STRATEGIC HOLDINGS

Investor News

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Estimated gain on held assets: May 2014

ASSET TYPE	TOTAL INVESTED	ESTIMATED REALIZABLE VALUE	PROJECTED PROFIT*
notes	$ 7,000,000	$10,802,000	$3,802,000
real estate	18,909,000	23,800,000	4,891,000
total	$ 25,909,000	$34,602,000	$8,693,000

As of May 31st, 2014. Value based on independent appraisals

The CEO's desk:

Opportunity's not just knocking. It's breaking the door down.

Another month come and gone! I hope you're doing well. This issue, I'd like to explain the facts and basis for our investment strategies and why they've been so effective.

Residential vs. commercial markets.
These days, it seems everyone and his brother is flipping homes. Of course, there's no money made until the property is sold. And purchase prices on homes, notes, foreclosures and REOs are simply no longer attractive.
So let's leave the residential market and consider the commercial (mostly apartment buildings). Everyone needs a place to live, but with the current strict underwriting guidelines it's tough to purchase a home and get it financed by the banks. As interest rates start to increase, mortgage payments rise and ownership becomes even tougher. And if employment rates stay flat or decrease, it will be even harder for new families to qualify for financing. All of which makes multi-family housing (apartments) a very strong alternative for investors. If you buy it right.

A unique window is now wide open.
Those investors who bought multi-family housing in the boom from 2004 to 2008 bought at very high prices. And because most promissory notes balloon in 7-10 years, their notes are now coming due and many find themselves unable to refinance as banks will not lend the amount needed due to today's lower appraisals (versus when the building was originally purchased) and banks imposing lower loan-to-value requirements these days. Yes, even if their payments are amortized over 30 years, they suddenly need to find a big chunk of cash for the difference between their old and new loans. Many simply can't.
They bought at the wrong price.

The banks want distressed loans off the books.

Our real estate-secured fund is buying up great multi-family apartment buildings, office space, and retail space all over the United States at 60-70 cents on the dollar. (Average purchase cost is 60-70% of the projected market value).

We're able to buy at 60-70¢ on the dollar.

When we buy these properties, we also improve them inside and out with cosmetic upgrades, new landscaping and better management practices. These improvements spur higher occupancy and better rental rates. So we generate excellent cash flow (10% or better return on our investment) without even selling! That's steady cash flow in an unsteady market.

Barry Levenson