



STEIN LAW, PLC

A Real Estate & Business Deal Firm

Big Picture. Small Details. Distinct Approach.

Recent Developments - Second Quarter 2014

See This Quarter's Notable Closed Deals Below

Single and Loving It!

Single tenant asset investment properties are a thriving area of the current commercial real estate market. These deals offer the apparent security of an ongoing rental income stream and purchasers perceive that the risk of these investments is more limited than commonly associated with purchasing larger retail centers. One of the first considerations in these transactions is the creditworthiness of the tenant providing the highly sought-after cash flow. However, beyond that calculation, buyers must understand how the subject property (whether it is a pad or outparcel) exists in relation to its surrounding shopping center or neighbors. Unlike stock dividends, a real estate investor will have obligations as the landlord and can't simply sit back and just collect rent.

As part of the due diligence, a buyer should consider the following issues and questions:

(1) **Access.** Is there direct access to the business from local public streets, or is access by way of a private road on an easement or right-of-way? Usually, this will become clear during the review of the commitment for title insurance and underlying documents. Matters of access will be obvious from the survey prepared prior to the purchase.

(2) **Parking.** Is the property in compliance with existing zoning regulations? Is parking self-contained on the property, or are there separate agreements, such as a license, governing use of another property owner's parking lot? What about paid parking matters, such as a validated parking garage or valet parking?

(3) **Development.** Is the property subject to any recorded development guidelines, such as a declaration, reciprocal easement agreement, or conditions, covenants and restrictions (CCRs)? Again, these recorded agreements will be part of the title review. Each document is unique and must be reviewed to understand any obligations or limitations on the property, such as cross-easements, design guidelines, architectural committees, and default and remedy terms. Importantly, these types of documents can include requirements for payment of various fees, such as management fees and minimum insurance requirements.

(4) **Lease.** The existing lease with the tenant should be reviewed as well. Will the potential owner/landlord have approval rights over the tenant's future alterations or improvements to the property? What is the management fee? Are there any limitations on expenses that can be passed through to the tenant? Does the tenant maintain the entire property, or are the maintenance obligations limited to the non-structural portions of the building? If the landlord is responsible for maintenance, is the buyer equipped to handle these matters or should they engage a third party, professional property management company? Aside from evaluating the annual rent (and increases) and length of the term, a potential owner/landlord should take all of these factors into consideration.

We help our clients understand and work through these often complicated title and ownership matters in an easy to digest, piece-by-piece manner. Without fully realizing how a pad or outparcel fits in with its surrounding shopping center or neighboring properties, an attractive rental stream of income can be undermined by factors outside of the owner's control. Obligations relating to overarching shopping centers and adjacent properties can usually be quantified and contemplated as part of the buyer's analysis during the due diligence phase of the investment property purchase, rather than a surprise following the closing. After all, much like people, oftentimes, no property is truly an island (unless it is an island).

For more information please call (480) 889-8948, send an email to info@steinlawplc.com or visit www.SteinLawPLC.com.

On May 22, 2014, Scott J. Stein, presented "Title Insurance Coverage: What Real Estate Counsel Need to Know" for a webinar hosted Strafford Publications, which is available at the following link: <https://www.straffordpub.com/products/title-insurance-coverage-what-real-estate-counsel-need-to-know-2014-05-22>

Stein Law, PLC is a boutique business and real estate deal firm focused on:

- Real estate acquisitions and sales, development and leasing (both tenant and landlord);
- Business transactions, operating agreements, joint venture structuring and corporate contracts;

Below are some noteworthy 2Q14 Stein Law closed deals:

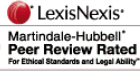
- Portfolio refinancing for large retail shopping centers (April, 2014)
- Purchase of value-add mobile home park using private equity and traditional financing (May, 2014)
- Office complex purchase with traditional financing (May 2014)

- Loan financings, workouts and modifications; and
- Hospitality development, management and licensing matters.

The following is a link to our Stein Law, PLC Recent Developments Archives:

- [Recent Developments Archives](#)

- traditional financing (May, 2014)
- Sale of mobile home park and adjoining land (June, 2014)
- Shopping Center purchase and lease-up (June, 2014)



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