



Net Lease 101

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**AVISON
YOUNG**

What is net lease?

A net lease is an agreement between a tenant and a landlord where the tenant, not the landlord, is responsible for paying rent plus some or all of the operating expenses of the building such as taxes, insurance premiums, repairs, and utilities. In the case of a triple net (NNN) lease the tenant agrees to pay all of the building's operating expenses, real estate taxes and insurance.

Net lease assets tend to be single tenant, free standing buildings such as banks and fast food restaurants. (STNL)

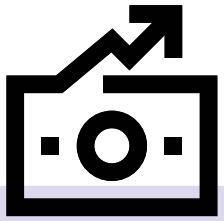
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Why **net lease**?

Many investors are looking for a safe place to put their money with the wild fluctuations in the financial market. Stable, predictable investment vehicles are increasingly hard to find, but smart investors do have choices.

One of the better choices is to invest in single tenant net leased properties, which many investors also refer to as a corporate bond wrapped in real estate.



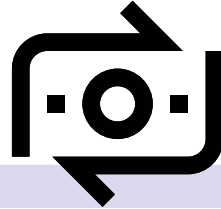
Reliable Source of Steady Income

Net lease assets tend to have long term leases with predictable cash flow.



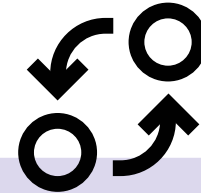
Stable Investment Holds Value

Long term tenants decrease your risk, while your property can appreciate.



Tax Deferment

1031 Exchanges allow you to defer 100% of your capital gains tax.



Flexibility

Assets can meet individual goals, that of your partners or large institutions.



No Management Hassles

Avoid management obligations and put the burden on the tenant.

What is a cap rate?

A cap rate indicates the rate of return that is expected to be generated on a real estate investment property. It is used to estimate the investor's potential return on their investment in the real estate market.

Within the net lease industry, cap rates can vary greatly, most often by sector, but also by tenant, pending credit-worthiness.



Quick Service Restaurant (QSR)
5.60%



Convenience Store (C-Store)
5.00%



Automotive
6.25%



Dollar Store
6.90%



Big-Box
7.25%



Pharmacy
5.75%



Casual Dining
6.75%



Medical
6.75%



Banks
6.00%



Other Retail
7.45%

How do you value a net lease deal?



Creating lasting wealth through Net Lease investments.



Location of Property

- Urban/suburban/rural location
- Proximity to retail corridor
- Demographics



Condition of Physical Property

- Year built
- Renovations
- Drive-thru, parking, landscaping



Creditworthiness of Tenant

- Corporate guaranty
- Risk
- Credit ratings




Lease Structure

- NNN/NN
- Length of lease
- Options and escalations

Fixed-income returns

Below are examples of properties you might find in today's marketplace and demonstrate the difference in the sector, cap rate and expected returns. This cash flow would be received on an annual basis, and pending terms, may also include annual rent increases.



Asking Price
\$4,650,000

Estimated
Cash Flow
\$186,000


5.00% Cap Rate



Asking Price
\$9,800,000

Estimated
Cash Flow
\$515,500

5.25% Cap Rate



Asking Price
\$5,500,000

Estimated
Cash Flow
\$255,750

4.65% Cap Rate



Asking Price
\$2,900,000

Estimated
Cash Flow
\$184,150


5.25% Cap Rate



Asking Price
\$2,550,000

Estimated
Cash Flow
\$118,575

4.65% Cap Rate



Asking Price
\$1,300,000

Estimated
Cash Flow
\$85,800

6.60% Cap Rate

Build wealth using net lease investments

Triple net leases are considered one of the most secure investment vehicles. Similar to bonds – these assets provide long-term, steady returns over time.

As an alternative to fixed income, net lease investments can be leveraged to build equity and wealth over time.

\$18.6 million shares of STORE Capital

\$377 million investment into Net Lease sector



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