

**AUTO PARTS STORE PROPERTIES  
MEDIAN ASKING CAP RATES**

Tenant	Q4 2015 (Previous)	Q4 2016 (Current)	Basis Point Change
Advance Auto Parts	6.35%	6.38%	+3
AutoZone	5.75%	5.55%	-20
O'Reilly Auto Parts	5.68%	5.52%	-16

**MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per Foot
Advance Auto Parts	\$1,601,095	\$215
AutoZone	\$1,885,000	\$305
AutoZone (GL)	\$1,553,398	--
O'Reilly Auto Parts	\$1,778,925	\$244

**PERCENTAGE OF AUTO PARTS STORES  
ON THE MARKEY BY TENANT**

Tenant	Percentage of Market
Advance Auto Parts	50.0%
AutoZone	22.7%
O'Reilly Auto Parts	27.3%

**AUTO PARTS STORE PROPERTIES  
VS. RETAIL NET LEASE MARKET**

Tenant	Q4 2015 (Previous)	Q4 2016 (Current)
Auto Parts	5.98%	5.90%
Market	6.25%	6.19%
Auto Parts Premium (bps)	27	29

**MARKET OVERVIEW**

Cap rates for the single tenant net leased auto parts store sector decreased by 8 basis points from the fourth quarter of 2015 to the fourth quarter of 2016 to 5.90%. The decline in cap rates for the auto parts store sector slightly outpaced the overall net lease retail market which compressed by 6 basis points over the same time period. The auto parts sector, for the purpose of this report, is defined as Advance Auto Parts, AutoZone and O'Reilly Auto Parts as they account for the highest percentage of single tenant transactions of properties occupied by auto parts retailers.

Cap rates for Advance Auto Parts increased by 3 basis points while cap rates for AutoZone and O'Reilly Auto Parts compressed 20 and 16 basis respectively in the fourth quarter of 2016. The cap rates for Advance Auto Parts properties were higher than its competitors due to a higher supply of older stores on the market. The median remaining lease term for the auto parts sector was 11 years and less than 9 years for Advance Auto Parts.

As Americans continue to increase the length of car ownership and the average age of vehicles on the road increases, the retail auto parts industry continues to thrive as the market for auto repairs and aftermarket parts becomes more necessary. A recent report by IHS Markit, confirms that the average age of vehicles on the road has increased to 11.6 years. Furthermore, the same report found that the segment consisting of the oldest vehicles on the road is increasing at the fastest pace. IHS Markit expects the segment consisting of vehicles older than 16 years to grow by 30 percent to 81 million by 2021.

Transaction volume in the auto parts sector should remain active as investors continue to seek properties with investment grade tenants at lower price points. Additionally, the fundamentals of the retail auto parts industry make these properties attractive to varying investors. Recently constructed properties with long term leases should continue to be in the highest demand as these assets are the most sought after amongst 1031 buyers due to their lease term duration. Auto parts store properties with shorter lease terms located in areas with strong real estate fundamentals also remain in high demand with buyers seeking higher yields.

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

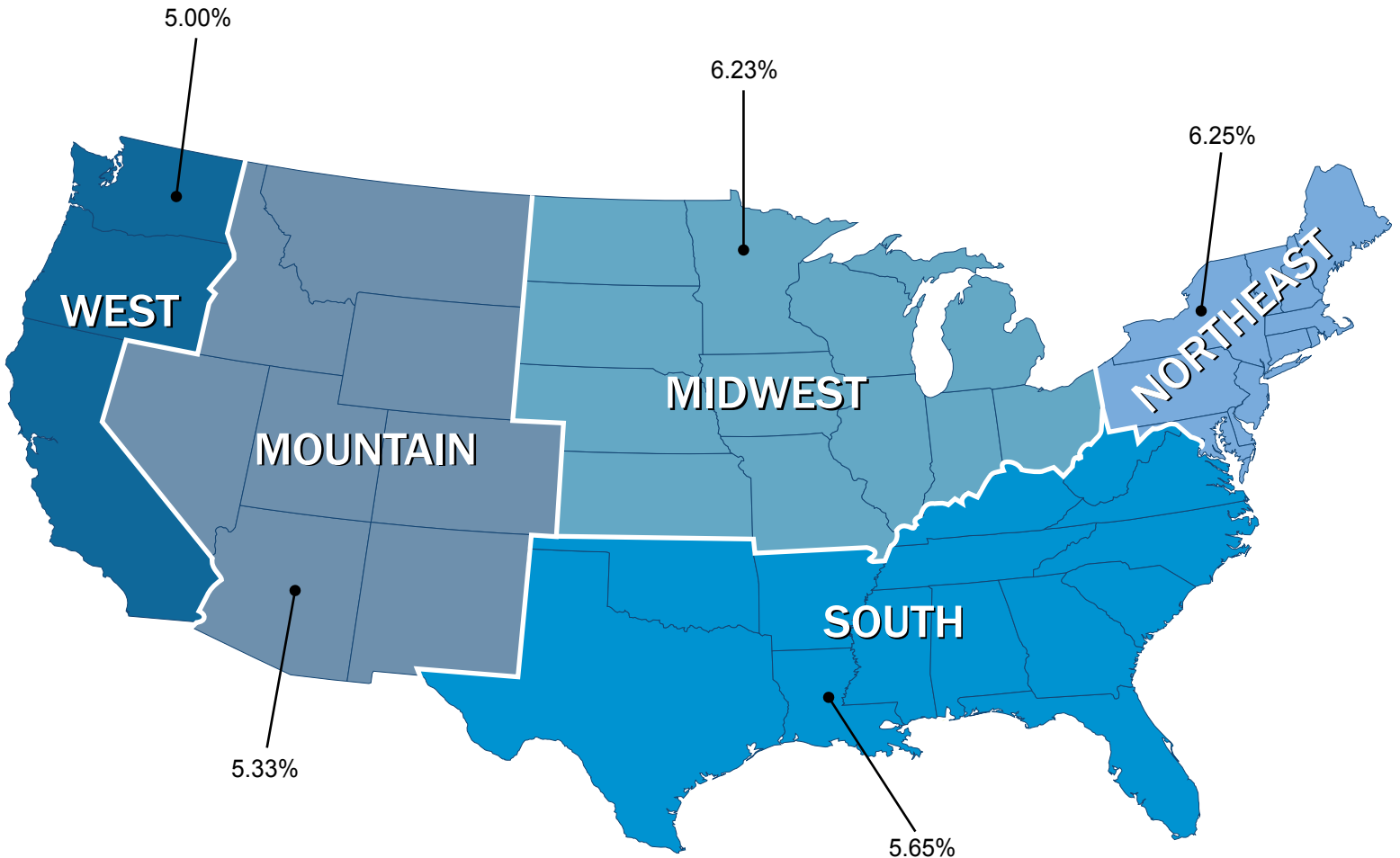
Years Remaining	Advance Auto Parts	AutoZone	O'Reilly Auto Parts
Under 5	7.01%	6.35%	6.50%
6-9	6.50%	5.76%	6.15%
10-14	6.08%	5.00%	5.90%
15-17	5.50%	4.70%	5.62%
18-20	--	--	5.50%



