



An insider look at the financial/operational benefits of NNN properties

December 26, 2011 - Front Section

Real estate investors are some of the most passionate business people in the world. They live and breathe their properties, pouring in time, money, and energy to ensure good returns. It's exciting and rewarding for sure, but even the most dedicated real estate investors can reach a point where they'd be interested in something a little less demanding. Something that keeps them in the game but lets them have more time to maybe perfect their game on the golf course. Something, by the way, that either maintains or improves cash flow too. If this describes you, it's worth taking a look at the unique financial and operational benefits of Triple Net (NNN) properties.

For those of you who aren't familiar with them, NNN properties enable the investor to own the land and improvements, while the tenant pays for the real estate taxes, insurance, and maintenance on the property. Typical tenants include franchisees of regional, national, and international retail, hospitality, food service, and health care companies, among others. NNN properties hold great appeal for full-time real estate investors with mature portfolios who are looking for an exit strategy as well as part-time real estate investors who are looking for stable income with zero management responsibilities.

If you are familiar with NNN properties, but haven't considered them seriously, you may want to take a closer look at their unique combination of excellent financial benefits and a relatively low "hassle" factor. In the category of financial benefits, NNN properties can not only offer high returns on a passive investment, but also shelter a portion of the annual return from taxes as a result of property depreciation. When considering the risk-reward balance, investors can limit their search to low-risk investment-grade tenants, or broaden it to include tenants who are below investment grade but offer higher returns. As for the low "hassle" factor, the benefits start right away and keep getting better. Investors who have logged many hours and dollars putting together real estate transactions will appreciate the fact that NNN transactions are straightforward and carry minimal closing costs. Those of you who have experienced the stress that comes with day-to-day property management will appreciate having zero on-site management responsibilities while getting to enjoy the upside of property appreciation.

If this all sounds intriguing, the good news is that there are literally thousands of NNN properties available all across the U.S. The only hurdle to jump over is finding the right one (or ones) for you. As Director of Investment Sales at ERG Property Advisors, this is my particular specialty. Recently I've helped clients close approximately \$10 million in NNN properties across six states. I begin by working closely with my clients to determine which specific properties among the thousands available will best suit their preferences and meet their needs. Clients may have preferences for geographic location, industry type, property type or size, or all of the above. If you are retiring to Florida, maybe you want to invest in properties there so that between rounds of golf you can drive

by and check out what someone else is managing on your behalf. Or, if you've spent your career developing and managing strip malls, maybe you feel most comfortable buying in that sector. NNN lease investments are available for all types of existing or build-to-suit real estate, including service centers, office buildings, fast food establishments, retail stores, warehouses, and educational, industrial, and health care facilities, among others.

Once I've narrowed the field of potential acquisitions based on my clients' preferences, the next step is to gather and analyze all of the data that they will need in order to make the best choices. For properties that make the short list, I analyze the capitalization rate, the lease structure and duration, the likely ability to re-lease the property, the tenant's credit history, and the quality of the asset. Analysis of the quality of the asset includes evaluation of the construction quality as well as projections for replacement costs, which are borne by the tenant, but impact value. In addition to my expertise locating and evaluating NNN properties, clients benefit from the expertise of my ERG colleagues who have spent decades developing, managing, and owning a wide variety of property types. As a firm, we are dedicated to providing comprehensive services to real estate investors. If you see a NNN property in your future, we would be happy to help you find the right one.

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