

## NATIONAL ASKING CAP RATES

Sector	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
Retail	6.42%	6.47%	+5
Office	7.60%	7.67%	+7
Industrial	7.02%	7.10%	+8
Overall	6.64%	6.70%	+6

## NUMBER OF PROPERTIES ON THE MARKET

Sector	Q1 2024 (Previous)	Q2 2024 (Current)	Percentage Change
Retail	3,403	3,677	8.1%
Office	590	657	11.4%
Industrial	472	517	9.5%
Overall	4,465	4,851	8.7%

## MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
Retail	34	34	0
Office	65	70	+5
Industrial	32	34	+2

***“Cap Rates in the single tenant net lease sector increased for the ninth consecutive quarter.”***

## Market Overview

Cap rates in the single tenant net lease sector increased for the ninth consecutive quarter within all three sectors in the second quarter of 2024. Single tenant cap rates increased to 6.47% (+5 bps) for retail, 7.67% (+7 bps) for office and 7.10% (+8 bps) for industrial. Elevated interest rates and limited 1031 exchange and institutional buyer activity is the cause of the consistent upward trend in cap rates. Furthermore, the lack of transactions when compared to recent years is causing property supply to rise without a path to clear the market inventory.

Property supply in the single tenant sector increased by more than 8% when compared to the prior quarter. Additionally, the second quarter of 2024 experienced the highest number of properties on the market since the fourth quarter of 2021. With a significant number of properties on the market, the dynamic of who the market favors changed. Most investors believe that the current market strongly favors buyers over sellers in terms of compromising on asset pricing. This is especially true of assets that are more highly commoditized like dollar stores.

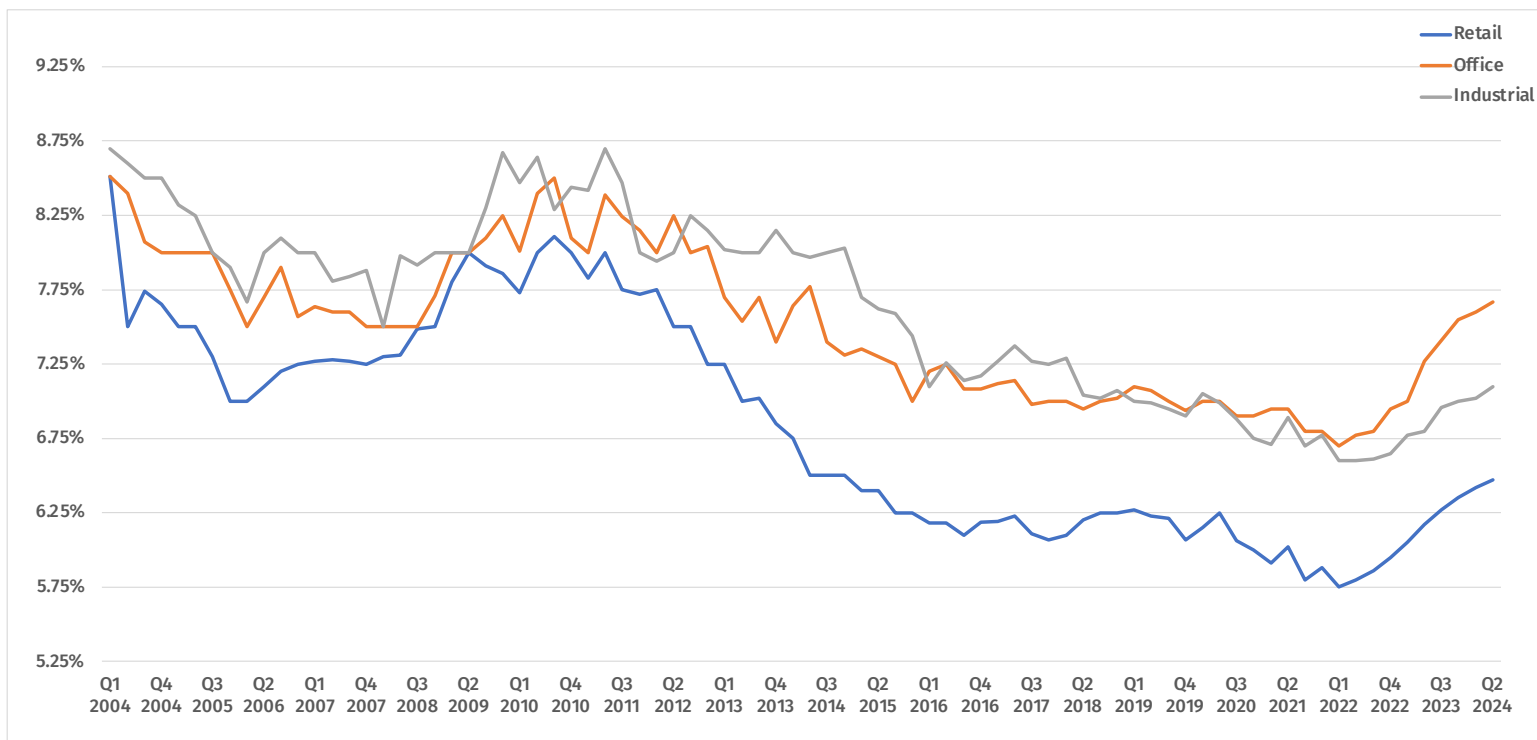
With limited competition, buyers are targeting assets in either income tax free states or areas with strong demographic drivers. Secondary buyer motivations include strong real estate fundamentals with credit tenants. This is most evident in the casual dining sector where cap rate changes were less consistent across the board and varied by tenant. While cap rates for the overall casual dining sector increased by eight basis points, stronger brands including Olive Garden and Texas Roadhouse saw no changes in cap rates compared to prior quarters.

