



TRISTAR

REAL ESTATE INVESTMENT

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Bloomberg published an article citing sources at Morgan Stanley that Commercial Real Estate is the Number One Place that Millionaires Will be Looking to Invest in 2014. See the article (<http://www.bloomberg.com/news/2014-02-06/millionaires-see-real-estate-as-top-investment-for-2014.html>). This may make sense as interest rates are low and the equity markets have reached their long term PE ratios. Many such millionaires have and continue to make money on real estate.

A few people I know fit the profile of the "Millionaire Next Door" as named by the popular book's author Stanley and Danko. They have a very low profile, are humble and you may not know them. One in particular is a great story.

The Real Estate Mogul

I saw him one day sitting next to me having breakfast in his favorite café (he owns the building). Later that week, I saw him in line picking up a sandwiches for the family at a popular bakery (he owns the building). The quiet story I have come to learn is a simple habit he picked up years ago of investing in small pieces of real estate over the years and sitting on them. Every once and awhile, he would sell a property but usually to satisfy a tax related matter associated with another property, never due to necessity. Over time, buying real estate, collecting rent and paying down debt eventually creates a wonderful retirement vehicle that yields the pleasantry of cash flow.

This is the time of year that financial advisors are meeting with clients and making recommendations on the portfolio. Traditional strategies will suggest a mix of stocks and bonds that balance the risk/reward and the amount of time left until retirement. Some of my friends are struggling with well-intentioned advisors who suggest allocations in bonds. While a safe place to avoid the downfalls of a stock pullback, it doesn't do much to push the needle forward toward retirement. One advisor told a friend that the goal for her portfolio should be 7-8% return per year until retirement. If she is 50 years old and 50% of her portfolio is in equities (maybe at a 12% yield) and 50% in bonds or safe investments (maybe at a 3% yield) then I understand the rationale to get those returns...that might even be pretty aggressive assumptions over the long run.

Eating a Meal in the Building You Own

How much fun would it be to own Cheers? The popular sitcom would be even more enjoyable if we had found out at the end that Norm was actually the owner of the real estate the whole time?

On our desk at TriStar, is a real estate investment in our neighborhood that will house a very popular and office and restaurant. It produces a ten-year cash flow resembling the 7-8% long term goals established by my friend's financial advisor. Over 40,000 cars a day go past this popular place, so I almost hope that the restaurant leaves for I am confident that there will always be something trendy at this location. This is one of those places that would be fun to visit knowing that TriStar and our investors are making good returns while quietly dining on the special of the days, and maybe..... while sitting next to the Millionaire Next Door.

Please see our sample investment target of the month. This profiles a property that we have underwritten but are not acquiring:

NORTH FULTON SHOPPING CENTER



Profile: Developer's loan due, new center with adjacent pad site, 70% leased, priced at 63% of defaulted loan

TriStar Strategy: Contribute capital to complete improvements and commissions for lease up; increase below market rents for renewing tenants; sell excess pad site at premium in 18 months

Equity Needed: \$1.8 million with conservative leverage

Return Anticipated and Time Frame: 27% IRR; 4 years

We hope you will contact us or visit our website to learn more about investing with us.

Sincerely,

TriStar Real Estate Partners

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