



# TRISTAR

## REAL ESTATE INVESTMENT

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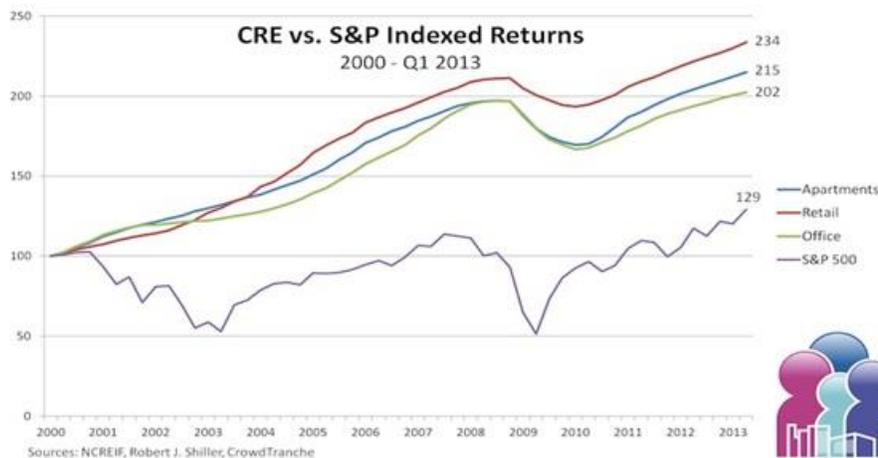
The New Year has begun. Every television station from CNN to CNBC is telling us where we should invest our money in 2014. Of course everyone has a different opinion as to how much higher the stock market can go and complains about how little yield there is in the bond market. Money market accounts are delivering returns of almost zero. The average investor is understandably confused about how to make money with relatively little risk.

### Where to Invest in 2014

The S&P 500 had an outstanding year with over a 29% return. Congratulations if you rode this market! Hopefully your portfolio outperformed the market as a whole. The concern today seems to be whether there is any more upside to this heated stock market. The most optimistic forecasters see a little more room to grow, and there are some who believe there could be a large correction. Since the bottom of the market in 2009, investors have purchased undervalued stocks awaiting their rise to seemingly fair value in today's market. Are there any undervalued companies that have not yet been scrutinized? The only real consensus is that 2014 will surely have some volatility within the investment sector.

The annuities market now finds the 10-year treasury rates at approximately 3%. While this is a substantial increase, it is hardly a robust return even with its low risk. Other similar investments don't seem to stand up to inflation. Even though this is the safer sector of the market, it is not meeting the financial goals of many people looking to retire in the future.

What area of the market still has undervalued assets that are positioned for growth, through capital appreciation, cash flow, and favorable tax treatment to meet financial planning objectives? Commercial real estate is still in recovery mode as the economy slowly expands out of its recession. Businesses are looking to hire again and consumers are spending. Applying a value-added strategy to carefully selected areas of growth in commercial real estate will enhance your financial portfolio with good cash flow and considerable capital appreciation.



Three things of importance to note on the graph above compiled by NCREIF, Robert J. Shiller, and CrowdTranche:

1. CRE has outperformed S&P indexed returns since 2000;
2. There is less volatility of price swings over time; and
3. CRE recovery lags behind the overall equity market.

Commercial real estate is just now starting to recover. Thinking historically, wouldn't you have enjoyed investing in the equity rally in 2009? CRE offers the equivalent opportunity in 2014.

What are the returns on commercial real estate investments? On the conservative side, a high credit, triple net leased Starbucks or McDonald's may provide you a 5 to 7% return today with increases over the next 10 to 15 years. Investments like these have corporate guaranteed leases in areas that will continue to be driven by consumer demands for their products. The investor's responsibility is simply to cash dividend checks from properties overseen by a qualified asset manager. On the riskier side, investments in value-add real estate can deliver returns in excess of 15% to investors. Office, retail, or warehouse investments are in need of refinancing or a capital infusion as the market returns. This allows for increased rents due to repositioning strategies.

Does steady cash flow or cash flow with appreciation fit within your financial plan? Real estate investing is not made for every investment portfolio. It can, however, provide an attractive avenue for wealth building over time.

Stay tuned for future newsletters that will discuss how to invest in commercial real estate to meet your financial objectives.

Sincerely,

***TriStar Real Estate Partners***