

Heatley-Moist's
D/FW Land Advisory

Street-Smarts For Cleaning Up In Real Estate

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Inside This Issue...

- Special "Report Card" Issue: The hot... plus the not-so-hot... of our land JVs. (pages 2 & 3)
- Did you pass on Colleyville Square? Now's your chance to make up for it... bigtime! (page 6)
- Can you monopolize an office market? This may be as close as we come. (pages 3 & 4)
- Warning: If a rerun of the 80s bust has ever been so much as a flicker in your consciousness, see page 5!
- Flower Mound Town/Center comes around... finally! (p. 6)

From:
Las Colinas, Texas
Friday, 9:05 a.m.
October 24, 1997

Dear Venturer and Subscriber:

Saw in The Dallas Morning News last week where average rents for Class-A office space in Boston are \$37 a foot. And that "big-city" rates average \$23. Can you believe? Makes the \$14.50 we get for Colleyville Square look deep backwoods. More on that in a minute, but first some housekeeping is in order.

Thank heavens it's not as often these days, but from time to time I'll get a hand scrawled note that goes something like this:

"When do you plan on selling something? Ever??"

Was that you?

Good. I have something here, so listen up: nobody ever said selling raw land was easy. Besides, we were grown up when we got into this, and I'm not running a kindergarten here. Truth is, greeting-card verse just such as this is just one of a whole raft of reasons we no longer are the wild-eyed-ten-percent-down speculators of years past.

At least, not for purely spec raw land.

In fact, the last two we took a flyer on were on Loop 820 in Fort Worth. But that was over 18 months ago, and neither had a chance of turning into Operation Moneysuck because we paid cash. One of them turned eight months later and doubled our money, by the way.

Right, we got lucky.

Happens to the best of 'em.

But the other? May as well be standing on a street corner with a piece of cardboard that says "Will build-to-suit for food." Still it sits (almost in defiance it seems) waiting on a buyer, holding hostage

a bundle of cash that could be going into much more liquid endeavors.

Same ol' ditch too many of our raw land JV properties have been in for too long, right?

Just hold yer water right there, Pilgrim.

Since our last issue (six weeks ago), two more properties have slipped into the sold column. And, as you can see below, two new offers are working, plus three others have achieved title company status, where we should soon be exchanging even more deeds for more dollars.

Herewith I present an update on the exact standing of your property, along with my near-genius "dot-system" prediction for future sales:

Property Turnaround Indicator												
Joint Venture	Contracts Received	Offers Rec'd	Above Avg Calls	In Hot Zone	Major Job Cntr	Zone Flex	No Debt	Below Mkt Price	Total	Projected Sale In Months		
										12	36	60+
Coppell/Freeport Pkwy.			•	•	•	•		•	5		✓	
Dallas/Cockrell Hill Rd.							•		1			✓
Duncanville/Penn Springs							•		1			✓
Flower Mound/Town Ctr.	•••• (See Note 1)	••••	•	•					10	✓		
Grand Prairie/S.E. 8th St.						•	•	•	3		✓	
I-20/Bonnie View	Under Contract	••				•	•		6		✓	
Illinois Avenue/Mt. View							•		1			✓
Lewisville/I-35E	••	••	•	•					6		✓	
Lewisville/S.H. 121	••••	•••	•	•		•			10	✓		
Lewisville/Valley Ridge	•••	•••••	•	•		•			12	✓		
Plano/F.M. 544	Offer Working	••••	•	•				•	9	✓		
Rest. Row/LBJ Frwy.	••	•	•	•		•			6		✓	
Richardson/Breckinridge	Under Contract	•	•	•	•	•		•	7		✓	
RiverBend/Loop 820	Offer Working	•	•	•	•	•	•	•	8		✓	
Rufe Snow Dr.			•	•	•	•			4		✓	
Southlake/Stonebridge Park	Under Contract (See Note 2)	••		•	•	•	•		8	✓		
U.S. 67/Joe Wilson Rd. II	•								1			✓
Wylie/Century Bus. Pk. I	•• (See Note 3)	•			•	•	•	•	6			✓
Wylie/Century Bus. Pk. III	•				•	•	•	•	4			✓
Wylie Commercial 544		••					•		3			✓

Note 1: Construction starts Dec '97 on 1/3 of this property (iiyeeehaaa!...let's celebrate!).

Note 2: Sale of one pad site pending.

Note 3: Partial Sale; See Performance Indicator.

What's that you say? You don't like where your property ranks? Aw pipe down. I know some of these oughta be doing better than they are, and it's a real head-scratcher why they haven't. But there's at least one thing you can't help but like about this report card. The number of properties on it is shrinking.

While the number of entries on this next.. is growing.

