

LEADING THE WAY THROUGH THE 21ST CENTURY

SHOPPING CENTER BUSINESS[®]

JANUARY 2021

NET LEASE: RETAIL'S BRIGHT SPOT

Bolstered by low interest rates and essential retailers, cap rates of single tenant net lease retail properties are at record lows.



PLUS:

North Florida Retail Rebounds

Why Q1 Is An Important Time For Retail

Agree Realty Corp.'s Buying Spree



Melinda Marston
President & Broker



How would you describe the market in 2020 for single tenant net lease investments?

2020 produced record demand for credit-tenant single tenant net lease properties, especially in the second half of the year. We have been working with active buyers of STNL properties since 2012, particularly those with tenants operating in the necessity retail and healthcare industries. They have historically been resilient to recessions and can bridge economic cycles. The economic effects of the pandemic made this even clearer in 2020, which is why the demand for net-leased credit-tenant real estate has grown considerably.

Can you describe how the pandemic made this a different year for JRW Realty? What was challenging/rewarding?

Our two biggest challenges during the pandemic each reflect the importance of stability in real estate investments. Because our clients have targeted net-leased assets that provide stable income even through economic downturns, they were relatively well prepared for the pandemic this year, so their appetite for acquisitions grew. At the same time, there has been a "flock to quality," increasing demand in the market for the type of assets we source. Finding sufficient acquisitions that met our clients' high acquisition standards has been very challenging.

Many investment companies had strong years. How was velocity and volume for your company?

In 2020, JRW Realty was able to source over \$680 million in net-leased assets, an increase in volume over 2019. Given the uncertainty in the broader market and the increased demand for the very kinds of property we source, we are proud to have been able to accomplish this while not compromising our rigorous acquisition criteria. The standards we maintain on behalf of our clients have remained largely the same throughout the pandemic, from our focus on net-leased properties with tenants in essential industries, through our demand for long lease terms, to our requirements for favorable demographics and real estate qualities such as in-fill population centers and low crime rates.

Supply has been lower over the past few years. How would you rate 2020 with regard to supply? How is the supply level of STNL properties affecting pricing?

Generally, supply has not been able to keep up with demand for net-leased property this year, and especially for credit-tenanted properties with long lease terms. Compressing cap rates throughout the U.S. are requiring us to work even harder and get more creative to find what our clients need. Thankfully we have a rich network of longstanding relationships with other brokers, developers, tenants, and investors throughout the country that allows us to accomplish these goals despite the record demand in the marketplace.

ADVERTORIAL



Have a Net-Leased Property You Would Like to Sell?

JRW Realty is exclusively engaged by strong cash buyers that are looking to acquire over **\$700 million** in net-leased properties annually. Our buyers have balance sheet capital readily available to close within **20 to 30 days** from the time of going under contract.



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Acquisition Criteria

Property Types



Necessity Retail and Healthcare: Grocery, Pharmacy, Discount Stores, Auto, and more



Price

\$2,000,000 - \$30,000,000+



Cap Rate

5.6% and above



Lease Type

NN or NNN with 10+ Years Remaining



Market Requirements

5-mile population greater than 40,000