

THE COMPLETE ABSOLUTE NNN DUE DILIGENCE GUIDE



THE DEFINITIVE RESOURCE FOR
EVALUATING TRIPLE NET LEASE
PROPERTIES, LIKE INSTITUTIONAL
INVESTORS.

BY ANGELO GROGAN-WEBB

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The Complete Absolute NNN Due Diligence Guide

*The definitive resource for evaluating Triple Net Lease
properties, like institutional investors.*

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Angelo Grogan-Webb asserts the moral right to be identified as the author of this work.

First edition

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Introduction

The Complete Absolute NNN Due Diligence Guide: Your 6-Point Framework for Bulletproof Investments

The definitive resource for evaluating Triple Net Lease properties, like institutional investors

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Introduction: Why Most NNN Investors Fail at Due Diligence

Triple Net Lease investing promises the holy grail of real estate: true passive income with minimal management. Yet 40% of NNN investors experience significant problems within their first five years. The difference between success and failure isn't luck—it's due diligence.

After analyzing 1000's of NNN properties and protecting millions in investor capital, we've identified the exact framework that separates winning investments from costly mistakes. This systematic 6-point approach has helped our investors achieve consistent 6-9% annual returns while avoiding the pitfalls that trap inexperienced buyers.

What makes NNN due diligence different?

- Long-term commitments require deeper analysis (10-20 year leases)
- Tenant quality determines everything in single-tenant properties
- Lease structure variations can dramatically impact returns
- Higher investment amounts demand a comprehensive evaluation
- Limited exit flexibility makes upfront analysis critical

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The 6-Point Absolute NNN Due Diligence Framework

Point 1: Tenant Financial Strength & Credit Analysis

Point 2: Lease Structure & Terms Evaluation

Point 3: Location & Market Fundamentals

Point 4: Property Condition & Physical Due Diligence

Point 5: Legal, Title & Compliance Review

Point 6: Financial Structure & Investment Analysis

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Point 1: Tenant Financial Strength & Credit Analysis

The Foundation of Every NNN Investment

In single-tenant NNN properties, your tenant IS your investment. Their financial strength determines rent payment reliability, lease renewal probability, and ultimate property value.

Corporate vs. Personal Guarantees

Corporate Guarantee Advantages:

- Parent company financial backing
- Multiple revenue streams support the obligation
- Professional management systems
- Institutional-grade creditworthiness
- Diversified business risk

Personal Guarantee Risks:

- Individual financial dependency
- Single point of failure

- Limited asset protection
- Higher default probability
- Difficult enforcement

Financial Analysis Requirements

Corporate Tenant Evaluation:

- Audited Financial Statements (3+ years minimum)
- Revenue Trends - Consistent growth or stability
- Profit Margins - Industry-appropriate profitability
- Debt Ratios - Conservative leverage (debt-to-equity <3:1)
- Cash Flow - Positive operating cash flow
- Working Capital - Adequate liquidity for operations

Franchise vs. Corporate-Owned Analysis:

- Franchise Operations: Evaluate both franchisee AND franchisor strength
- Corporate-Owned: Focus on the parent company's financial health
- Master Lease Structures: Understand guarantee hierarchy

Credit Rating and Industry Analysis

Investment Grade Tenants (BBB- or higher):

- Lowest risk profile
- Institutional financing available
- Highest property values
- Lowest cap rates

Non-Investment Grade Evaluation:

- Detailed financial analysis required

- Industry-specific risk assessment
- Local market performance review
- Management team evaluation

Red Flags in Tenant Analysis

Immediate Disqualifiers:

- Declining revenues for 2+ consecutive years
- Negative cash flow or losses
- Excessive debt ratios
- Personal guarantee only (no corporate backing)
- New business without a track record
- Single-location operators in competitive industries

Case Study: The Restaurant Chain Disaster

A regional restaurant chain offered a 10.5% cap rate on a new location. Due diligence revealed:

- 6 of 12 locations closed in the past 2 years
- \$2.3M in accumulated losses
- Personal guarantee from an individual with \$400K net worth
- An oversaturated market with 8 competing restaurants nearby

Result: We walked away. The tenant failed within 8 months.

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Point 2: Lease Structure & Terms Evaluation

Ensuring True Passive Income

Not all “Triple Net” leases are created equal. This detailed analysis ensures genuine passive income without hidden landlord obligations.

