

The Postman Always Delivers!!!

We could have just entitled this article something boring like, "The Groves Properties Sell for a 27.5% IRR!!!" But how much fun would that be???

So our two year, eleven month saga of the ownership of the Groves properties graciously comes to an end. And it was a period of ownership like no other!! It was an era in which Covid struck.....in which free money courtesy of the U.S. government came into play, causing no one earning less than \$25 an hour to want to come to work.....a year in which PPP dollars were available but did not even begin to compensate for adverse impact of covid.....and finally in a period in which the trade-off of the eviction moratorium versus renters assistance.....did not nearly take into consideration lag time. But you know what?? We made a lot of money anyway!!!

As a boutique investment company, it is the job of Chasseur Realty Investors to make it all come out right....and in spite of the most bizarre external environment we have seen in 43 years of doing this.....we somehow made it all come out right. And that we did....selling two assets for which we paid \$7.6M just 35 months before for an \$11.0M price tag.

Distributions have been on-going throughout the fall, and final tabulations are still being made. However, we project the IRR will eventually be just north of the 27.5% which we currently are showing. That's well above the 18% IRR we initially projected when we distributed the offering memorandum. We take a lot of pride in doing what we say and in going well beyond our projections. So in conclusion it is a bittersweet moment when we part with assets we were truly proud to own, but that is mitigated by the fact that we can add The Groves investment in the "Huge Win" column. ♦



Lofty Achievement at Cool Fondren Hill!!

The Groves communities in Memphis were not the only ones in 2021 in which Chasseur lived up to expectations. Just about 200 miles south down route 55 we also had a substantial accomplishment at the Lofts at Fondren Hill. We refinanced this community just 28 months after the acquisition closing date, and returned 50% of equity to all investors.



The Lofts at Fondren Hill has grown into one of our favorite investments. The community is situated just across the street from the University of Mississippi Medical Center, and most of our tenancy works there. But it's also just steps down the hill to an upbeat and eclectic Fondren Hill business district consisting of bars, restaurants and craft beer establishments. We sometimes laugh that in the future, we should consider any area which features a craft beer business as a target market for investments!

But the gated Lofts at Fondren Hill has performed exactly as we had expected. Through November of this year the same store NOI had increased by a healthy 10.0%, while the average rents increased by 12%. That second number always bodes well for future valuations! We have not exhausted all possibilities for this extremely attractive investment yet! We expect that more good news will be coming out of Jackson, Mississippi in 2022! ♦

RMD: On a Mission From God!!

Dateline....December....2021. Subject....Fantasy Football. My 10 and 4 Chesapeake Vikings were locked up in a ten team league championship. But we came to play. And we came to win.

My philosophy was...is....always will be....each and every time that we step between the painted lines....we are here to win. I spent substantial hours researching depth charts.... and far too much time pouring over injured reserve lists looking for hidden value. Why? Because we came to play!! And any time that you come to play....you come to win.

Second point: COMMITMENT!!! If there was one thing which I could not stand in the most recent college football season....it was star players who “opted out” of their bowl game because they did not want to risk injury just before the NFL draft. SAY WHAT??? Those other 80 some odd players have relied upon you. You are their leader. And now you are going to “opt out” of the bowl game? Sorry. I just could not do that. Commitment to others.... be it players on the field or investors in Chasseur investments....we came to win and we are committed to making it happen!

Instant rewind to Spring and Summer, 2021, and change the venue to Memphis, Tennessee. I was out on Summer Ave. searching for a deal on new appliances for The Groves when my Midwest car exploded. Smoke everywhere. Something called an “oil separator” had apparently just separated!!! A quick call to AAA and the vehicle was off to Wolfberg Automotive. But I was left with no transportation! Most people would have bagged the trip and headed for home. But not at Chasseur! I knew where I could get my hands on a bicycle at Groves N. Highlands. It’s only a five minute bike ride down the Greenline from Highlands to Hedge-moor. Just a bit over that to Ricci’s Pizza for dinner. I stuck out the week and accomplished everything I had on my “Kill List” for that visit.

Friends.....at Chasseur....like in Fantasy football....we refuse to do what so many others do, and that is pass out at the sight of the first sign of adversity!! We knuckle down.... and accomplish the goal anyway. One thing I tell employees throughout the organization is, “if I offered to give you a million dollars to accomplish that goal, could you get it done?” Inevitably they say “yes.” And then I say, “so if you really WANTED to do it, it could be done! So then why don’t you be honest with yourself and admit, I just don’t want to try enough to do it!” That is usually greeted by a glazed look and little or no response!!

We have just come through a period marked by COVID, by rental assistance, by an eviction moratorium and during which so very few maintenance techs wanted to come to work. And you know what? We sold The Groves for a high-twenties IRR. It was like a “Mission from God!!” We were committed to the mission....and we made it happen!

I worked for my first sixteen years in this industry for General Investment and Development, a blue chip firm located in Boston where I received excellent training. For most of the years that I worked there, my superior and mentor was someone who graduated from West Point. There was always a paper note that he kept to himself that was tucked in the frame of one of the pictures in his office. On the note were scrawled the words, “Tough times never last....tough people do.” Those are words that often came to mind and were much needed throughout 2021! ♦

Courson & Stam, LLC hired for Tax Preparation!!