In the second half of 2024, the expectation is that the pace of cap rate expansion should slow. However, cap rates are still expected to rise given the increase in the supply of net lease properties. It remains to be seen if the market will receive much-needed interest rate relief via a rate cut from the Federal Reserve. Investors will continue to carefully monitor the capital markets and its potential impact on net lease valuations. As the market remains inconsistent, investors will remain selective, focusing on properties with strong tenants and underlying real estate fundamentals at pricing that is advantageous.

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Apr-24	Industrial	FedEx	Hermitage	PA	\$43,447,000	\$173	6.76%	12
May-24	Industrial	FedEx	Portland	OR	\$32,500,000	\$153	5.74%	6
Apr-24	Industrial	Lear Corporation	McCalla	AL	\$32,260,000	\$106	5.79%	9
May-24	Industrial	Golden West Packaging	Madera	CA	\$14,300,000	\$102	6.93%	6
May-24	Retail	Jewel-Osco	Oswego	IL	\$12,250,000	\$197	5.51%	13
Apr-24	Industrial	Advanced Covertng Works	Green Bay	WI	\$11,750,000	\$63	7.31%	16
May-24	Industrial	BSN Medical	Conover	NC	\$10,300,000	\$69	6.93%	5
Apr-24	Retail	7-Eleven	Nashville	TN	\$9,745,000	\$1,784	5.65%	15
May-24	Retail	7-Eleven	Davenport	FL	\$9,127,000	\$1,962	5.00%	15
Jun-24	Retail	Walgreens	Portland	ME	\$6,250,000	\$456	7.00%	11
May-24	Retail	Guidepost Montessori	Grand Rapids	MI	\$5,700,000	\$501	7.13%	18
Apr-24	Retail	Natural Grocers	Rio Rancho	NM	\$5,361,000	\$387	6.20%	11
May-24	Retail	Caliber Collision	Middleton	WI	\$5,300,000	\$293	6.70%	10
May-24	Retail	Hawaiian Bros	Saint Joseph	MO	\$5,100,000	\$1,275	7.00%	14
Jun-24	Retail	Wawa	Franklinville	NJ	\$5,000,000	\$1,280	5.00%	18

**NET LEASE CAP RATE TRENDS**





## Net Lease Sectors

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1. Auto Sector
2. Casual Dining
3. Dollar Stores
4. Drug Stores
5. Quick Service Restaurants (QSR)

## 1. Net Lease Auto Sector

### NATIONAL ASKING CAP RATES

	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
<b>Auto Sector</b>	6.30%	6.35%	+5

### MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
<b>Auto Parts</b>	6.25%	6.35%	+10
<b>Auto Service</b>	6.05%	6.06%	+1
<b>Collision</b>	6.50%	6.55%	+5

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
<b>16-20 Years</b>	5.40%	5.50%	6.20%
<b>11-15 Years</b>	5.95%	5.70%	6.32%
<b>6-10 Years</b>	7.10%	6.90%	6.80%
<b>5 Years &amp; Under</b>	7.45%	7.15%	7.70%



## 2. Net Lease Casual Dining Sector

### NATIONAL ASKING CAP RATES

Tenant	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
<b>All Corporate Casual Dining</b>	6.57%	6.65%	+8
<b>Buffalo Wild Wings</b>	7.10%	7.25%	+15
<b>Applebee's</b>	6.62%	6.65%	+3
<b>Chili's</b>	5.65%	5.75%	+10
<b>IHOP</b>	7.20%	7.25%	+5
<b>Olive Garden</b>	5.80%	5.80%	0
<b>Outback Steakhouse</b>	6.50%	6.60%	+10
<b>Red Lobster</b>	5.25%	5.30%	+5
<b>Texas Roadhouse (Ground Lease)</b>	5.25%	5.25%	0

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
<b>16-20 Years</b>	6.05%
<b>11-15 Years</b>	6.32%
<b>6-10 Years</b>	7.00%
<b>5 Years &amp; Under</b>	7.30%



### 3. Net Lease Dollar Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
Dollar General	6.75%	6.75%	0
Family Dollar	7.70%	7.80%	+10
Dollar Tree	7.30%	7.35%	+5
Dollar Store Sector	6.99%	7.08%	+9



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

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.65%	N/A	N/A
9-11 Years	7.00%	7.50%	7.00%
6-8 Years	7.65%	8.00%	7.50%
3-5 Years	8.00%	8.65%	7.95%
Under 3 Years	9.00%	9.15%	8.60%

### 4. Net Lease Drug Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
Walgreens	6.65%	6.75%	+10
CVS	6.15%	6.20%	+5
Rite Aid	9.00%	9.00%	0
Drug Store Sector	6.56%	6.67%	+11



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

Years Remaining	Walgreens	CVS	Rite Aid
20+ Years	N/A	5.33%	N/A
15-19 Years	6.15%	5.50%	N/A
10-14 Years	6.60%	6.13%	8.00%
6-9 Years	7.40%	7.05%	8.50%
Under 5 Years	8.00%	7.90%	9.07%

## 5. Net Lease Quick Service Restaurant (QSR) Sector

### CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
All Corporate QSR	5.65%	5.69%	+4
Chick-fil-A (Ground Lease)	4.33%	4.35%	+2
Chipotle	5.20%	5.25%	+5
McDonald's (Ground Lease)	4.35%	4.35%	0
Panera Bread	5.50%	5.55%	+5
Raising Cane's	5.00%	5.00%	0
Starbucks	6.25%	6.27%	+2

### FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q1 2024 (Previous)	Q2 2024 (Current)	Basis Point Change
All Franchisee QSR	6.55%	6.60%	+5
Burger King	6.10%	6.10%	0
Dunkin'	5.60%	5.65%	+5
KFC	6.15%	6.23%	+8
Taco Bell	5.40%	5.40%	-5
Wendy's	5.50%	5.53%	+3

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	5.10%	5.70%
15-19 Years	5.30%	6.05%
10-14 Years	5.85%	6.70%
Under 10 Years	6.70%	7.35%



## For More Information:

### Chicago:

**RANDY BLANKSTEIN**  
President  
randy@bouldergruop.com

**JIMMY GOODMAN**  
Partner  
jimmy@bouldergruop.com

**JOHN FEENEY**  
Senior Vice President  
john@bouldergruop.com

**CARTER HIMLEY**  
Senior Analyst  
carter@bouldergruop.com

**HAYDEN WILLIAMS**  
Analyst  
hayden@bouldergruop.com

### Denver:

**ZACH WRIGHT**  
Vice President  
zach@bouldergruop.com

**BRANDON WRIGHT**  
Associate  
brandon@bouldergruop.com