



OPPORTUNITY IN REAL ESTATE

Owens Realty (NYSE: ORM)

UCP Inc. (NYSE: UCP)

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What have I been up to since ValueX 2013



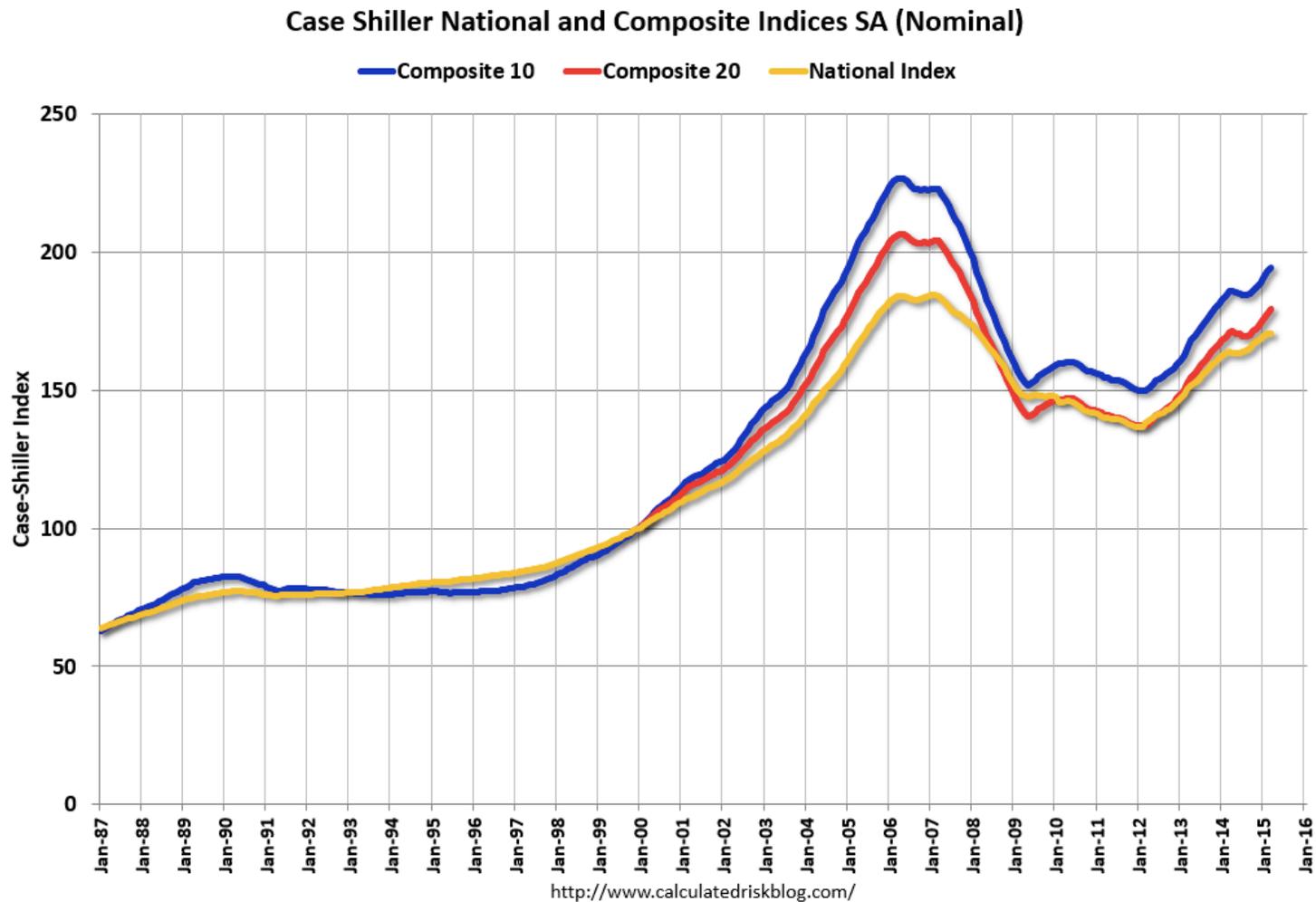
Other things I have been up to

Silver Bay to Buy 2,460 Single-Family Houses in Bulk Sale

(Bloomberg) -- Silver Bay Realty Trust Corp. agreed to buy about 2,460 single-family rental homes in one of the nascent industry's largest bulk purchases.

