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The 2015 Mid-Year Report- *Has the Perfect Storm Arrived?*

Greetings!

While there were many inconsistencies and gaps underlying the fundamentals that drove the 2014 U.S. real estate recovery, the first half of 2015 is seeing many of those gaps finally filled in as economic and job growth in the U.S. accelerates. Many pundits are predicting that the "Perfect Storm" has arrived for investing in U.S. Real Estate, but we think there is still room for improvement in for foreseeable future. Here's the mid-year report:

Inflation Report - 0% increase: The Bureau of Labor Statistics reported the CPI index increased for the year ending May 2015, and the result was (drum roll) 0%. That's right, the "All Items" index from May 2014 to May 2015 was unchanged. Driving this flat performance was energy prices which dropped 24.8%; however, this drop in energy prices was set off by increases in other consumer categories. Medical services lead the charge with a 3.9% increase and take away-food came in second place at 3.0%. You may be saving at the pump but passing it along to your doctor and fast food favorite. We can't remember a time in our lives that the CPI was 0% and will enjoy this brief historic moment while we watch energy prices making a comeback at the pump.

Consumer Loans: Rates are Holding Steady if not decreasing: Interest rates are up for the first half of 2015 with the 10-year treasury at 2.36% (verses 2.19% in January) but banks are flush with cash and the bank regulators are relaxing their grip. Right now could be the best time to find a small business loan since the 2008 subprime mortgage crisis. Better economic conditions and a big increase in competition means lenders are willing to slash their rates for good prospects. The small business drives our economy and with access to cheap operating capital, the forecast for the small business owner is rosy.

Unemployment: The Bureau of Labor Statistics just announced the May unemployment rate and its good news. The report shows that only 5.5% of Americans are unemployed verses 6.3% in May 2014. The unemployment rate peaked in October 2009 at 10.0%....so in six years, we've come a long way. What this mean is that in the past year alone, three million Americans have jumped back into the employment pool and are pumping an additional \$150 billion in annual spending. Amen!

The Dollar: After reaching a high of \$1.48 to 1.0 Euro in May 2011, the Dollar hit \$1.12 at the

end of June. The predication is that the currencies will hit par (\$1 for 1 Euro) by the end of 2016. While there are mixed attitudes associated with a stronger dollar, I think it's a good thing for U.S. real estate investors who want to diversify their portfolios. The Greece/Euro turmoil is causing investor anxiety, and driving investment capital to the U.S. dollar ...and a great deal for America companies who want to grow their businesses overseas.

So looking forward will this perfect storm get even better? Possibly. The Greek crisis has given Ms.Yellen the excuse to delay raising the fed rate - which hasn't increased since 2006. The dollar is expected to get stronger...which while negatively impacting publicly traded American companies who derive a large portion of their income from overseas, it will drive more global net worth into U.S. dollars. Unemployment should continue to trend down as consumer spending grows. With the underlying fundamentals improving, we anticipate real estate values to continue to trend favorably but do plan to lock into those long-term interest rates in 2015.

Please see TriStar's Investment deal of the month.

Deal of the Month

Old Norcross Plaza



TriStar has been chasing this 39,900 sq ft "value add" suburban shopping center for a year. The seller started at \$6.1 million, but after a false start with another buyer, finally agreed to our terms at a significant discount. The property has robust leasing activity and a strong return is anticipated.

Please reach out to us should you have more questions or interested in one of our investments www.tristarinvest.com.

Sincerely,

TriStar Partners

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