True NNN Lease Components

Tenant Responsibilities Must Include:

- Property Taxes - 100% tenant obligation
- Building Insurance - The Tenant procures and maintains
- Maintenance & Repairs - All building systems and structure
- Utilities - All utility costs and connections
- Common Area Maintenance (if applicable)

Landlord Responsibilities Should Be Limited To:

- Debt Service - Mortgage payments only
- Major Structural Issues - Only if specifically negotiated

- Roof and Structure - Only if lease specifies (avoid if possible)

Rent Escalation Analysis

Fixed Annual Increases:

- Typical range: 1.5-3% annually
- Provides inflation protection
- Predictable income growth
- Easier to underwrite

CPI-Based Escalations:

- Tied to Consumer Price Index
- Better inflation protection
- More complex calculations
- Potential for higher increases

Fair Market Value Resets:

- Periodic market rent adjustments
- Higher potential upside
- Increased uncertainty
- Requires market analysis

Lease Term and Renewal Options

Primary Term Evaluation:

- Initial Term Length - 10+ years preferred for stability
- Commencement Date - Rent start timing
- Early Termination - Avoid if possible, high penalties if allowed
- Assignment Rights - Tenant's ability to transfer lease

Renewal Option Analysis:

- Number of Options - Multiple 5-year options preferred
- Renewal Rent - Fixed increases vs. market rate
- Exercise Requirements - Notice periods and conditions
- Tenant Improvements - Who pays for renewals

Critical Lease Provisions

Default and Remedy Clauses:

- Monetary Default - Cure periods (typically 10-30 days)
- Non-Monetary Default - Notice and cure requirements
- Landlord Remedies - Termination, damages, guarantee enforcement
- Cross-Default Provisions - Multi-location lease protection

Maintenance and Capital Improvements:

- Routine Maintenance - Tenant responsibility
- Capital Improvements - Clear definitions and responsibilities
- End-of-Lease Condition - Return requirements
- Specialized Equipment - Installation and removal obligations

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Point 3: Location & Market Fundamentals

Understanding Your Investment Environment

Location drives long-term success in NNN investing. This analysis ensures sustainable demand for your tenant's business model.

Demographics and Economic Analysis

Population Trends:

- 5-Year Historical Growth - Consistent growth preferred
- 10-Year Projections - Continued expansion expected
- Age Demographics - Match the tenant's customer base
- Household Formation - New household growth rates

Economic Indicators:

- Median Household Income - Above national average preferred
- Employment Diversity - Avoid single-employer dependence

- Unemployment Rates - Below the national average
- Cost of Living - Affordability for target customers

Trade Area and Competition Analysis

Market Penetration:

- Population Density - Adequate customer base
- Demographic Match - Tenant's target customer profile
- Spending Patterns - Category-specific spending analysis
- Seasonal Variations - Tourism or seasonal impacts

Competitive Landscape:

- Direct Competition - Same-brand competitors
- Indirect Competition - Alternative service providers
- Market Saturation - Stores per capita analysis
- Barriers to Entry - Zoning, permits, capital requirements

Accessibility and Visibility

Traffic Patterns:

- Vehicle Counts - Daily traffic volumes
- Pedestrian Traffic - Foot traffic for retail tenants
- Public Transportation - Accessibility options
- Parking Availability - Adequate customer parking

Site Characteristics:

- Visibility - Street visibility and signage opportunities
- Access - Ingress/egress and traffic flow
- Neighboring Tenants - Complementary businesses
- Future Development - Planned area improvements

Market Risk Assessment

Economic Dependency:

- Major Employers - Diversification of the employment base
- Industry Concentration - Avoid single-industry dependence
- Government Employment - Stability of public sector jobs
- Military Presence - Base realignment risks

Regulatory Environment:

- Zoning Stability - Protection from adverse changes
- Development Restrictions - Growth management policies
- Tax Environment - Property tax trends and policies
- Business Climate - Pro-business policies and support

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Point 4: Property Condition & Physical Due Diligence

Protecting Against Hidden Costs

Comprehensive property analysis identifies current condition and future capital requirements, protecting against unexpected expenses.

