



TRISTAR

REAL ESTATE INVESTMENT

www.tristarinvest.com

October 2, 2020

THE SEARCH FOR YIELD - LOCAL REAL ESTATE AND GOOD CASHFLOW

This is an update to one of the first newsletters we did when we launched TriStar in 2014.

The options for most investors seem to fall into three (3) investment categories:

1) The Stock Market - What a great run up the market since the start of the COVID pandemic in March! There has been a strong move into technology stocks that are "stay at home stocks" that can do well as we stay at home. Can the rally continue, and what will happen after the Presidential election? Large cap dividend returns may be 1-3% with anticipation of appreciation; however, the most reliable dividend stock is under pressure as we recover.

2) Bond/Treasuries - Mini bonds are under scrutiny as interest rates bottom, and the T-Bill is at 0.65% as of this writing, relative to a 2.5% when we launched in 2013.

3) Alternative Investments - This encompasses a wide variety of products from hedge funds, to private equity and real estate. More of the investors we are talking to are looking for consistent, repetitive returns that take the volatility out of the stock market, yet will give a better return than bonds and government securities. The recent pandemic will have a huge impact on hotels, retail centers and, in the short term, on office and less in apartments and no impact at all on the eCommerce industrial sector behind the logistics of the Amazons of the world.

Warren Buffett is idolized as one of the smartest and most successful investors around. A core principle to his investing philosophy is that he wants to understand the products that drive revenue for his investment. His shares in Coke, IBM and others are predicated on his knowledge of the product and the demand for the product over the long term. It makes sense - invest in what you know. What does TriStar advocate that it knows?

Local Real Estate - We have not been surprised at the interest of local investors in some of the acquisitions we have made. If you live in a local market, and you shop at the same store each week, or drive to the same office market each day, then you are the expert in the dynamics of the real estate and are the best source of whether the real estate will be a success or not. "Location, location, location" is the motto of every great real estate investment. Local investor buy-in confirms the validity of the location.

Atlanta is seeing an in-migration of people who are leaving crowded cities of the north

and craziness of the west. Atlanta is no longer just a backroom IT center for technology. Recent commitments from Google, Facebook and the secret \$147 million dollar land acquisition in West Atlanta by Microsoft symbolize the fact that Atlanta is now a technology/software engineering hub that is attracting new talent and high paying jobs. Local knowledge is needed to see where the trend is headed.

Scale of the Real Estate - When the investment in real estate gets over \$10 million, then the appetite for the investment goes outside of the market. Big money houses have to "place tens of millions" of dollars into investments each year. In simplistic terms for institutions, it's easier to do this in a few properties - it is less work. So, more money is chasing fewer large assets, driving up prices and lowering the returns.

We see this in today's market so many REITS, and institutional investments have heavy costs and lower yield. But in all fairness, their portfolios are spread out over several markets and product types, so the risk can be smaller.

Investing Locally - Who knows the forecaster success of any market better than those who live in the market every day? This is true for asset managers as well as investors who understand the prospects for local success. We are amazed when the out of town investor comes into a market that they do not know, with their bravado of going against conventional wisdom. Sometimes it works because of the foresight that limits the local markets, sometimes not.

Conclusion- We think the pandemic will present compelling opportunities to buy in our backyard in 2021. Sometimes what is in your backyard can be the best investment you make simply because you understand what makes it work. This applies to whether you are investing in your business or in local real estate.

View our Deal Profile of The Month

Deal Profile of the Month:

Galleries at Peachtree Hills
(Condo Complex)
Atlanta, GA



Pros

- Well located in centralized area
- Suitable for an Operating business

Cons

- Ownership Covenants limit use to businesses that only do Interior Design business (this restriction was created to compliment/compete w ADAC next door) which limits any exit in the future and diminishes the value

Lesson Learned - properties are governed by a "bundle of rights". From zoning, governmental, to use limits, the more restrictions that are place on those rights will lead to less value.

Are You an Investor?

We are in pursuit of several investments. If you are an accredited investor and want to be considered for one of these offerings, please reach out to us. Call us today to learn more at 404-698-3535 or dgibbs@tristarinvest.com.

Sincerely,

TriStar

