

**BANK GROUND LEASE PROPERTIES
MEDIAN ASKING CAP RATE**

Tenant	Q1 2016 (Previous)	Q1 2017 (Current)	Basis Point Change
Bank of America	4.70%	4.75%	+5
Chase	4.48%	4.50%	+2
PNC	4.58%	4.70%	+12
TD Bank	4.53%	4.35%	-18
Other Banks	4.91%	4.68%	-23
All Bank Ground Leases	4.75%	4.63%	-12

The above data reflects ground leases with 15 or more lease years remaining.

**BANK GROUND LEASE PROPERTIES
MEDIAN ASKING PRICE**

Tenant	Average Price
Bank of America	\$4,166,666
Chase	\$4,180,000
PNC	\$4,382,979
TD Bank	\$7,554,217
Other Banks	\$3,050,000
All Bank Ground Leases	\$3,950,000

**MEDIAN ASKING CAP RATE BY
LEASE TERM REMAINING**

Lease Term Remaining	Cap Rate
20+	4.38%
15-19	4.60%
10-14	4.95%
Under 10	5.50%

MARKET OVERVIEW

Cap rates for the single tenant bank ground lease sector compressed by 12 basis points to 4.63% in the first quarter of 2017 when compared to one year ago. Furthermore, the supply of bank ground leases on the market decreased by 17% year over year. Over the same time period, cap rates for the net lease retail sector increased by 1 basis point. This resulted in the cap rate premium associated with bank ground leases to expand by 13 basis points to 156. The increase in premium is primarily due to a shrinking supply of new bank branches. For the purpose of this report, the bank ground lease sector is comprised of both national and regional banks, regardless of credit.

A controlled expansion nationally by banks has resulted in limited new construction bank assets. As a result, the median remaining lease term was approximately 13 years despite initial bank ground lease terms which are typically 20 years for new construction branches. Bank ground leases with the longest term leases are in the highest demand amongst investors. In the first quarter of 2017, the median asking cap rate for bank ground leases with 20 or more years remaining of lease term was 4.38%. In the first quarter of 2017, 80% of the bank ground leases on the market had 10 years or more remaining on their lease term.

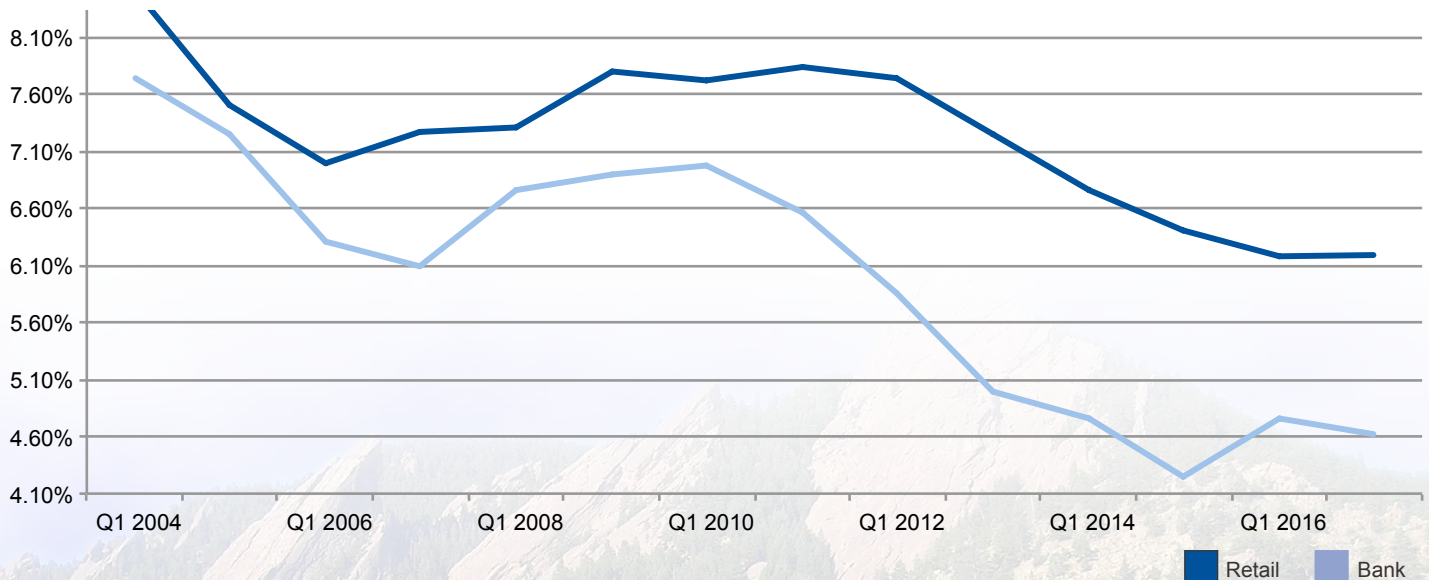
While investor concern lingers regarding the future need for the current concentration of bricks and mortar bank locations, investors are still drawn to the net lease bank sector. Investor demand is related to the credit of the tenants, the rental escalations typically associated with ground leases and no landlord responsibilities. In the first quarter of 2017, over 90% of the bank ground leases in the market had investment grade ratings.

