

DRUG STORE PROPERTIES MEDIAN ASKING CAP RATES

Tenant	Q3 2015 (Previous)	Q3 2016 (Current)	Basis Point Change
Walgreens	5.50%	5.80%	+30
CVS	5.45%	5.70%	+25
Rite Aid	6.63%	7.00%	+37

DRUG STORE PROPERTIES ON THE MARKET

Tenant	Q3 2015 (Previous)	Q3 2016 (Current)	Percentage Change
Walgreens	203	135	-33.5%
CVS	95	85	-10.5%
Rite Aid	43	42	-2.3%

DRUG STORE PROPERTIES MEDIAN ASKING PRICE

Tenant	Median Asking Price	Median Price Per Foot
Walgreens	\$6,116,833	\$420
CVS	\$4,755,220	\$407
Rite Aid	\$3,827,000	\$282

MARKET OVERVIEW

Cap rates for single tenant CVS, Rite Aid and Walgreens properties all increased significantly in the third quarter of 2016. Cap rates for the net lease drug store sector increased by 33 basis points to a 5.96% cap rate when compared to the prior year. Rite Aid and Walgreens cap rates experienced the largest increase by 30 and 37 basis points each due to the investor concern of store closures with the potential Rite Aid acquisition by Walgreens. In the same timeframe, CVS cap rates increased by 25 basis points.

Transaction volume in drug store sector has been slowed by investor trepidation due to the uncertainty of the potential Walgreens and Rite Aid merger. However, investment sales activity has been concentrated with drug store assets in core markets with strong sales performance. The concern from the merger has caused the cap rate premiums associated with the drug store sector to decrease. In the third quarter of 2016, the spread between the overall net lease retail market and the drug store sector compressed to 14 basis points. This spread has historically been greater and in the past three years the spread ranged from 62 to 100 basis points.

The supply of drug store assets decreased when compared to the prior year by 23.2%. Not only did the availability of drug store assets decrease, closed transaction volume for drug stores decreased by 19.2% when comparing the first three quarters of 2015 and 2016. Rite Aid assets experienced the sharpest decline with 26% less transaction volume during the same time period. Furthermore, the supply of long term leased (20+ years) assets decreased significantly across the sector due to lack of new store development.

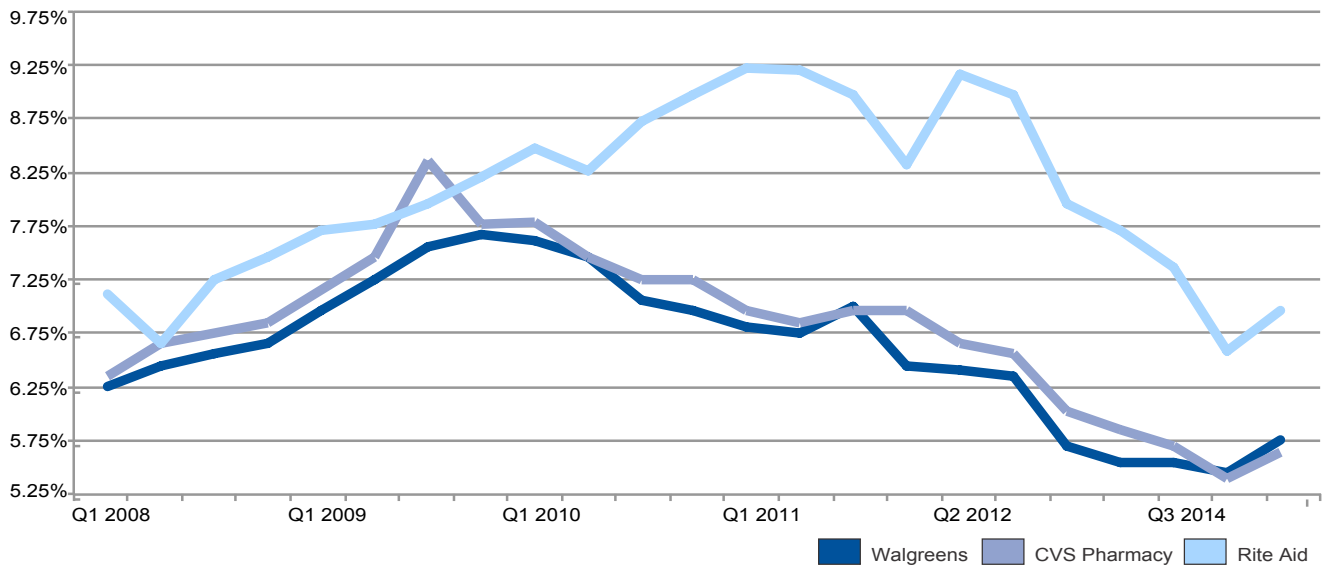
Transaction velocity for the remainder of 2016 in the net lease drug store sector should remain at a similar pace to the first three quarters of 2016 as uncertainty remains due to the potential Walgreens and Rite Aid merger. However, drug store assets with strong sales performance in top tier markets will garner demand from investors who have preference for the strong credit profiles and residual real estate locations that these drugstore assets provide. Private investors will continue to be the primary buyer of these assets.



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Term Remaining	Walgreens	CVS	Rite Aid
20+	5.12%	4.95%	6.15%
15-19	5.50%	5.60%	N/A
10-14	5.85%	6.00%	6.75%
6-9	6.75%	6.65%	7.18%
5 & Under	7.13%	7.50%	8.59%

DRUG STORE CAP RATE TRENDS



MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Tenant	Closed	Asking	Spread (bps)
Walgreens	6.40%	6.20%	20
CVS	6.25%	6.05%	20
Rite Aid	7.25%	7.00%	25

Above numbers are only reflective of closed transactions.

