TRISTAR
REAL ESTATE INVESTMENT

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U.S. Real Estate - Re-Going Global

Greetings!

2014 Expo Real Conference in Germany

The global real estate market has heated up after a five year drought, and the global appetite for U.S. real estate is starting to gain momentum. What does this mean for the average U.S. real estate investor? It means that competition for properties is getting ready to get fiercer as more and more investors from the U.K, Switzerland, France, Germany, Russia, China and Canada turn their eye towards the emerging and still undervalued U.S. real estate market. Makes sense doesn't it? We Americans continue to spend our U.S. Dollars to the tune of net $480 billion (annual trade deficit) on the BMW's, Toyota's and smart phones; where else will these foreign merchants spend their U.S. dollars? U.S. real estate, bonds and other commodities give that globe-trotting U.S dollar a place to park.

TriStar joined the massive crowds at the Expo Real conference held in Munich in early October. For those of you not familiar with Expo Real, it is the largest international real estate trade show in the world attracting 37,000 visitors from 74 countries who network about all things real estate in a facility comprised of 640,000 sq ft. After many meetings, conversation and Bavarian pretzels & beer (yes...we went to Oktoberfest) the key takeaways for the American real estate investor were:

1. **How much is your money worth in the bank?**

If you ask a German depositor, it is worth 99.8% annually. Mathematically, this doesn't make sense but in September, the European Central Bank lowered interest rate targets to negative .20 basis point to keep inflation in check. What this means is that you PAY the bank $.02/$1.00 every year for the privilege to deposit your money. Not surprisingly, the Germans are starting to pull their hard earned Euros and looking for happier hunting grounds to invest their money.

2.**The investment markets around the world are getting "less" safe and the U.S. continues to offer the perception of stability.**

Ebola, trade embargos and Russian dictators poising as democratic leaders are throwing their pebbles in the lakes of global stability and the markets are reacting accordingly. Luckily, the U.S. is geographically removed from the hubs of instability experienced in Europe, Asia and Africa.

3.**Investment intelligence is becoming a commodity.** The flood of European and Asian investment in U.S. real estate officially started in the early 1980's. Over the last 30 years, the legal and accounting structures in many countries have started to equalize to U.S. standards with many investors coming to the closing table with second and sometimes third generation investment experience. Herr Grandpa set up the trusts to purchase the U.S. real estate and the savvy kids and grand kids grew up doing their internships with the U.S law, accounting and real estate companies. Many countries have tuned into the trend and are adopting more user-friendly tax and legal procedures to hopes of attracting more investment in real estate. Many of the exhibitors at Expo Real were countries such as Russia, Germany, Poland and Luxembourg, hoping to attract big investment and developers to plighted regions of their countries in order to stimulate growth, and eager to make the tax and legal climate accommodating.

4.**The Europeans have adopted new Securities Laws.** With #3 above being said about simplification, the Germans have taken an extreme stance in response to the global financial collapse of 2008. Many Germans lost billions of Euros in investing in securities backed by U.S. office buildings to German container ships and other commodities that were bundled into sellable bonds. We spoke with a German attorney who has been an advisor to the German Securities & Exchange, and the new securities laws are very complex with over 1,000 "gray points" still to be resolved. These new regulations are making the issuance of new securities in Germany risky, expensive and cumbersome. With the lack of new investment funds on the market, many pensions and other institutional and retail investors are looking for other avenues to invest. The U.S. fund market is still slow, but starting to get attractive.

In conclusion, The global attention towards U.S. real estate will be an emerging trend with many large institutions already starting to invest through Canadian and other "non-U.S." intermediaries. Changes in the global markets such as negative interest rates in Germany, growing investment intelligence and regional fears are driving investment traffic to the U.S., and real estate is a logical component of any diversified portfolio. Stay tuned as appetite for real estate investments from foreign investors continues to grow over the next year.

Please see one of TriStar's Investment deal we have looked at this month.

Investment Review of the Month

What are European Investors interested in? They want long term, stable cash flow with no responsibilities. The property below is offered at a 6.5% cap rate with a 26 year NNN lease and rent increases in the growing market of east Midtown near the Ponce City Market Development. The yield over the investment life is close to double digit returns with leverage.

TriStar Fund I is a Value Add real estate vehicle for accredited investors. We are targeting commercial assets in the Southeast with a defined strategy to produce attractive return for investors. To learn more about our offering see us at www.tristarinvest.com or call Duncan Gibbs or Marjy Stagmeier at 404-698-3535.

Sincerely,

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