Dollar General NNN For Sale

Dollar General is one of America’s largest discount dollar store chains, and it offers serious discounts on many products. Especially as the economy dips, it’s been growing a committed base of dedicated customers who enjoy or depend on its low prices to make ends meet.

The company was founded in 1939 as a family-owned business in Kentucky. It went public on the New York Stock Exchange in 1968 and has been ranked as a Fortune 500 company since 1999. Today, it operates over 18,000 stores throughout America. Its low price point makes it a great (and accessible) option for investing in commercial real estate.

Tenant Overview

A big part of what makes Dollar General attractive to consumers is its deep discounts. It offers consumables, home products, seasonal products, and more in no-frills storefronts that are focused on maximizing savings for the customer.

The company generally places its store in tertiary markets, and over 70% of its locations appear in towns with fewer than 20,000 residents. That said, Dollar General has grown to be one of the most profitable businesses in the rural United States.

Dollar General normally opts for locations with high visibility and full ingress and egress along highly trafficked retail corridors. Their current plans prioritize locations with retail space of around 9,000 square feet on a solid 1-acre lot with at least 30 parking spots.

When you’re considering investing in a Dollar General NNN lease, you may want to consider some of the factors outlined in the table below.

|  |  |
| --- | --- |
| Dollar General NNN Lease at a Glance | |
| Average sale price | $1,500,000 |
| Average NOI (net operating income) | $93,000 monthly |
| Average square feet | 9,000 - 10,000 |
| Average lot size | 1.0 acres |
| Typical lease term | 10 - 15 years |
| Escalators | 10% every 5 years and in options |
| Typical location | Rural towns with fewer than 20,000 people |
| Ticker symbol | NYSE: DG |

Dollar General Lease Structure

New Dollar General stores typically sign 15-year NNN leases, during which the rent prices are set to rise 10% every five years and in options. Due to these NNN leases, landlords are generally not responsible for the maintenance of these properties. For that reason, Dollar General can be a great passive-income opportunity for even out-of-state investors.

The average cap rate, or capitalization rate, for a Dollar General net lease is 6.2%. Cap rate analyzes a real estate investment’s profitability and its return potential. Generally speaking, cap rates of 5% to 10% are considered good. Dollar General’s 6.2% cap rate is slightly higher than those of some other big names, meaning it’s likely to give a solid return on investment.

While discount retail might not sound like a particularly sexy sector of commercial real estate, strong businesses like Dollar General that offer NNN leases with attractive terms and a corporate guarantee are excellent inroads into the industry.

**[LISTINGS SECTION]**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CVS Net Lease Properties for Sale** | | | | | | | | |
| Tenant | City | State | Price | Cap | Years | Lease Type | Year Bulit | Details |
|  |  | TF | $5M+ |  |  |  |  |  |
|  |  | Nationwide | $5M+ |  |  |  |  |  |
|  |  | TF | 3-5M |  |  |  |  |  |
|  |  | Nationwide | 3-5M |  |  |  |  |  |
|  |  | TF | 1-3M |  |  |  |  |  |
|  |  | Nationwide | 1-3M |  |  |  |  |  |

Why Choose a Net Lease Over a Gross Lease When Investing in Commercial Real Estate?

When you’re looking to invest in commercial real estate, you’ll find that there are many benefits to choosing to use a net lease instead of a gross lease. These two types of leases are normally considered opposites.

A gross lease involves a predetermined amount that a tenant pays so that they can use a space. It doesn’t change based on operating expenses, because the landlord is generally responsible for those costs. Conversely, a net lease lets the landlord pass operating expenses over to the tenant.

There are three levels of net leases: single, double, and triple. These categories are also referred to as N, NN, and NNN leases. Each tier passes additional expenses onto the tenant, absolving the property owner of more and more risk as the levels increase.

Single net leases, also known as N leases, pass property taxes onto the tenant in addition to the cost of rent. The landlord is still responsible for insurance, maintenance, repairs, and utilities, however. N leases are less common for commercial real estate. Double net leases, or NN leases, and triple net leases, or NNN leases, are seen much more often.

What Types of Net Leases Does Dollar General Operate Under?

New Dollar General stores typically have NNN leases with 15-year initial terms. NNN leases are generally the most attractive type of lease for commercial real estate investors. That’s because these leases involve the tenant paying for all of the property’s operating expenses, including insurance premiums, property taxes, and structural maintenance and repair costs.

Only Dollar General’s older stores will sometimes use NN leases, meaning that the landlord would be responsible for roof and structural repairs. These older stores may also have shorter terms of 10 years and higher cap rates.

NN leases are usually slightly less attractive to investors since the tenant is liable for only rent, insurance, and property taxes. In other words, the property owner is responsible for what’s left, including structural maintenance and repairs, which can prove to be pricey.

When working with an NNN lease, a tenant will generally pay a lower base rent. But that’s because they’re responsible for all of the other operating costs. Still, NNN leases reduce the burden of property management because they pass so many responsibilities onto the tenant.

**[LISTINGS SECTION]**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Dollar General Net Lease Properties for Sale** | | | | | | | | |
| Tenant | City | State | Price | Cap | Years | Lease Type | Year Bulit | Details |
|  |  | TX |  |  |  |  |  |  |
|  |  | TX |  |  |  |  |  |  |
|  |  | FL |  |  |  |  |  |  |
|  |  | FL |  |  |  |  |  |  |
|  |  | CA |  |  |  |  |  |  |
|  |  | TN |  |  |  |  |  |  |

How Should You Evaluate a Dollar General Net Lease?

When you’re considering an NNN lease, it’s crucial to look at the value of the property as well as the strength of the tenant. Especially when you’re looking at single-tenant properties like the ones many new Dollar General locations are using, your tenant concentration can be only 100% or 0% – you’ll be generating your maximum cash flow or none at all.

With that in mind, you’ll want to ensure that your investment property meets the qualifications that Dollar General prefers in its locations, including high visibility, large parking lots, and easy ingress and egress. That will help ensure that the property stays occupied and you keep generating revenue.

Luckily, NNN lease tenants like Dollar General are typically well-known companies with strong balance sheets. That means you can depend on your payments arriving in a timely fashion and you won’t be chasing down tenants to get your next check.

What Makes Dollar General an Attractive NNN Tenant?

Dollar General has strong brand recognition and a loyal customer base. By combining its reputation with stable financials, a strong credit rating, and an attractive price point, it’s become an interesting option for an NNN lease tenant.

At the end of October, Dollar General released its [third quarter results](https://investor.dollargeneral.com/websites/dollargeneral/English/2120/us-press-release.html?airportNewsID=44c8c5ef-9bd4-4f65-80d8-8b4c1e936db7) for fiscal 2022. Its net sales increased 11.1% year over year, topping $9.5 billion. Its earnings per share (EPS) also increased 12.0% from EPS in the previous year’s third quarter and now sits at $2.33. Dollar General appears to be in a stable financial position and is looking toward larger growth.

In November, the company announced that it will begin paying a cash dividend of $0.55 per share on shares of its common stock, which is a promising sign that it’s optimistic about its future. It also repurchased $546 million (or 2.3 million shares) of its common stock this quarter, meaning it believes in its value.

Overall, Dollar General is a high-quality, investment-grade tenant that has a price point and cap rate that make it an attractive option for an NNN lease.