AUGUST 2022

BRISKY | NET LEASE

MONTHLY NEWSLETTER

A PEEK AT THE CONTENTS

NNN FINANCING:
EXPLAINED

A triple net lease, also known as an NNN lease, has become a preferred investment option in the past few years, mainly because it favors the investor in many different ways. It's a stable and long-term investment, which is why it's so popular in recent years – but how does NNN financing work?

First – What Are Types of Net Leases?
There are different types of net leases: A single net lease requires the tenant to pay only the property taxes in addition to rent. However, with a double net lease, the tenant pays rent plus the property taxes and insurance premiums. The best net lease for landlords is the triple net lease, also known as a net-net-net lease or an NNN lease, in which the tenant pays rent plus all three additional expenses.

Triple Net Financing
When investing in an NNN asset, the buyer is obligated to fulfill several requirements, like having an accredited net worth of $1 million. This excludes the option of up to $200,000 in income, or $300,000 if it's a joint venture and the value of the initial home of the filer.

Considering that, it might feel risky for a smaller investor to use the advantages of an NNN lease. However, there are ways for small investors to make a move by reaching out to REITs (real estate investment trusts), which are fully functional cash pools for acquiring NNN lease properties.

When Financing NNN Assets, Here's What to Look Out For:

Net-lease commercial real estate typically features long-term leases with creditworthy tenants. This means that you can count on a steady stream of rental income for the life of the lease. And because the tenant is responsible for property taxes, insurance, and maintenance in a triple-net lease, you don't have to worry about unexpected expenses.

The Quality of the Tenant

This refers to the credit ratings of the tenant, usually rated by some of the biggest credit rating agencies like Moody, Fitch, or Standard & Poor. The bigger the company, sometimes you'll see better credit ratings, which can mean financial stability. However, not all large tenants have a great credit rating.

(Continue Reading)

PROS & CONS

SINGLE-TENANT VS. MULTI-TENANT PROPERTIES

For investors in commercial real estate, there are several aspects to keep in mind, such as the profit margins, the economic climate, the level of involvement of the owner, and the risk assessment, especially when buying single-tenant or multi-tenant assets.
A clear representation of the drawbacks and the perks of each type of property is essential for moving forward with a substantial purchase.

Single-Tenant Properties

In most cases, a single-tenant property will be occupied by an investment-grade company with a NNN lease. These are usually consumer-centered venues in the most profitable locations and are positioned to do well in changing economic climates. This reduces potential shifts in the value, making such assets lower-risk, recession-resistant, and adversity-proof businesses.

Single-Tenant Property Pros

Regarding the benefits of a single-tenant property, they are abundant, especially if the asset is leased under an NNN lease agreement:

- Simple, straightforward investment;
- Little to no owner responsibility;
- Operating on absolute NNN leases;
- Tenants are solely responsible for their taxes, insurance, and maintenance;
- Cap rates of 5–7% with a possible IRR of 8–10%;
- Possibility for building equity over the lease term;
- Steady, passive income;
- Lower-risk investment.

(Continue Reading)

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HIGHLIGHTED LISTINGS

City Electric Supply Portfolio | FL

$2,528,308 | 5.75% CAP

Dunkin'
Garner, NC

$1,894,737 | 4.75% CAP

Value City Furniture
Westland, MI

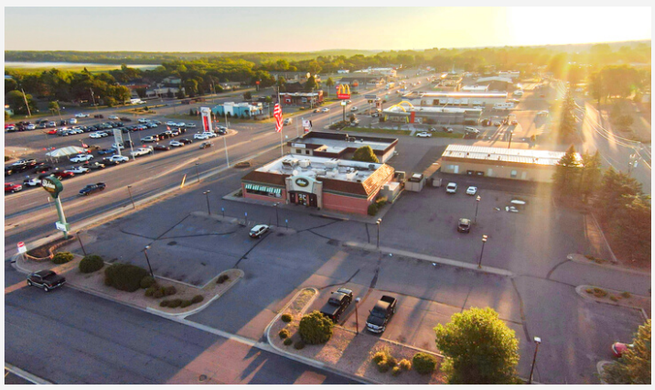
$5,193,242 | 6.6% CAP

Ashley Homestore
Flint, MI

$2,485,000 | 6.3% CAP

Perkins
Albert Lea, MN

$2,333,333 | 6.0% CAP



Perkins
Brainerd, MN

$3,316,667 | 6.0% CAP