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So maybe it's just Spring, but I'm feeling a lot better about the economy. The endless New York Winter has finally come to an end, and it looks as though the market indicators are looking up. It's not just me. I've heard many people say in the last month that they sense things have turned a corner.

There is, of course, an alternate explanation. It could be that we've all been beaten down so much for so long that we feel better only because the beatings have stopped.

On that happy note, I present two bits of data that have been haunting my thoughts and have me concerned that while the beatings may have stopped, the bleeding will continue for a while.

The first table is from a white paper that the FDIC put out back in 2000. It shows the number of S&Ls (Savings and Loans) that failed. The two columns are for FSLIC (the Federal Savings and Loan Insurance Corporation which was sort of like the FDIC for the S&Ls) and the Resolution Trust Corporation (which was the quasi-government entity that was set up to liquidate the remaining S&Ls that were insolvent).

Thrift Failures, 1986–1995

(\$Millions)

Year	FSLIC		RTC	
	Number	Assets	Number	Assets
1986	54	\$ 16,264		
1987	48	11,270		
1988	185	96,760		
1989	9	725	318	\$134,520
1990			213	129,662
1991			144	78,899
1992			59	44,197
1993			9	6,148
1994			2	137
1995			2	435
Total	296	\$125,019	747	\$393,998

Source: FDIC.

Note: Data are for the period January 1, 1986, to December 31, 1995.

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Class Schedule

We continue to offer Argus and Excel for Real Estate Analysis classes in New York City and other select locations. All classes are offered on the weekend.

Argus

New York City

- June 12 & 13
- August 14 & 15

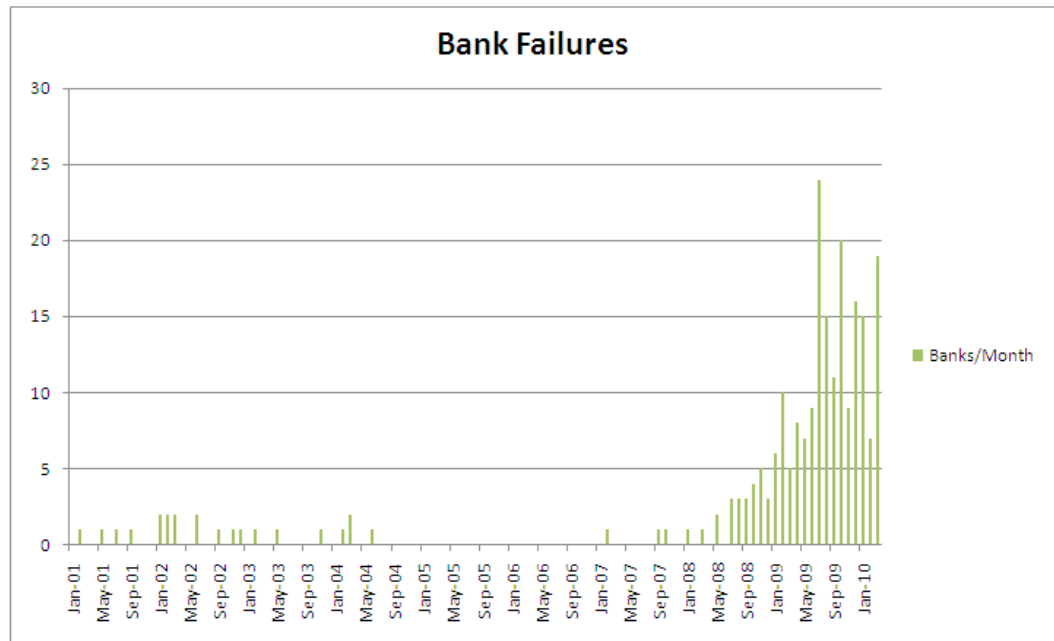
Excel for Real Estate

Analysis

New York City

- June 5 & 6
- July 24 & 25

The second chart is of my own creation. It's a chart that shows the number of banks that have failed every month since January 2001.



Source: FDIC, Kahr Real Estate Services LLC

What I find most disturbing about this second graph is not the number of banks that are failing every month, but rather that the overall trend seems to be increasing. How high can it go? While I hate to compare different crises as every crisis is unique, when we went through our last one we had 318 fail in a single year. In March alone, we had 19 banks fail. Are we on track for a similarly outstanding 2010 (or 2011)?

The other issue here, and a point that the first graph makes very well, is that bank crises last far longer than most people think even when there is substantial government intervention. With the last one, it took about 8 years from start to finish and the creation of the RTC took place half way through the crisis.

By anyone's measure, we're only two years into this one, and the S&L crisis is almost trivial in comparison. To put it in perspective, the cost to the Federal government on the last one was \$100 billion. The cost of just TARP (Troubled Asset Relief Program) was \$750 billion. In short, we could be dealing with this monster for a very long time.

Real Estate Negotiations

Call or email for availability.

Group Classes

For custom training solutions, or for group enrollment, please contact us directly.

By the way, as of early April, there were only 7,948 banks in the United States. A failure rate of 20 per month (240 per year) is a little over 3% per year. The good news for those of you in real estate acquisitions is that there should be a lot of distressed sellers in the coming year or so. It could be that the distressed debt business is finally going to kick into a higher gear.

2. Kahr Real Estate Investment

Kahr Real Estate Services has launched a real estate investment platform, Kahr Real Estate Investment (KREI), to take advantage of current market conditions and Kahr's deep relationships throughout the real estate industry. Relying on core competencies of sourcing and underwriting assets, KREI will identify both value-add and core-plus acquisition opportunities in the northeastern U.S. region. KREI intends to purchase assets that yield stable annual returns to investors, and that have solid fundamentals with long-term potential.

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3. Kahr Group Information: Consulting and Training**Financial Modeling**

Regardless of deal size or type, our key objective is always to build highly functional and optimal models for our client. We can also review and analyze a client's existing financial models for inefficiencies.

Capital Advisory

By delivering presentations to capital sources or making introductions, we support clients in their capital raising efforts with lenders and equity providers. We also lend our extensive knowledge of capital markets, deal structuring, and real estate finance to help negotiate better terms on equity and debt.

Offering Memoranda

We design and write graphically appealing institutional-quality offering memoranda and RFP responses for our clients. When raising capital, a high quality document will get the project in front of the right capital sources.

Market Analysis and Feasibility

Our reports take a multi-layered “hands on” approach that goes beyond identifying current market conditions; we seek to enhance the overall profitability and market acceptance of the project by identifying hidden opportunities

Excel for Real Estate, Negotiations, and Argus

Our **Excel for Real Estate Analysis** class draws students from across the country. It provides what many attendees say they never learned in business school: learning how to model complex real estate transactions and use Excel to its fullest. All attendees will develop an understanding of how to use the power of Excel to analyze cash flow, leverage, partnerships and joint ventures, and construction projects.

The **Argus** course consists of lecture, case studies, and classroom discussion in a collaborative environment. By the end of the class, attendees will have a firm understanding of how to use the software and will be well prepared to analyze real estate in a high volume production environment.

The **Real Estate Negotiation** course provides a broad introduction to skills and techniques of negotiation. Some of the categories covered include: preparation tactics, identification of goals and means, evaluation of the other party’s position and goals, and possible points of dispute. Furthermore, we encourage creative solutions that maximize value by considering factors beyond simple price or cost.

Contact Kahr Notes

Direct feedback to info@kahrrealestate.com

About the Publisher:

Kahr Real Estate Services LLC is a consulting company that provides financial training, market and feasibility studies, financial modeling, and capital advisory services for the real estate industry. “Kahr Notes” is the company’s newsletter.

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