<i>Property Performance Indicator</i>				
Joint Venture	Date Acquired	Date Sold	Months Held	Return (IRR)
LBJ Freeway/Plano Road				
Tract 1	8/93	10/94	14	
Tract 2	8/93	4/95	20	92%
Grapevine/Hughes Road	6/95	3/96	9	47%
Richardson/Telecom Corridor III	7/93	5/96	34	31%
RiverBend Estates	6/96	7/96	<i>See note (1)</i>	14.8%
Lewisville/Oakbend Drive	8/93	7/96	35	28%
Wylie Century Business Park I	5/95	9/97	16	<i>See note (2)</i>
Fossil Creek/Loop 820	12/95	8/96	8	26%
Richardson/Telecom Corridor IV	12/93	10/97	46	19%
Richardson/Telecom Corridor I	12/92	10/97	58	<i>See note (5)</i>
Colleyville Square	12/96	<i>See note (3)</i>	10	<i>See note (3)</i>
Harbour View Estates	7/97	<i>See note (4)</i>	<i>See note (4)</i>	<i>See note (4)</i>

(1) *Discounted note purchase (not a land sale).*

(2) *2-lot partial sale, 28% of property earned a 50% IRR.*

(3) *100% Leased in 10 months.*

(4) *Purchase commitments for lots have exceeded availability for Phase I of this residential development.*

(5) *Cannot disclose until after Oct 30, '97. Call for details.*

As you can see, these are hardly the kind of yields that come from punch drunk selling: 14.8% is the laggard of the bunch, and 30% and up is more the order of the day. At least that part we have down cold.

So much for the raw land biz.

Time to get on to the whole point of this intrusion. Last issue I hope you took a good look at that color picture I sent you. You remember. The glamour wide angle of the 8,000 square foot office captioned "Colleyville Square - Now Leasing!"

Now: IF... we had given it just five weeks more, it would've read "NO VACANCIES." Yep, just did a handshake with a tenant for the last remaining space, and that's not all:

**We Just Contracted
To Do Another One!**

Only this one's bigger. And.. more than three times the money machine stacked against the potential of Colleyville Square. Frankly, as we see it, one of this magnitude (66,000 feet all told) simply isn't worth the effort unless there's a good chance our partners will soon be looking back on "The Square" as no more than training wheels.

Admittedly, the speed of getting The Square leased was a factor in deciding to notch it up to bigger plays. But it took something more

to truly put the "fire in our belly."

A lot more.

Lemme ask you: wouldn't it be nice to own the only office building in a neighborhood so tight on space, businesses had to rent retail space for makeshift offices? How 'bout if it was sitting smack in the center of an area characterized as The Gateway to Alliance, and for a kicker, you were asked to build this project by one of biggest movers and shakers of the D/FW real estate market?

A real bird's nest on the ground, eh?

It seems we have found such a project.

Allow me to digress: very soon now (with luck by year-end), construction will have begun on a brand new 16,000 square foot professional and retail center at the corner of Basswood Boulevard and Park Vista Boulevard in the Park Glen development in far north Fort Worth.

But that's only the beginning.

By the time it's done, we will have built... and leased... three phases. (One at a time, mind you. Putting up a tower and hoping "they come"... that ain't us.) In all, 66,000 square feet, and even at the "backwoods" rate of \$13.50 a foot, that's an annual income of..

\$929,258!

N.O.I. to you obsessive nitpickers.

Now look at this: the partners will put up \$975,000, or about one-and-a-half times what was gathered for Colleyville Square 10 months ago. But in terms of *total* dollars returned to the investor, we're talking a paycheck...

328% Greater!

That's all I'll say for now, except for a tiny side-bar about how we came onto this. Everyone knows the 300-pound parrot in these parts is Ross Perot. A name synonymous with Park Glen, Alliance and just about all of North Tarrant County by now. (It's beyond me why this area hasn't already been renamed Perotville.)

And so it comes to pass, the developer with whom we are doing this (that would be Myers) gets this call one day from the Perot people wanting to know if he might be interested in doing a "marketplace" center on a certain corner in Park Glen, owned by Perot of course. Seems that, except for the kind attached to 500,000 square foot warehouses, Perot has lost interest in doing office buildings.

Which could explain why they took a \$1.50 per foot loss selling the property to us.

