

NATIONAL ASKING CAP RATES

Sector	Q4 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Retail	6.07%	6.10%	+3
Office	7.00%	7.00%	0
Industrial	7.25%	7.29%	+4

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q4 2017 (Previous)	Q1 2018 (Current)	Percentage Change
Retail	3,822	3,710	-2.9%
Office	492	480	-2.4%
Industrial	452	430	-4.9%

MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Sector	Q4 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Retail	23	26	+3
Office	38	42	+4
Industrial	26	30	+4

MARKET OVERVIEW

Cap rates in the first quarter of 2018 for the single tenant net lease sector remained relatively stable for the retail, office and industrial sectors. Cap rates increased for the retail and industrial sector by 3 and 4 basis points respectively. Cap rates for net lease office, remained unchanged. Net lease transaction volume in 2017 finished at \$54 billion which was similar to 2016 according to CoStar.

In a changing investment real estate environment, investors have made points of emphasis on trends, especially in retail. E-commerce resistant and experiential retail tenants including food, medtail, fitness, entertainment and convenience are in high demand amongst investors. Medtail is the term used for medical properties located in locations that were traditionally used for retail (shopping center outparcels, high traffic locations, etc.).

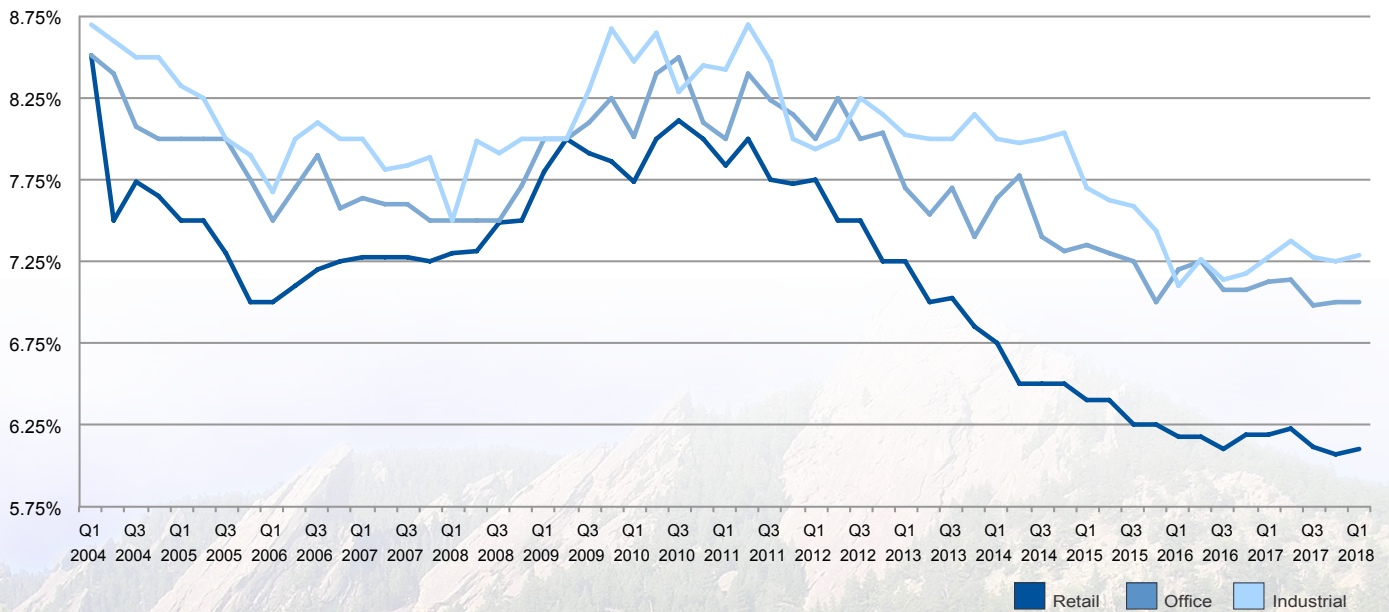
The net lease sector remains bifurcated between the perceived high quality properties (new construction, long term leases, major markets, investment grade tenants, etc.) and lower quality properties. However, the supply of high quality product remains limited, especially in the higher dollar amount range (greater than \$7 million). The majority of new construction supply in the net lease space remains concentrated with tenants in the dollar store, quick service restaurant and medtail sectors. However, net lease properties that exhibit positive real estate fundamentals including below market rents, strong store sale histories and positioning in strong retail corridors irrespective of remaining lease term remain a viable alternative for investors looking to achieve higher investment yields.

