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## INFLATION

### HOW INFLATION AFFECTS CRE INVESTMENTS

Inflation in the United States is currently at its highest level since the late 1980s. Commercial real estate (CRE) investors are keeping a close eye on this trend, as it has the potential to impact their portfolios in several ways. Marcus & Millichap's recent investor survey suggests that while CRE transactions may level out this year, and investors are still optimistic about the future.

Here are some of the key predictions from CRE investors on how inflation will affect various aspects of the industry:

#### Interest Rates Will Increase

Rising inflation generally leads to higher interest rates. This is because the Federal Reserve typically raises rates when inflation rises to keep it in check. This can significantly impact CRE, as higher interest rates make it more expensive to finance property purchases and development projects.

#### There Will Be More Pressure on Cap Rates

Inflation can also lead to higher cap rates, as investors require a higher return to offset the increased cost of living. This is especially true when interest rates rise, making it more

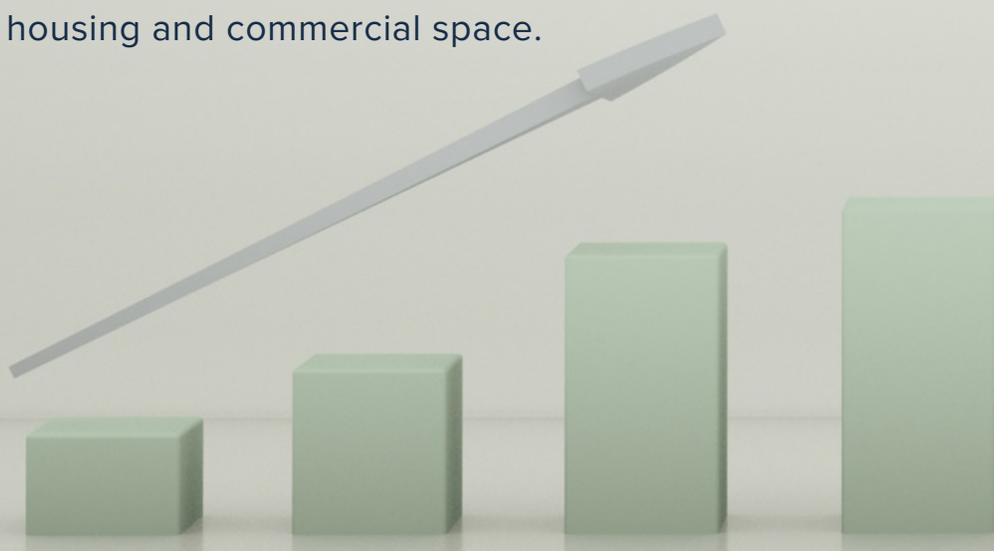
expensive to finance property purchases. Out of all investors surveyed, 14% predict that cap rates will rise by 50—or more—basis points in the next year. Approximately 35% think there'll be a less significant increase, and 27% expect no change.

### **Investors Are Split on Whether to Buy or Sell**

While some CRE investors are predicting that now is an excellent time to sell due to the current inflationary environment, others believe it's an excellent time to buy. 24% of respondents say they'd invest in less CRE, while 12% recommend buying more. Those who wish to purchase are pointing towards inflation-resistant properties like hotels, apartments, and self-storage units.

### **Property Values Will Continue to Rise**

Many CRE investors believe inflation can benefit the real estate market despite the potential challenges. This is because inflationary pressure typically leads to economic growth, which results in more people working and earning higher incomes. As a result, there will be more demand for housing and commercial space.



### **Rent Will Increase at a Slower Pace**

While property values are predicted to continue rising, the pace of rent growth is expected to slow. As interest rates go up, the cost of borrowing increases, making it more challenging for landlords to pass on these costs to tenants in the form of higher rents.

### **What Does This Mean for Your Commercial Real Estate Investments?**

While inflation can negatively impact the CRE industry, investors are primarily bullish about how it will affect their portfolios. By being aware of the potential effects of inflation and adjusting their investment strategies accordingly, investors can help mitigate some of the risks associated with this economic time. If you're a commercial real estate investor, staying up-to-date on inflation trends and how they might impact your portfolio is essential.

Don't hesitate to contact Brisky today if you have questions about how inflation may affect your CRE portfolio. Brisky Net Lease specializes in commercial real estate investments, and our team would be happy to offer guidance.

# NEW TO MARKET

## YARD HOUSE | CINCINNATI, OH



Exceptionally well located Yard House in Cincinnati's CBD between the stadiums for the Cincinnati Reds and the Cincinnati Bengals. This Yard House features a large outdoor patio and is part of The Banks Riverfront Entertainment District. The NNN lease has zero landlord responsibilities, with 6 years remaining on the lease with two additional 5 year options.

<b>Price:</b>	<b>\$11,458,333</b>
<b>NOI:</b>	<b>\$687,500</b>
<b>Cap:</b>	<b>6.0%</b>
<b>Size:</b>	<b>12,478 SF</b>

## MAIN EVENT ENTERTAINMENT | PLANO, TX



Located in the greater Dallas–Fort Worth, this NNN lease has 0 LL responsibilities, low rent, & 1.5% rent bumps every year. The property has excellent demographics with a consistently growing population and an average HH income of nearly 120K within a 5 mile radius. The property is also closely located to a dense residential area that has an expected population growth of 4% in the next 5 years.

<b>Price:</b>	<b>\$17,291,972</b>
<b>NOI:</b>	<b>\$876,060</b>
<b>Cap:</b>	<b>5.5%</b>
<b>Size:</b>	<b>65,936 SF</b>

## CONN'S | HURST, TX



Part of the Dallas–Fort Worth MSA, this investment opportunity has minimal landlord responsibilities, over 8 years remaining and four 5-year options. This Conn's is a relocation store that was carefully positioned with great visibility, along a dense retail area. The property also received a new roof in 2019 which has a 20 year warranty.

<b>Price:</b>	<b>\$6,691,378</b>
<b>NOI:</b>	<b>\$451,668</b>
<b>Cap:</b>	<b>6.75%</b>
<b>Size:</b>	<b>37,957 SF</b>

# RECENT CLOSINGS



**SOLD**

