

## December 2009 Newsletter



Dear Friends,

Many of you have been curious and have asked us what has been happening at Standard during 2009. The first and most important issue is cash flow. Industry-wide, all major categories of real estate investment have been adversely affected by declining rents and increasing vacancies. In our portfolio, depending on the type of property, its location and tenancy, some properties have experienced declines in net operating income and several have experienced increases. We are still covering operating expenses and debt service on all properties when present leases, including those recently signed, are taken into consideration. Some properties, however, have had to suspend distributions at this time while we rebuild occupancy and cash reserves.

With respect to the market in general, the number of properties available has declined substantially. In a normal market, buyer and seller are reasonably close together and can reach an agreement. The seller wants next year's price, which, based on an assumption of increasing income, is higher than the buyer wants to pay. The buyer wants this year's price, which is based on a multiple of the current income. This results in buyer and seller being 5-10% apart and they often reach agreement. At this time, however, with declining income, the seller wants last year's price, and the buyer is not satisfied with this year's price but wants to pay next year's price on the assumption that income is declining. This puts the buyer and seller 30% or more apart. With such a gap, few are willing to sell, and few are willing to buy. There is interest in real estate investment due to returns on bank accounts, certificates of deposit, and bonds being historically low. We have, however, not found anything this year that we felt was properly priced.

Though there is much talk about improvement in the economy, my personal feeling is that you need to keep your eyes on unemployment numbers. Regardless of what happens in the stock market or residential sales, the turnaround is not here until we see declining unemployment figures. Economists project that the current high unemployment numbers will continue through the next year before we see any appreciable decline. I am not able to predict when the trend in increasing unemployment will reverse itself, so we must have patience and caution while searching for the bargains and opportunities the present recession should provide. Best wishes for a happy, healthy and prosperous 2010!

Sincerely,  
Samuel K. Freshman

\* \* \*

### **Las Vegas Portfolio Outperforming Market**

The November 2009 physical occupancy for the Standard Management Las Vegas, Nevada apartment portfolio was 92%, compared to a CB Richard Ellis survey detailing November occupancy at 87.9%. This positive differential equates to approximately 48 physical units and \$500,000 in incremental annual revenue. Adaptive marketing, competitive pricing, professional staffing and exceptional curb appeal and asset upkeep help Standard to achieve above-market benchmarks.

\* \* \*

### **SMC Continues Its Tradition of Real Estate Education**

Samuel K. Freshman participated in panel discussions recently at the UCLA Real Estate Conference on November 19, 2009 and Karim Jaude's Real Estate Syndication Summit on September 22, 2009. He also made a half hour radio appearance on Klara Bergman's program on KRLA (870 AM in Los Angeles) on November 7, 2009.

In addition, Sam will participate in a panel discussion at the Anderson School at UCLA on January 19, 2010 (see flier on inside page). He will also be a guest lecturer for a course on real estate investment case studies offered through UCLA Extension beginning January 6, 2010 (see announcement on the back page).

Sam's book with Heidi Clingen, "The Smartest Way to Save" is now available in selected Barnes and Noble stores and on Amazon.com. Sam and Heidi's column by the same name now appears periodically in the *Pasadena Star News* and the *Santa Clarita Valley Signal* newspapers. Together, Sam and Heidi have made the following radio show appearances promoting the book: Cyrus Webb on 2/9/09; Phil Harris on 3/2/09; Paul Lawrence Van on 4/3/09; and Cyrus Webb again on 10/15/09. The taping of all these is available on [www.blogtalkradio.com](http://www.blogtalkradio.com).

## **SMC Lending Programs Remain Active**

SMC maintains a strong ongoing presence as a private lender for income property loans from \$1 million to \$50 million. Earlier this year, Standard Capital, LLC identified an opportunity to lend \$10.7 million secured by 417 apartment units spread among several properties in Los Angeles. This loan was placed with one investor within a week of request. Several loan extensions and requests for financing were also processed within the last quarter.

Currently SMC and our associates are pursuing two mandates to arrange financing for established developers. The first project involves equity and debt financing in excess of \$100 million for a project adjacent to South Lake Tahoe. The second assignment is a refinance of more than \$10 million secured by an office building in San Diego.

After more than a year of research and a successful pilot program that included loans on the homes pictured below, SMC has a steady stream of opportunities to make loans to residential investors buying properties at foreclosure sales. These loans feature a maximum loan-to-current market value of 60% and pay 8-10% current interest. If you are interested in learning more about this program, please contact Jan Brzeski at (310) 410-2300 ext. 322 or at [jbrzeski@standardmanagement.com](mailto:jbrzeski@standardmanagement.com).



Actual homes in Camarillo and Oxnard, respectively, on which Standard made bridge loans. Both loans have been repaid.

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## **SMC Gaining Leasing Traction in a Tough Market**

The last few months have seen several new food purveyors join the merchant mix at several Standard-managed properties. The following tenants have all signed new leases: Yogafina (yogurt deserts) at McHenry Village, Margarita's Mexican Food & Sea Food at Rosedale Village, and Bea Bea's (breakfast and lunch fare) at Lakeside Shopping Center. Standard also signed a 24,000 sq. ft. office lease with the State of Nevada at Northgate Plaza in Carson City, Nevada. In addition, we are currently working on relocating and extending the term of a 7,000 sq. ft. lease with Sierra Health Clinic at Northgate Plaza.