Structural and Building Systems

Building Envelope Assessment:

- Roof Condition - Age, material, warranty status
- Foundation - Structural integrity and drainage
- Exterior Walls - Condition and weatherproofing
- Windows and Doors - Energy efficiency and security

Mechanical Systems Evaluation:

- HVAC Systems - Age, condition, maintenance history
- Electrical Systems - Capacity, code compliance, safety
- Plumbing Systems - Condition and code compliance

- Fire Safety Systems - Sprinklers, alarms, suppression

Tenant Improvements and Specialized Equipment

Buildout Analysis:

- Tenant Investment - Amount invested in improvements
- Specialized Equipment - Value and removal costs
- Useful Life - Remaining economic life of improvements
- Replacement Costs - Future tenant improvement needs

Technology Infrastructure:

- Telecommunications - Data and phone systems
- Point-of-Sale Systems - Integrated technology
- Security Systems - Cameras, alarms, access control
- Energy Management - Automated systems and efficiency

Maintenance History and Capital Planning

Deferred Maintenance Assessment:

- Immediate Needs - Repairs required within 12 months
- Short-Term Needs - 1-3 year capital requirements
- Long-Term Planning - 5-10 year major system replacements
- Cost Estimates - Professional contractor estimates

Preventive Maintenance Programs:

- Current Programs - Existing maintenance contracts
- Service History - Records of repairs and maintenance
- Warranty Status - Equipment and system warranties
- Vendor Relationships - Established service providers

Environmental and Compliance Issues

Environmental Assessment:

- Phase I ESA - Environmental site assessment
- Phase II Requirements - Soil and groundwater testing if needed
- Hazardous Materials - Asbestos, lead, and mold assessment
- Underground Storage Tanks - Current and historical presence

Code Compliance:

- Building Codes - Current code compliance status
- ADA Compliance - Accessibility requirements
- Fire Codes - Life safety compliance
- Zoning Compliance - Use and occupancy verification

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Point 5: Legal, Title & Compliance Review

Securing Your Investment Rights

A comprehensive legal review protects your ownership rights and identifies potential liabilities.

Title and Ownership Verification

Title Insurance and Examination:

- Clear Title - No liens, encumbrances, or disputes
- Title Exceptions - Review and resolution of issues
- Survey Accuracy - Boundary verification and encroachments
- Easements - Access, utility, and use easements

Ownership Structure:

- Current Owner - Entity structure and authority
- Transfer Restrictions - Approval requirements or limitations
- Outstanding Liens - Mortgages, judgments, tax liens

- Property Taxes - Current status and payment history

Zoning and Land Use Rights

Zoning Compliance:

- Current Zoning - Permitted uses and restrictions
- Conforming Use - Legal non-conforming status if applicable
- Parking Requirements - Compliance with zoning requirements
- Signage Rights - Permitted signage and restrictions

Development Rights:

- Expansion Possibilities - Additional development potential
- Density Restrictions - Floor area ratios and coverage limits
- Height Restrictions - Building height limitations
- Setback Requirements - Building placement restrictions

Lease Documentation and Enforceability

Lease Agreement Analysis:

- Legal Enforceability - Proper execution and witnesses
- Jurisdiction - Governing law and dispute resolution
- Recording Requirements - Lease recording and notice
- Amendment History - All modifications and addendums

Guarantee Documentation:

- Guarantee Execution - Proper signatures and witnesses
- Corporate Authority - Board resolutions and authorization
- Personal Guarantor Assets - Financial statement verification
- Enforcement Mechanisms - Collection and remedy procedures

Regulatory Compliance

Business Licensing:

- Operating Licenses - Current and valid permits
- Professional Licenses - Required professional certifications
- Health Department - Food service and health permits
- Liquor Licenses - Alcoholic beverage permits, if applicable

Building and Use Permits:

- Certificate of Occupancy - Current and valid CO
- Building Permits - All required construction permits
- Use Permits - Special use or conditional use permits
- Fire Department - Fire safety and occupancy permits

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Point 6: Financial Structure & Investment Analysis

Optimizing Returns While Managing Risk

Conservative financial analysis ensures sustainable returns and protects against downside scenarios.

