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**Triple Net Leases Regain Investors' Trust**
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As with all retail real estate investment sales, deal volume in the triple-net-lease market slipped drastically in 2009. Yet the triple-nets — so named because tenants pay the three "nets": estate taxes, building insurance and maintenance — have been considered the one relatively bright spot on retail investors' radar screens.

Some buyers are even looking to 'B' and 'C' markets to find safe, single-tenant properties that house certain fast-food tenants, auto parts stores or the handful of other economically resilient leaseholders that are in favor.

"McDonald's are flying off the shelf and will sell in about the 5-cap territory — if you can find one," said Jon Adamo, vice president of dispositions for Orlando, Fla.–based National Retail Properties, a REIT specializing in freestanding single-tenant assets. "McDonald's are right in the [investor] sweet spot." That sweet spot is an equity-heavy or cash triple-net purchase of about $1 million, with 15-to-20-year terms and rent bumps of about 15 percent every five years, Adamo says.

Apart from the low cap rates that McDonald's buildings typically offer, these restaurants have also become the gold standard in the net-lease investment world because of high investment-grade credit ratings by both Moody's and S&P and their stability during the recession. Other select food and drugstore chains are similarly in investor favor.

Many such purchases require far more cash than a few years ago, however, because financing remains difficult. Adamo notes that the industry saw only a handful of triple-net deals in excess of $5 million last year, owing to such capital constraints.

Strong fundamentals have again become top priority for investors, sources say. "Two to three years ago you would buy properties with shorter-term leases, but now investors want the security of a longer-term lease with only the best credit tenants," said Ken Hedrick, a senior associate at Stan Johnson Co., a Tulsa, Okla.–based net-lease brokerage.

Triple-net deals are attractive to some because they are less complex. In a triple-net, single-tenant building investment, investors are acquiring a bond-type lease with investment-grade credit and little or no operational requirements, particularly compared to multitenant properties, Hedrick says. "A lot of investors are tired of management responsibilities," he said. "They are willing to take an 8 percent to 8.5 percent return on money right now in these deals, as compared to having it in the stock market." Additionally, buyers of triple-net properties often pay no commissions or other fees,