DRUG STORE VS. RETAIL NET LEASE MARKET CAP RATE




Sector	Q3 2015 (Previous)	Q3 2016 (Current)
Drug Store	5.63%	5.96%
Retail Net Lease Market	6.25%	6.10%
Drug Store Premium (bps)	62	14

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
7/22/16	Walgreens	Allston	MA	\$13,500,000	\$918	5.00%	12
7/27/16	CVS Pharmacy	Miami	FL	\$12,500,000	\$954	4.82%	23
8/5/16	CVS Pharmacy	Phoenix	AZ	\$10,466,400	\$845	5.65%	17
9/23/16	Walgreens	Citrus Heights	CA	\$10,416,666	\$703	6.00%	11
8/5/16	Walgreens	Wappingers Falls	NY	\$10,150,000	\$787	5.67%	14
7/7/16	Walgreens	Alhambra	CA	\$9,800,000	\$803	5.10%	9
8/19/16	CVS Pharmacy	Venice	FL	\$9,525,000	\$735	5.13%	18
8/31/16	Rite Aid	Anaheim	CA	\$9,200,000	\$654	4.53%	20
8/12/16	Rite Aid	Visalia	CA	\$8,000,000	\$463	5.67%	10
9/13/16	Walgreens	Brentwood	CA	\$8,000,000	\$552	5.00%	12
9/27/16	CVS Pharmacy	Daly City	CA	\$7,671,000	\$529	5.63%	22
7/14/16	CVS Pharmacy	Traverse City	MI	\$7,534,000	\$570	5.22%	21
9/28/16	Walgreens	Huntley	IL	\$7,450,000	\$505	5.20%	14
7/8/16	CVS Pharmacy	Brownsville	TX	\$7,400,000	\$569	5.50%	18
7/26/16	Rite Aid	Mckees Rocks	PA	\$7,108,864	\$592	6.25%	20
7/13/16	Walgreens	Huntington Station	NY	\$7,000,000	\$503	5.71%	21
8/12/16	CVS Pharmacy	Phoenix	AZ	\$6,900,000	\$500	6.36%	13
8/18/16	Walgreens	Ruston	LA	\$6,500,000	\$447	6.13%	11
8/1/16	Walgreens	Alexander City	AL	\$5,859,550	\$403	6.00%	17
8/29/16	Walgreens	Panama City	FL	\$5,762,711	\$389	5.75%	10
8/8/16	Rite Aid	Rochester	NY	\$5,400,000	\$358	7.50%	10
9/9/16	CVS Pharmacy	Livingston	CA	\$5,165,000	\$313	5.00%	24
8/31/16	Walgreens	Cooper City	FL	\$5,150,000	\$341	6.37%	10
9/14/16	Walgreens	Phoenix	AZ	\$5,000,000	\$345	6.84%	6
7/20/16	CVS Pharmacy	Winchester	VA	\$4,777,947	\$451	5.65%	14
7/15/16	Rite Aid	Murrieta	CA	\$4,700,000	\$281	5.85%	15
8/26/16	CVS Pharmacy	Gadsden	AL	\$4,300,000	\$360	6.25%	17
7/11/16	Walgreens	Horn Lake	MS	\$4,135,714	\$276	7.08%	5
8/25/16	CVS Pharmacy	Ithaca	NY	\$4,090,000	\$404	6.75%	9
7/22/16	Walgreens	Memphis	TN	\$4,000,000	\$266	7.32%	6
7/11/16	CVS Pharmacy	Indianapolis	IN	\$3,828,000	\$378	7.58%	10
7/11/16	Walgreens	Ramseur	NC	\$3,608,000	\$350	6.60%	8
7/15/16	Rite Aid	Thornton	CO	\$3,538,000	\$255	6.64%	12
8/23/16	Walgreens	Kingman	AZ	\$3,390,500	\$220	6.18%	16
9/12/16	CVS Pharmacy	Brazil	IN	\$3,300,000	\$308	6.40%	11
8/25/16	Walgreens	Tucson	AZ	\$3,060,000	\$191	7.31%	18
8/17/16	CVS Pharmacy	Auburn	GA	\$2,700,000	\$267	6.39%	13
7/21/16	CVS Pharmacy	Chattanooga	TN	\$2,030,032	\$191	6.75%	10
8/29/16	CVS Pharmacy	Lilburn	GA	\$1,500,000	\$148	14.76%	7
7/12/16	Rite Aid	Louisville	KY	\$1,100,000	\$85	7.50%	10
8/31/16	CVS Pharmacy	Eureka	IL	\$920,000	\$114	7.40%	13

COMPANY AND LEASE OVERVIEW

	Walgreens	CVS	Rite Aid
Credit Rating	BBB (Stable)	BBB+	B
Market Cap	\$89 billion	\$93 billion	\$7 billion
Revenue	\$117 billion	\$167 billion	\$33 billion
Number of Stores	8,175	9,655	4,561
Typical Lease Term	20 year primary term with fifty years of options	25 year primary term with six 5-year options	20 year primary term with six 5-year options
Typical Rent Increases	None	None in primary 10% increases in option periods	Increases every 10 years of 10%

FOR MORE INFORMATION

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