Purchase Price and Valuation Analysis

Comparable Sales Analysis:

- Recent Sales - Similar properties within 12 months
- Price per Square Foot - Market rate verification
- Cap Rate Analysis - Market cap rate verification
- Adjustment Factors - Location, condition, lease terms

Income Approach Valuation:

- Net Operating Income - Accurate NOI calculation
- Market Cap Rates - Current market rates for similar properties
- Lease-Up Assumptions - Vacancy and re-leasing scenarios

- Terminal Value - End-of-lease value projections

Cash Flow Analysis and Projections

10-Year Cash Flow Modeling:

- Base Rent - Current rent and escalations
- Operating Expenses - Landlord responsibilities (minimal in NNN)
- Capital Improvements - Planned improvements and reserves
- Debt Service - Principal and interest payments

Sensitivity Analysis:

- Rent Reduction Scenarios - 10-20% rent decreases
- Vacancy Scenarios - 6-12 month vacancy periods
- Interest Rate Changes - Refinancing Impact Analysis
- Market Value Changes - Property value fluctuations

Debt Structure Optimization

Loan-to-Value Analysis:

- Conservative LTV - Maximum 75% for NNN properties (60-70% suggested)
- Down Payment - Equity requirements and sources
- Cash-on-Cash Returns - Leveraged vs. Unleveraged Returns
- Debt Service Coverage - Minimum 1.25x coverage ratio

Financing Terms Evaluation:

- Interest Rate - Fixed vs. variable rate analysis
- Amortization - 25-30 year amortization is typical
- Loan Term - 5-10 year terms with refinancing planning

- Prepayment Penalties - Early payoff restrictions and costs

Risk Assessment and Mitigation

Tenant Risk Analysis:

- Single Tenant Dependency - Concentration risk assessment
- Lease Expiration Risk - Renewal Probability Analysis
- Tenant Replacement - Alternative use and re-leasing potential
- Market Rent Risk - Current rent vs. market rent analysis

Property Risk Factors:

- Location Risk - Market stability and growth prospects
- Physical Risk - Deferred maintenance and capital needs
- Regulatory Risk - Zoning and use restriction changes
- Liquidity Risk - Marketability and sale timeline

Exit Strategy Planning

Hold vs. Sale Analysis:

- Long-Term Hold - Cash flow and appreciation potential
- Strategic Sale - Optimal sale timing and market conditions
- 1031 Exchange - Tax-deferred exchange opportunities
- Refinancing - Cash-out refinancing possibilities

Market Timing Considerations:

- Cap Rate Cycles - Current position in market cycle
- Interest Rate Environment - Impact on Property Values
- Tenant Industry Trends - Long-term industry outlook
- Local Market Conditions - Supply and demand dynamics

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Case Study: Framework in Action

The Dollar General Success Story

Let's see how our 6-point framework identified a winning investment opportunity:

Property Overview:

- Location: Suburban Memphis, Tennessee
- Size: 9,100 sq ft retail building
- Tenant: Dollar General Corporation
- Purchase Price: \$1.85 million
- Advertised Cap Rate: 7.8%

Framework Analysis Results:

Point 1 - Tenant Financial Strength: ✓ EXCELLENT

- Investment-grade tenant (BBB credit rating)
- \$37+ billion annual revenue, Fortune 500 company
- 19,000+ locations nationwide
- Strong corporate guarantee from the parent company
- Recession-resistant business model

Point 2 - Lease Structure: ✓ STRONG

- True NNN lease with the tenant paying all expenses
- 15-year initial term with 10% rent bumps every 5 years
- Four 5-year renewal options

- No early termination clauses

Point 3 - Location & Market: ✓ FAVORABLE

- Growing suburban market with 8% population growth
- Median household income \$52,000 (ideal for Dollar General)
- Limited direct competition within a 2-mile radius
- Strong traffic counts (18,000+ vehicles daily)

Point 4 - Property Condition: ✓ GOOD

- Well-maintained building built in 2018
- Recent roof and HVAC systems
- Adequate parking and good visibility
- No immediate capital needs identified

Point 5 - Legal & Compliance: ✓ CLEAR

- Clean title with no encumbrances
- Proper retail zoning with no restrictions
- All permits and licenses are current
- Strong lease documentation

Point 6 - Financial Structure: ✓ CONSERVATIVE

- 70% LTV with excellent debt service coverage (1.52x)
- Fixed-rate financing at 4.25% for 10 years
- Strong cash-on-cash returns (9.2%)
- Conservative underwriting with stress testing

Investment Results (4-Year Performance):

- Total Cash Flow: \$485,000
- Current Property Value: \$2.2M (estimated)
- Total Return: 45% over 4 years
- Vacancy: 0 days

- Management Issues: None

Key Success Factors:

1. Investment-grade tenant eliminated credit risk
2. Built-in rent bumps provided strong cash flow growth
3. Recession-resistant business model performed well during

