

East Memphis Ambiance Surrounds The Grove at Hedgemoor!!

It's very difficult to find high quality assets in a good neighborhood at a reasonable price these days. And that's why we here at Chasseur were delighted to have closed upon two exceptional assets in Memphis late last year!



The Grove Hedgemoor is a 64 unit property which is situated in the affluent East Memphis market. The gated community, which consists of all two bedroom, one bath apartments, is on a beautiful piece of land, and is named after the Hedgemoor single family development right next door. The neighborhood features homes which regularly sell from \$650,000 to \$1.2M. Average household income in a one mile radius is \$96,000. Not bad for a Midwest distribution center!!! The neighborhood also consists of very mature trees which provide a canopy over the streets, and therefore is considered exceptionally desirable. The property is also adjacent to the "Greenway," which formerly served as railroad tracks but has been converted into a 16 mile running, walking and cycling trail. As if that is not enough, it is also within a couple miles of the University of Memphis.

The community, which is as neat as a pin on the exterior, was constructed in 1958, was renovated in 2000 and then renovated again in 2015-2016. It has lush Bermuda grass lawns, and a lovely courtyard which all buildings overlook. It also has a very pleasant pool area abutted by expensive homes.

Chasseur has ambitious renovation plans which have already begun. We recently received schemes from Erin Marshall Design for an exterior repaint of the community. The color change is in part directed at eliminating the royal blue doors which currently exist and are not attractive. As is our custom, we will paint different buildings different colors in order to create more of a village feel.

We also plan to resurface the pool deck, and install new pool furniture. We will replace the front signage, and change the exceptionally outdated logo. We further have plans to install small, white Christmas lights in the fence and balconies at the front of the property to provide a touch of elegance as well as exclusiveness. And we also plan to install patios, furnished with table, chairs and umbrellas in the courtyards. When the improvements are all complete, start thinking in the vicinity of \$200 rent increases!!! ♦

The Grove at North Highland; Condo Quality Community Overlooking Chickasaw CC!!!

Chasseur Realty Investors, LLC, was exceptionally pleased that, in addition to purchasing The Grove at Hedgemoor, we were also able to close on its neighboring property, The Grove at N. Highland, which is situated about a mile away! The Grove N. Highland is similarly located in the same affluent neighborhood, and is surrounded by the same income levels. But N. Highland Street is considered even more prestigious than the Hedgemoor location.



The Grove N. Highland offers a multitude of opportunities to be taken upstream. It is situated on a beautiful parcel of land, and also had the advantage that every apartment overlooks the picturesque Chickasaw Country Club! It has an extremely private swimming pool surrounded by large trees, and also has a beautiful lawn area which as of yet has not been taken advantage of. And while the property is only 32 units, they are all extremely large floorplans, and each one contains full size washer and dryers.

We have a number of outstanding improvements planned. We will substantially upgrade the pool area with a new stamped concrete deck. We will also add brightly colored pool furniture and umbrellas. Further, we plan to add a black wrought iron looking fence at the front of the community, and will attach white Christmas style lights to that as well as to the balconies at the front of the property. We will also change the front signage, and update the out of fashion logo. The expense for these improvements should not be exceptional. But we think the increase in rents will be!! ♦

RMD: Chasseur from 2014-2019! Aging Like a Fine Wine!!



Robert M. Dominy
Chief Executive Officer

“ ... I’m expecting that the changes will be substantial but that the end product a year from now will be another dramatic step forward in the performance which Chasseur delivers. Heck.... it sure won’t be boring!”

Pictures on the right show the dramatic change of Villas sur la Riviere.

And so we turn the page on another new year. Chasseur will turn five years old on March 4th, 2019, and the company if nothing else has shown an amazing capability to constantly evaluate, continuously adjust, and to demonstrate the flexibility and open mindedness to do the things which are necessary to become a more profitable company.

In 2017 I really felt we had the need to fine tune operations if we were to continue to deliver the quality of performance which I expect of myself and my companies over these past 40 years within the industry, managing and investing in over 45,000 units. So we did just that, and produced an 18.7% increase in NOI last year, and followed that with an 8.3% increase in NOI this year.

Of course, those numbers will tell the experienced real estate investor that NOI increases are slowing down, and that must mean that we are closing in on having achieved our original goal of taking underperforming properties and improving their performance to the point that they reach market equilibrium. But that must mean that it is also time to divest and return equity to our investors, or at least enable them to invest in new Chasseur acquisitions which are underperforming. It’s the only way to continue to generate above market returns. So you can expect that in 2019 we will have our share of dispositions.

We have also made a major change in our investment strategy for the upcoming year. For the past two or three years I have spent considerable time in places like Florida, Arizona and Texas seeking new acquisitions. However, those three areas have all become overheated, so they have been crossed off my map. And most recently, I have crossed off the state of Georgia as well, especially in the Atlanta area.

Our new target markets go from Memphis, TN, where we acquired two communities in September, west to Little Rock, and east to the markets of Birmingham, Huntsville and Montgomery. We also consider Kentucky and possibly Missouri as areas where we would invest. We call this our new “Mid-South” strategy, and like many of the markets in those areas. They are bigger MSA’s, closer to one central location, and they have mostly avoided having become overpriced.

In 2019 you can also expect to see the Chasseur accounting office relocated to Memphis. The city is geographically in the center of our target markets, and it is an easy two hour non-stop from East Coast cities.

One additional change which I must mention is the variety and magnitude of equity sources interested in investing in Chasseur. In addition to our usual, highly valued equity sources, we have also been approached by two different groups interested in providing Chasseur with \$30M each. Both situations look very promising and we expect to dramatically increase Chasseur’s buying power through these relationships.

