



Now six properties, 2,283 units!!!

# Courageous

Named after the 1977 America's Cup winner.  
Ted Turner bought an opponent's old boat,  
and then beat the seller's new one with his old one!

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## Sweet Home Alabama

The original intent of Chasseur Realty Investors, LLC, was to create a small, boutique investment company which would build a portfolio of perhaps 25 assets, 200 units each, for a total of 5,000 units. This would be a suitable size to allow senior level management to exert a high degree of influence with regards to repositioning, capital improvements, market positioning, and enable us to really focus upon the particular piece of real estate and what is happening in the field!

So it came as quite a surprise to us when we were contacted in May by a private company out of New England and asked to asset manage a portfolio of six communities, and over 2,200 units! It looks like after only 90 days of existence Chasseur is well on its way to the 5,000 unit mark! Perhaps it's already time to re-evaluate those initial plans!

It's extremely fortunate for us that five properties, consisting of roughly 2,000 units, are located in Mobile, Alabama, a city with which Chasseur management is extremely familiar, having managed properties there for the past five years. The sixth property is in Atlanta, where we have also managed for many years.

There are a number of other aspects of this assignment which make it particularly appealing. The properties are quite large, with two of them being over 500 units. And we have always felt that larger communities require a higher degree of sophistication to manage. Often we have thought that the 400 unit threshold separates the wheat from the chaff.

In addition to market familiarity and property size, it is also beneficial to all that the properties are presently going through a substantial reposition as a result of a capital expenditure program which is expected to reach \$3.2M in 2014. Given that senior management at Chasseur is a descendent of GDC Properties Inc. and PRG Real Estate Management Inc., two value add investment companies, this is right up our alley! So the asset management assignment by all appearances is as much of a win-win situation as one

will ever find! We have high expectations for the performance of this portfolio, given the uniting of a value add boutique investment company and a portfolio in the midst of substantial repositioning! ♦



## A Little Bit is Better Than Nada.....

.....sometimes you want the whole enchilada!" That's how the theme song from the golfing movie "Tin Cup" goes. And in many ways, it described what has evolved as the investment philosophy of Chasseur Realty Investors!



We'll take you back to a lunch not all that long ago in Houston, Texas. The person we were entertaining was worth, oh, say about \$500M! Couldn't have been a nicer guy, and you know, wasn't in any rush to wrap up the lunch! But then again, with a checking account like that, why rush back to work?! And his words to us in that lunch were, "look, why should I buy any of this real estate at these prices people are paying today? They're never going to be able to refinance them! So why shouldn't I just wait until refinance time and then buy a whole lot of real estate at reasonable cap rates?"

Here at Chasseur, it's been an interesting first 120 days of pursuing assets. There was the property in Spartanburg, S.C., that the owner told me he thought would go for \$4.5M to \$4.7M. It went for \$6.0. There was the property in Greensboro, N.C., where we followed broker guidance, and thought we'd really sharpen our pencils for the "best and final" round. Well....there was no best and final round! A buyer came in and offered such a high price up front, with so much non-refundable, that the seller just accepted it!

With those experiences and so many others in our first four months of existence, we've developed a set of principles to invest by:

First, only pursue properties near or less than 150 units. That's where the "Tin Cup" reference comes from. The rest of the world is looking to make a big splash, so we'll operate under the radar screen. Once you get below 150 units, the cash on cash returns jump by about 5%. Second, it has to have a value-add component. Third, second tier and tertiary markets are the only places we look. Fourth, in almost all cases, we want the asset priced rather than unpriced, or some extremely sound broker guidance. And last, if there is going to be a "best and final, let's whip them into a frenzy" call for offers, don't look for our bid. We like bidding on our time table, and in a sensible manner. We'll be back to pursuing larger properties some time. But only after the market's irrational exuberance settles down! ♦

## Sails to Somewhere!



**Robert M. Dominy**  
Chief Executive Officer

**“Blew Bayou!!!  
Like it’s sponsor,  
Chasseur Realty  
Investors, LLC ,  
the Lightning in  
action blowing  
past another  
competitor fighting  
for the summer  
roller hockey  
championship!!!**



**T**he halyard brothers. That’s how my brother and I would refer to ourselves in our sailing days growing up....a sort of intentionally self-deprecating kind of reference....but we liked it!!!

We’d often leave our harbor in Falmouth on Cape Cod, bound for Nantucket or Martha’s Vineyard. One of our favorite stops was Vineyard Haven, which is a charming harbor but with limited dock space and a Harbormaster with the demeanor of a pitbull. But for some reason, Don took a liking to me and would actually tell sailors that there time was up and they had to leave when he saw my boat enter the harbor. On the first occasion that my brother met the Harbormaster, I stepped on the dock and hollered “Don” and gave a big hardy wave. Don smiled, waved warmly in return, and hollered “Don” to me as well. Upon hearing this, my brother quickly protested to me, “your name’s not Don!” And just as quickly I responded, “be quite....just be quiet....as long as he keeps giving me dock space, he can call me whatever he wants,” thus proving that in sailing, as in real estate, relationships mean everything!