COVID

4. Conservative financing provided stability and flexibility

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Absolute NNN Due Diligence Checklist

Your Complete Step-by-Step Evaluation Tool

PRE-SCREENING CHECKLIST

Initial Property Evaluation

- [] Property type matches investment criteria
- [] Asking price within budget parameters
- [] Initial cap rate meets minimum requirements
- [] Location in target geographic area
- [] Tenant brand recognition and reputation check

Preliminary Tenant Screening

- [] Corporate vs. personal guarantee verification
- [] Multi-location vs. single-location operator
- [] Industry type and recession resistance
- [] Basic financial strength indicators
- [] Lease term length meets requirements (10+ years preferred)

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POINT 1: TENANT FINANCIAL STRENGTH CHECKLIST

Corporate Structure Verification

- [] Corporate guarantee document obtained and reviewed
- [] Parent company identification and verification
- [] Corporate structure chart obtained
- [] Number of locations and geographic presence verified
- [] Franchise vs. corporate-owned determination

Financial Documentation Collection

- [] 3+ years of audited financial statements obtained
- [] Most recent quarterly financial statements
- [] Tax returns for verification (if available)
- [] Bank references and credit reports
- [] Trade references from suppliers/vendors

Financial Analysis Completion

- [] Revenue trend analysis (5-year minimum)
- [] Profit margin calculation and industry comparison
- [] Debt-to-equity ratio analysis
- [] Working capital adequacy assessment
- [] Cash flow consistency evaluation
- [] Seasonal variation analysis

Credit and Industry Assessment

- [] Credit rating verification (if available)
- [] Industry outlook research completed
- [] Competitive position analysis
- [] Management team background check

- [] Litigation history search

Red Flag Identification

- [] No declining revenues for 2+ consecutive years
- [] No excessive debt ratios (>3:1 debt-to-equity)
- [] No personal guarantee, only situations
- [] No single-location operators in competitive industries
- [] No new businesses without a track record

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POINT 2: LEASE STRUCTURE & TERMS CHECKLIST

NNN Lease Verification

- [] Property taxes - 100% tenant responsibility confirmed
- [] Building insurance - tenant procurement and payment verified
- [] Maintenance and repairs - all tenant obligations confirmed
- [] Utilities - tenant responsibility verified
- [] CAM charges - tenant responsibility (if applicable)

Rent and Escalation Analysis

- [] Base rent amount and commencement date verified
- [] Annual escalation percentage confirmed
- [] Escalation calculation method reviewed (simple vs. compound)
- [] CPI adjustments vs. fixed increases analyzed
- [] Rent payment terms and late fees confirmed

Lease Term and Options Review

ABSOLUTE NNN DUE DILIGENCE CHECKLIST

- [] Initial lease term length confirmed (10+ years preferred)
- [] Renewal options quantity and terms reviewed
- [] Renewal rent determination method analyzed
- [] Exercise notice requirements and timing confirmed
- [] Early termination clauses identified (avoid if possible)

Critical Provisions Analysis

- [] Default definitions and cure periods reviewed
- [] Landlord remedy options confirmed
- [] Assignment and subletting restrictions reviewed
- [] Tenant improvement responsibilities clarified
- [] End-of-lease condition requirements confirmed

Guarantee Documentation

- [] Guarantee document execution verified
- [] Corporate authority and board resolutions obtained
- [] Personal guarantor financial statements (if applicable)
- [] Cross-default provisions reviewed
- [] Enforcement mechanisms confirmed

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POINT 3: LOCATION & MARKET FUNDAMENTALS CHECKLIST

Demographics Research

- [] 5-year historical population growth data obtained
- [] 10-year population projections analyzed
- [] Age demographic breakdown reviewed
- [] Household income levels and trends analyzed
- [] Employment diversity assessment completed

Economic Indicators Analysis

- [] Unemployment rates compared to the national average
- [] Major employers identified and analyzed
- [] Economic development initiatives researched
- [] Cost of living analysis completed
- [] Housing market trends reviewed

Trade Area and Competition

- [] Primary trade area defined (1-3 mile radius typically)
- [] Population density within trade area calculated
- [] Direct competition identified and mapped
- [] Indirect competition assessment completed
- [] Market saturation analysis performed