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## **Rosedale Village Anchor Space for Lease**

Standard Management Company currently has an anchor space for lease\* in its Rosedale Village Shopping Center, located at the northwest corner of Rosedale Highway at Calloway Drive in Bakersfield, CA. This space features:

- 44,870 sq. ft. (divisible); Traffic count: 68,000 cars ADT (average daily traffic)
- Located on a major retail corridor next to a 1.3 million sq. ft. power center (Northwest Promenade Shopping Center) which features a Wal-Mart, Target, Kohl's and Home Depot, among other retailers

Bakersfield's metro area population is now in excess of 400,000. Rosedale Village is in an upper-middle income area with lots of families. Other tenants in the shopping center include Smart & Final, Body XChange health club with more than 4,000 members and Tractor Supply Hardware (apparel, hardware and farm accessories). Standard Management Company can provide a substantial tenant improvement allowance to a tenant with good credit.

In addition, we have a number of other leasing opportunities at Rosedale Village in the 1,800 sq. ft. to the 3,000 sq. ft. range. For more information, please contact Craig Walsh at (310) 410-2300 ext. 326.

*\*Subject to recapture from existing lease.*



## **Expert Witness Clients are Rewarded with Large Verdicts**

In two recent cases, clients who hired Sam as an expert witness saw favorable outcomes. In the first case, two parties were disputing what was fair compensation in the absence of a written contract relating to a real estate transaction. Sam's client prevailed and was awarded \$68 million in damages, the largest award in Sam's more than 20 years of acting as an expert witness.

In the second case, Sam's client alleged bad faith on the part of a title insurance company. The amount in controversy was in the hundreds of thousands of dollars. Using a strategy suggested by Sam, the client and his counsel won the case and received a judgment of several million dollars. The higher, punitive judgment is allowed when the court finds evidence of bad faith.

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**Samuel K. Freshman will be speaking at this conference on January 19, 2010.  
To register, please go to [www.stndcap.com/conference](http://www.stndcap.com/conference)**

## **Extend and Pretend:** *As banks postpone their day of reckoning, when will the deals reappear?*

Standard Capital, LLC and the California Real Estate Journal proudly  
present a spirited discussion among four distinguished real estate investors.

### **Panelists:**

**John Brady**  
Head of Global Real Estate  
Oaktree Capital Management

**Frank Capello**  
Principal, Real Estate Investments  
D. E. Shaw & Company

**Samuel K. Freshman**  
President and Founder  
Standard Management Company

**William R. Lindsay**  
Founding Partner  
Pacific Coast Capital Partners

**Moderated by:**  
**Jesse Sharf**  
Partner  
Gibson, Dunn & Crutcher

*Conference is produced by:*  
*Jan B. Brzeski and Scott Denham*

### **Logistics and Registration:**

Tuesday, January 19, 2010  
The UCLA Anderson School of Management  
Korn Hall

6:30 pm to 7:30 pm - Reception  
7:30 pm to 8:30 pm - Roundtable Panel  
8:30 pm to 9:30 pm - Audience Q&A

Beer, wine, and hors d'oeuvres  
will be served.

Cost for registration is \$15 in advance,  
\$20 at the door. Space is limited.

To register, please visit:  
**[www.stndcap.com/conference](http://www.stndcap.com/conference)**

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### **Upcoming Real Estate Course at UCLA Extension**

Jan Brzeski will teach a course entitled “Real Estate Investment Case Studies” at UCLA Extension starting on January 6, 2010. The course is given over five consecutive Wednesday nights from 6:30 - 9:00pm and explains Standard Management Company’s “tried and true” approach to buying real estate. This will be Jan’s third year teaching the course. It has received positive reviews from students each year. Sam Freshman will be the guest speaker during the last class.

To enroll in the class, visit [www.uclaextension.edu](http://www.uclaextension.edu) and type in the course number, which is “876.36” or call (310) 825-9971.

*Real Estate Investment Case Studies (Management 876.36)*

*Location: 10920 Lindbrook Drive, Room 209*

*Wednesdays from 6:30-9:00pm (5 sessions: January 6 - February 3)*

*No registration needed to attend the January 6 class*

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### **New Book Publication:**

#### ***The Common Sense Guide to Real Estate Investing***

The textbook for the above class will be Jan Brzeski’s forthcoming new book, *The Common Sense Guide to Real Estate Investing*. As Sam Freshman writes in the forward, “Those who wish to know how value investing in real estate works will not be disappointed by this book.”

If you are interested in ordering a “preview” copy of the book prior to the formal publication in 2010, please contact Scott Kend at (310) 846-1771 or [skend@standardmanagement.com](mailto:skend@standardmanagement.com)

In addition, Sam’s book, “Principles of Real Estate Syndication” continues to be the leading book on group investing in Real Estate and has been revised to include information on tenants-in-common (TICs) as well as recent developments in taxation and securities law affecting real estate syndicates. The book is available on Amazon.com.



***“The Common Sense Guide to Real Estate Investing”***