

Heatley-Moist's  
**D/FW Land Advisory**  
Street Smarts For Cleaning Up In Real Estate *11th Year!*

(972) 550-0700

2108 Hurd, Suite 200

Irving, TX 75038

FAX (972) 580-1989

**FOR: D/FW Metroplex Real Estate Speculators!**

*"If you've been suffering severe queasiness over this euphoric What-Me-Worry? real estate market, take two of these and call me in the morning."*

*M. D. Heatley*

## **Dr. Heatley's Maximum-Strength Prescription for the Building Boom Jitters**

*El Niño... The Asian Thing... a Gulf War Sequel... the runup in REITs... an Oval Office Meltdown... it's scary how many pinpricks there are that could burst the Mount-Everest-high bubble that encircles D/FW Real Estate these days. But don't be yanking that parachute ripcord just yet, my friend. Not until you see what kind of bubble we're in.*

From:  
Las Colinas  
Tuesday, 11:43 a.m.  
March 10, 1998

**In This Issue...**

- Performance Update! H-M back in the saddle. (Page 3)
- This has D/FW home builders tied in knots! (Page 4)
- Demographics that will blow your Stetsons away. (Page 5 & 6)
- Assessments a burr under your saddle? (Page 8)
- A MUST READ ISSUE IF THIS IS YOU: "yeah, but things can't stay this way THAT much longer."
- Hotel giants gamble big on Big D. (Page 7)

Dear Fellow Speculator and Subscriber:

I wonder if Ted Turner or Donald Trump will be there?

Any day now that Grand Dame of Luxury Hotels, the Ritz Carlton, will be breaking ground for a \$100-million tower that includes office suites and residential condominiums. This is a Big Deal for Big D. Huge. I wasn't invited, however.

I'm crushed.

And, somewhat stupefied. Especially considering where the hotel industry was in the early part of the decade. About two rungs above Hell, as I remember. Somewhere several stories below that is where you would have encountered Heatley-Moist investors.

I still get battlesweats just thinking about it; so many properties glutted the auction block back then, many failed to attract bidders. With properties going for 10 cents on the dollar, broaching the subject of debt

relief with our note holders was getting to be a sick joke.

Real estate was in the toilet.

So what happened to Heatley-Moist?

While others were being sucked into this Titanic-like vortex, the easy way out would have been to sit like a lump on a log hoping for the best. Many did. We didn't. Instead, we immediately set about developing and implementing an emergency rescue operation to get our partners safely back to shore. Here's just a glimpse of what it took:

**LIFEBOAT #1 (Mid '92):**

**A Screeching U-Turn  
To Hot Spots Of The 90s.**

Namely, the northern arc of D/FW. But most of Heatley-Moist's inventory is located in "go-nowhere" zones, so 37 partnerships have to be repositioned virtually overnight.

**LIFEBOAT #2 ('93-'95):**

**Wholesale Liposuction On Debt.**

Older 20-year notes reduced to 10-year notes. All-cash acquisitions like Fossil Ridge JV in north Fort Worth begin populating Heatley-Moist inventory. Defaulting partners become mere foot-notes of Heatley-Moist history.

**LIFEBOAT #3 ('96):**

**Cash Income Properties  
Begin Replacing Assessment Payments.**

Heatley-Moist introduces partners to concept of finding buyers first, product second, Colleyville Square being the maiden voyage. Heatley-Moist also adds first discounted real estate note to portfolio. It pays out by the month, by the way, so Heatley-Moist partners now get to see something in their mailbox besides a newsletter (or an assessment). All necessitated by an aging partner pool that can no longer afford overhead from future interest commitments which come from gambling in purely spec raw land.

Anyway, I'm glad it's over. Looking back, however, there's at least one thing about this ordeal I haven't yet quite come to accept:

**IT ACTUALLY WORKED!**

In fact, some of our "pull-no-punches" philosophy attracted notice in a recent issue of the Fort Worth Star-Telegram (SEE EXHIBIT "B"). But the real proof in the pudding is track record. More specifically our *post-crash* one, which I respectfully submit for your scrutiny here. Are we back

in the saddle again? You be the judge.