Accessibility and Visibility

- [] Daily traffic counts obtained
- [] Ingress/egress evaluation completed
- [] Parking adequacy assessed
- [] Public transportation access reviewed
- [] Visibility and signage opportunities confirmed

Market Risk Assessment

- [] Economic dependency analysis (single employer risk)
- [] Industry concentration evaluation
- [] Regulatory environment assessment
- [] Future development impact analysis
- [] Natural disaster and climate risk evaluation

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POINT 4: PROPERTY CONDITION CHECKLIST

Structural Assessment

- [] Professional building inspection completed
- [] Roof condition and age assessment
- [] Foundation and structural integrity evaluation
- [] Exterior building envelope inspection
- [] Parking lot and site improvements assessment

Building Systems Evaluation

- [] HVAC system age, condition, and capacity review
- [] Electrical system adequacy and code compliance
- [] Plumbing system condition and compliance
- [] Fire safety systems inspection
- [] Security systems evaluation

Tenant Improvements Analysis

- [] Tenant buildout cost and quality assessment
- [] Specialized equipment identification and valuation
- [] Useful life of improvements calculated
- [] Future tenant improvement needs projected
- [] Alternative use potential evaluated

Maintenance and Capital Planning

- [] Deferred maintenance items identified and costed
- [] Preventive maintenance programs reviewed
- [] Service contracts and warranties cataloged
- [] 10-year capital improvement plan developed
- [] Reserve fund requirements calculated

Environmental and Compliance

- [] Phase I Environmental Site Assessment completed
- [] Phase II ESA requirements determined

- [] Hazardous materials assessment (asbestos, lead, mold)
- [] ADA compliance verification
- [] Building code compliance confirmation

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POINT 5: LEGAL & COMPLIANCE CHECKLIST

Title and Ownership

- [] Title commitment obtained and reviewed
- [] Title insurance policy terms confirmed
- [] Property survey obtained and reviewed
- [] Easements and encumbrances analyzed
- [] Property tax status and payment history verified

Zoning and Land Use

- [] Current zoning classification confirmed
- [] Permitted uses verification completed
- [] Parking and signage compliance verified
- [] Non-conforming use status determined (if applicable)
- [] Future development rights assessed

Legal Documentation Review

- [] Lease agreement legal review completed
- [] Guarantee documentation review is finished
- [] Corporate authority verification completed
- [] Recording requirements determined
- [] Jurisdiction and governing law confirmed

Regulatory Compliance

- [] Business licenses and permits verified

ABSOLUTE NNN DUE DILIGENCE CHECKLIST

- [] Certificate of occupancy obtained
- [] Fire department approvals confirmed
- [] Health department permits (if applicable)
- [] Professional licenses verified (if applicable)

Due Diligence Documentation

- [] All third-party reports obtained
- [] Legal opinions received
- [] Insurance requirements verified
- [] Property management agreements reviewed
- [] Utility agreements and easements confirmed

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POINT 6: FINANCIAL STRUCTURE CHECKLIST

Purchase Price Analysis

- [] Comparable sales analysis completed
- [] Price per square foot comparison
- [] Market cap rate verification
- [] Income approach valuation performed
- [] Negotiation strategy developed

Cash Flow Projections

- [] 10-year cash flow model created
- [] Rent escalations are properly modeled
- [] Operating expenses estimated (minimal for NNN)
- [] Capital improvement reserves calculated
- [] Sensitivity analysis completed

Financing Structure

- [] Loan-to-value ratio optimized (75% maximum recommended)
- [] Debt service coverage ratio calculated (1.25x minimum)
- [] Interest rate and term analysis completed
- [] Prepayment penalty review finished
- [] Personal guarantee requirements confirmed

Risk Analysis and Stress Testing

- [] Vacancy scenario modeling (6-12 months)
- [] Rent reduction stress testing (10-20%)
- [] Interest rate shock analysis (+200-300 bps)
- [] Market value decline scenarios
- [] Tenant replacement analysis

Investment Returns Calculation

- [] Cash-on-cash return calculation
- [] Internal rate of return (IRR) modeling
- [] Net present value (NPV) analysis
- [] Total return projections (10-year hold)
- [] Tax impact analysis and optimization

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FINAL DECISION CHECKLIST

Go/No-Go Decision Criteria

- [] All 6 framework points score "acceptable" or better
- [] Investment returns meet minimum requirements
- [] Risk factors are acceptable and manageable
- [] Financing terms are favorable
- [] Legal and compliance issues resolved

