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September 1, 2015

The Foreign Invasion - It is here and we are ready for it - Are you?

Greetings!

Foreign investors dominate the US capital markets and commercial real estate is the benefactor and the victim of its surge. Simply put, we are in a global economy and we see its results every day. China sneezes and the world gets a cold. Greece runs up a debt it cannot pay and the equity markets fluctuates in response. The influence of the world capital flow affects every investment sector and commercial real estate is no different. What motivates its flow to the US and what is the impact to our markets?

1.Safety in the United States - politically, many countries are run by controlled regimes that dictate business in a very undemocratic process. Private ownership of businesses and real estate is subject to the instability of the governments that are not there to protect free trade. Countries wage war and some leaders are overthrown. Investments do not have scrutiny of regulated authorities and often have egregious tax consequences that are neither consistent nor fair. Transparency of investing in the United States, though not perfect, is better than others.

2.Currency Hedge - for long term investors, understanding the impact of changes in currency can either add or detract from investment returns. We learned of a wealthy European family who had the foresight to move euros to dollars last year in anticipation of making larger investments in US Real estate. The exchange rate at the time was \$1.40 euros to \$1.35 dollar. Given today's exchange at almost parity between the euro and the dollars, this investor has made money just keeping it in the bank awaiting investment. It is very likely the U.S. dollar will continue to be the most stable currency for years to come.

3.Relative Returns - the ten (10) year US treasury is a key benchmark for real estate returns. By comparison the U.S. Treasury note has hovered around 2-2.5% for the last few years where as the ten (10) year German Bund has been close to zero. Relatively speaking for the same risk in U.S. Real estate you will get 200 basis points higher than in Europe.

So where is the money coming from? In Atlanta, we have lost deals to Russian money seeking a flight to safety. Our friends in Miami see money from South America pouring into condos and other investments in south Florida. China is growing , mainly in the form of EB-5 (\$500,000 minimum to get a VISA) or through state-owned investments. What this means is that conventional market investment returns sometimes have less to do with the absolute returns than safety. What does that mean for TriStar?

Discipline is the key to meeting the goals of our investors. Often times it means losing to a foreign buyer who doesn't have the same goals. What it means is that we have to work harder to underwrite our targeted investments and be aware of the competing environment even in our focus of investments below to sights of institutional investors.

Please see our TriStar Professional of the Month: Matthew Ricks of Bank of North Georgia

Professional of the Month



Matt is a native Georgian and grew up in the suburbs of metro Atlanta. He earned a degree from the University of Georgia in 2003 majoring in Economics. He thought he wanted to go into the insurance world but after learning more about the industry, he decided upon banking instead. Matt moved to Atlanta and began working at a small community bank called Mountain National Bank in Tucker, GA. After several mergers and name changes to ultimately Bank of North Georgia, he was selected for their Management Associate program in 2005 which focused on commercial lending and credit training. He was able to gain valuable experience by observing senior lenders and how they cultivated relationships for business development as well as learning and understanding the fundamentals of cash flow, financial statements, and risk management. "After exiting the program in 2006, my goal and direction was to cultivate and build a commercial loan and deposit portfolio for the bank which I still do to this very day". Matt enjoys working with small business owners and seeing how the bank can help them meet their goals or help them finance a specific project. The bank offers expertise in lines of credit, OORE, CRE, equipment financing, and letters of credit. Also, all of our credit decisions are made locally which makes for faster turnaround times. Outside of work, he enjoys spending time with his family, running, fly fishing and also cheering on the Dawgs in the fall! Matt's wife, Sarah, and son, Bowen, reside with him in Roswell, GA.

Please Review TriStar's Investment Profile of the Month:

Investment Profile of the Month



2285 Peachtree Road
Atlanta, GA

Two Story Office and Retail condominium interest on Peachtree Street in Buckhead

Iconic Tenant with upcoming lease expiration in a tightening market. Under market office rents on the second level as well as longer term dentist.

TriStar is seeking Investors for its current fund. Please call us at 404-698-3535 to learn more or email us at dgibbs@tristarinvest.com

Sincerely,

TriStar Partners

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