SAVANT REPORT

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WEEK-END SUMMARY

By Jordan Wirsz - Savant Investment Partners

First and foremost, happy Friday the 13th everyone! Savant wisdom of the day, stay away from black cats and ladders.

Real Estate Bubble - U.S. Housing and Commercial Real Estate Artificially Inflated by Low Interest Rates:

There is continued rhetoric in the markets regarding the prices of housing and commercial real estate here in the U.S. Many people are saying that we are in a "bubble" and that the market is too hot to be investing. If there is one thing that I know, I know that the "rhetoric" for media is usually an incredibly good contrarian indicator. Name the last time the media was ever right about an investing idea, and I have a steak dinner for you.

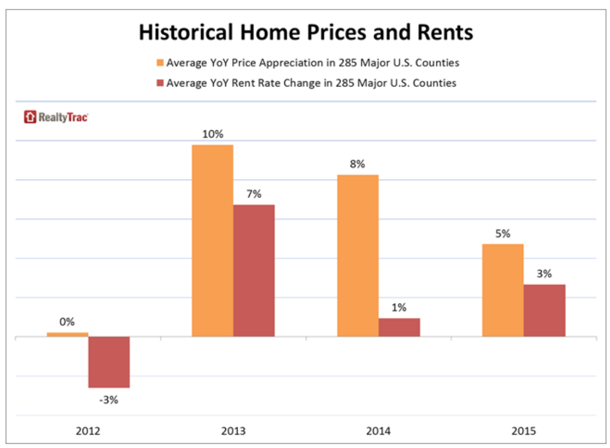
The argument went mainstream for fund managers when Starwood Capital's Sternlicht said real estate is "bubbly" but unlikely to pop, on a taped CNBC interview: http://www.cnbc.com/2016/05/13/starwood-capitals-sternlicht-real-estate-getting-bubbly-but-unlikely-to-pop.html

Low interest rates have helped real estate, of course, but that in of itself does NOT mean that low interest rates have created a "bubble" by any means…At least not in the general market.

Real estate has roared back to the forefront of investing classes for a huge number of reasons:

1. Real estate returns, compared to a lot of other asset classes right now, are above average;
2. Depreciation is a gigantic tax advantage;
3. Prices have been (and still are in many markets) relatively cheap;
4. Capital appreciation is the icing on the cake
5. Rent rates are rising, which means returns are likely to increase, as are values

Realize that all sub-classes of real estate are not the same, and each has its own nuances. HOWEVER, they all share the common 5 attributes listed above. That is why dozens of hedge funds and large investors have been buying homes over the last number of years. If you can slam down a 5% cash on cash net return with the tax benefits of depreciation, its really a 5% "tax free" investment. Then add on another 5% in annual appreciation, and tax adjusted you have a double digit return.



Rental rates aren't increasing quite as fat as appreciation is, but that is to be expected after the catawampus real estate crash that we went through, not to mention the fact that wage inflation and real inflation have not yet caught up in rent rates. Reasonable returns going forward for residential real estate is going to be the theme…NOT "getting rich" type returns like there were back in 2005-2007.

The talk of a "bubble" is mainly due to inexperienced investors and mainstream media looking at the returns of smart investors from acquiring properties during the recession. For example, Carl Icahn bought the Fountainebleau hotel, which Carl bought for $150 million during the crash, and is now looking to sell it for $650 million. So if you paid $150 million for something and 5 years later you sell it for $650 million, does that indicate a bubble? No, that indicates that Carl got a GREAT deal on a piece of distressed real estate. During the REAL bubble in 2006, the project was going to cost an estimated $3 BILLION. Now THAT is bubble pricing.

WHERE THE BUBBLE IS:
Perhaps the only area in the real estate that I believe we are seeing a bubble, is in what we refer to as "trophy assets" in the commercial real estate realm. Trophy assets are the ultra-beautiful, unique, popular pieces of real estate that often carry "bond like" returns, especially in major primary markets like southern and northern California. "Bond like" returns meaning sub 4%. Capital is so plentiful these days, that investors are willing to sacrifice higher returns for pride of owning a mainstream well-known asset.

WHERE THE BUBBLE IS NOT:
The commercial real estate market (industrial, retail, and office) have been steadily increasing in value while rent rates have grown modestly and net space absorption has increased. Industrial being the hottest of the three, with retail in second place and office being the laggard. Commercial always follows residential real estate…Consumers drive our economy, and the first indication of a strong consumer is a strong real estate market. While housing has doubled or tripled in value from "Carl Icahn" type prices at the bottom of the market, most commercial has increased perhaps a "modest" 50%. A perfect example of this is an office building that I am working to buy for my company in the hottest, nicest, most prestigious area of Las Vegas known as "Summerlin". The building sold in 2007 for $4.4 million, and today's market value is roughly $2.1 million. Are we in a bubble? No, not even close. For that same building, rent rates used to be $2.25/ft on a "triple net" basis…Today, they are closer to $1.35. No bubble to be found here… Just high quality real estate finally finding its footing in the marketplace.

