

The Value-Add Investment Boutique

Welcome to multifamily investment and management world of Chasseur Realty Investors, LLC! For many years we (the Chasseur management team) have written to you in various other publications to keep you informed with regards to our many creative investments, outstanding financial returns, and growth opportunities. However, we felt that the timing was right for the next generation in real estate investing organizations. Chasseur has recently been established as a true boutique investment company. Chasseur will continue the tradition of value add investing in multifamily real estate, but the exception this time around is that the organization is intended to be smaller... more targeted... more hands on... more deliberate in everything that we do in order to produce outstanding returns to our investors.

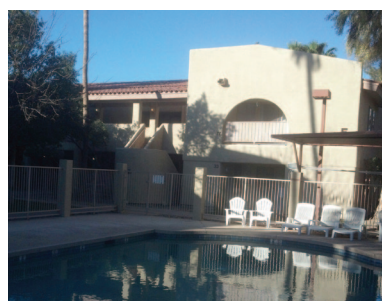
The first way in which Chasseur Realty Investors will differ from its predecessors is in size. It is entirely intentional to avoid becoming too large. We intend to cap the portfolio at no more than 5,000 units. The reason for that is simple. When organizations become too large, they tend to become too diluted, too generic, too standardized and too automated. We felt the industry was evolving too much toward answers like, "the machine made me do it!"

The senior level of management tends to become bogged down in "systems," and lose contact with the real estate. Then the real estate is actually being directed by on site and by lower level field managers. We here at Chasseur intend to avoid that, and want to maintain a smaller size so that our senior personnel are actually directing the real estate. We want our senior level personnel frequently visible on site, immersed in markets and recognizing opportunities.

All of our investments will be value-add. This first and foremost is because value-add investing provides a natural hedge against rising cap rates, which is something that has long been predicted and is bound to happen at some point of a fund's usual five to seven year hold. Hey...even the Fed has realized that it's time to taper! Interest rates, and therefore cap rates can only move up. By value add investing, you at least cause SOME of the improvement in financial performance to come as a result of what WE do, as opposed to what the economy and the market does. Therefore, our strike zone at the moment is product of the vintage of 1980 to 1995.

Finally, by remaining at 5,000 units or less, we will be able to operate in a limited number of markets, and therefore will know those markets intimately well. We'd much rather invest in half the number of markets and know those twice as well as many larger companies, than to be in the position in which we are increasing our guess work. So we think that Chasseur, operating as a company with 5,000 units or less, in fewer markets, with all value-add investments and with a heavy dose of senior level managerial involvement, will have an outstanding opportunity to continue our long track record shown in the NOI chart and will give many investors good reason to smile when they see their returns! ♦

Target Markets, Assets and Strategies



There is a lot that goes into an investment strategy. One of our first rules of investing is that when you pile the money up in the bank, the dollar bills themselves do not know where they came from. So we here at Chasseur place far more emphasis on the

rates of IRR, Cash on Cash returns, and on other quantitative variables, than we do on how pretty an asset may look, or how hot the market is that the returns come from. We'll take attractive profits over markets to boast about over cocktails any day!

Our intention is to avoid first tier markets. Leave the "Gateway Six" to others. We have stressed for many years that, even if you get it right, what makes you think that you're the only ones reading that information. If possible, we will also avoid competitive bid situations which drive up the price to the point where it is difficult to outperform what everyone expects to be "average."

We also like to avoid markets that we consider over heated, or at full occupancy. We find it much easier to outperform if we are buying into a market which is...say...91% occupancy, rather than one which is 95% or above. So don't look to find us in the Northeast!

With these factors in mind, we have assembled a rather eclectic group of markets where we think we can buy assets off the radar screen of most, yet still take advantage of some economic benefits which can juice performance. The first is Arizona. While Phoenix took a hard fall in the most recent recession, it is now the sixth largest market in the U.S. Housing prices have rebounded sharply, job growth has been among the strongest in the country, and while you are not buying in at the bottom, it is not at the top either.

We also like the triangle of Cincinnati, Lexington and Louisville in Kentucky and Southern Ohio. We find Texas interesting, especially San Antonio. Beyond those areas, we will look at virtually anything in Florida, especially in the central and northern parts of the state. There are also pockets of second tier markets throughout the Carolinas which we consider very intriguing.

We know that our financial performance will require turning over a lot of stones. But we're confident that we have the recipe right and anticipate announcing our first investment in the next quarter! ♦

The Legend of Courageous!!!



Robert M. Dominy
Chief Executive Officer

**“Numbers
are facts,
words are
opinions!”**

***Giving back
to the community
The Chasseur
sponsored Coyotes
in action!***



So why the name “Courageous” for my latest publication? “Courageous” was one of only three yachts to ever twice win the America’s Cup competition. But it did so with more style and in a more emphatic manner than any other.

