

NATIONAL ASKING CAP RATES

Sector	Q4 2018 (Previous)	Q1 2019 (Current)	Basis Point Change
Retail	6.25%	6.27%	+2
Office	7.02%	7.10%	+8
Industrial	7.07%	7.00%	-7

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q4 2018 (Previous)	Q1 2019 (Current)	Percentage Change
Retail	4,766	4,358	-8.55%
Office	472	479	+1.59%
Industrial	361	352	-2.52%

**MEDIAN NATIONAL ASKING VS
CLOSED CAP RATE SPREAD**

Sector	Q4 2018 (Previous)	Q1 2019 (Current)	Basis Point Change
Retail	31	35	+4
Office	29	30	+1
Industrial	26	29	+3

MARKET OVERVIEW

Cap rates in the single tenant net lease retail sector increased slightly by 2 basis points to 6.27% in the first quarter of 2019 when compared to the prior quarter. Cap rates for the office sector increased by 8 basis points to 7.10% while the industrial sector experienced a decrease of 7 basis points to 7.00%. Net lease transaction volume in 2018 finished in excess of \$62 billion which was a 9% increase when compared to the prior year according to CoStar.

In the first quarter of 2019, the capital markets have shifted to favor sellers in terms of the net lease asset pricing. In 2018, net lease investors expected the Federal Reserve to continue raising rates in 2019 which caused pause for some investors. However, recently the Federal Reserve has signaled stable rates to the market in 2019. This caused the 10 Year Treasury yield to maintain a level between 2.40% and 2.70% throughout the first quarter after breaking the 3.00% level in 2018. The movement in interest rates has resulted in more favorable borrowing costs and investment returns for buyers of net lease.

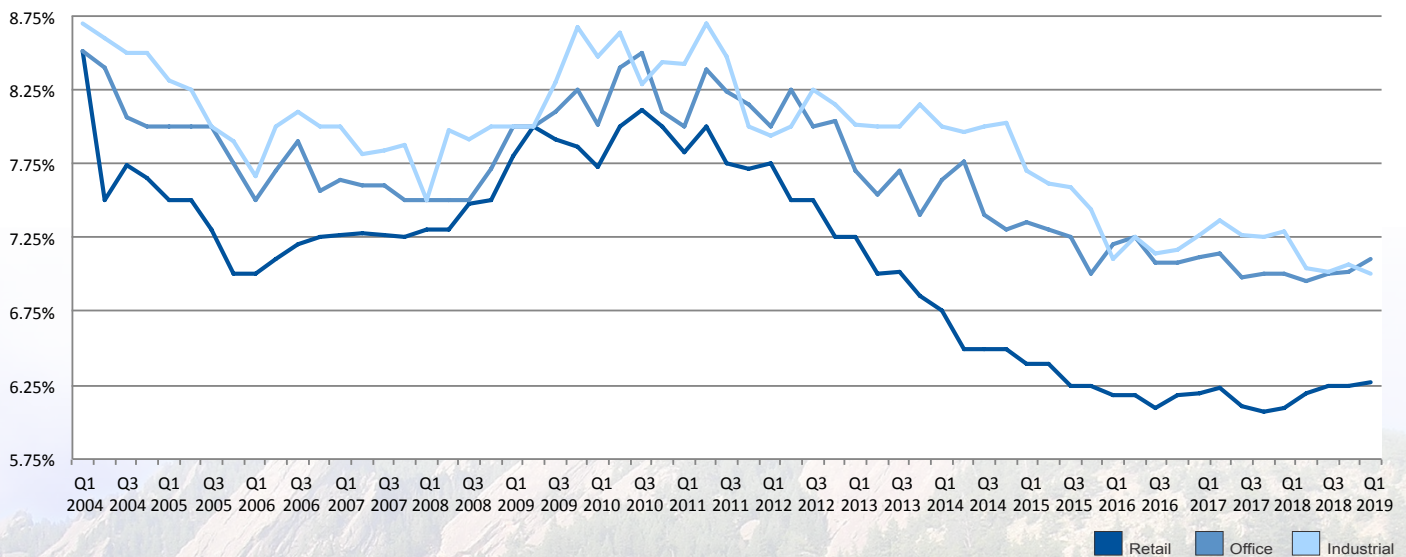
Following the Federal Reserve's recent announcements, The Boulder Group conducted a follow up survey to its 4th Quarter 2018 Cap Rate Prediction Poll. During the 4th Quarter of 2018, 62% of survey participants predicted that cap rates would increase by at least 25 basis points by the end of 2019. In our most recent poll, there was a significant change in investor sentiment towards a stabilized cap rate consensus. In the first quarter of 2019, 39% of poll participants expect cap rates to remain unchanged or compress in 2019, versus only 5% previously.

