

Net, Net, Net Returns

or

Triple Net Returns.

What is meant by “triple net returns”?

So as to provide a more accurate and realistic expectation of the cash distributions an investor should expect, it is Guidelines practice to distinguish the so called net return figures normally used from those you can expect. The “net returns” as generally used only make allowances for the fact that under a normal commercial lease most building operating expenses (opex) are recoverable from the tenant. It is important to note there are significant number of other landlord costs both at the time of purchase and thereafter.

These include (but are not restricted to); purchase related costs such as legal, accounting and tax advice, property due diligence, tenancy due diligence, financing, holding cost of deposit

Management related, rental collections, on-charging and collection of tenant recoveries, building inspections, tendering for repair and maintenance or refurbishment works, supervision of works, dealing with tenant queries and difficulties, grounds maintenance, exclusions from the tenants obligations, rent review assessments, valuations and negotiations, etc

Allowances for refurbishment at lease terminations or to secure lease renewals/new tenants, capital/structural works, annual accounting etc

**Projected “Triple net Returns” are calculated after;**

**1, net of all acquisition and establishment (purchase related) costs;**

**2, net of all on-going management, opex, annual property accounting etc; and**

**3, net of all allowances for working capital, minor landlord maintenance obligations, long term maintenance allowances (“Long term sinking fund allowance”).**

Projected Triple net Returns are; 1, net of all acquisition and establishment costs;

2, net of on-going management, opex, annual property accounting etc; and

3, net of allowances for working capital, and “annual Long term Sinking Fund allowance”.