Putting it all together, I’m expecting that the changes will be substantial but that the end product a year from now will be another dramatic step forward in the performance which Chasseur delivers. Heck....it sure won’t be boring! ♦



NOI Increases at An 8.3% Pace in 2018!!

Last year was the third full year of Chasseur ownership and operations of properties in the field. So we had every expectation that our rate of increase would slow down from the dramatic 18.7% increase which we saw in 2017. But we were nevertheless extremely pleased to have recorded an 8.3% increase at same store properties, well above the usual industry average.

Leading the company was Heather Nason, property manager at Bandywood in Pascagoula, with a 43.7% increase. Pascagoula is virtually a suburb of Ingalls Shipbuilding, and in that regard, as goes Ingalls...so goes Pascagoula. But in spite of the fact that Ingalls is just beginning to bust out of the doldrums, Heather has exceeded expectations with this performance!

In second place was Ashley Woods at 16.9%. Ashley is located in Macon, Georgia, where they have a wonderful cherry blossom festival. Ashley was our first investment and when we bought it we thought that we were buying an apartment complex. We did not know that we were buying an ATM!!! Under the direction of property manager Gloria Cooper, Ashley is the gift that keeps on giving!!!

The community with the third best performance was Villas Sur La Riviere, our 120 unit community in Gulfport.



Under the direction of Deanna Turner and with the very capable assistance of Ben Brasswell, the Villas posted a 15.5% increase on the heels of a sharp rise in 2017. The Villas has taken longer than we expected to turn around. However, the City of Gulfport recently came in and completely cleaned out the bayou which the property overlooks. Combined with the many capital improvements which we have made the Villas has become a very pleasant community.

We understood that at some point, it is only natural that we would start running into our own numbers and so the percentage increases would be reduced on a comparative basis. But what that really tells us is that this is a maturing portfolio, and that we have accomplished many of the things which we originally intended to do! ♦

The Mid-South Acquisitions Strategy Offers Intriguing Opportunities

What does a real estate investment company do to continue to seek assets to buy when we find ourselves in year ten of economic expansion? We spent considerable time the past year and a half ruling out different states where it is no longer possible to make attractive investments. First we concluded that Florida was sold out! Next we crossed Texas off the map. Arizona is likewise a difficult place to buy. And most recently we concluded that Georgia was joining that group.

So we went to the map and concluded that we could find more attractive opportunities in a region known as the Mid-South! Last fall we made our first two purchases when we acquired The Grove Hedgemoor and The Grove N. Highlands in Memphis, Tennessee. In addition we placed Hunters Ridge, also in Memphis under contract. And we further made it to the best and final round in pur-



suit of the acquisition of Holcombe Heights in Little Rock, AR. So over the course of 2018, we gradually evolved into a Mid-South investment strategy because it offered a geographic area in which to invest in which we found the “Goldilocks economy.” It was not so hot that capitalization rates were compressed and investors were over paying for assets. Yet it is not an area which has experienced many wild swings in economic activity. Therefore, we feel that it is a perfect place to buy under these economic circumstances.

So in 2019, we expect that most of our acquisition activity will be found with Memphis as our hub, reaching west to Little Rock, and east to Huntsville, Birmingham and southeast down to Montgomery. We will also consider Missouri as well as Kentucky. But as we have seen over the past five years since Chasseur was created, we will always be prepared to be flexible should the need arise! ♦

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 |
| 2014 | 17.6% | Asset managed portfolio in AL and GA |
| 2015 | 11.2% | Asset managed portfolio in AL and GA |
| 2016 | 2.2% | Asset managed portfolio in AL and GA |
| 2017 | 18.7% | Chasseur owned same store increase |
| 2018 | 8.3% | Chasseur owned same store increase |
| Avg. | 9.3% | |

The Gulf Coast Saw its Share of Success in '18 Too!!!



Melissa Daugherty

She may not have been exactly “born on the bayou,” but Melissa Daugherty, our Pensacola native and Gulf Coast RVP outperformed the local economy at two different locations. In Pascagoula, in spite of the fact that Ingalls Shipyard has been slow in ramping up, our Bandywood community saw its NOI increase by a Chasseur leading 43.7%. In Gulfport, at a community which really does overlook the bayou, Villas had a 15.5% increase.

As a company, Chasseur also had a very successful year in Mobile. Heron Lakes became our fastest refinance in June, less than two full years after we bought it. And through Chasseur’s consulting division, a five property portfolio in Mobile, purchased for \$98M in 2013, was sold for \$134.5M. Not a bad place to conduct business either!! ♦

In 2018, Georgia Continued to Be On Our Mind!!

As we turn the calendar page from 2018 into 2019, we find that the state of Georgia a particularly difficult state in which to acquire properties, especially anywhere in and around Atlanta. But we also find that it is an extremely good place in which to own them and to operate them.

Last year we were pleasantly surprised to see Ashley Woods conclude the year with a 16.9% NOI increase. But what is amazing about this performance is that it is on top of the 15.5% increase which we had in 2017! It’s very unusual to get two consecutive years in the mid-teens without massive capital improvements. And Ashley had almost none! But this little community tucked away on a plateau and surrounded by trees just keeps on delivering performance!

In Valdosta, The Courtyards is less than three years old. But lately we have had more success marketing the property than at any time since we took ownership. In fact, at the time of this writing it is now

100% leased!!

Finally there is Whispering Woods, which is our 108 unit mostly townhome community located in Macon. We installed Zykeria McCarthy as property manager in July, and her performance in leasing up the community has been impressive. At the end of January, occupancy at Whispering stood at 94.5%, and the property benefitted from a 3.5% increase in average rent as well!! ♦



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Next Issue: Look for more news on our capital improvement renovation at The Grove, further pursuit of our mid-South investment strategy, and the relocation of our accounting office to Memphis!



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