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Fondren Hill: A Location to Die For!!!

Once upon a time.....there was a property in Boston known as Charles River Park. It consisted of 2,900 units, and was situated right across the street from Mass General Hospital. Almost all of its occupants worked at MGH. It was a once in a life time location.

But wait a minute!!! Maybe it wasn't!!! In April, Chasseur Realty Investors, LLC, put the Fondren Hill Apartments in Jackson, MS under contract!! Situated on Lakeside Drive in North Jackson, it is within walking distance of 15,000 jobs, and is also within walking distance of an area with many eclectic eating and drinking establishments!!! So maybe Charles River Park is not once in a life time after all!!!

Yes, folks, it's all true!! Chasseur now has under contract and will soon close on the 96 unit Fondren Hill Apartments in Jackson, MS. It's not only home to the University of Mississippi Medical Center, located just across the street, but it also the state capital, with another 30,000 government jobs. The acquisition represents a real shift in the Chasseur acquisition strategy of purchasing only one of a kind locations whenever possible.

The location was one of the most attractive aspects of this acquisition to us. However, so too were the rents of our primary comp within the marketplace. Fondren is located just next to The Meridian, a mid-rise community with rents \$500 per month higher than our own. Indeed, our pro forma is only based upon capturing \$130 of that differential.

The property has been completely renovated on the exterior, with all new roofs, new hardie board siding, and all new windows. So we plan to make a big splash with substantial renovation to the pool, which is located in one of the two courtyards.

But most of our \$418K capital improvement plan will be directed toward interior renovations to the kitchens and baths. We also plan to add washers and dryers to many units which do not currently have them. Once the renovations are complete, we are confident that we will have a product which will provide the consumer with a reasonably priced apartment home in a superior location!

Capital Improvements Drive Memphis NOI Rise!!!

It's like the rising tide of the Mississippi River!!! Hey.....did that levee actually break??? That's what it feels like with the improvement in property operations, and subsequently in NOI and in valuation. And it's all being driven by the change in management, and by the capital improvements as well!!

By the end of the month of May, NOI had increased by 26.8% at The Grove Hedgemoor, and by 16.5% at the recently renamed Grove N. Highlands. And there is no doubt in our minds as to what is providing the rocket fuel behind these NOI increases.

The Grove Hedgemoor is situated adjacent to the affluent Hedgemoor residential neighborhood. And with an average income of \$96K within a one mile radius, we knew that if we did the

improvements right the wherewithal to pay the rents we demanded would be ready, willing and available!! So we resurfaced the pool deck, and added new pool furniture, a favorite area of ours to attack. We also installed patios throughout the picturesque courtyards, and refurbished them with table, chairs and umbrellas. Now our residents can come home and enjoy a glass of wine in the ambiance which we have created. We also painted the exterior of all buildings, another favorite improvement of ours. And perhaps most elegant of all, we installed small white Christmas lights in the trees. Finally, we took a step back and asked ourselves, "what is missing." And we decided that we not only needed to add more color, but we also needed to cover up the exposed utility meters. So we installed knockabout roses throughout the community. The community is now a showplace for all those in East Memphis who drive by!

The Grove N. Highlands was a cinch by comparison!! We vastly improved the pool at this condo quality property, with two bedroom, two bath floorplans which measure 1,350 square feet! We also installed a new black wrought iron looking fence at the front of the community. And white Christmas lights have been installed in both the fence as well as in the balconies on the buildings there as well! And to complete the attack on NOI, we installed Chasseur quality management!! We could not be more enthusiastic in our expectations!!

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RMD Article: First or Last!!! The Ballard of Chasseur Realty Investors!!!

High standards to live up to. Twenty and one record in 2018, followed by a state championship in 2019. It's not easy living up to a legacy. But that's the challenge that RMD III has faced as a freshman on the golf team in 2019. He joined a team fifth in the state a season ago, and undefeated in the current year. It was also a team with six returning upper classmen from the team which finished 5th in the state a season ago. But his pursuit has been undaunted. Ranked #7 as a freshman on a 16 man team with six players who routinely shoot in the 70's is hardly a bad thing. But there can be no satisfaction remaining at this level. He plays every day. Then he comes home and takes his 100 putts on his putting arc. Then he lifts weights to get stronger. Oh yes...and I almost forgot that he begins the day with a two mile run. Better to be in shape for performance on the back nine.

The comparisons to Chasseur are uncanny. We're the descendants to strong management which, going back to 1995, has averaged a 9.3% Same Store growth rate. So we have tough standards to live up to. We've done well in recent years, with an 18.7% growth rate in 2017, followed by an 8.3% growth rate in 2018, and then have seen our 18.7% same store increase in the current year. Pretty good...but hardly satisfying. We always want more!!

Heron Lakes in Mobile is now under contract and should close in early July. Ashley Woods and Whispering Woods are expected to close by early October. Fondren Hill in Jackson, MS has been added to the portfolio. It's all part of a strategy to help us to consolidate the portfolio, which will better enable us to achieve superior results!!

Back to the golf course, a three time Player of the Year, four time participant in the Nationals, has a great resume but is not yet where he wants to be. Then again...neither is Chasseur. We want to win every time...and we want to trounce the competition!!!