The net lease market in 2018 is expected to be on pace with 2017 as investor demand for this asset class remains strong. As noted in a recent national survey conducted by The Boulder Group, the effect of interest rates on cap rate volatility will be the primary focus for net lease participants, as most net lease participants believe that cap rates will increase by the end of 2018. Investors will be carefully monitoring the monetary policy decisions of the Federal Reserve in 2018, as well as the capital markets and their effect on pricing.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Feb-18	Office	Amazon	Herndon	VA	\$226,000,000	\$560	5.46%	11 Years
Mar-18	Industrial	Quaker Sales & Distribution (Pepsi)	Lakeland	FL	\$59,600,000	\$98	4.85%	10 Years
Jan-18	Office	Daimler	Fort Mill	SC	\$40,000,000	\$266	5.91%	11 Years
Jan-18	Office	Go Daddy	Gilbert	AZ	\$39,000,000	\$216	6.67%	10 Years
Feb-18	Industrial	FedEx	Atlanta	GA	\$32,250,000	\$110	5.56%	5 Years
Feb-18	Office	PayPal	Scottsdale	AZ	\$30,500,000	\$330	5.95%	10 Years
Feb-18	Office	Four Winds Interactive	Denver	CO	\$17,100,000	\$329	7.75%	13 Years
Feb-18	Retail	Walmart	Youngstown	OH	\$13,575,000	\$88	6.80%	4 Years
Feb-18	Retail	Walmart Neighborhood Market	Kansas City	OH	\$12,617,500	\$307	5.75%	16 Years
Jan-18	Retail	AMC	Springfield	MO	\$11,138,000	\$230	7.40%	17 Years
Feb-18	Retail	Walgreens	Ewing	NJ	\$10,645,000	\$725	5.33%	20 Years
Feb-18	Retail	CVS	Tujunga	CA	\$10,400,000	\$705	4.82%	10 Years
Mar-18	Retail	Walgreens	Port Saint Lucie	FL	\$8,400,000	\$619	5.55%	17 Years
Feb-18	Retail	CVS	Lawton	OK	\$6,493,000	\$481	5.40%	23 Years
Mar-18	Retail	Wawa (GL)	Deerfield Beach	FL	\$6,125,000	--	4.57%	20 Years
Jan-18	Retail	Goodwill	Fort Myers	FL	\$6,077,000	\$304	6.50%	15 Years
Jan-18	Industrial	Effox, INC	West Chester	OH	\$5,300,000	\$55	8.20%	10 Years

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2012-2018	2005-2011	2000-2005	Pre 2000
7-Eleven	4.83%	5.25%	5.85%	6.25%
Advance Auto Parts	6.05%	6.50%	7.35%	7.75%
AutoZone	5.25%	5.70%	6.30%	7.00%
Bank of America	N/A	5.00%	5.90%	6.35%
Chase Bank	N/A	4.70%	5.05%	5.75%
CVS Pharmacy	5.00%	5.85%	6.00%	7.10%
DaVita Dialysis Center	5.65%	6.20%	6.55%	7.00%
Dollar General	6.90%	7.60%	8.00%	8.35%
Family Dollar	7.30%	7.65%	8.15%	8.70%
FedEx	6.00%	6.70%	7.00%	7.65%
Fresenius	5.85%	6.50%	6.75%	7.60%
McDonald's (GL)	4.00%	4.25%	4.70%	5.00%
O'Reilly Auto Parts	5.65%	6.00%	6.15%	6.93%
Rite Aid	N/A	7.00%	7.75%	8.45%
Starbucks	5.00%	5.40%	5.90%	6.40%
Walgreens	5.40%	5.85%	6.70%	7.20%

FOR MORE INFORMATION

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