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Capital Eyes Single-Tenant NNN Investments

Single-tenant triple-net assets are generally stable, a quality investors want during times of economic uncertainty.

By Kelsi Maree Borland | September 09, 2020

Investors are beginning to gravitate to single-tenant triple net assets as the pandemic wears on. These assets tend to be stabilized investments, a quality that investors want during times of economic uncertainty. As a result, there has been an increase in demand and transaction volume for single-tenant triple-net tenants.

“There has certainly been a shift among investors over the last several months towards asset classes that tend to be more stabilized in times of uncertainty,” **Tony Festa**, director and capital advisor at **Tauro Capital Advisors**, tells GlobeSt.com. “Single-tenant triple-net leased deals are one of those types of assets. This was proven in the 2008 financial downturn when NNN properties continued to perform, despite economic uncertainty. Many of the underlying businesses such as fast food locations, coffee shops, and gas stations have proven to be successful despite previous economic cycles and continue to do so now.”

Single-tenant triple net assets are considered a flight to safety. In today’s market, most capital is looking to mitigate risk. “We believe that many investors are currently in a flight to safety where they are looking for assets that provide downside protection or reduce overall risk,” says Festa. “As a result, we are seeing an influx of investment and development within the single-tenant triple-net space.”

In addition to the increase in demand for single-tenant triple-net assets, developers are also launching new construction projects in this asset niche. In fact, Tauro Capital recently closed three loan facilities valued at \$50 million for developers building new single-tenant properties. “We are finding that there is a large variety of capital sources available for single-tenant NNN development deals,” says Festa. “Lenders across the board have become slightly more conservative in their underwriting and are placing a larger emphasis on quality sponsors and their track record, tenant and tenant performance and rent collection.”

It isn’t only developers and investors. Lenders have been responding as well. “NNN lease deals typically include quality, creditworthy tenants, so lenders continue to be drawn to these types of deals,” says Festa. “Based on what we’re hearing from lenders, we are one of the most active intermediaries in the triple-net-lease sector, closing several triple-net deals of all types and across the country throughout the pandemic.”

The three recent deals are a good example of the demand. “We were able to secure 100% financing options for the sponsors, which will allow them to expand their NNN development pipelines,” says Festa. “We anticipate that over the next several months and well into next year that there will be ample capital available to meet investor demand for more NNN development opportunities.”

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