<i>Property Performance Indicator</i>					
Joint Venture		Bought	Sold	Months Held	Return (IRR)
LBJ Freeway/Plano Road	Tract 1	8/93	10/94	14	92%
	Tract 2	8/93	4/95	20	
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	21%
Colleyville Square		12/96	<i>N/A</i>	10	<i>See note (3)</i>
Harbour View Estates		7/97	<i>N/A</i>	<i>N/A</i>	<i>See note (4)</i>
Southlake/Stone Bridge Park		5/97	1/98	8	<i>See note (5)</i>
LBJ Freeway/Bonnie View		12/92	1/98	60	<i>See note (6)</i>
Lewisville/I-35E*		4/94	4/98	<i>N/A</i>	<i>See note (7)</i>
Richardson/Telecom Corridor II*		5/93	4/98	<i>N/A</i>	<i>See note (7)</i>
LBJ Freeway/Restaurant Row*		11/94	4/98	<i>N/A</i>	<i>See note (7)</i>
Plano/S.H. 544*		5/93	<i>N/A</i>	<i>N/A</i>	<i>See note (7)</i>
Richardson/Breckinridge**		8/94	<i>N/A</i>	<i>N/A</i>	<i>See note (7)</i>

\*Contract in Title Company    \*\*Contract Pending

- |  |  |
|--|--|
| (1) Discounted note purchase ( <i>not</i> a land sale).      | (5) Returned 41% of cash invested from selling 18% of land |
| (2) Two-lot partial sale, a 50% IRR from selling 28% of land | (6) Returned 94% of cash invested from selling 34% of land |
| (3) 100% leased in 10 months.                                | (7) Under contract, cannot disclose until after closing    |
| (4) Phase I sold out in less than 8 months.                  |  |

Enough galking on with war stories. What matters is what's next. What lurks around the bend in the road? You know as well as I, behind every boom there's always a wheeze.

Sharpen your pencils and follow me here: in the 80s, remember, it was anything that's not moving, buy it. Even your table waiter was offering hot tips for making a killing in real estate.

Now fast forward to the prevailing post-crash sentiment. The one that says: Hunker down for another boom-n-bust ride of the 80s, compañero. Not only can you lose money in real estate, most likely...

**YOU WILL!**

Now let's replay this script with Heatley-Moist Street-Smart Logic.

First and foremost, Prevailing Sentiment goes to the shredder. Next, do a level one reformat of your cerebral hard disk, followed by a full reinstall of Facts and Figures, or more precisely...

**Demographics.**

I'm going to spotlight two items here about the 80s fiasco:

**80s-Bust Fact #1:**

It was fueled by a glut of speculative overbuilding. Dauntless, developers forged ahead without firm commitments, without pre-leasing, without doing their homework. Emotionally charged with the I'll-Take-It-No Matter-What-It-Cost fever, investors would buy anything revealing even a hint of a promise.

**80s-Bust Fact #2:**

An abundance of capital and loosey-goosey lending practices layered atop sucker tax shelters added more fuel to the fire. So you wanted a loan for a speculative venture? No problem. In the 80s, S&Ls scrambled to accommodate.

But this boom?

This boom isn't based on speculation, free money, blind greed--any of the familiar trappings of the 80s. What drives THIS boom is...

**THE LAW OF SUPPLY AND DEMAND!**

In case you've been wearing blinders and ear plugs lately, let me remind you that we're smack dab in the middle of the hottest growth area in the country. So many businesses and people are flocking to D/FW, we're blowing demographic projections off the charts. So reprogram that tape recorder in your brain to play this:

**Street-Smart Fact #1:**

Every business that sets up shop in D/FW has to have operating space: offices, retail sites, warehouses, industrial set-ups.

**Street-Smart Fact #2:**

Every worker in those businesses needs a place to live in the D/FW area. Some rent apartments, others purchase existing homes, and many like the idea of building new houses for their families.

So what happens as even more businesses and more families flock to D/FW?

**Street-Smart Fact #3:**

They fill up those existing spaces, creating the need for more offices, more land, more houses. Simply put, the demand in D/FW right now is racing past the supply.

And this demand isn't a figment of my imagination, I can assure you.

Take the case of home builders (see insert marked EXHIBIT "A"): they can't find enough construction sites to meet demand. More to the point, this lot shortage is the #2 headache of home builders, and there's not a smidgen of relief in sight.