We think we can do just that with a fully integrated team. Chasseur is now based in Memphis. Everything we buy will be within 250 miles of that city, and under the thumb of our CEO. We have excellent financing provided by two Memphis firms, Pinnacle and Financial Federal. Our engineering is done by another Memphis firm, Delta Exploration. Everyone knows each other, and cooperates very well, as if on the same team, which we all are. Their kids go to the same private schools with one another.....and they tee off at the same country clubs on Saturday mornings.

Chasseur is now five years old. We've won a lot of battles over the first five years. But we've gotten a lot better. You should worry if we haven't!! Get ready for a lot more wins together!!!

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NOI Rises a Robust 12.3%!!!

In the year 2019, we approached property operations with our usual attention to detail. After all, nothing drives valuation better than a rising NOI. After an 18.7% increase in 2017 and an 8.3% increase in 2018, somewhat of a slowdown might have been expected. But that in fact has not been the case! Same store NOI has actually risen by a robust 12.5% in 2019!!

Leading the way has been Villas sur la Riviere in Gulfport, where we have seen a 116.8% increase. However, our work at that asset is far from done! But NOI at Whispering Woods in Macon, GA has risen by 27.6%, a pretty spectacular performance at a property where we have been preparing for disposition.

Our third strongest performance has come at one of our latest acquisitions, The Grove at Hedgemoor in Memphis, where we have increased NOI by 26.8%. We knew that we would perform well with this asset. But the increase coming so soon after our September, 2019 close has been a nice surprise!!

The Chasseur portfolio had three additional properties with double digit increases. At Ashley Woods in Macon, the perennial strong performer has had another wonderful year, with a 19.2% NOI increase. The Grove N. Highlands in Memphis has experienced a 16.5% rise in NOI. We expect that over time, this incredible investment will out perform it's sister property. And at Bandywood in Pascagoula, the NOI has risen by 11.3%. Overall, Chasseur operations is having a very pleasant year!!

Stuck inside of Mobile with the Memphis Blues Again!!

A Bob Dylan song from away back!!! Again....the kids won't understand this. But then again....should they really be investing in real estate anyway???

The times they are a changin'!! And if you don't change with them....you're destined to being left behind!!! And so....they acquisition strategy at Chasseur is not what it was four years ago! Heaven help us all if it was!!! A lot has happened, and we have adapted and adjusted to it!

We launched this endeavor based upon having highly skilled personnel based in city hubs who would supervise Chasseur acquisitions in a variety of places. But then a funny thing happened on the way to the circus. The institutional money came in and began making hard money deposits, a factor that no investment company which deals with friends and family money can compete with. So we got shut out of Florida....shut out of Texas.....shut out of Arizona.....what the heck....we even got shut out of Georgia!!!

And so, Chasseur has retrenched with a new acquisition strategy, based on having a hub based in Memphis, and going out only 250 to 300 miles from our hub. That's substantially different from what we initially intended to do, and it is all based on the change in market conditions.

We have made another very important change to our acquisition strategy. We have found a sweet spot at the micro level. And that involves picking "B" or "C" assets in absolute solid gold locations. The Groves Hedgemoor and Groves N. Highlands are our first two poster children in this endeavor. And as much as we thought nothing could ever live up to their legacy, in Fondren Hill in Jackson, MS, we're afraid the Groves have met their match! Situated directly across the street from about 15,000 jobs, Fondren Hill is destined to top the charts!!

What's more is that Chasseur has two more in the pipeline!! We have one, lower priced alternative in Jackson which is off market but in another red hot location. And then we have one on a mountainside in Little Rock....looking out across the Arkansas River....with a median income in a one mile radius of \$106,000!!! Did you ever know there was a "Little Rock"??? Heck...did you ever know there was neighborhood with a median income of \$106K in Arkansas???

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NOI Chart

An Investment Surrounded By Icons!!!

For those of you who have never been to Jackson, Mississippi, it may be difficult to appreciate that it is indeed a town in which you can find, and invest near iconic commercial properties!!! But that is exactly what Chasseur has found not too far away from the soon to be iconic “Lofts at Fondren Hill!!” For our next investment opportunity is not just situated in Jackson, the state capital of Mississippi. Of much more importance...it is about a quarter mile away from Char, one of the best steakhouses in the Mid-South!!! It is the same distance from Talbots, an icon in virtually any town!! This is what we do! Turn over stones

So long...Frank Lloyd Wright!!!

Hey...wasn't that a song...fifth cut...Sounds of Silence album?!?! The kids out there are asking, “what's an album!!” So we've been doing this for a long time!! The better to pick out outstanding investments!!!

But the “so long” comes from the fact that, as much as our investments almost become a part of the family to us, sooner or later they must be disposed of! And so in June, the Heron Lakes Apartments in Mobile, Alabama went under contract for a hefty \$3.3M! Not too bad, considering that we purchased it for \$2,475K in October of 2016!!!

But that's not all! In June we also reached an agreement to sell Ashley Woods in Macon, for _____. This was Chasseur's first acquisition in April of 2015, when we paid \$3.3M for the 96 unit property. And we also reached agreement to dispose of the lovely 108 unit townhome community, Whispering Woods, for _____. We closed on Whispering Woods in June of 2015 at the price tag of \$4.9M.

Dispositions in this industry is simply a part of life. Must be done to maximize IRR to our investors and keep them coming back for more. But we're still sorry to see them go! RMD himself spent many a day in Macon overseeing the rise in NOI at these two assets. And that's not to mention many a night in the Ashley Woods model!!

Next Issue: Going in for the Kill at Villas in Gulfport!!!