The real estate investment trust agreed to pay \$263 million for the properties, which are owned by The American Home and located mostly in the southeastern U.S., according to a statement Wednesday. The houses are more than 90 percent leased, with average rents of \$960 a month, Silver Bay said.

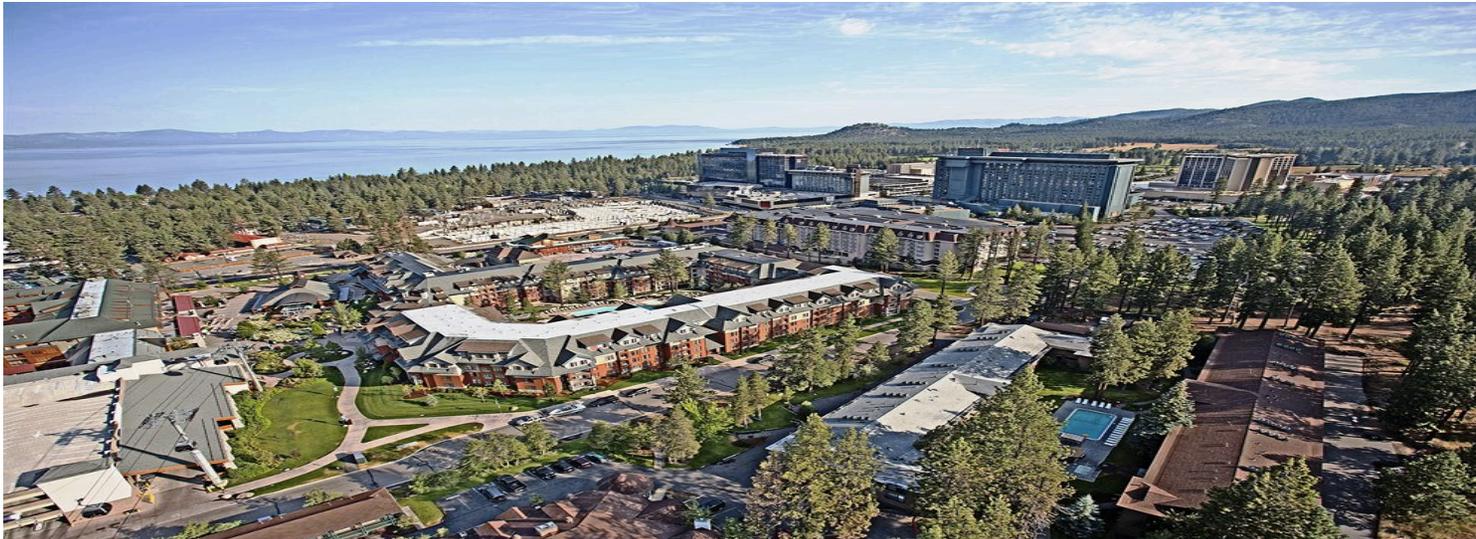
Home Prices Continue to March Higher



Owens Realty Mortgage (NYSE: ORM)

- From 1990-2007 ORM was a successful private mortgage fund paying over 8% annual yield to investors
- Financial crisis caused the fund to foreclose on most of its loans and suspend dividends
- In 2013 converted into a REIT and went public to provide liquidity to investors
- Currently a public company that has no analyst coverage, pays a small dividend with substantial real estate assets, and has a small loan book

Chateau at Lake Tahoe



\$100m Property on the Books for \$53.7m

- 11.5 entitled acres in the heart of Heavenly Valley Ski Resort area of South Lake Tahoe
- Entitled for 477 Hospitality Units, 58,000 SF of retail, 20,000 SF meeting space and 19,000 SF Spa Facilities
- April 2009 appraisal was in excess of \$100 million
- Recorded at cost of \$53.7m on balance sheet
- 3.5 hours from SF & should benefit from tech boom
- Entitled status difficult to replicate
- Property is currently being marketed for sale

Treasures on the Bay - Miami



Miami Condo Project

- Ocean front location in North Bay Village, Florida
- 154 condo units in Pointe Tower (renovated in 2005-2007) that are managed as apartments.
- 15 condo units (out of 160 total) in the South Tower. Also renovated in 2005-2007
- Rental units are 95% occupied with \$19.63 annual rent per square foot
- 160 units in North Tower. Building is 100% vacant and ORM is in the process of renovating the building- completion estimated Q4 2015
- At \$200k per unit net of sales cost, should be worth close to \$66 million.