Investor demand for bank ground leases will continue as private and 1031 investors are drawn to the net lease bank sector due to the typical lease structures and credit of the tenants. In the current cap rate environment, some investors will alter their investment criteria to include shorter term ground leases with above average branch deposits and strong real estate fundamentals.

SELECTED BANK GROUND LEASE SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Cap Rate	Lease Term Remaining
Jan-17	BB&T Bank	Roswell	GA	\$7,467,215	5.35%	12
Nov-16	TD Bank	Miami	FL	\$6,500,000	4.23%	21
Dec-16	Chase Bank	Torrance	CA	\$6,450,000	3.80%	18
Jan-17	Citibank	Rowland Heights	CA	\$4,325,000	4.42%	12
Feb-17	Chase Bank	New Lenox	IL	\$4,111,250	4.00%	15
Dec-16	Bank of America	Chicago	IL	\$4,000,000	4.50%	13
Dec-16	Wells Fargo Bank	Dallas	TX	\$3,400,000	5.33%	8
Jan-17	Suntrust Bank	Woodstock	GA	\$3,321,080	5.00%	12
Dec-16	U.S Bank	Hesperia	CA	\$3,280,000	4.80%	10
Dec-16	PNC Ground Lease	Bensenville	IL	\$2,962,500	4.83%	16
Nov-16	Chase Bank	Marana	AZ	\$2,850,000	5.00%	14
Dec-16	Citibank	Chicago	IL	\$2,325,000	4.95%	9

BANK GROUND LEASE VS RETAIL NET LEASE CAP RATE TRENDS



COMPANY COMPARISON

Tenant	Total Number of Branches	Credit Rating	Market Cap (Billions)
Associated Bank	225	BBB+	\$3.6
Bank of America	4,850	BBB+	\$230.5
BB&T	2,200	A-	\$35.4
BMO Harris	600	A+	\$49.1
Chase Bank	5,200	A+	\$307.1
Citibank	2,649	A+	\$164.8
Fifth Third	1,200	A-	\$18.7
KeyBank	1,200	A-	\$18.5
PNC Bank	2,500	A	\$57.2
Regions Bank	1,700	BBB+	\$17.3
TCF Bank	340	BBB-	\$2.8
TD Bank	1,300	AA-	\$94.5
US Bank	3,000	A+	\$86.3
Wells Fargo	6,000	A	\$275.1

MEDIAN CLOSED CAP RATE SPREAD

Tenant	Closed	Ask	Spread (bps)
Bank Ground Leases	4.86%	4.63%	23

BANK GROUND LEASE SECTOR VS NET LEASE SECTOR CAP RATE

Sector	Q1 2016 (Previous)	Q1 2017 (Current)
Bank Ground Lease Sector	4.75%	4.63%
Retail Net Lease Market	6.18%	6.19%
Bank Ground Lease Premium (bps)	+143	+156

FOR MORE INFORMATION

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