Even U.S. Housing Markets got their socks knocked off by this surge in

housing demand throughout the D/FW area. "The Metroplex housing market has been much stronger than expected," the publication admitted in a recent report. And some even claim housing starts would have been higher if more lots had been available.

Demand for office space stands at an all-time high, too. At year-end '97, the vacancy rate for commercial office space in far North Dallas stood at 10.4%. Make that 6.3% for Richardson-Plano, 4.8% for Las Colinas and 5.7% for the Mid-Cities. Deadlines precluded any figures for Northeast Tarrant County (NETC), but it's just as well. As any real estate agent who's leased space in that market knows, NETC is one giant blinking *no vacancies* sign. Whatever. By most standards, those figures say we're close to full capacity for commercial office space. But Street-Smart standards say we blasted past "full" some time ago.

But really, now. What started this demand? The first domino? That's easy. That is, if you buy what the Manager of Research and Information at the North Central Texas Council of Governments is saying:

**"Jobs, jobs, and more jobs  
are what attracted new residents to the D/FW area..."**

—Dr. Lyssa Jenkins  
Interview with  
*The Dallas Morning News, 1997*

Jenkins also noted the metro area is among the leading job-growth centers in the country, luring employers in need of available cheap land, a good labor pool and modest cost-of-living standards.

D/FW population and job growth statistics for the first half of the 90s are nothing short of mind-boggling. Just between '90 & '95...

- Texas led the nation in job growth (U.S. Census Bureau).
- 193,500 new jobs were created in the D/FW region (NCTCOG).
- D/FW's population growth soared as 321,500 newcomers moved to the area (NCTCOG)—the equivalent of another Arlington.
- The State Highway 121 Corridor—from the mid-cities and D/FW International Airport northeastward to southern Denton and Collin counties—gained more than 103,000 new residents during the period, making it THE hot spot of population growth in the region.

And even better for '96 as new businesses arrived on the scene like wildfire and existing businesses continued to expand. In '96 alone:

- \* Fort Worth's new/expanded facilities tally... 180.
- \* Site Selection magazine noted that the number of new and expanded facilities for Fort Worth-Arlington alone ranked... eighth in the nation.

- \* The Metroplex gained another... 112,000 new residents.
- \* Dallas, Denton, Collin, and Tarrant Counties accounted for... 85% of Metroplex growth.
- \* Newcomers landing in Tarrant County: One in four. (*Between '90 & '96, Southlake and Flower Mound doubled in population.*)
- \* Metroplex job growth jumped to more than... 80,000. (*Average annual Metroplex job growth '91-'97: 61,000.*)

I can already hear it: "Yeah, Mike, but things won't stay that way THAT much longer." Hang on to your Stetsons, my friends. The best is yet to come.

Hard-core growth figures for '95-'98 won't be officially released until late this month. But a sneak peak at new statistics from the Council of Governments reveals population and employment growth for the last three years nearly matches the number of new residents and jobs netted by the region between '90 and '95. Since January 1, '95:

\*\* Nearly 300,000 more newcomers arrived in the region (that's another Arlington all over again).

\*\* The area netted about 250,000 new jobs.

Dr. Jenkins again: "It doesn't get any better than this. The department has gauged these trends since 1980, and we've never seen numbers like this before," she recently told The Dallas Morning News. "It's record growth."

And that's only the beginning why this boom has no end in sight.

Sure, any number of party-poopers could come crashing in at any time. But I say this boom lasts another five years and... I'm not alone. Feast your eyes on this:

**"The Texas economy will create more jobs in the next five years than any other state besides California. In fact, Texas could gain about 868,000 jobs between 1997 and 2001."**

*--Prediction for the Lone Star State in the 1997 edition of the U.S. Regional Economies Forecast by DRI/McGraw-Hill:*

Not convinced yet? Read on.

#### **Extended Boom Exhibit "A":**

#### **Banks and Developers are Doing Their Homework Now.**

Today's smart bankers don't loan jillions of dollars based on speculative dreams like they did back in the 80s. Thanks to The Great S&L Fiasco of '90, banks have tightened lending practices. Developers, too, learned a hard lesson from speculative 80s ven-

tures. Now they require pre-leases and demand firm commitments BEFORE breaking ground.