But some of the most enjoyable days that we spent off Cape Cod were on our “sails to nowhere.” We would leave the harbor with no intention of touching land anywhere all day. Instead, we simply point the boat in whatever the 15 to 25 knot Southwesterlies would carry us the fastest, and roar over the waves.

In a sense, there has been a similarity in running Chasseur Realty Investors over the first 120 days to those sails to nowhere off Cape Cod. The similarity lies in the fact that while I have known approximately where we are going, there have been many changes to the game plan along the way. Just as the captain of a boat is constantly adjusting to the direction and velocity of the wind, the shifting tides, and the sudden appearance of shoals, so too has it been necessary to adjust Chasseur’s strategy.

The first adjustment has come in our entry into area of asset management. We did not expect this kind of success, with a portfolio of this magnitude, so early in our existence.

We also have had to make numerous adjustments to our investment strategy. I have felt for many years that there are always ways in which you can arbitrage the markets. But I have to admit, it took some time to get the formula right this time! (Beata, please use this quote in the left hand column). We tried our usual secondary market approach. Our customary “it’s got to have a value-add component” approach. We tried the “let’s go to a different part of the country that no one else has ever thought of” approach. But in every bidding situation, we felt that in order to win, we would have to make an offer which almost bordered on the irresponsible. In a world this awash with cash, there simply was no “place that no one has thought of.” Never....ever....did I think that the key would come by dropping below the radar screen in terms of unit count.

By this time, I am extremely confident that Chasseur is charted on the right course. But sometimes I just look back and say to myself, “Whew.....that was one of the toughest to resolve that I have ever seen.

In spite of this confidence, many decision remain. In the days that I was planning this venture, I had intended to make boutique hotels a target product line. Right now, that is on hold until the multifamily investments sort themselves out. I also intended to build a brokerage in Naples. That is still on the radar screen....it’s just pushed a little further down the road.

And finally there are the equity decisions to be made. I’ve frankly been flattered in the amount of interest that has been expressed by a number of organizations to invest in a brand new company like Chasseur. But whether we go the institutional investor route, the “friends and family” route, and under what terms, remains to be seen.

But while the days are extremely long, as I’m frequently behind my computer screen by 6:00 or 6:30 a.m., creating and launching Chasseur has been one of the most satisfying ventures of my career. Once in a while....on a day with a few TOO many adjustments....I still need to remind myself that in sailing, changing course is constant too! ♦



## In Search of Our Moby Dick!!!

The road to making a successful multi-family investment these days can be treacherous, filled with pot holes, with danger lurking around every bend. Maybe we need Stratton Oakmont (just kidding....guys....a vague reference to "Wolf of Wall Street"). Actually, as the unaccepted LOI's pile up, we thought we'd walk you through a number of the investments which we pursued to give insight with regards to our style, as well as our methodology, in making investments! ♦

## 830 Park East, Tallahassee, FL

This was only a 56 unit property. However, at the asking price of \$2.4M which the lender was seeking on this foreclosure, it threw off over \$100K per year, and had a 21% cash on cash return! The property was also in just an ideal location, given that it was about a five minute walk from the state house, and about seven minutes from Florida State University! And at one point, we were only \$100K away from reaching a deal. There were some problems, though. It was in the hands of a lender, rather than a private seller. Also, the previous owner had filed condo docs, and legal work was needed to determine what the impact would be. Finally, the lender decided to take it to a foreclosure auction. The downside of that was that, once the gavel came down, the property was yours! So much for due diligence! Chasseur decided that, given that the property was of 1969 vintage, there was simply too much risk. There was no way of knowing what environmental problems might exist....what condition things like the sewer lines might be. So we passed! ♦



## Somewhere along I-10....Sunshine State!

We have to be careful that we don't say too much about this one, because it's still under negotiation. But this 168 unit community has a lot that we seek in new investments. It's a C+ product....sleepy management.....and in need of a pretty substantial infusion of capital improvements, on both the interior as well as the exterior. The biggest problem is that the seller thinks he is selling it turn-key, and it will require \$4K to \$5K in improvements. But if we can get it at the right number.... ♦

## Madison Woods, Greensboro, NC

This 180 unit community was constructed in 1972, and sits on just a beautiful parcel of land, which is always a high priority to Chasseur, and was in a good neighborhood, being just off Friendly Rd. The property was probably a C+ asset, but was definitely undermanaged. At Chasseur, we like to find properties which offer an upside due to both being undermanaged as well as due to repositioning opportunities. On the day that the property was shopped incognito by Chasseur management, the model lights were all out....shades....were all drawn....everything we like to see! But this property was our poster child for everything that was wrong with the property. We suspected that the property would go for a number that began with a "7." So we submitted an offer at \$7.0, and thought that we'd get aggressive in the "best and final." Well.....there was no best and final! Someone came in and blew everyone else away!!! ♦

