

Exploring NNN Investments: A Shift in Multifamily Investment Strategy

Newsletter of Iowa Realty Commercial

Dear Esteemed Clients,

Have you been thinking about cheating... on your multifamily investment properties?

I have been experiencing those thoughts more and more lately. At first, looking at NNN investment properties was making me sweat worse than when my wife asked me if I dated our friend's babysitter in high school... I had. As an investor and real estate agent that owns, sells, and loves multifamily, the thought made me feel a little guilty. I mean, I started my entire real estate career with multifamily.

The more I thought about it, I realized that I was fighting against an obvious investing principal of risk mitigation... diversification.

Just like there are different stocks, bonds and mutual funds. There are different assets in real estate that have different advantages and disadvantages. Depending on the market cycle, where you are in life and your investment goals, a different type of real estate investment might be appealing.

I mentioned it earlier, but the investment type that is becoming more appealing to me is the NNN investment property with little to no landlord involvement.

Navigating the Temptation of Hands-Off Real Estate

The appeal of the NNN investment property comes from the minimal landlord responsibility, a national credit tenant ideally backed by a corporate guaranty with a long-term lease and rent increases. The sale and purchase of NNN investment properties are tied to interest rates and capital markets.

In the current environment, that means we are seeing properties that were once traded at 4-5% CAP rates, listed at 6-7% or higher CAP rates.

Here's a quick overview:

What I like about the investment

- Minimal landlord responsibility
- Sophisticated tenant with strong credit
- Long term lease
- Stable income, known increases

What I don't like

- Limited value add options
- High cost barrier to entry
- Usually trade at lower CAP rates

In the next few years, I believe we will definitely add a NNN investment property to our portfolio. Multifamily properties will continue to stay our primary focus because we don't want to lose out on the ability to add value and force equity. However, I don't have infinite time and energy. The appeal of transitioning my portfolio to a more hands off approach, providing me with more time for my family and friends is undeniable. At the end of the day, for most of us, real estate is a means to an end. Feel free to evaluate your goals and portfolio and don't beat yourself up about realigning the two if needed.

Thank you for reading. We hope this insight into diversification strategies proves valuable as you navigate your investment journey. Remember, aligning your portfolio with your goals is the ultimate priority.

Kind Regards,
Joanne M. Stevens, Dan Dempsey, and Ben Stevens

MULTIFAMILY NEWSLETTER

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JULY 2024 NEWSLETTER

Save The Date

NMHC OPTECH Conference & Expo

(National Multifamily Housing Council Operations and Technology Conference)

October 21-23 | National Harbor, MD

Rent Manager User Conference

(Property Management Software Expo)

November 4-7 | Palm Springs, CA

Useful Websites

Energystar.gov (Energy Saving Electronics and Appliances)

Turbotenant.com (Tenant Screening Resource)

Petscreening.com



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WHAT IS YOUR MULTIFAMILY PROPERTY WORTH?

I am always happy to do a **FREE, NO OBLIGATION**, Real Estate Review for your multifamily property. You ought to know today's market value of your real estate investments.

If this is something you would like, simply give me a call at 319-378-6786, email me at joannestevens@iowarealty.com, or visit www.apartmentbrokersofiowa.com

Joanne Stevens is a specialist in listing and selling multifamily housing communities throughout the U.S. With her 20 plus years of experience in developing, zoning, owning, retailing, managing, turning around and brokering multifamily communities, she can maximize your sale price.

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