A more favorable monetary policy by the Federal Reserve, as it relates to interest rates, should provide additional certainty in the net lease markets. Investor demand for the net lease assets remains strong as investors continue to seek yield and passive real estate investments.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Mar-19	Office	GSA - Dept. of Education	Washington	DC	\$116,550,000	\$471	6.35%	7
Feb-19	Retail	BJ's Wholesale	Revere	MA	\$19,375,000	\$161	5.90%	5
Feb-19	Retail	CVS	Miami Beach	FL	\$18,320,000	\$1,472	4.78%	16
Jan-19	Retail	DaVita	Alhambra	CA	\$14,786,000	\$1,047	5.35%	15
Feb-19	Industrial	FedEx Freight	Bloomingtondale	GA	\$13,720,000	\$349	5.60%	12
Jan-19	Retail	LA Fitness	Edina	MN	\$13,650,000	\$217	6.70%	12
Feb-19	Retail	Walgreens	Park Ridge	IL	\$12,000,000	\$776	5.83%	17
Feb-19	Retail	Jewel Osco	Sycamore	IL	\$11,954,000	\$194	5.75%	20
Jan-19	Office	ADP	Tucson	AZ	\$11,025,000	\$223	7.36%	6
Feb-19	Retail	Fresh Thyme	Omaha	NE	\$9,200,000	\$317	7.18%	13
Feb-19	Retail	Suntrust Bank (GL)	Purcellville	VA	\$7,000,000	--	5.50%	14
Feb-19	Retail	Sprouts	Lees Summit	MO	\$6,909,753	\$258	6.50%	7
Jan-19	Retail	Tesla	Wexford	PA	\$6,800,000	\$370	8.38%	5
Mar-19	Retail	Dick's Sporting Goods	Appleton	WI	\$6,000,000	\$115	7.80%	6
Feb-19	Retail	Rite Aid	Kingston	WA	\$6,000,000	\$347	7.49%	9
Jan-19	Retail	CVS	North Olmsted	OH	\$5,200,000	\$474	5.37%	20

NET LEASE CAP RATE TRENDS

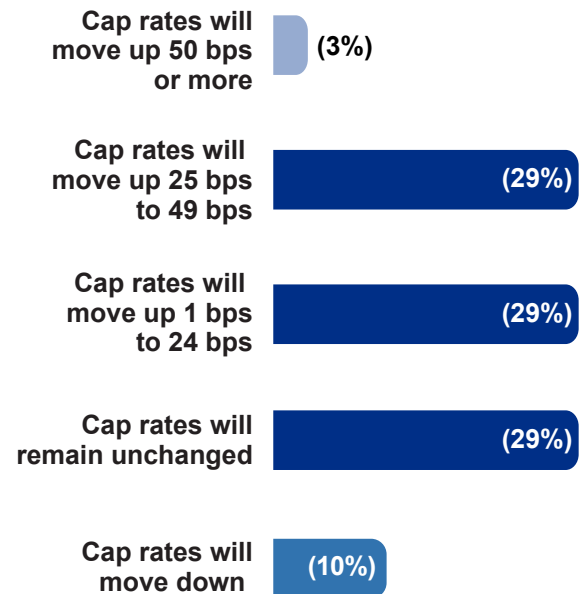


MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2012-2019	2005-2011	2000-2005	Pre 2000
7-Eleven	5.00%	5.45%	6.00%	6.35%
Advance Auto Parts	5.90%	6.80%	7.25%	7.75%
AutoZone	5.30%	5.65%	6.20%	7.00%
Bank of America	5.00%	5.85%	6.15%	6.65%
Chase Bank	4.50%	4.65%	5.15%	5.85%
CVS Pharmacy	5.25%	5.75%	6.15%	7.00%
DaVita Dialysis Center	6.00%	6.50%	6.85%	7.25%
Dollar General	7.10%	7.65%	7.85%	8.50%
Family Dollar	6.50%	7.50%	8.50%	9.00%
FedEx	6.15%	6.50%	6.85%	7.35%
Fresenius	6.00%	6.40%	6.75%	7.25%
McDonald's (GL)	4.00%	4.35%	4.70%	5.00%
O'Reilly Auto Parts	5.25%	5.40%	6.05%	7.00%
Rite Aid	6.50%	6.75%	7.20%	8.50%
Starbucks	5.30%	5.65%	6.35%	6.70%
Walgreens	5.35%	5.70%	6.35%	7.25%

THE BOULDER GROUP CAP RATE POLL

WHERE DO YOU EXPECT NET LEASE CAP RATES TO MOVE BY THE END OF 2019?



FOR MORE INFORMATION

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