

Attorney Paul Sternberg of Houston addresses effective commercial real estate ownership structuring

Houston-based attorney Paul Sternberg explores 'hub and spoke' ownership structures within commercial real estate investment

HOUSTON, TEXAS, UNITED STATES, October 25, 2018 /EINPresswire.com/ -- An important consideration for owners of commercial real estate, or those looking to invest, the option to create a 'hub and spoke' ownership structure should not be overlooked, according to [Houston-based Paul Sternberg](#). Attorney and real estate investor Sternberg reveals that, by establishing a 'hub and spoke' structure, property owners are largely insulated from personal liability, although the practice also boasts numerous other benefits.

"By forming a so-called 'hub and spoke' entity LLC—or limited liability corporation—structure, commercial property investors, further to protection from personal liability, are also able to streamline ownership requirements and reduce administrative costs," suggests [Paul Sternberg](#).

"Furthermore," he continues, "'hub and spoke' structuring can also provide significant estate tax savings should a property owner pass away."

Sternberg goes on to explain that the process starts with the creation of an initial limited liability corporation, or LLC. The resulting LLC then serves as the 'hub' through which an owner, or owners, may invest in multiple pieces of commercial real estate.

Each investment property then has—and is owned by—its own LLC, with each of these forming the 'spokes,' according to the attorney and experienced investor. "The hub corporation owns 100% of each spoke LLC," he explains, "with income from each 'spoke' flowing through the hub LLC which was created initially."

As a result, none of the 'spoke' LLCs are required to file income tax returns, as—with income flowing through the 'hub'—the spokes are essentially disregarded entities as far as tax purposes are concerned, streamlining ownership requirements as pointed out by Sternberg.

By structuring ownership of multiple pieces of commercial real estate in this way, each 'spoke' property and its LLC are also protected from liabilities associated with the other 'spokes.'

HOUSTON - August 24, 2018 - ([NewsWire.com](#))

Tenant expenses, maintenance, leases, and other responsibilities vary considerably between [commercial and residential properties](#), making for two entirely different investment prospects. That's according to Paul Sternberg, [an experienced real estate investor, entrepreneur, and businessman from Houston, Texas](#).

Sternberg goes on to explain that, generally speaking, residential real estate makes for a more straightforward investment. "It's with this in mind that many first time investors tend to opt for residential, rather than commercial," suggests the Houston-based property investor.

Of tenant expenses, maintenance, and leases, Paul Sternberg of Houston further reveals that all three of these areas are more complicated when dealing with the commercial real estate.

"In the commercial real estate, tenants are generally expected to pay some or all of the maintenance costs, taxes, and insurance premiums associated with the property," says Paul Sternberg. "In terms of a residential lease, however, all necessary expenses are typically factored into the agreed rent amount for the property."

Furthermore, with taxes, insurance, and maintenance costs regularly fluctuating, when dealing with commercial real estate it's necessary to recalculate these additional charges on a semi-regular basis. "This needs to be done annually at the very least in my experience," Sternberg suggests.

Explaining maintenance requirements in more detail, Sternberg of Houston highlights that in larger commercial properties, especially shopping malls or sizable office complexes, for example, it's usually necessary to have on-site property managers.

A requirement by law in a number of U.S. states, these managers are permanently on site to deal with any issues which may arise. "This is an obvious cost," states Paul Sternberg, "and one which isn't a factor in the vast majority of residential leases."

Highlighting an advantage of the commercial real estate, Sternberg next points toward responsibilities. "In the commercial real estate, many of the responsibilities pertaining to the property fall directly to the tenant, rather than the landlord," he explains. "With residential properties, however, the landlord has a duty of habitability to the tenant, meaning that it's he or she who must accept the lion's share of the responsibility."

Sternberg also points out that a commercial lease is more akin to a traditional business transaction, whereas, with residential leases, a landlord will likely be dealing with families

Paul Sternberg Houston

"As long as each spoke is treated as its own entity, with its own LLC, bank account and expenses, any arising liabilities associated with one piece of real estate should have zero bearing on any of the others attached to the same hub," reveals Sternberg.

Another benefit highlighted by the Houston-based attorney, Sternberg also explains how hub and spoke structuring may be used to great effect in estate planning. In the event that a property owner dies, an interest in the hub may be passed to children or grandchildren, for example, he suggests, or placed in a trust for these or other individuals.

"Where an interest is gifted, steps may be taken to remove any interest in the real estate in question from the property owner's taxable estate," points out Sternberg, wrapping up, "as well as future appreciation—along with the associated income—substantially lowering any estate taxes which may otherwise be owed."

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As e-commerce continues to leave its mark on traditional retail businesses, real estate investors are continually looking for ways to safeguard the value of their assets. Investors such as entrepreneur and businessman Paul Sternberg of Houston remain bullish on real estate, with many recently opting to switch their focus to what's become known as "the new consumer."

Houston-based Sternberg is under no illusion that [e-commerce is absolutely transforming the way in which consumers think about their shopping experiences](#). Amazon, in particular, says the investor, has single-handedly changed how a large percentage of the U.S. population now shops.