## Beacon Wendover, Greensboro, NC

This is a property which was of late 80's vintage, so newer than Madison Woods, and it was in a better location than Madison Woods. The consensus was that the property would probably go somewhere in the \$45K to \$50K per unit price tag. But once in a while, even we learn our lessons the easy way. After the debacle in the bidding process at Madison Woods, we submitted an initial bid in round one, but concluded that this property would just be too hot to handle in round two. We passed! ♦

## Hickory Ridge, Greenville, SC

This is a 96 unit C+ community on Wade Hampton Rd. a couple miles outside downtown Greenville, just a lovely second tier town. By our numbers, the property had a low teens cash on cash, so it was quite desirable. After numerous phone calls went unreturned, we finally caught up with the owner out in California, only to find out that the property was already under contract! We continued to stay in contact with the seller through the due diligence process, but when the buyer made a firm financial commitment, we moved on to other investments. ♦

## Somewhere in Bluegrass Country....Wouldn't you like to know!!!

Well....we've been asked more than once what our "pipeline" looks like, and yes indeed, we do have a pipeline. This 100 unit community only has about a 45% occupancy rate, and we have budgeted about \$10K per unit for capital improvements. The IRR is closer to 30% than to 20%, and after year one we think the cash on cash will make our investors smile! ♦



At Chasseur, we consistently outperform!

Historical Same Store NOI Increases		
Year	Increase	Comments
1995	15.5%	10,000 unit Mid-Atlantic Portfolio
1996	10.6%	4,500 unit East Coast Portfolio
1997	14.1%	4,500 unit East Coast Portfolio
1998	NA	Split Year, two different companies
1999	25.4%	3,300 East Coast Portfolio
2000	4.2%	4,000 East Coast U.S. Portfolio
2001	4.6%	5,000 Eastern U.S. Portfolio
2002	7.4%	6,000 Eastern U.S. Portfolio
2003	4.4%	7,000 Eastern U.S. Portfolio
2004	3.5%	8,000 Eastern U.S. Portfolio
2005	7.8%	9,000 Eastern U.S. Portfolio
2006	4.4%	10,000 unit Eastern U.S. Portfolio
2007	6.3%	11,000 unit Eastern U.S. Portfolio
2008	-2.4%	12,300 unit Eastern U.S. Portfolio
2009	NA	Split Year, two different companies
2010	10.6%	Privately Held Eastern U.S. Portfolio
2011	10.5%	Privately Held Eastern U.S. Portfolio
2012	11.3%	Privately Held Eastern U.S. Portfolio
Avg.	8.6%	

## Back in the Saddle Again!

**H**orse country. Sometimes known as the state with pretty women and fast horses. In recent days we returned to the state in which we have only had winners on the acquisitions trail. To Chasseur, Kentucky has been home to three of our finest investments over the years, the 286 unit River Oaks in Louisville, the Saddlebrook Apartments in Lexington, and the Bates Creek Village Apartments, also in Lexington.

And yet, in spite of everything you have read on the previous pages, in spite of outrageous market conditions in 2014, Chasseur Realty Investors prevailed at the finish line when it put a 102 unit property under contract in Louisville, Kentucky!

Springhurst East, as it is presently known, is exactly what we are looking for. The property has reposition written all over it. Of 1972 vintage, the property is perhaps a class C- community situated in a class B+ neighborhood. The property mostly consists of two bedroom, one bath apartments which are nearly 1,000 square feet. Also, all two bedroom apartments have wash/dryer hook-ups. The property also benefits from great drive-by traffic, with extensive frontage on Whitehurst Rd. A strong school system and a five minute drive to a local hospital also help.

But the property has been held back by considerable deferred maintenance, which fortunately mostly comes down to addressing cosmetic items. Most of the expensive things, such as new architectural shingles and new two inch re-paving project have already been done. However, we plan to paint and carpet all interior hallways. We may replace light fixtures as well.

On the exterior, this property suffers from a complete lack of ambiance. To address this, we will install a white corral style fence at the front of the property. We also plan to install a white gazebo. While the property is entirely brick, we plan to install black shutters on all windows. And we will also add a new pool, deck, fencing, furniture and colorful umbrellas to address an amenity sorely lacking. We also plan to create a park, picnic area and grills.

The last area we will address is the unit interiors. All cabinets will painted white with brush nickel hardware. All countertops will be treated with a new spray finish. And carpet or faux wood flooring will be installed in many units.

Finally, the property will receive a massive injection of intensive Chasseur Realty Investor management to a property which is significantly under managed at the moment. When we are finished, we are confident that we can take a property for which we paid just north of \$4M in 2014 and cause it to be valued in excess of \$6M within two years! ♦

## Wolf of the Chesapeake!!!



*Matthew McConaughey said it best: "I don't care whether it's Jimmy Buffett or Warren Buffett,....no one on Wall Street knows whether a stock is going up, down, sideways or in circles!" But here's an inside tip: Chasseur sponsored investments from somewhere, not to be confused with Jimmy Buffett's "Songs from Somewhere," more often than go up, and frequently WAY up, rather than down!*



**ChasseurRealtyInvestors.com now LIVE!!!**



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