**SELECT SINGLE TENANT AUTO PARTS STORES SALES COMPARABLES**

Sale Date	Tenant	City	State	Price	Price S.F.	Cap Rate	Lease Term Remaining
Aug-16	Advance Auto Parts	Port Charlotte	FL	\$3,210,000	\$459	6.25%	9
Sep-16	AutoZone (Fee Simple)	Torrance	CA	\$2,970,000	\$311	4.40%	7
Aug-16	Advance Auto Parts	Fort Worth	TX	\$2,925,000	\$400	5.60%	13
Oct-16	Advance Auto Parts	Bellingham	MA	\$2,700,000	\$392	5.93%	6
Dec-16	AutoZone (Fee Simple)	Plant City	FL	\$2,420,000	\$354	5.50%	11
Jan-17	Advance Auto Parts	Albuquerque	NM	\$2,350,000	\$341	5.25%	15
Nov-16	Advance Auto Parts	Petoskey	MI	\$2,145,000	\$361	6.29%	12
Nov-16	O'Reilly Auto Parts	Zephyrhills	FL	\$2,051,000	\$284	6.02%	18
Aug-16	Advance Auto Parts	Houston	TX	\$1,985,869	\$288	5.90%	13
Jan-17	O'Reilly Auto Parts	Lexington	SC	\$1,910,000	\$264	6.50%	12
Sep-16	Advance Auto Parts	Trenton	NJ	\$1,900,000	\$271	6.87%	5
Oct-16	Advance Auto Parts	Knoxville	TN	\$1,900,000	\$271	7.65%	5
Oct-16	Advance Auto Parts	Stokesdale	NC	\$1,872,000	\$272	5.95%	14
Dec-16	Advance Auto Parts	Orlando	FL	\$1,766,250	\$252	7.50%	4
Aug-16	Advance Auto Parts	Columbus	OH	\$1,750,000	\$258	7.00%	5
Oct-16	AutoZone (Fee Simple)	Glenwood	IL	\$1,750,000	\$286	7.01%	9
Sep-16	O'Reilly Auto Parts	Decatur	GA	\$1,700,000	\$250	6.47%	12
Nov-16	Advance Auto Parts	Woodstock	IL	\$1,590,000	\$233	6.44%	11
Dec-16	O'Reilly Auto Parts	Gastonia	NC	\$1,449,000	\$193	6.07%	12
Aug-16	Advance Auto Parts	South Paris	ME	\$1,440,850	\$206	7.10%	9
Dec-16	Advance Auto Parts	Mount Orab	OH	\$1,350,000	\$193	7.26%	3
Dec-16	Advance Auto Parts	Richlands	NC	\$1,282,500	\$186	6.23%	13
Dec-16	O'Reilly Auto Parts	Rockford	IL	\$1,225,000	\$204	6.49%	12
Nov-16	AutoZone (Fee Simple)	Jesup	GA	\$1,186,000	\$173	7.00%	15
Aug-16	Advance Auto Parts	Beattyville	KY	\$1,100,000	\$157	7.50%	5
Oct-16	O'Reilly Auto Parts	Fayetteville	NC	\$699,000	\$120	5.50%	12

AUTO PARTS STORE MEDIAN ASKING CAP RATES



**COMPANY COMPARISON**

	<b>Advance Auto Parts</b>	<b>AutoZone</b>	<b>O'Reilly Auto Parts</b>
Credit Rating	BBB- (Stable)	BBB (Stable)	BBB+ (Stable)
Market Cap	\$11.8 billion	\$20.6 billion	\$24.7 billion
Revenue	\$9.74 billion	\$10.6 billion	\$7.96 billion
Stores Planned	121	182	200
Number of Stores	5,293	5,809	4,712
Typical Lease Term	15 year primary term with fifteen years of options	15 or 20 year primary term with twenty years of options	20 year primary term with twenty years of options



**FOR MORE INFORMATION**

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