Pre-Closing Requirements

- [] Final walk-through completed
- [] All contingencies satisfied or waived
- [] Closing documents reviewed
- [] Insurance policies obtained
- [] Property management arrangements confirmed

Post-Closing Setup

- [] Tenant contact information obtained
- [] Service provider contacts transferred
- [] Insurance certificates received
- [] Property management systems established
- [] Performance monitoring systems activated

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FRAMEWORK SCORING SYSTEM

Rate each of the 6 points on a scale of 1-5:

- 5 = Excellent - Exceeds expectations, minimal risk
- 4 = Good - Meets standards, acceptable risk
- 3 = Acceptable - Minimum standards met, manageable risk
- 2 = Concerning - Below standards, significant risk
- 1 = Poor - Unacceptable, high risk

Investment Decision Matrix:

- Average Score 4.0+ = Strong Buy
- Average Score 3.5-3.9 = Buy with conditions
- Average Score 3.0-3.4 = Proceed with caution
- Average Score <3.0 = Pass on investment

Any individual score of 1 or 2 requires serious consideration of passing on the investment.

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COMMON MISTAKES TO AVOID

COMMON MISTAKES TO AVOID

The Top 10 NNN Due Diligence Mistakes:

1. Accepting Personal Guarantees – Always require corporate guarantees
2. Skipping Market Research – Never rely solely on broker representations
3. Inadequate Financial Analysis – Demand 3+ years of audited statements
4. Overlooking Lease Details – Review every provision carefully
5. Ignoring Property Condition – Professional inspections are essential
6. Aggressive Financing – Conservative leverage protects against downturns
7. Rushing the Process – Thorough due diligence takes 45-60 days

8. Single-Point Failure – Avoid single-location operators
9. Neglecting Legal Review – Attorney review prevents costly mistakes
10. Emotional Decisions – Stick to your framework and criteria

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YOUR NEXT STEPS

Phase 1: Preparation (Before You Start)

- [] Define your investment criteria and requirements
- [] Assemble your professional team (broker, attorney, accountant)
- [] Secure financing pre-approval
- [] Create your due diligence file organization system

Phase 2: Property Identification

- [] Work with experienced NNN brokers
- [] Use the pre-screening checklist for initial evaluation
- [] Request preliminary information packages
- [] Perform initial framework scoring

Phase 3: Full Due Diligence (45-60 Days)

- [] Execute this complete checklist systematically
- [] Engage professional third parties for inspections and reports
- [] Complete all 6 framework points thoroughly
- [] Make go/no-go decision based on scoring system

Phase 4: Closing and Beyond

- [] Satisfy all closing conditions

COMMON MISTAKES TO AVOID

- [] Complete final checklist items
- [] Establish ongoing monitoring systems
- [] Plan for lease renewal and exit strategies

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PROFESSIONAL TEAM CONTACTS

Use this section to maintain your professional network

NNN Specialized Broker:

- Name: _____
- Phone: _____
- Email: _____
- Specialties: _____

Commercial Real Estate Attorney:

- Name: _____
- Phone: _____
- Email: _____
- NNN Experience: _____

Commercial Lender:

- Name: _____
- Phone: _____
- Email: _____
- NNN Loan Programs: _____

Property Inspector:

- Name: _____
- Phone: _____

- Email: _____

- Commercial Experience: _____

CPA/Tax Advisor:

- Name: _____

- Phone: _____

- Email: _____

- Real Estate Specialization: _____

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Conclusion

Your Path to NNN Success

The difference between successful NNN investors and those who struggle isn't luck—it's systematic due diligence. This 6-point framework and comprehensive checklist provide the road map to consistent, profitable NNN investing.

Remember:

- Quality over quantity - One great deal beats ten mediocre ones
- Conservative underwriting - Protect against downside scenarios
- Professional team - Leverage expertise for better decisions
- Systematic approach - Follow the framework every time
- Long-term perspective - NNN investing is about building wealth over time

Ready to find your first (or next) NNN investment? Use this guide as your roadmap to success. Every checkbox completed

brings you closer to passive income and long-term wealth building.

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This guide represents years of experience and millions of dollars in successful NNN investments. Use it wisely, and it will serve you well on your journey to financial independence through Absolute NNN investing.

About Grogan Capital: We specialize in Absolute NNN real estate education and investment opportunities.