NNN Construction Deals Still Get Attention From Lenders

New triple-net lease retail construction deals are getting multiple bids when brought to market.

By Kelsi Maree Borland | September 15, 2020

New triple-net lease retail new construction deals are continuing to garner lender interest through the pandemic. **Tauro Capital Advisors** recently completed three new construction triple-net loan transactions totaling $50 million. The firm says that it received several bids from lenders when it took the transactions to the market.

"We continue to receive several bids on NNN construction deals when we take these to market," **Tony Festa**, director and capital advisor at Tauro Capital Advisors, tells GlobeSt.com. "One of the key reasons for this is our unique approach and deep lender relationships. Each week up to three lenders presents to our entire team, providing in-depth details on what opportunities they're actively lending on and their specific qualifiers. Because of this, we always know where the capital is, what they are looking for, and how to access it for our clients."

Tauro attributes at least some of its success in placing these deals with its experience placing debt, which is necessary in the current market when lenders are cautious. "We are one of the most active financial intermediaries in the NNN construction space so lenders are confident in the opportunities we bring to the table and they know we will continue to present new ones," says Festa. "This provides us with a level of negotiating power that allows us to better serve our clients and deliver strategic financing and terms that best suit their business plans."

Many developers, particularly in the retail sector, believe there is no capital for new construction. However, Festa says that there is ample capital in market for new construction deals. "One of the major misconceptions in the market right now is that there is a lack of capital available, especially regarding construction financing and new developments," he says. "The fact is, there is capital available, and lenders are in the business of putting that capital to work. During times like these the focus is on limiting uncertainty, and single-tenant net-leased development is a great way to mitigate risk."

The three deals included a property in Santa Monica with a 7-Eleven, Starbucks, Dutch Bros. Coffee and Chick-Fil-A; a property with Circle K, O'Reilly's, AutoZone and Starbucks; and a developer building a Starbucks, Grocery Outlet and 7-Eleven. "Our ability to secure $50 million in debt facilities for these three different sponsors during the pandemic is demonstrative of this," says Festa. "Since we first announced the $50 million in credit facilities placed, we have sourced another $15 million construction facility and in discussions with two other developers and prospective lenders.

These were an good fit for lenders because net lease assets mitigate risk for the property ownership. "Investors are currently shifting focus or diversifying their portfolios into assets that can limit downside exposure in a time when other asset classes are not as safe as they were once perceived to be," says Festa.

"Triple-net leased properties also tend to require less hands-on management so investors who have been focused on other assets classes that are management intensive may also shift towards to these types of deals."
