

CS1031 HOUSTON MEMORY CARE, DST

Houston MSA: Spring Cypress Road & Champion Forest Drive, Spring, Texas 77379

ACQUISITION DATE: SEPTEMBER 7, 2018



Offering Details

EQUITY RAISE \$4,167,000

STARTING DISTRIBUTION RATE 5.25%

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INVESTMENT HIGHLIGHTS

■ Long-Term Absolute Net Lease with Personal Guarantees:

- New 15-year lease with 1.75% annual rent escalations
- Absolute net lease - tenant is responsible for all expenses, including taxes, insurance, maintenance, repairs and capital improvements
- Village Green owners personally guarantee entire term of lease

■ **Newly Constructed:** Completed in June of 2018, the property was meticulously designed to create for a comforting, home-like environment.

■ **Excellent Location:** Located near several dense residential developments, including Gleannloch Farms subdivision, which surrounds the facility with over 3,500 homes. In a 5-mile radius, the population is over 245,000, with average household income of approximately \$110,000. Spring, Texas is part of the Houston MSA, the fifth largest metro area in the country.¹

■ **Serving a Growing Demand:** The 65+ age demographic will increase from 13% of the US population in 2010 to approximately 20% by 2030.² The U.S. population requiring assisted living or memory care is expected to increase from 1.5 million in 2017 to 11 million over the next 10 years.³

■ **Tax Free State:** Texas does not have an income tax. Investors will not pay Texas income taxes.



¹ EDGE Capital Markets Study, a selling real estate brokerage and advisory firm

² <https://www.ioaging.org/aging-in-america>

³ <http://www.gardenofpalms.com/blog/view/1149/assisted-living-and-memory-care-demand-increasing-quickly-in-the-united-states>



Tenant Lease Structure

- LEASE TERM: 15 Years
- LEASE STRUCTURE: Absolute Net
- RENEWAL OPTIONS: Three, 5-year renewal options
- RENTAL INCREASES: 1.75% annual increases

Property Details

- 10,000-square-foot, Class A memory care facility (16 beds)
- New 2018 construction
- Designed to create a home-like setting

ABOUT VILLAGE GREEN ALZHEIMER'S CARE HOME

Village Green specializes in the care of seniors who have Alzheimer's, dementia, and other memory impairments. The team at Village Green is carefully selected and trained to manage the unique challenges associated with memory care. They are compassionate, understanding and creative, helping residents and their families address memory issues with dignity and respect.

The unique design of Village Green helps promote a higher quality of life and greater security for residents. The design includes secure exterior doorways, increased space for activities inside and outside the community, a beautiful, serene courtyard and cozy independent areas.

The Village Green Difference

- Village Green's intimate size allows for specialized care, tailored to each resident.
- The homes feature 16 private suites, designed in a warm, home-like atmosphere.
- Residents are able to age in place – increasing needs may not force residents to move for additional care as in many other communities.



Houston MSA Market Overview

Houston Population and Growth

- Houston, Texas is the fifth largest MSA in the country, with a population of approximately 6.89 million residents (as of 2017).⁴
- Houston has grown by over 900k residents since 2010⁴ and was the 2nd largest gaining MSA in the country last year (2016 – 2017).⁵
- Houston's 65+ age group is estimated to grow by 456,000 residents from 2017 – 2027, an increase of 62.8% (averaging growth scenarios).⁶

⁴ <https://www.dshs.texas.gov/chs/popdat/st2010c.shtm> and <https://www.dshs.texas.gov/chs/popdat/ST2017.shtm>
⁵ <https://www.census.gov/newsroom/press-releases/2018/popest-metro-county.html>
⁶ https://www.houston.org/pdf/research/quickview/Population_Employment_Forecast.pdf

Facts and Stats

- Houston ranks as the 6th lowest cost of living among the twenty largest US metropolitan areas.⁷
- 21 companies on the 2018 Fortune 500 list are headquartered in the Houston metro area, ranking 4th in the country.⁸
- Houston ranked 2nd in the country for housing starts (as of the 2nd quarter 2018).⁹

