STENNETH
CAPITAL

Beating the NASDAQ Using Real Estate — Case Study

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From April 2024 through May 2026, the Nasdaq-100 ran from roughly 18,300 to new all-time highs near 27,000 — one of the strongest two-year stretches in the index's history, a gain of about 47%, or roughly 21% annualized. Conventional wisdom says you don't beat that with a 100-year-old brick apartment building on the South Side of Chicago.

We did — by roughly double, on an annualized basis, with the original capital fully returned and the asset still on our balance sheet.

This is the case study.

The Asset

In April 2024, our three-member partnership acquired a 19-unit courtyard apartment building in Chatham, on Chicago's South Side, for $1,010,000 — about $53,000 per unit. Built in 1926, the property offered large one- and two-bedroom units, a newer boiler, and significant loss-to-lease: in-place rents averaged roughly $1.01 per square foot against a clear path to $1.30+.

The acquisition was financed with two BankFinancial loans totaling $757,500. Total member equity at closing — earnest money plus cash to close, including all transaction costs, escrows, and prorations — was $254,739, split equally three ways at $84,913 per member.

This was not a speculative bet on appreciation. It was an underwritten value-add: the property was purchased at an 8%+ cap rate on in-place income in a submarket where institutional capital rarely competes, with rent upside that did not depend on the market doing anything at all.

The Execution

Over the following two years, the partnership executed the business plan: stabilizing operations, capturing the rent gap, and managing expenses. The property distributed $60,000 in operating cash flow to the members — an average cash-on-cash return of roughly 11.4% per year on invested equity, generated while the heavy lifting was underway.

In May 2026, just over two years after acquisition, the property qualified for agency financing. We closed a $1,245,000 Freddie Mac loan through CBRE Capital Markets. After all loan charges, title, legal, insurance, and payoff of the original bank debt, the refinance returned approximately $457,000 of net proceeds to the members.

That single event returned more than 1.7x the original equity in cash — on top of the operating distributions already paid — without selling the asset.

The Scoreboard

Over the identical holding period, April 2024 to May 2026:

Metric	Chatham 19-Unit	Nasdaq-100
Capital in	$254,739	$254,739 (hypothetical)
Cash returned	$516,999	$0 (unrealized)
Multiple	2.03x realized	~1.47x on paper
Annualized return	44.3% IRR	~21%
Position remaining	100% of the asset	Shares, fully exposed

The same $254,739 placed in the Nasdaq-100 would have grown to roughly $375,000 — a strong result by any historical standard. The real estate returned $516,999 in actual cash, a 2.03x realized multiple at a 44.3% IRR.

And the comparison understates the gap, because the two outcomes are not the same kind of outcome. The index return is a brokerage statement: unrealized, fully exposed to the next drawdown, and taxable on exit. The real estate return is cash in the members' accounts — and the partnership still owns the building. The new $1,245,000 agency loan, sized at a maximum of 80% loan-to-value, implies an appraised value of at least $1.55 million against a $1.01 million basis, leaving roughly $311,000 of residual equity on top of the realized 2.03x. Counting that retained position, the all-in multiple approaches 3.25x.

With original capital fully recovered, every dollar of future cash flow and appreciation now accrues on a zero-basis position. The cash-on-cash return going forward is, mathematically, infinite.

Why This Worked

Nothing about this outcome required heroic assumptions. It required four things the index cannot give you.

Basis. The property was acquired below replacement cost, at a price per unit roughly half of what comparable assets trade for a few miles north. Buying right is the return; everything after is execution.

Forced appreciation. Index investors receive whatever the market gives. We raised net operating income by closing the gap between in-place and market rents — value we created, not value we waited for.

Leverage that pays you back. The refinance is the engine of the strategy. Agency debt at 80% of the new, higher value converted created equity into tax-deferred cash while keeping the asset. There is no equivalent mechanism in a stock portfolio: borrowing against shares creates margin risk; refinancing stabilized real estate retires it onto fixed-rate, non-recourse agency paper.

An inefficient market. The Nasdaq-100 is the most efficiently priced collection of assets on earth. A 19-unit building in Chatham is not. The spread between what disciplined local operators pay and what the asset is worth stabilized is the persistent edge — and it exists precisely because institutional capital overlooks these submarkets.

The Operating Platform Behind the Numbers

Returns like these are not produced at the closing table; they are produced in the field, and Stenneth Capital's operating model is built specifically for this asset class and these submarkets.

The firm is an active participant in the Affordable Housing Special Assessment Program (AHSAP), Cook County's property tax incentive for owners who maintain affordable units — directly attacking the largest and fastest-growing expense line on a South Side operating statement. Property taxes are not treated as a fixed cost; they are underwritten and managed as aggressively as rents.

Stenneth Capital also works fluently with housing subsidy programs, pairing durable, government-backed rental income with the neighborhoods where that income stream is strongest. Subsidized tenancies, properly administered, deliver lower vacancy, lower collection loss, and rents at or above market — converting what many operators treat as administrative burden into a yield premium.

Finally, both property management and renovations are handled in-house. There is no third-party manager taking a fee while learning the submarket, and no general contractor markup on unit turns. Leasing, enforcement, maintenance, and capital work run through one team that owns the outcome — which is how a building moves from $1.01 to $1.30+ per square foot on schedule, and how an 8% cap rate acquisition becomes an agency-financed recapitalization in 25 months.

The Honest Caveats

A fair case study names its limits. This was one deal, not a diversified index — concentration cuts both ways. Real estate returns are gross of the operator's time; index returns require none. The two-year window happened to capture both a strong leasing market and an available agency refinance; in a frozen debt market, the recapitalization waits. And the Nasdaq comparison uses a period in which the index itself performed exceptionally — this deal beat a hard benchmark, not a soft one.

None of that changes the structural point. The index offers market returns with liquidity. Disciplined value-add real estate offers the opportunity to manufacture returns — through basis, operations, and financing — that do not depend on the market's mood. From 2024 to 2026, on the South Side of Chicago, that opportunity paid 2.03x in cash, kept the building, and beat the best two years the Nasdaq has had in a generation.

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