

KINGPENGUIN

PROPERTIES

KPP Newsletter

October 2009



KPP NYC Event

Thanks to everyone who made this event a success

View the photo gallery on our website: [Photo Gallery](#)



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Contact Us

Michael Mikelic, CCIM

Managing Principal

mmikelic@kpp.us.com

Matt Delicata

Vice President

mdelicata@kpp.us.com

David Riehl

Vice President

driehl@kpp.us.com



Fundraising Update

KPP in talks with Placement Agents

KPP currently has a number of Placement Agents working on a non-exclusive basis to source equity for KPP Distressed Fund, LLC.

We're targeting \$10MM in commitments by January 2010, and are planning to execute a number of transactions in mid November.

If you were on the fence about placing KPP or investing yourself, now is the time to act.

NYC Commercial Real Estate is a relatively safe investment with limited downside risk when focusing on Rent Stabilized buildings. These buildings offer predictable cash flows at BELOW MARKET RENTS with significant upside potential in the event of even a MODEST economic recovery over the next few years.

These opportunities won't be available forever. KPP is strategically positioned to acquire troubled properties in New York at below market rates.

If you have not viewed our PPM, we can overnight you a copy or email you an electronic version. All of our offering docs are also available on our website under the investor login section. Simply fill out the web form to request a password and our web administrator will give you access.



Monitored Transaction

Distressed seller seeks liquidity

- Two Pre-war elevator buildings
- 98 above grade apartments
- Last updated in 1985
- Tenants include Rent-control, Rent-stabilized, Section-8, and SCRIE
- Seller in need of liquidity
- Close proximity to our "Recent Transaction" in Harlem Heights
- Current asking price of \$10,500,000



KPP Distressed Fund would submit an offer substantially below the current asking price

We would offer a short closing period and all-cash in exchange for the discount

Upon closing, KPP would secure debt on the property

At \$8,500,000, the deal is a projected 22% IRR over a 7-year holding period

Larger than our typical deal size, this transaction would be ideal for a joint venture with another fund



Monitored Foreclosure

Lender forecloses on attractive multi-family building

- 20 rent stabilized apartments built in 1926 (estimated)
- Last updated in 1986
- Property Foreclosed by Lender
- Auction set for Mid-October
- Judgment Amount: \$1,182,401
- Building has been in foreclosure since 2007
- 4-story walk-up comprising 9,425 sq ft
- Steps from City College of New York
- Just north of Columbia University Expansion in Harlem/Morningside Heights
- 2 Blocks from the 1,A,B,C & D subway lines



KPP Distressed Fund would acquire clear title to the property from the lender at Auction

We would assume all leases on the property and seek to increase cash flow through:

- a) Rehabilitation of troubled units
- b) Replacing bad tenants and/or building super
- c) Converting basement storage space to laundry/other uses

In addition to Cap-ex; KPP would be responsible for all unpaid taxes, liens and judgments not subordinate to the mortgage

At \$1,450,000, the deal is a projected 25% IRR over a 6-year holding period

UPDATE: Property sold at auction for \$1.2MM in line with KPP Estimates. This leaves the buyer \$250,000 to settle outstanding liens and make necessary improvements on the building to reach the projected \$1.45MM price.

Sincerely,

**The Management Team
King Penguin Properties**