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**Property Income Advisors, Inc.** is a boutique real estate advisory firm with professional expertise and a focused niche exclusively assisting non-U.S. clients in the investment and management of U.S. commercial real estate. Acting as a fiduciary to our client, we provide a turnkey real estate investment management platform, including advisory services for acquisitions, financing and sales, as well as comprehensive asset management capabilities. Property Income Advisors, Inc. undertakes a personalized and disciplined strategy designed for our clients to achieve real estate investment success.

We have nationwide experience and maintain strong national relationships to insure success in all of the major markets in the United States. Our clients consist of non-U.S. ultra high net-worth investors, family offices, private banks and institutions.

# State of the Market

## The Benefits of Single Tenant, Long-Term Net Leased Investments

### Overview

As yields on fixed income assets such as U.S. treasuries and corporate bonds are at all-time lows, and equities have been characterized by extreme volatility, investment by non-U.S. investors in single tenant, long-term (10+ years) net leased properties is becoming increasingly popular. Single-tenant net leased property investments can provide long-term, predictable returns at risk-adjusted yields that are superior to government or corporate credit bonds, as well as the opportunity for capital appreciation and inflation protection.

### Stable Asset Class

Non-U.S. investors are attracted to single-tenant net leased properties due to the stability of the asset class that results from the underlying long-term contractual rental income, especially when the rent is derived from a well located, newer, high quality asset occupied by an investment grade tenant. Core assets with these fundamentals perform better than other property types over the long-term and help to insure potential for consistent and growing income, valuation increases, capital preservation and they offer better liquidity. In addition, single tenant, long-term net leased properties, when compared to multi-tenant properties, are much less complicated to manage and less expensive to operate.

### Inflation Protection

Single tenant net leased investments also provide inflation protection by shifting the operating expense burden from the landlord to the tenant. With a pure net leased property, the payment of all operating expenses including repairs and maintenance, property and liability insurance and real estate taxes will be the responsibility of the tenant. In addition, most single tenant, long-term net leased property investments provide for



periodic rental rate increases throughout the lease term thereby increasing the income return to the investor over the life of the investment.

### **Financing Readily Available**

Competitive, non-recourse financing is readily available for high quality single tenant, long-term net leased property investments. With the current historically low interest rate environment; conservative financing in the 60% to 70% loan-to-value range will create positive leverage thereby increasing the yields that can be achieved on net leased single tenant investments.

### **Tax Efficient Investment**

When compared to fixed income investments, single tenant, long-term net leased property investments are more tax efficient. Income from fixed income assets such as U.S. treasuries and corporate bonds are typically fully taxable while the current tax code allows real estate investors to shelter much of their rental income via property depreciation. In addition, with proper structuring, a non-U.S. investor can enjoy tax-free income during the holding period by taking advantage of the Portfolio Interest Exemption as allowed by the U.S. internal revenue code.

### **Positive Outlook**

Single tenant, long-term net leased investments will remain in high demand due to their stability of cash flows and attractive financing availability for this asset class. There has been increased investor interest from both institutional and private investors including non-U.S. investors. Properties located in major metropolitan areas that have a long-term lease (10+ years) in-place with an investment grade tenant will remain in very high demand. The market remains limited by a lack of properties with long-term leases to investment grade tenants. Investors must be prepared to move quickly when a high-quality asset is available for purchase. Capitalization rates for these core assets will remain compressed for the foreseeable future. Even so, these high quality investments will continue to provide very good risk adjusted returns especially when compared to the very low yields provided by fixed income assets today.

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