Despite now being worth more than a billion dollars and responsible for 44 percent of all U.S. online purchases last year, Amazon's effect on traditional retail, however, may not be quite as crushing as many people have been led to believe.

"The numbers are staggering, but it's important to remember that Amazon's sales in the last twelve months only accounted for less than five percent of total retail sales in the U.S.," reveals Sternberg, referencing figures released by One Click Retail, the business intelligence services provider.

"This," he adds, "means that there's still plenty to go around, here in Houston and right across the country, and much of this business continues to happen in a traditional retail environment."

Hedging their bets on this 'new consumer' profile, Commercial broker, Paul Sternberg, and fellow investors believe that, away from e-commerce, many shoppers still long for a complete shopping experience, something which only comes from visiting a physical retail location. "By their own admission, many consumers want to be stimulated when making purchases, which is something lacking from the online buying experience," he suggests. These individuals, says the Houston native, are the so-called "new consumers."

"Contrary to popular belief, the retail sector isn't dead, nor is it a wasted opportunity - quite the opposite, in fact," explains Sternberg, adding that, in his opinion, there's still massive potential for lucrative business opportunities and real estate investments within what today is a constantly shifting retail landscape.

"As shopping habits swing back toward this more traditional buying experience, [commercial real estate values](#) not only remain strong, both here in Houston and elsewhere, but they're actually strengthening," reveals a confident Sternberg. In this sense, he points in particular to smaller, more unique buildings in urban areas, as opposed to so-called out of town 'big box' retail properties.

"Experts anticipate, for example," says Investor, Paul Sternberg of Houston, "that retail strip malls could prove to be among some of the most lucrative property investments of the decade, which we're already seeing in Houston."

"As such," he adds, wrapping up, "there has perhaps never been a much better time to take advantage of the currently buoyant commercial real estate market, in my opinion."

Paul Sternberg Houston

HOUSTON - August 16, 2018 - ([Newswire.com](#))

Capitalization rates are a fundamental concept used within U.S. commercial real estate and the metric employed to estimate an individual, group or organization's potential return on a property investment. Capitalization rates are determined by dividing an investment property's net operating income by its current market value.

"Alternatively, the current market value can be substituted for the acquisition cost of a property," explains [Paul Sternberg of Houston](#), an experienced real estate investor, entrepreneur and businessman.

"Capitalization rates are extremely useful in comparing similar potential real estate investment opportunities," Sternberg continues. "However, while the capitalization rate of a property is an excellent starting point in evaluating its potential, it's only one of several important factors."

[Paul Sternberg](#) goes on to explain that, for example, the condition of a property is often as important as a high capitalization rate. "A piece of real estate which boasts a high initial capitalization rate but is in poor overall condition will ultimately cost money in repairs," suggests Sternberg of Houston. "On the other hand, a property with a slightly lower capitalization rate, but which is in great condition, will continue to earn an investor money over coming years, largely without the worry of significant and potentially extremely costly repairs," he adds.

Where both net operating income and market value stay the same, capitalization rates will remain unchanged. "If the net operating income of a property rises," says Paul Sternberg, "while the market value does not, the capitalization rate goes up. If, however, the opposite happens, the capitalization rate will fall."

For a commercial real estate investment to be genuinely profitable, Sternberg explains that both net operating income and market value must increase in tandem. "If net operating income increases at an even greater rate, then that's better still," he adds.

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It's with this in mind, Sternberg points out that while capitalization rates are great for gauging the potential of an investment at the outset, they're also highly beneficial in tracking the value of investments in the long term. "Good or bad, a commercial real estate investment's value can always be determined by its capitalization rate," he suggests.

In the most straightforward sense, capitalization rates form a ratio which gauges profitability over time.

"If after investing, the capitalization rate of a property begins to decline," Paul Sternberg of Houston adds in closing, "it may then be time to consider selling up and reinvesting elsewhere."

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Paul Sternberg Houston

Rebuilding Efforts

[Paul Sternberg of Houston](#), TX knew that this school shapes intelligent, free thinkers of the future. So, when he heard that the Country Day school was devastated by Hurricane Katrina, he knew he had to help. Thus, Sternberg donated money directly to the school, to help kickstart the rebuilding efforts.

Aftermath of Altruism

"After Katrina, I continued to donate money," Paul Sternberg said. "It helped shape my life and hopefully shape the future generations of New Orleanians."

Carolyn Chandler spearheaded the campaign was largely responsible for helping to rebuild the school. Sternberg regards her as a guiding and instrumental force in the rebuilding efforts. In fact, they have renamed The Front Circle in honor of her efforts to save the school. Sternberg donated to the cause to acknowledge The Head's efforts. It's a constant reminder of the fortitude and the humanity that was shown in a time of crisis.

In summation, [Paul Sternberg](#) didn't hesitate to take a risk by helping the school rebuild. Getting the school up and running was the focal point of his contribution. He recognized there was a need and he filled it, the best way he could. In doing this, Sternberg hopes to set an example. If someone out there can help, regardless of how much, doing what they can for a cause they believe in is always appreciated. It could help set a course for the next generation.

To learn more about Paul Sternberg, You can read more [here](#).

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