**Extended Boom Exhibit "B":**

**Heatley-Moist Is Working With "Smart-Bomb" Efficiency.**

Just like the big guys, we've learned to first find the buyers, then get the product. And, debt from overleveraging is now a distant memory. But most important is this: our efforts are now locked in on THE profit centers of D/FW. Namely, Northeast Tarrant County—a territory notoriously immune to building gluts.

**Extended Boom Exhibit "C":**

**The D/FW Infrastructure Is Strong Enough To Support A Long Ride... No Matter WHAT The Economy Does.**

We've built an infrastructure with a top-notch transportation system that industries can't resist. Alliance Airport and D/FW Airport anchor a rock-solid foundation along the Texas 121 corridor—one of the fastest-growing spots in the nation.

**Extended Boom Exhibit "D":**

**Diversification Of The D/FW Economy Is The Ultimate Insurance Policy Against A Big Bust.**

Food processors, aerospace manufacturers, hi-tech industries, consumer product facilities... You name it, we've got it in D/FW. We're developing an export economy that produces and sells goods and services to other areas—not just to local folks. If one segment of our economy takes a nose-dive, chances are good that D/FW's diversification will protect the area's overall economic strength.

Oh, and why so big a deal about the Ritz-Carlton? Because in D/FW my friend, it's money that talks. But not just Ritz's \$100 million. There are others like Sofitel (an European-based luxury hotel) not far behind. Who wants to bet against players like that?

Not me.

So, exactly what is it you should do now?

Start here: ask yourself where you want to be in five years and, how much longer can you afford to sit on your hands. There's still time to catch this boom, and enough of it to reward handsomely those who start now. Many investors won't, though. Like so many others before them who get soured in downturns, they compound the error by sitting silent as a Cigar Store Indian while booms like this play out far beyond expectations... ...a mistake far more costly than the sum of their losses on the way down.

Finish here: contact immediately someone you know and trust who's in real estate, or who *invests* with someone in real estate. Local would be good. Examine the cut they give investors and check track records. Next, get in your car and do some wind-shielding. Look at the projects they're

doing: the kind of tenants, leases, locations, buildings etc. If you buy into their story, then it's a matter of asset allocation. Namely, how many dollars you can budget for a long term investment. Got enough to go around for several projects? Lucky you, you're on your way. That is, IF the project you want in on doesn't happen to be sold out. Now that I mention it, Heatley-Moist's last two offerings were over-subscribed, another sign that we're on the right product-trail for our partners. To get on the list for our next package, call this number:

Street-Smart  
Tip

214-220-9616

Beyond that, I can't think of a single thing better to tell you than...

Don't Dawdle!!

It's harvest season for D/FW.

Sincerely,

Mike Heatley

"The Doctor of Demographics"

P.S. "I can see clearly now, the rain has gone." Johnny Nash, remember? Man was I ever in love with that one. A doozy of a tune it was, but if ever I hear this next one, I may go mental:

**"These Cash Calls Will Be The Death Of Me."**

Know this: back when we were emerging from that smoking bomb crater of '92-'93, I was pounded with this at such uncivilized decibel levels, I'm lucky I made it through without permanent hearing loss. Only once in a blue moon do I hear it now and thankful for that I am. Sure we're in a better market now. Let us not, however, step over this not-so-minor item: a veritable mountain of interest payments has been expeditiously replaced with interest income. Only a handful of our partners caught on to this quiet revolution, however. The revolution that has more and more of our partners getting interest in place of paying it. My partner Bill Moist still agonizes over partners who suffer delusions that Heatley-Moist is in the same rut it was five and ten years ago, buying what could take generations to sell, accompanied by annual assessments that nickel and dime partners out of play. Mayhaps Mr. Moist's update here will help those partners see things, well... more clearly.

<b>Heatley-Moist's Five-Year Assessment Revolution Update</b>	<b>12/31/92</b>	<b>12/31/97</b>
JVs Requiring Interest + Expense	47	9
JVs Requiring Expense Only	3	7
JVs Paying H-M Partners	0	16
<b>Totals</b>	<b>50</b>	<b>32</b>
Percent Requiring Interest Payment	94%	28%
Percent Paying H-M Partners	0%	50%