

LOCAL REAL ESTATE, HOME BUILDERS,  
AND DESIGN TRENDS

# HOME STYLE

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SOLAR ENERGY: WHAT YOU NEED TO KNOW

BOHO CHIC DESIGN TRENDS

EVERY OPEN HOUSE THIS WEEKEND

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INVESTMENT TIPS

# TRIPLE NET LEASE INVESTMENTS

BY TIM HOUSE

MANAGING DIRECTOR, SVN TEAM SOUTHWEST

Find out more at [carnm.com](http://carnm.com)

**T**HE UNCERTAINTY OF TRADITIONAL INVESTMENT CLASSES and lack of a meaningful return have generated tremendous investor interest in net-leased, single-tenant real estate here in Albuquerque and across the nation. These properties, often referred to as NNN or STNL, are typically free-standing buildings leased to national tenants on a long-term lease of 10 to 25 years. The typical tenants are widely varied and most are household names such as AutoZone, McDonalds, Walgreen's, Dollar General and FedEx.

## LEASE STRUCTURE

The appeal of investing in a NNN property includes predictable income, lower-risk income, capital preservation, tax deferment, hedge against inflation and pride of ownership. Honestly, who among us wouldn't want to own the Starbuck's store down the street that pays a great monthly rent like clockwork every

month? Telling our friends that we owned it would be a bonus.

The NNN lease structure requires that the tenant pays rent monthly as well as pay the property taxes, property insurance and property maintenance. The benefit of little or no management responsibilities cannot be understated, especially if the property is located in another city or state. Couple these benefits with tax advantages and the ability to defer capital gains through the use of a 1031 Exchange, and it is easy to see the appeal.

## PROPERTY OFFERINGS

Property offerings are generally separated by the quality of the tenant and by the type of business they are in. The first category is retail and restaurants, including quick service, casual dining, drug stores, auto parts stores, dollar stores and home improvement stores. The second category is industrial, including distribu-

tion and service centers. The third category is medical office buildings, such as dialysis centers and urgent care.

## TENANT RATINGS

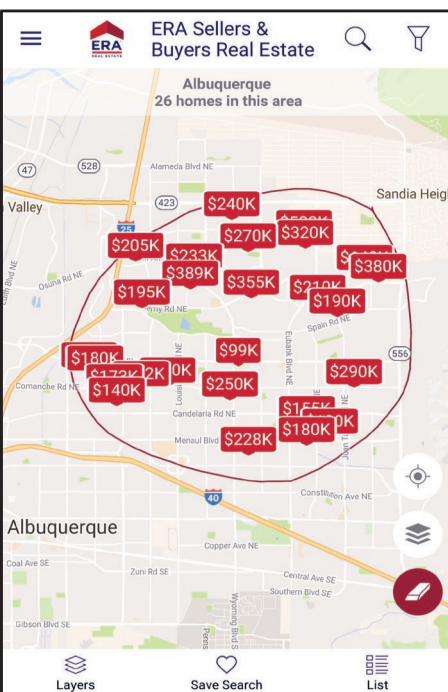
Tenants are rated as credit tenants or non-credit tenants by rating companies like Standard & Poor, Moody's, or Fitch Group. The most desirable tenants are rated as institutional-grade investments such as CVS and McDonald's. Non-credit tenants are rated below investment grade or not rated by the agencies. These unrated tenants can be local, regional or national companies. Some very good tenants are not rated because they carry no debt. An example of an unrated tenant is Sprouts Farmers Market.

Major factors to consider prior to investing in a NNN leased property include income yield, also known as return on investment; income stability, or length of the lease and rental in-

creases; income quality, drawn from the tenant strength, credit rating and financial statements; lease provisions, such as landlord responsibilities and tenant responsibilities; location factors, like traffic count, visibility, ease of access and complimentary neighboring businesses; demographics, such as population and income; and the nature of improvements including age, condition and conversion for another use.

## THE DEVIL IS IN THE DETAILS

In closing, net-leased investment properties offer a solid avenue for stable income, wealth building, estate planning and flexibility. These investments provide more control than the equities market and allow the ability to exchange management-intensive real estate for a very low-effort investment. Remember that the devil is in the details and a qualified commercial real estate broker with specialized knowledge can greatly assist you on your journey. ■



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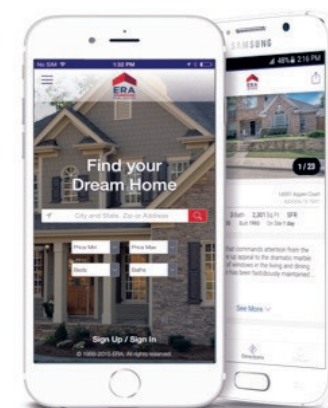
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