

**DOLLAR STORE PROPERTIES MEDIAN ASKING CAP RATES**

Tenant	Q2 2015 (Previous)	Q2 2016 (Current)	Basis Point Change
Dollar General	6.50%	6.60%	+10
Family Dollar	6.50%	6.50%	0
Dollar Tree	6.85%	7.00%	+15

**MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per Foot
Dollar General	\$1,329,231	\$146
Family Dollar	\$1,549,074	\$185
Dollar Tree	\$1,502,084	\$151

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

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15	6.50%	6.25%	--
9-11	6.93%	7.10%	6.75%
6-8	7.58%	7.75%	7.10%
3-5	8.00%	8.20%	8.00%
Under 3	8.65%	9.00%	--

**MEDIAN NATIONAL CLOSED CAP RATE SPREAD**

Tenant	Closed	Ask	Spread (bps)
Dollar General	6.68%	6.50%	18
Family Dollar	6.82%	6.60%	22
Dollar Tree	7.25%	7.00%	25

**MARKET OVERVIEW**

Cap rates within the single tenant net lease dollar store sector increased by 15 basis points from the second quarter of 2015 to the second quarter of 2016 to a 6.65% cap rate. The dollar store sector, for the purpose of this report, is defined as free standing Dollar General, Dollar Tree and Family Dollar properties, as these tenants represent the largest presence within the sector. Cap rates for Family Dollar assets remained unchanged while Dollar General and Dollar Tree experienced increases of 10 and 15 basis point each, respectively.

The cumulative expansion plans of each tenant create a market with a consistent supply of new construction assets. The abundance of supply resulted in an increase in cap rates for the dollar store sector when compared to the second quarter of 2015. In the second quarter of 2016, the discount associated with net lease dollar store assets when compared to the net lease retail sector widened by 37 basis points. A contributing reason for the increase is many large institutional buyers previously acquired a significant number of dollar stores and reached their capacity. Furthermore, many lenders have filled their dollar store allotment and are not offering the same financing options as other net lease assets.

Despite the lack of institutional buyers, dollar stores remain attractive to 1031 and private investors as they offer long term leases with low price points. In the second quarter of 2016, the median asking price for the net lease dollar store sector was \$1,362,000.

Dollar General and Family Dollar continue to make up the majority of the supply in the single tenant dollar store sector with Dollar General leading the supply with 62% of the sector. Dollar Tree stores only made up 7% of the total supply in the second quarter as Dollar Tree stores are more commonly located within multi-tenanted assets.

The net lease dollar store sector will continue to realize demand as dollar stores offer investors a higher yield to other low price point net lease assets including quick service restaurants and auto part stores. With the cumulative expansion plans of all three tenants, a strong pipeline of new construction assets should remain. The expectation is that the majority of demand for this asset class will remain in new construction assets as investors look to take advantage of the full lease term.

