



Now is a great time to be in the NNN lease market

DAVID GUNNING II | REAL ESTATE TRENDS | NOV 24, 2014

It is often rare in the cycles of real estate to find a time that is both good for a buyer and a seller. I would argue that right now is one of those times in the NNN lease market.

We are certainly in a seller's market in that there is not enough product for the large number of individuals and entities looking to buy NNN product. However, with an abundance of cheap capital and consistent returns, the NNN lease market is also becoming the sector of choice for individual and institutional investors.

The attraction of the credit tenants (i.e. drug stores, auto part stores, and fast food retail) and the long-term nature of the leases have made this investment vehicle attractive to those looking for a nice return on their dollars. Furthermore, the relatively small amount of investment, \$1-4 million, makes it even more attractive to those looking to enter the market.

Imagine, for a moment, you are Dr. Smith sitting in suburban California. You have a nice portfolio in the stock market, but have concerns that the bubble is going to burst. You have never invested in real estate because you think you don't have the time to manage the investment, and you really don't know much about it. The NNN market is a nice place for you... Dr. Smith... to get his/her feet wet in real estate investment. The comfort in knowing the tenant (e.g. Walgreens, CVS, Advance Auto, Family Dollar, etc.), combined with the lack of management that one had to do for the investment (essentially clipping coupons), make it the right first step into the real estate investment world. You can see a 5-8 percent return on assets with a minimum term of 10-15 years. Further, the pricing from the lenders in this sub-\$5 million market is really aggressive and attractive from the investor point of view.

There seems to be a recognition on both sides of the transaction table to get deals done. So, it is advantageous to be a buyer or a seller. For those of you looking to diversify out of money market accounts and into the NNN lease sector, now is a great time to do so.



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