

KAHR NOTES

The Annual Update (or "Wow. It's been a while since the last issue.")

In 2009, it became clear that the real estate consulting business was not a good path for long term profitability. I decided to pursue other opportunities; in specific, I figured the credit crisis was a good time to enter the market as an owner/operator. My philosophy was that the time to enter a market is usually when everyone else is running for the exits.

So far, we've been successful. Over the last two years, we've closed eight apartment deals in northern New Jersey, staffed up so we could do all property management and accounting in-house, and set up an accounting and investor reporting system. I also made one of my former employees a partner, and brought on a new partner. We've got a good thing going and we intend to keep it going throughout 2011 and beyond.

That said, of the eight deals we've done, I thought I'd share a little information about #7, "Grand Court Villas" in Trenton, New Jersey.



It's a former cigar factory that was converted to residential lofts in the 1980's. It's also on the National Register of Historic Places. While I know a real estate professional should not fall "in love" with a deal, it's just pretty cool to own something on the National Register. While I'm pleased with all of the purchases we've made so far, this one has the most interesting history.

This building was a cigar factory that specialized in the production of cigars using Cuban tobacco. On account of US tax policy at the time, it was cheaper to import the tobacco to New Jersey and make it with US labor than it was to import finished cigars from Cuba. According to legend, the cigar brand "La Corona" that was manufactured here was one of Winston Churchill's favorite brands.

In any event, this business model worked until the Cuban Missile Crisis and subsequent embargo. Without Cuban tobacco, the factory had to shut down.



On a business level, we like this deal because it provides obvious potential as a condominium conversion even while it generates solid cash flow today as a rental property.

Why not convert it now? The answer is that Trenton is just too weak of a condo market to support a conversion today. However, at some point, this asset could be converted and when it is, it should give a nice "pop" to our investors. In the meantime, we'll run it and pay out dividends to our investors.

This investment is a good example of our basic strategy. We seek to purchase assets that produce solid cash flow today with the potential for substantial upside tomorrow. Instead of the "get rich quick" approach that was so popular in 2007, this is a "get rich slow" approach. It'll take us a little longer to get there, but the odds of failure are much lower.

As always, if you'd like to chat about investments, email me at josh@kahrrealestate.com.

Regards,
Josh

Classes for Excel for Real Estate Analysis & 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: 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, taxation, partnerships/joint ventures, and construction/development projects. Mr. Kahr also offers the class in locations throughout the United States through the Urban Land Institute. It's advertised by them as their "Advanced Proforma Modeling Using Excel" class.

Our **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.

Both classes draw on Josh Kahr's years of experience teaching real estate finance at the graduate level at leading universities.

To sign up for either of our courses, please visit our web site for the latest schedule:

<http://www.kahrrealestate.com/training.shtml>

The Excel for Real Estate Analysis class is \$850 and the Argus class is \$795. Each class is two days long.

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