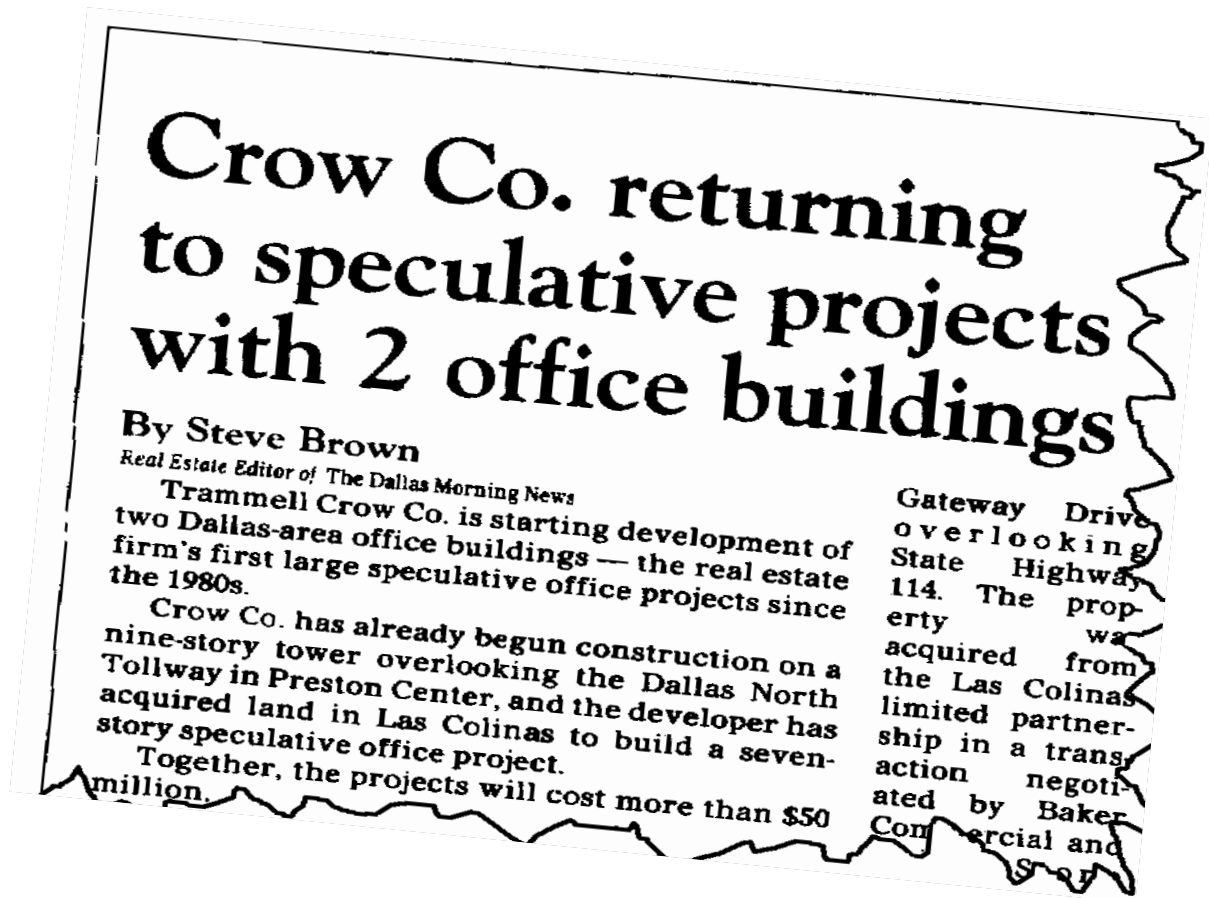
But scarfing up a ridiculously-low-priced piece of land, that's not the point, amigo. What is, is that Perot really has outgrown projects this size, and wanted someone with a proven presence in the market to step in and follow through with the original development plan for the property. (Can you imagine? The nerve of the guy asking us to clean up after him.)

Anyway, for what we're after, nothing could be more perfect. Knew as soon as we looked we were going for the brass ring. Without question this was the project we'd been searching for as successor to Colleyville Square. And, if you aren't registered to get this package, fast forward this instant to the P.S. on Page 6, and follow the instructions therein.

Oh yes, and this before I close: Does it worry you that every other block it seems, a four-story building is going up? That there'll never be enough people to fill all that space? That maybe we're headed right back into the same ol' overbuilt bust of the 80s?

Does me, too.

At least it did (just a little) before I spotted this item which I have pasted in below for your consideration with no further comment:



That'll have to do it for this issue. Got a closing to get ready for, plus a Grand Opening, a seminar and (I hope) a vacation.

So whaddja expect for an exit anyway? A call to the altar? A killer close? Not this go-round, sorry. If by now you haven't at least some inkling of what you should be doing..

**You Are
Beyond All Hope!**

See you sometime in December.

Sincerely,

Mike Heatley
(A.K.A. "Reverend Rude")

Flower Mound Showdown

Next time I get wind of a city council meeting in Flower Mound, I'll make it a point to cancel all other forms of entertainment just to attend. I hear their last made the Dallas ones look like informal secular gatherings. And the heck of it all is...

Our Project Passed!

I feel faint.

Never mind that, in a "normal" city, this same project would have passed 12 months sooner. Or that our developer is now horrendously upside down on both time and money budgeted to get this through. What matters is, he did get it done, our tenant did hang in, and construction on Phase 1 is less than 60 days away from...

Reality!

Finally.

Geesshhh!

P.S. Are you one of those who passed on Colleyville Square? It's no biggie anyway, because whatever rock you stumbled over, I've got the fix for it right here and now:

Park Glen Center/Alliance

Even if the rock was "I can't go that much."

Absolutely no excuse now for not doubling up and catching up. Here's the number to call to get the package before you get distracted:

Metro (214) 913-0485

Free and without obligation, of course.

After the short recorded message, simply leave your name, followed by the word...

"ALLIANCE"

By the way, call anytime, 24 hours a day, 7 days a week, but the only really *good* time to call... is right now.

Thank you for your attention, ever so much.