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Las Vegas front line : *The Retail industry is fine and getting better.*

Greetings!

At ICSC (International Council of Shopping Centers) convention in Las Vegas this month, the mood was upbeat and optimistic. Investment capital that has been focused on apartments is turning to retail centers from Class A malls, Lifestyle centers, to neighborhood retail centers. Here are few observations from key topics that were raised:

E-Commerce v Bricks and Mortar shopping- though Amazon has built a solid distribution network to get your online orders delivered to you faster than ever, the challenge of the "last mile" has not been met. New buzz phrases such as "Click and Pick up and Click and return" are reflective of how shoppers are actually fulfilling their purchases. Many are using the internet to do research/shop and even order but many are picking up at the store. Retailers are making it easier for customers to get what they want just as fast with their own answer to the last mile of delivery. The big take-a-way? At the end of the day, shoppers want a live experience because humans are truly social beings.

Fear of Rising Interest Rates- what happens when interest rates increase and cap rate compression is done...do prices fall? From the macroeconomic perspective, a few salient points were made. Rising interest rates means a recovering, healthy economy. It also signifies potential inflation. Both of these are good for real estate values. In perspective, the interest rates are so incredibly low that financing relative to other periods is at an all time low even with a few extra basis points increasing to the rates. Also, from a historical perspective, the ten year treasury has spent most of it years of measure below 5 %. This gives a perspective of just what the measure of impact may be relative to history. This makes it a little easier to choose your exit cap rate when underwriting an exit in the future if you have a since of the worst case.

Omni Channel- getting to the consumer and influencing their buying decisions has never been more important and conventional methods of the past are obsolete. The modern consumer, millennial or Boomer turns to social media for information and influence. Success in the future for retail owner will be helping their tenants market themselves (and your shopping center) through various mediums in social media. It has never been more important to understand this outreach. Major malls have full time social media specialist controlling content and information regarding their centers and their tenants..

Landlord/Tenant Relationships- it has never been clearer that tenant and owners have a

connection of necessity. If a center isn't helping the tenant drive business, it is in danger of having a retailer who can't pay rent. On a small scale, the landlord is keeping a center in clean and attractive conditions to make the shopper feel safe and secure in their experience. On a larger scale, owners are creating entertainment venues to accentuate the shopping experience. These savvy landlords are hosting seasonal activities in the common areas to draw shoppers, to entertain them with shopping as a hopeful outcome to the draw.

Please see our TriStar Investment Profile of the month.

Investment Profile of the Month:

Burns Crossing Shopping Center

Tucker, Georgia



What we like about the investment

- National retailers -Starbucks, Five Guys
- Newer Center
- High Profile Site w Excellent Traffic Count

What is not optimal?

- Existing property is on a ground lease that expires in 40 years

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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