Valuation Analysis

<u>Assets</u>	<u>Low</u>	<u>per share</u>	<u>High</u>	<u>per share</u>
Chateau at Lake Tahoe	\$ 53,700,000	\$ 4.99	\$ 100,000,000	\$ 9.29
Treasures on the Bay Miami	\$ 65,800,000	\$ 6.11	\$ 72,380,000	\$ 6.72
All other real estate at book	\$ 77,143,635	\$ 7.16	\$ 84,857,999	\$ 7.88
Loans at cost	\$ 65,164,156	\$ 6.05	\$ 65,164,156	\$ 6.05
Cash	\$ 11,600,379	\$ 1.08	\$ 11,600,379	\$ 1.08
Liabilities				
Debt	\$ 49,019,549	\$ 4.55	\$ 49,019,549	\$ 4.55
Other	\$ 4,157,761	\$ 0.39	\$ 4,157,761	\$ 0.39
Net Asset Value	\$ 220,230,860	\$ 20.45	\$ 280,825,224	\$ 26.08

Sale Proceeds = Dividends to Investors

- ORM has recently completed the sale of three properties for over \$24 million in proceeds (\$15m gains above book value)
- Recently announced increase in regular quarterly dividends to \$0.08 per share, or 2.2% annual yield
- Announced a special one time dividend of \$0.10 per share payable for shareholders as of June 30
- In late May, announced a buyback starting at the end of June for up to 5% of the company

Summary

- Current dividend is 2.2% (excluding special one time dividends) and rising
- Book value is \$17.18 per share and rising
- NAV is at least \$20 per share
- Stock trades around \$14.50 per share
- Classic underfollowed, misunderstood microcap with little downside and uncertain upside
- Potential risks: disappointing sale prices and delayed timeframe of property sales

UCP: An Undervalued Homebuilder



UCP

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Vantage at Harlan Ranch - Clovis, CA

This Isn't an Encouraging Chart



UCP History with Shareholders

- Poorly received IPO in 2013 with PICO Holdings retaining a 57% stake in UCP
- IPO to take advantage of the lots UCP had acquired in the financial crisis
- UCP has experienced operational problems and generated losses as they have scaled up
- Confusing story with a development arm and a homebuilding arm
- Has yet to prove they can generate income and returns for shareholders

UCP's Future: Turnaround or Sale

- “We have encouraged UCP to evaluate options for unlocking shareholder value” PICO’s Q4 earnings release
- PICO, the main shareholder, is losing money and is actively marketing one of its main assets.
- UCP cannot be far behind if it doesn’t show significant improvement
- Doesn’t make sense for UCP to be public with a market cap of \$60 million.
- Recent merger activity points to significant cost savings in mergers
- Ryland and Standard Pacific estimated \$50 to \$70 million in savings in their merger

Tailwinds for UCP

- There is a shortage of homes with new single family home construction staying at generational lows
- John Burns Consulting estimates that we are at the beginning of a 15 year bull market for homebuilders
- UCP's markets are very strong in Seattle, Nashville, Northern California, Southern California, North Carolina, and South Carolina
- Latest new home sales data rose to a seven year high and is up 24% for the year through the month of May

UCP is Very Cheap

- Stock trades near \$8 and has a book value of \$10.81 per share
- Average P/B multiple of homebuilders is close to 2 times
- They bought most of their land in the heart of the crisis and that book value is significantly below market value
- UCP owns 6,886 lots, in very attractive locations
- UCP could double in value by returning to its IPO price
- Risks include continuation of operational losses, majority investor not pushing for change, drift.

Summary

- There is opportunity in real estate, especially in microcap or small cap real estate public stocks
- ORM offers safety, yield, and upside potential with little risk
- UCP is more risky, but offers more upside either with a turnaround later this year, or a sale of all or some of the company's valuable land holdings
- Please remember that both stocks are microcaps, and can be illiquid (invest at your own risk)