Sailing as a representative of the host New York Yacht Club with the famous Ted Hood as its captain, the Courageous came home victorious in 1974 back in what is now considered the golden age of the America’s Cup. But that was only where the legend of “Courageous” began; not where it ended. Three years later, in 1977 Hood thought that he had built a faster boat, and sold “Courageous” to the exceptionally talented Ted Turner (now of CNN fame). Turner, an interesting blend of successful business man as well as sportsman, then went out and sailed the aging vessel past Hood one time after another on the waters of Newport Sound, thus beating Hood with his own, older boat!

One of my favorite sayings is business is “numbers are facts; words are opinions.” The historical charts do not lie. That shows the performance of my portfolios dating back to the year 1995. Frankly, for 17 years, my management teams have been successfully performing the real estate version of taking a seller’s older product and outperforming their financial results at new ones.

But it’s never easy! This reminds me of the dare devil ads on television which have a small caption that read, “Professional stunt driver. Don’t try this on your own at home.” And the solution to causing a multifamily investment to be successful is always complicated and takes a blend of many different factors. It demands the experience from having worked in many different markets over a long period of time. It takes a high degree of skill. And it requires a lot of hard work!

Here at Chasseur, we feel that we have the expertise to study markets and position an asset to be successful. But in addition to that, we understand that we have to have the right approach to physical improvements. We need to be capable of selecting, training and motivating top caliber personnel. And then we have to tie all those different factors back into financial performance.

Now, let me share with you a bit more information about Chasseur Realty Investors. We will be based in two locations, one in St. Michaels, Maryland, and the other in Naples, Florida. At the moment, I am working vigorously in building our back office operations, in launching the corporate web site, and in selecting the accounting team.

At the same time, I am working quickly to build our portfolio. We potentially will be adding properties in Jacksonville, Mobile and in Louisiana. Also, within the next couple of weeks I will be bidding on two communities in South Carolina. If I am unsuccessful in winning those bids, I am carefully reviewing several investment options in Phoenix and Tucson, Arizona.

Raising equity is always an area of interest, and this time is no different. Chasseur has several relationships with equity partners that we will look to take advantage of right away. These relationships have been established as a result of many years of investing successfully for various groups on the East Coast.

Of course, Chasseur will be a company which will be based upon building a top notch management team. As I have said for many years, they don’t call it human resources for nothing! And I really believe that human assets are the most important asset in any company. But as a work hard, play hard company, we have the mighty Chasseur ready to be launched in Oxford on the Chesapeake, to motivate, reward, facilitate communication and to celebrate our victories, of which we expect many. And when it comes to giving back to the community, we sponsor the high flying Coyotes street hockey team.

So while we are only in the initial stages of building a portfolio, what we do have is far more significant at this stage of a new organization. We have the track record shown on page four of this newsletter. That’s something that you just cannot buy. We have a deep and rich talent pool from which to build our human network. And we have experience as well as expertise. The swagger is back, and we’re excited to kick this off! Chasseur is ready to take on the real estate investment community.... if not the world! ♦

Blew Bayou! Takeovers for Ourselves and Others!

For almost longer than we can remember, the senior level management of Chasseur Realty Investors, LLC has been involved in taking over assets and turning them around, both for ourselves as well as others! Going back to 1996, there was the 650 unit community in Tampa which, at the time that we took it over, was valued at \$12M but saddled with \$11M in debt. Two years later, that one was sold for \$16.65M, allowing the owner the opportunity to execute on a tax free exchange. At about the same time, we took over an 1179 unit property in Pittsburgh valued at \$16M with \$16M in debt. In two years that one was sold for \$20.6M, with a \$1M kicker if tax credits were obtained in a 12 month period, marking another successful takeover.

In more recent days, there was the 256 unit community located in Houston's Energy corridor which we took over for a third party in January, 2011. We began managing the property after a deal collapsed to sell the property for \$14M. But a year and a half later, a deal was consummated which enabled us to successfully dispose of that property for \$18M. Let there be no doubt that the 48% increase in 2011 and the 12.8% increase in 2012 was a contributing factor in that increase to sales price.



Still more recently, we have been particularly pleased with the several class "C" communities which we have managed for several lenders. The first was a 140 unit property in Center Point, Alabama that was sold for a substantial profit. The second was a 96 unit community situated in a very difficult location in Tallahassee, Florida. And since the early days of 2013, there has been the success which we have generated for a private third party in Jacksonville, Florida.