THE NORMALCY BIAS:
There is a psychological phenomenon known as "the normalcy bias." The normalcy bias theory states that whatever is normal, people have a tendency to believe that it will keep going, as it always has, and will exaggerate or under/overestimate the effects of change. In real estate, the bias is remembering the crash of 2008 and beyond. People are nervous, and consequently they resist the idea of a "healthy market" being anything other than a bubble. Don't fall into that trap. Mark my words, real estate will be THE

place to make money for the next number of years. My bias is to buy commercial real estate in the Southwest or Southeast parts of the U.S., in major secondary markets such as Las Vegas, Phoenix, Orlando, Tampa, Miami, etc.

STOCKS:

I have long been an advocate of staying away from technology stocks, and as such, I have missed the absolutely FANTASTIC rally that Facebook has had since its crash after their IPO, which has returned well over 300% from the lows. Technology is an incredibly risky, fast paced environment to try to "invest" in. In fact, its downright cut throat and competitive on a scale and level that is hard for most outsiders to understand. Hence, why I've stayed away from it after taking several bruises in the sector almost a decade ago.

But there is one opportunity that I believe has some fundamental value, worthy of considering. We all know how big the "twitterverse" has become. If you want to watch the political musings, don't turn on CNN or Fox News, just login to Twitter and watch the presidential candidates go at it. Or if you like to follow celebrities, watch the scandals unfold in live, 140 character tweets. There is no doubt that Twitter is as mainstream as social media can possibly get. Twitter has gotten beat up over the last year, tanking its stock price from almost $40 to where it trades today at $14. The reasoning for the drop in value is less fundamental or technical, but more oriented to leadership and monetization. Make no mistake about it, Twitter is still INCREDIBLY relevant to today's social media driven world.

The "talking heads" on TV and now poo-pooing the stock, some calling for another drop to $10/share. But one thing I know, is that when people get too bearish, its usually a sign of being close to a bottom. It may be worth considering a look at Twitter for a medium to long term investment, hoping for a leadership turnaround and even a modest recovery would be a very good return.

AGRICULTURE TOUGH TIMES NOW GOING MAINSTREAM:

I've been touting the down cycle of agriculture for several years, but now the mainstream media is also following suit. The Wall Street Journal published an article yesterday saying that farmland values are dropping, and the Chicago Fed cited the biggest drop in farmland values since the farmland value crash of 1987. Keep a steady eye on the farmland value decline, and watch it carefully for a bottom in the years ahead for investing opportunities. In the meantime, I'm a fan of the short FPI strategy, which is a publicly traded farmland REIT who has picked up what I consider to be a lot of farmland at bubble prices.

SAVANT REPORT GOING FORWARD:
It is a bitter sweet to announce that we will be discontinuing the Savant Report at the end of this month. As many of you know, the Savant Report used to be a free publication that grew, and grew, and grew. We now have a strong international following from investors in more than a dozen countries. However, fortunately Savant Investment Partners, my commercial real estate investment and development company is also growing, and growing, and growing, to the point that the time and dedication required to create and distribute high quality content is unfeasible. We have considered many alternatives to shutting down the publication altogether, however managing the input and time lines of other authors will make it equally difficult on my staff and I to focus on our utmost priority, which is a large and active portfolio of commercial real estate.

The Savant Report has been a passion of mine for many years, and I do intend to keep it as a free publication that we will distribute as time permits, however the weekly updates and paid subscriptions will be discontinued at the end of this month. All monthly subscriptions will be canceled immediately and all annual subscriptions will be refunded on a prorated basis.

I can't thank you all enough for the massive support and the wonderful friends I have made from our subscriber base. Please know that my staff and I will be remaining incredibly active in distributing content as time permits, free of charge, and that our commitment to cycles based investing, and particularly real estate at this point, is unwavering.

Sincerely yours,

Jordan Wirsz

ABOUT THE AUTHORS

Jordan Wirsz, CEO

Savant Investment Partners

Jordan Wirsz serves as the founder and CEO of the Savant companies (2011-present) including Savant Investment Partners. Mr. Wirsz brings with him more than 14 years of real estate investment experience in a wide variety of real estate assets representing hundreds of millions of dollars of transactions. Mr. Wirsz is responsible for overseeing Savant's real estate investments including locating and negotiating real estate transactions, asset management, property management, leasing strategies, portfolio strategies, partnerships, investor relations, and administration. In the course of the Savant's business, Mr. Wirsz has spearheaded more than $100 million of real estate investments since 2012.

Prior to Savant, Mr. Wirsz served as CEO of a private capital finance firm (2002-2009) that managed more than $100 million of capital including a private investment fund. As a real estate investment manager, Mr. Wirsz has been a real estate investor and investment manager in many areas across the United States, which includes commercial and residential assets, land entitlement and development projects, industrial properties, office projects, retail shopping centers, and build-to-suit transactions. Mr. Wirsz is a very active commercial real estate investor and has served the roles of investor, developer, lender, fund manager, consultant, and broker. Mr. Wirsz is a nationally recognized real estate expert who has been recognized by members of the U.S. Senate, U.S. Congress, Nevada state government, and has been featured on numerous national television networks including CNBC, NBC, and Fox News. Mr. Wirsz was awarded the prestigious "Young Entrepreneur of the Year" award by the Small Business Administration in 2007. Mr. Wirsz is also a notable author and speaker, and in the past has devoted considerable time to those endeavors through his company Jordan Wirsz International Inc. (2009-2011). Mr. Wirsz continues to speak on investment and business topics when his schedule permits.