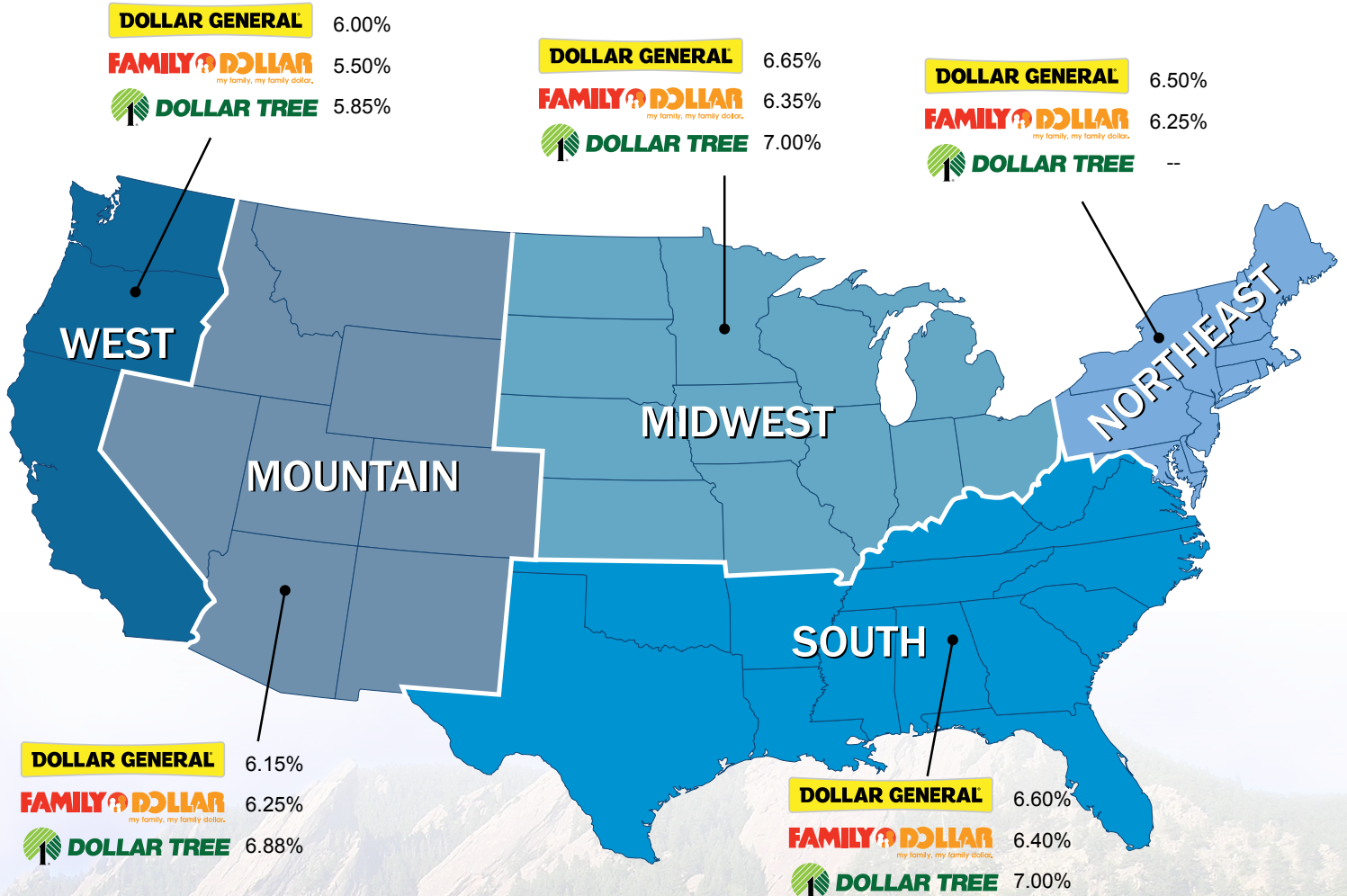
**PERCENTAGE OF DOLLAR STORES ON THE MARKET BY TENANT**

Tenant	Percentage of Market
Dollar General	62%
Family Dollar	31%
Dollar Tree	7%

**DOLLAR STORE VS RETAIL NET LEASE MARKET CAP RATES**

Tenant	Q2 2015 (Previous)	Q2 2016 (Current)
Dollar Store	6.50%	6.65%
Market	6.40%	6.18%
Dollar Store Discount (bps)	10	47

**DOLLAR STORE MEDIAN ASKING CAP RATE BY REGION**



**COMPANY AND LEASE OVERVIEW**

	Dollar General	Family Dollar	Dollar Tree
Credit Rating	BBB (Stable)	--	BB+ (Stable)
Stock Symbol	DG	--	DLTR
Market Cap	\$26.8 billion	--	\$22.8 billion
Revenue	\$20.4 billion	--	\$8.6 billion
Number of Stores	12,500	8,200	5,400
Typical New Lease Type	Triple Net	Triple Net	Double Net
Typical New Lease Term	15 years primary term with twenty years of options	15 years primary term with thirty years of options	7 or 10 years primary term with ten years of options
Typical Rent Increases	None in primary term; 10% each option period	Either every three years in primary term or 10% in year 11	\$0.50 per square foot every five years

**DOLLAR GENERAL**

**FAMILY DOLLAR**  
my family, my family dollar.

**DOLLAR TREE**

**FOR MORE INFORMATION**

**AUTHOR**

John Feeney | Vice President

[john@bouldergroup.com](mailto:john@bouldergroup.com)

**CONTRIBUTORS**

Randy Blankstein | President

[randy@bouldergroup.com](mailto:randy@bouldergroup.com)

Jimmy Goodman | Partner

[jimmy@bouldergroup.com](mailto:jimmy@bouldergroup.com)

Asher Wenig | Vice President

[asher@bouldergroup.com](mailto:asher@bouldergroup.com)

Scott Harris | Analyst

[scott@bouldergroup.com](mailto:scott@bouldergroup.com)

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