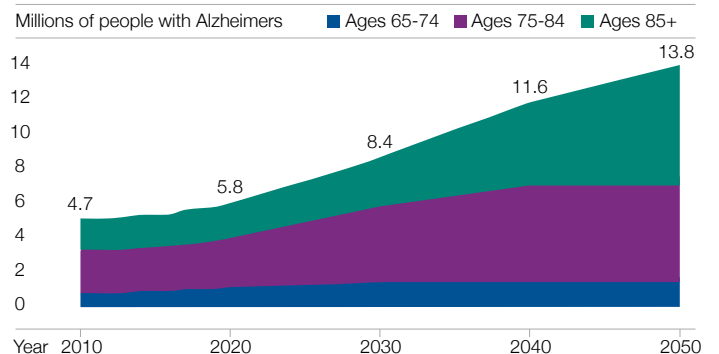
⁷ <https://patch.com/texas/galleria-riveroaks/houstons-cost-living-sixth-lowest-nation>
⁸ http://www.houston.org/newgen/14_Company_Information/14A%20W001%20Fortune%20500%20Companies.pdf
⁹ <https://www.metrostudy.com/houston-housing-2q18-still-2-market-new-home-starts-builders-move-towards-smaller-lots-continue-deliver-affordable-product/>

The US Memory Care Market

- 1 in 3 seniors dies with Alzheimer's or another dementia. These diseases kill more than breast cancer and prostate cancer combined.¹⁰
- In 2018, Alzheimer's and other dementias will cost the nation \$277 billion. By 2050, these costs could rise to \$1.1 trillion.¹⁰
- 5.7 million Americans are living with Alzheimer's. By 2050, nearly 14 million are projected to have Alzheimer's.¹⁰

¹⁰ <https://www.alz.org/alzheimers-dementia/facts-figures>
¹¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3719424/>

Projected Growth in US Population with Alzheimer's, 2010 to 2050¹¹





ABOUT CAPITAL SQUARE

Capital Square 1031 is a national real estate investment and management company that sponsors investment-grade real estate exchange programs that qualify for tax deferral under Section 1031 of the Internal Revenue Code. The firm uses the Delaware Statutory Trust (DST) structure to make quality real estate available to a larger number of investors. Capital Square provides a range of services, including due diligence, acquisition, loan sourcing, property management/asset management, and disposition, for a growing number of high net worth investors, private equity firms, family offices and institutional investors.

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Consider the Risks: An investment in the Interests involves substantial investment and tax risks, including, without limitation, the following risks:

- Past performance is not a guarantee of future results.
- The economic success of the Interests will depend upon the results of operations of the Property. Fluctuations in vacancy rates, rent schedules, and operating expenses can adversely affect operating results or render the sale or refinancing of the Property difficult or unattractive.
- The Master Tenant's capitalization is supported solely by the cash flow from the underlying tenant lease. The Sponsor is not under any obligation to contribute capital to the Master Tenant.
- No assurance can be given that Beneficial Owners of Interests will realize a substantial return (if any) on their investment or that they will not lose their entire investment in the Trust.
- The Interests are not freely transferable by the Beneficial Owners.
- There are various risks associated with owning, financing, operating, and leasing commercial properties in Texas.
- The Interests do not represent a diversified investment.
- Beneficial Owners must completely rely on the Master Tenant to collect the rent and operate, manage, lease, and maintain the Property.
- The Beneficial Owners have no voting rights with respect to the management or operations of the Trust or in connection with the sale of the property.
- There are various conflicts of interest among the Trust, the Sponsor, the Signatory Trustee, and their Affiliates.
- The Interests are illiquid.
- There are tax risks associated with an investment in the Interests.
- There are risks related to competition from properties similar to and near the property.
- There may be environmental risks related to the property.