financing without representing you. A broker is obligated by law to treat you honestly.

IF THE BROKER REPRESENTS THE OWNER:

The broker becomes the owner's agent by entering into an agreement with the owner, usually through a written - listing agreement, or by agreeing to act as a subagent by accepting an offer of subagency from the listing broker. A subagent may work in a different real estate office. A listing broker or subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first. The buyer should not tell the owner's agent anything the buyer would not want the owner to know because an owner's agent must disclose to the owner any material information known to the agent.

IF THE BROKER REPRESENTS THE BUYER:

The broker becomes the buyer's agent by entering into an agreement to represent the buyer, usually through a written buyer representation agreement. A buyer's agent can assist the owner but does not represent the owner and must place the interests of the buyer first. The owner should not tell a buyer's agent anything the owner would not want the buyer to know because a buyer's agent must disclose to the buyer any material information known to the agent.

IF THE BROKER ACTS AS AN INTERMEDIARY:

A broker may act as an intermediary between the parties if the broker complies with The Texas Real Estate License

Act. The broker must obtain the written consent of each party to the transaction to act as an intermediary. The written consent must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. The broker is required to treat each party honestly and fairly and to comply with The Texas Real Estate License Act. A broker who acts as an intermediary in a transaction:

- (1) shall treat all parties honestly;
- (2) may not disclose that the owner will accept a price less than the asking price unless authorized in writing to do so by the owner;
- (3) may not disclose that the buyer will pay a price greater than the price submitted in a written offer unless authorized in writing to do so by the buyer; and
- (4) may not disclose any confidential information or any information that a party specifically instructs the broker in writing not to disclose unless authorized in writing to disclose the information or required to do so by The Texas Real Estate License Act or a court order or if the information materially relates to the condition of the property. With the parties' consent, a broker acting as an intermediary between the parties may appoint a person who is licensed under The Texas Real Estate License Act and associated with the broker to communicate with and carry out instructions of one party and another person who is licensed under that Act and associated with the broker to communicate with and carry out instructions of the other party.

If you choose to have a broker represent you, you should enter into a written agreement with the broker that clearly establishes the broker's obligations and your obligations. The agreement should state how and by whom the broker will be paid. You have the right to choose the type of representation, if any, you wish to receive. Your payment of a fee to a broker does not necessarily establish that the broker represents you. If you have any questions regarding the duties and responsibilities of the broker, you should resolve those questions before proceeding.

Real estate licensee asks that you acknowledge receipt of this information about brokerage services for the licensee's records.

Buyer, Seller, Landlord or Tenant

Date

Texas Real Estate Brokers and Salespersons are licensed and regulated by the Texas Real Estate Commission (TREC). If you have a complaint regarding a real estate licensee, you should contact TREC at P.O. Box 12188, Austin, Texas 78711-2188 or 512-465-3960.



Northwestern Square Shopping Center

SAN ANTONIO, TX

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