Last year was a struggle for Chasseur and so many other organizations, with Covid prevalent and so many workers out of action. So Chasseur has acted preemptively and engaged Courson and Stam, LLC for all of our tax work and for preparation of all K-1’s. They’re located in Fernandina Beach, so in a home market that we can actually drive to if needed for consultation, and we are very optimistic with regards to tax expectations for 2021! ♦



Robert M. Dominy
Chief Executive Officer

“We were committed to the mission....and we made it happen!”



More Prime Time Than Deion Himself!!

Who ever would have thought that we'd be writing.... and thinking like this about a quiet....tranquil little city in South Georgia?!? Valdosta a town known for warm....sultry days.....Spanish moss....rocking chairs on front porches....a University town as well as a military town. But as a commercial broker from Atlanta who we recently spoke with referred to it, "Valdosta, GA, has become a hidden gem." Why? Because of the lack of building.....and because rents, although rising quickly....are still well below the point which will attract new construction!

So with those factors in mind....Chasseur is pleased and proud to announce that it has recently closed upon the 56 unit community which we have renamed, 1700 Williams. One of the lessons that we learned from the investments in the Groves in Memphis and the Lofts at Fondren Hill in Jackson is that investing in assets in "Prime Time" locations will almost certainly come back to reward you. And 1700 Williams is in an "A+" location in Valdosta, situated just around the corner from Valdosta State University,



and in a very mature neighborhood which is heavily treed.

The property is in pristine physical condition, and shows exceptionally well on the exterior. It is also notable that it is leased out by the bed; not by the unit, and therefore has a much higher average rent than other communities which are leased on a per unit basis.

Improvements on the exterior will be limited to new signage and a name change. And we also have planned to refurbish the swimming pool area, an improvement which we think will be exceptionally attractive to the current population, which is approximately 50% student. However, we have substantial plans for the interior. The Seller did an exceptionally nice job in renovating a few units. They chose an exceptionally appealing interior color scheme, and refurbished the ceilings with a design which we can only describe as looking like one half of a split rail fence. They also refurbished the kitchens. Trouble is.....they only finished roughly 50% of the units! That's a good thing, because it leaves plenty of room for us to complete the job and realize the benefits. The property is currently highly occupied, and we feel that 1700 Williams is off to a very nice start! ♦

Long Train Runnin'!!!

This was an acquisition which took more twists and turns than anyone we had ever seen. But we're extremely pleased with the end result. On December 14, 2021, we finally closed on three student properties in another "prime time" location in quaint Valdosta, Georgia!! Those communities include the 32 unit, 64 bed property which will be renamed "310 Baytree," the 49 unit, 98 bed "407 West Mary," and the 42 unit, 126 bed "1412 Sustella." All three properties are in Valdosta's best neighborhood, and are within walking distance to Valdosta State University.

But this was one of the most difficult transactions we have ever made! In fact, it didn't even begin as a transaction involving these properties! It began with an effort to acquire the 100 unit Park East, situated approximately 2.3 miles away on the eastern side of Valdosta. That transaction was close to closing when the property suffered a severe fire that impacted three buildings, and 12 units. Many of the Sellers with whom Chasseur engages are small time, private owners of off market or nearly off market communities. That's one way that we find value. But when it came to dealing with the seller, the issue of insurance proceeds became extremely difficult! Simply, each time that we would gain any clarity regarding insurance, we were given insufficient time to obtain the financing! So the Seller became his own biggest impediment to closing the deal.

Then came the Valdosta Student Three Property Portfolio, which hit the market in the summer. We had already closed on 1700 Williams, and knew the market well and loved it. So we became the natural buyer of this portfolio. Same Seller....same

Buyer.....same attorneys....same lender in Guardian Bank, locally owned and anxious to make more loans in their home market. So on December 14th, the deal was consummated!! A more attractive opportunity than Park East!

And we could not be more pleased that it was! All three properties are in excellent condition. All three communities are within a stone's throw of the Valdosta State campus. Sustella is the prize. It consists of 42 units which are all three bedrooms and which are leased by the bed. The location is right next to the student recreational center, tennis courts and swimming pool. It therefore attracts a high percentage of the tennis team and other athletes. And although it has the largest units, each bedroom is priced less than those at the neighboring communities.

The strategy in our investment is simple. By rolling the leases of existing students to the current market levels, we gain an additional \$2.6M in value. The second aspect of our investment strategy is the price point that we acquired the units at. We purchased the properties for \$15.4M, or well below construction costs. Therefore, in a city which is only 60,000 people, we feel that we have a natural barrier to entry which reduces the risk of owning these communities. This is especially true at a time which construction costs are rising out of sight, and given that we are situated on "prime time" land.