Here at Chasseur Realty Investors, we have experience in virtually every market of significant size in the Southeast and in the Mid-Atlantic. We have taken over many assets and man-

aged them successfully and to the satisfaction of third party owners. If you have an asset in need of a turn-around performance, or one which you are just concerned might be operating at a level which is subpar, why not call Chasseur, the turn-around experts, to review your numbers and provide you with a performance that you can be extremely pleased with! ♦

A New Face and a New Financial Performance!

Those of us here at Chasseur Realty Investors who have been involved in value add investing over the past twenty years or so like to say that we attribute 50% of the improvement in performance to physical changes at the property, and 50% to managerial changes at the community. Over the years, we have many, many examples of this!

Pictured below is the 140 unit Silversmith Creek Apartments in Jacksonville, which may go down as the "Grand-Daddy" of them all in terms of having been repositioned. Purchased off the Fannie-Mae web site for only \$520K, the property was completely vacant at the time that we acquired the property. But after a \$4.8M renovation that involved every type of improvement from soup to nuts and that more resembled development than repositioning, we had a property that we were able to take into the low nineties in occupancy. Following a few years of management that enabled us to establish a stabilized financial track record, the property was sold for \$8.6M! It represented a lot of work, but was well worth it in the end!

Another fabulously successful repositioning which we did was at the 176 unit Saddlebrook Apartments in Lexington, Kentucky. This happens to be the town in which we have achieved some of our most successful investments. The property had languished on the market for quite some time as a result of some conduit debt which required an exceptionally high amount of equity. How-



ever, we were able to structure the deal creatively and made the numbers work. The improvements involved a complete exterior color change from redwood to gray with white trim. Exterior color change, by the way, happens to be just about our favorite improvement. Other improvements included exterior wood replacement, renovation of the clubhouse as well as the swimming pool. Once completed, we knew we had a very viable investment.

A third community which we repositioned was the Woodcreek Apartments in Cary, North Carolina. Purchased from a major real estate investment trust in 2002 for \$37K per unit, the property was given a \$1M facelift. But it proved to be worth it! Within two years, the property was refinanced and all equity was returned in just about the fastest time we have experienced!

But the best financial performance following repositioning was the 358 unit Gateway Lakes in Sarasota, Florida. Purchased for \$20.6M in November of 2000, the property was initially only 52% occupied. However we gave the property \$1M in improvements which involved exterior color change and the addition of attractive architectural detailing. Less than five years later, the property was sold for \$55.5M in our best investment ever! So if your property is in need of a physical repositioning, or just in need of a new approach in the way that it is managed, please feel free to contact Chasseur Realty Investors, LLC, for a detailed assessment of property performance and potential. ♦

At Chasseur, we consistently outperform!

The Sleek Chasseur in her slip on the Chesapeake

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%	



Named for the privateer "Chasseur" which went 17-0 in the war of 1812. We have very lofty expectations at Chasseur Realty Investors!

10.6%....10.5%....11.3%....in Three Successive Years!!!

It's called a track record. It never ceases to amaze us with regards to how investors will scrutinize any tiny piece of information prior to investing in a stock or bond fund, yet those same people will invest in a real estate investment fund with far less information.

We here at Chasseur Realty Investors, LLC, intend to make that easy for you. Over the past 19 years, there is probably no one who has been more transparent with regards to financial reporting than our senior level of management. The fun began back in 1995 at Winthrop Financial. After having taken over a 10,000 unit, poorly performing portfolio in May of the previous year, the dollars began pouring in throughout the first quarter. By the time the year was concluded, the region which was thought to be unfixable, too old, too cash deprived to be turned around, had been turned around. The final number for the year was a 15.5% across the board NOI increase. That performance took the region from worst to first among Winthrop's national portfolio!

Next came the turn-around performance at GDC Properties Inc.! Beginning only in May of 1996 and with one third of the year already in the books, we immediately began attacking both income as well as expenses, and managed to achieve a 10.6% improvement in NOI, reversing a negative net cash flow situation. In the following year, with the benefit of having an entire 12 month period to work with, the portfolio saw its NOI increase 14.1% nationwide!

In 1998, we moved on to a privately held Philadelphia based company with a national presence from Pennsylvania to Florida. After taking six months to lay the foundation for financial prosperity, we achieved the biggest NOI growth that we have seen, improving property performance by 25.4%! That laid the foundation for a cycle of refinancing and reinvestment, which resulted in a 3,300 unit company growing to 12,200 units, and an increase in equity from by 1,461% over a ten year period, by internal calculations.



Most recently, the financial performance was seen in successive NOI increases of 10.6%, then 10.5%, and finally by 11.3% in the years from 2010 to 2012. This is the first time in our memory that a company has achieved three consecutive years of double digit NOI increases. No matter the market....no matter the quality of asset.... no matter whether owned or third party managed.... Chasseur Realty Investors is here to manage your real estate portfolio to its most profitable level! ♦



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