



www.tristarinvest.com

February 1, 2015

THE REAL ESTATE INVESTMENT CHECKLIST

Greetings!

THE REAL ESTATE INVESTMENT CHECKLIST: *Some things to consider:*

As TriStar reviews real estate investments there are recurring themes that we look for to give us comfort that our investment objectives will be met. Though not an inclusive list by any means, these are some core principles that savvy buyers consider:

1. Beginning with the end in mind - the exit strategy of the real estate investment is probably the most important decision that needs to be made for most investors. Time can cure all mistakes in real estate investing, so if you plan to hold your investment forever, this does not apply to you. However, given the cyclical nature of real estate investments, the investor needs to project the time and the selling price of their asset even before they close. This is critical as you choose the length of your financing and the amount of capital that will be required to run your investment. If you plan to hold short term, there is no need to do major renovations nor endure the challenges of a CMBS loan unless these are required to meet your return objectives.

2. Seller motivation - The Edge - why does the owner of the property want to sell at this time? Maybe there's a degree of distress (loan coming due), maybe a squabble amongst partners or maybe a divorce and the need for liquidation. The answer to the motivation is not always clear. The more research done on a property in advance will lead to clues that determine whether to move forward or not based on the reasoning behind the sale. Caveat from a contrarian- if everyone is selling and you are the only one buying, pay attention!!

3. Barriers to Entry Ever wonder why New York and San Francisco seem to have the highest rents and prices? Ask a developer how difficult it is to put up new construction in either of the cities and that will lead you to the answer. However, being landlocked is not the only barrier to entry. Municipal regulations and zoning hurdles, activist neighborhoods, sewer availability, lack of capital for new construction are all characteristics that would inhibit new construction. In these markets, rent and the associated value of existing buildings can rise considerably with such supply constraints.

4. Highest and Best Use Warehousing and distribution in urban areas are still in demand, however many neighborhoods that are undergoing gentrification. The old warehouse may receive a higher rent by being converted to loft apartments or offices. Apartments converted to Condos and warehouse to loft offices or residential are both active examples of changes occurring that are catching the attention of the savvy investor.

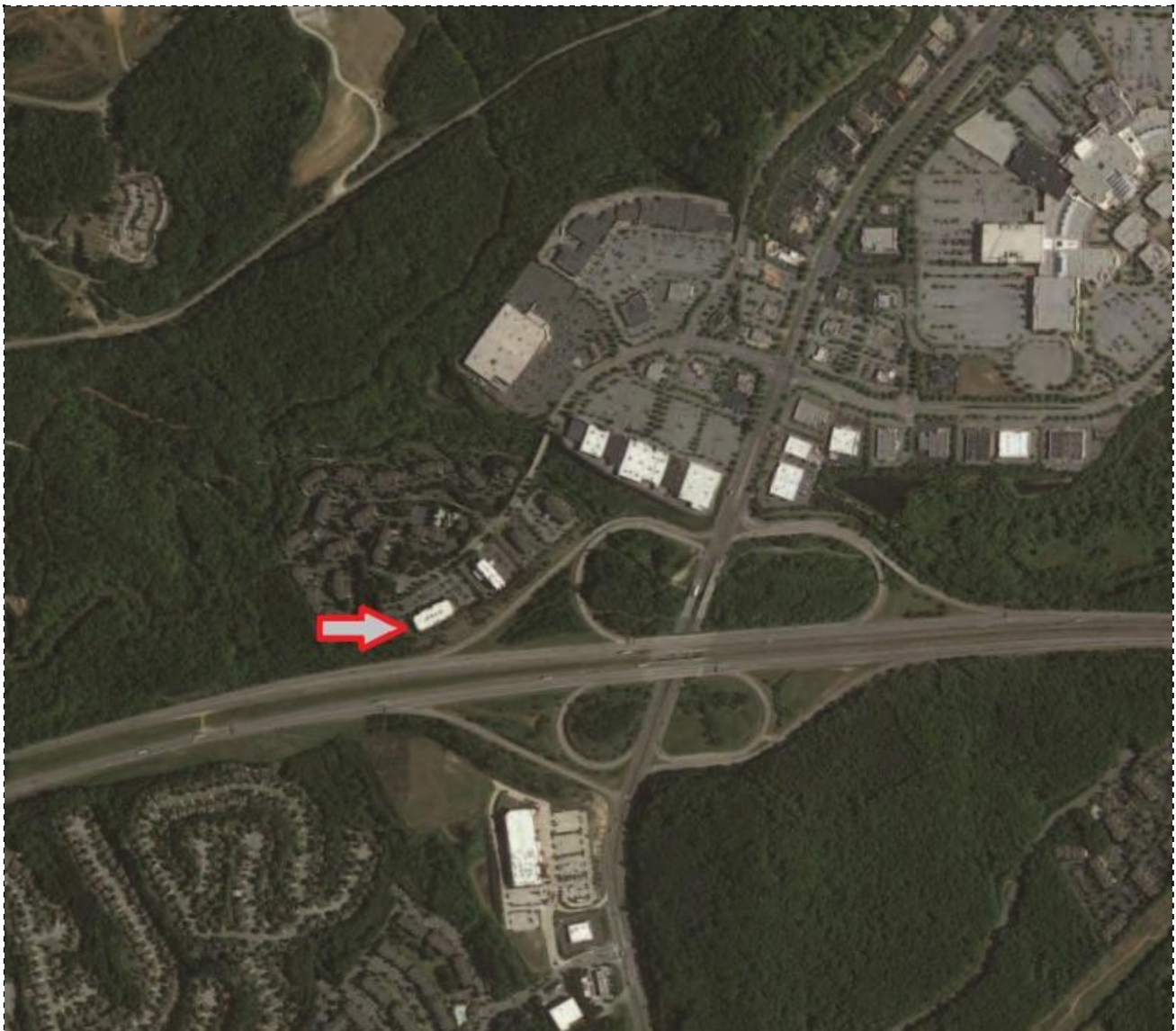
5. Replacement Cost-in a recovering market, when demand outstrips supply, new construction will begin. As inflation occurs, the cost of new construction can skyrocket and the associates rents to fill the new supply. If you are able to buy an asset for say 50% of replacement cost, you, as the investor will enjoy the benefit of accelerating rents as tenants are priced out of newer product and will turn to less costly alternatives.

Our team has been involved with over one billion dollars of transaction, investments and projects where asking the right question in advance was the key to making or saving money.

Please see our TriStar Investment Review of the month.

Investment of the Month

Mill Creek Office



This 50,000 rsf office building in the Atlanta suburbs has two characteristics from the Investment Checklist that are appealing:

1 Barrier to Entry- this is the only office building at this exit and has great visibility.

2.Replacement Cost - to replicate this building would cost almost twice what we feel it is worth today.

This asset is 38% leased and has good upside potential. However, does it meet other key investment criteria to make it a worthwhile investment? Call us and ask us what we did and why. Stay tuned!!

Sincerely,

TriStar Partners

TriStar Real Estate Investment
1175 Peachtree Road, Suite 760 | Atlanta, GA 30361 | (404) 698-3535

Visit us on the web! | www.tristarinvest.com

Copyright © 2014. All Rights Reserved.