So there you have it! These investments are not easy to find, which is why we don't bring new ones to the table very often! But in the Valdosta Three Property Student Portfolio, we feel confident that we have found three communities which are in excellent condition and in an A+ location, similar to our investments in Memphis and in Jackson. We have bought them at a price point which creates a barrier to entry, and the path to higher valuation is clear and achievable. But it wasn't easy!!! ♦

At Chasseur, we consistently outperform!

Historical Same Store NOI Increases		
Year	Increase	Comments
1995	15.5%	10,000 unit Mid-Atlantic Portfolio, Winthrop
1996	10.6%	4,500 unit East Coast Portfolio, GDC
1997	14.1%	4,500 unit East Coast Portfolio, GDC
1998		Split Year, two different companies
1999	25.4%	3,300 East Coast Portfolio, PRG Real Estate
2000	4.2%	4,000 East Coast U.S. Portfolio, PRG, Real Estate
2001	4.6%	5,000 Eastern U.S. Portfolio, PRG Real Estate
2002	7.4%	6,000 Eastern U.S. Portfolio, PRG Real Estate
2003	4.4%	7,000 Eastern U.S. Portfolio, PRG Real Estate
2004	3.5%	8,000 Eastern U.S. Portfolio, PRG Real Estate
2005	7.8%	9,000 Eastern U.S. Portfolio, PRG Real Estate
2006	4.4%	10,000 unit Eastern U.S. Portfolio, PRG Real Estate
2007	6.3%	11,000 unit Eastern U.S. Portfolio, PRG Real Estate
2008	-2.4%	12,300 unit Eastern U.S. Portfolio, PRG Real Estate
2009		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%	Southeastern portfolio in AL and GA
2015	11.2%	Southeastern portfolio in AL and GA
2016	2.2%	Southeastern portfolio in AL and GA
2017	18.7%	Chasseur Realty Investors, LLC
2018	8.3%	Chasseur Realty Investors, LLC
2019	4.6%	Chasseur Realty Investors, LLC
2020	14.1%	Chasseur Realty Investors, LLC
2021	13.0%	Chasseur Realty Investors, LLC
Avg.	9.5%	



If We Told Ya....We'd Have to Kill Ya!!

We're limited at to how much we can actually tell you in this article. This is no time to reveal trade secrets. Suffice to say that, with forty-three years in the industry, we have seen more than our share of economic cycles. It all began with the late seventies stagflation....then came the Paul Volcker interest rate shock to the system.... transitioned to the '82-'85 magic of the market place....evolved into the East Coast versus West coast battle of the computer giants in '91....transitioned into the .com meltdown before eventually becoming the "too big to fail" that we all remember

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Next Issue:
Chasseur strikes gold again in Alabama, Georgia and Northern Florida region.

First or Last....Baby!!!

On December 31st Chasseur closed the books on another successful year in operations. We are still tabulating the final increase to NOI. But through November 30th it stood at 13.0%. Thus the year 2022 was just another successful year at Chasseur operations, in spite of covid, eviction moratoriums, rental assistance and employees who often with only much reluctance came to work! The 13.0% NOI increase comes after having achieved a 14.1% increase in 2020, and a 9.5% average increase over the past 20 years.

Leading the way was Groves Highlands in Memphis, Tennessee, which will go down in history as one of our favorite investments ever! Situation in affluent East Memphis, and overlooking Chickasaw Country Club, the property produced a 29.8% NOI increase. It was in fact the only community Chasseur has ever owned in which the residents would occasionally come up and ask, "would you please convert these apartments into condominiums?" But the investment did its job in that it produced a 27.5% IRR, so we are grateful that it was in our portfolio.

Not far behind it in performance was the Courtyards on Park in Valdosta, Georgia. We are now in year six of our ownership, and have multiple offers on the table to acquire this lovely boutique community. And for good reason! It's NOI increase in 2021 was 18.0%

The Lofts at Fondren Hill sits in what has to be the most prized location that we have ever owned. Directly across the street from the University of Mississippi Medical Center, and within walking distance to the exceptionally popular Fondren business district with numerous bars, eateries and even craft beer, it's no surprise that we are filled with medical center employees. Fondren saw its NOI increase by 10.0%.

Groves Hedgemoor, the sixty-four unit gated community located just a few minute walk down the Greenline from Highlands, also did its job with a 9.9% increase in NOI. Like Highlands, this property will always evoke very fond memories having produced a 27.5% IRR. So we weathered year two of the Covid storm, and did what we were supposed to do! We produced profitability as well as increased valuation for everybody! ♦

too well. Yes....we've seen many turns in the economic road. They are all dangerous. And we suspect that the next turn will not be one which will be favorable. Yes....we can still buy. But this is a very nice time to be careful!!

Suffice to say that we have strategies to manage these challenges. We'll tell you SOME of them. To begin with, we know our target markets extremely well. Chasseur focuses on markets in the southern half of Georgia, the coastal area of Alabama extending out to Mobile, and the northern half of Florida. We won't even think of entering south Florida. We also focus on exceptionally well located communities. We always buy undervalued assets, and they have to have a value add component, otherwise, we throw them into the trash can. And we use cost on a per unit basis as a barrier to entry. We'd like to tell you more. But if we did....we'd have to kill ya!! ♦



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