

NATIONAL ASKING CAP RATES

Sector	Q1 2019 (Previous)	Q2 2019 (Current)	Basis Point Change
Retail	6.27%	6.23%	-4
Office	7.10%	7.07%	-3
Industrial	7.00%	6.99%	-1

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q1 2019 (Previous)	Q2 2019 (Current)	Percentage Change
Retail	4,358	4,253	-2.41%
Office	479	512	+6.89%
Industrial	352	392	+11.36%

MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Sector	Q1 2019 (Previous)	Q2 2019 (Current)	Basis Point Change
Retail	35	26	-9
Office	30	24	-6
Industrial	29	22	-7

MARKET OVERVIEW

Cap rates for the single tenant net lease sector decreased across all three major sectors (retail, office and industrial) in the second quarter of 2019. The retail sector experienced the greatest compression by 4 basis points to 6.23%. Cap rates in the office and industrial sectors compressed by 3 and 1 basis points respectively. This was the first quarter of downward cap rate movement for the retail sector following five consecutive quarters of upward movement. The downward cap rate pressure associated with the second quarter of 2019, was largely attributed to the change in the Federal Reserve's monetary policy objectives. A rate cut is expected at the Fed's upcoming July meeting and the majority of prognosticators expect at least one additional cut in the near future. At the end of the second quarter of 2019, the ten-year treasury was 2.00% after reaching levels as high as 3.24% in the past 12 months.

As the retail industry continues to evolve amid negative headlines, investors of net lease retail properties are putting greater emphasis on tenant credit quality and lease length. Furthermore, as many believe we are in the late stages of the real estate cycle, investors are targeting properties that can withstand a recession or uncertainty in the market. Accordingly, new construction 7-Eleven properties experienced the greatest quarter over quarter compression of 12 basis points to 4.88%.

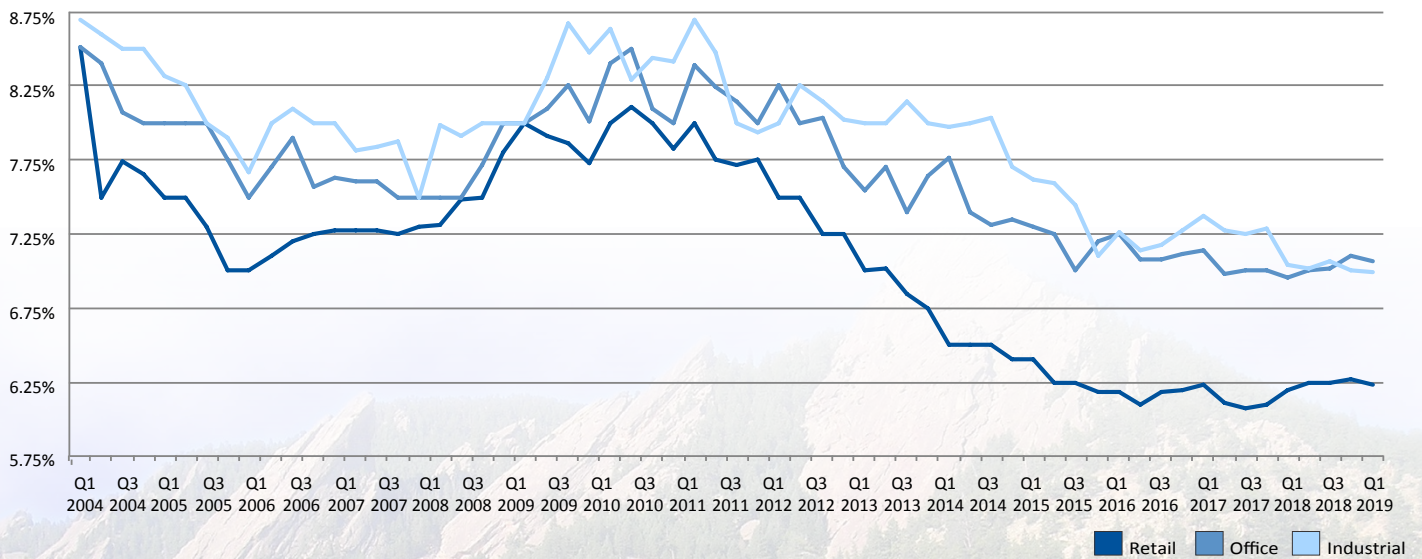
With downward pressure on cap rates in all three sectors, the spread between asking and closed cap rates saw a decline when compared to the prior quarter. The spread between asking and closed cap rates decreased by 9, 6 and 7 basis points for retail, office and industrial net lease properties respectively. This illustrates the current competitive marketplace for net lease properties.

Investor demand for the net lease market should exceed transaction volume expectations initially forecast for 2019 with sale velocity increasing as the year progresses. Cap rates in the net lease sector should experience downward pressure, but remain relatively stable throughout 2019. Accordingly, net lease property investors will carefully monitor the capital markets and the effect on pricing as the market expects multiple rate cuts from the Federal Reserve in 2019 and 2020.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Apr-19	Office	Siemens	Orlando	FL	\$53,750,000	\$237	6.40%	10
May-19	Office	Royal Carribean	Miramar	FL	\$45,000,000	\$350	6.70%	9
Jun-19	Office	Verizon (Call Center)	Murfreesboro	TN	\$30,589,200	\$193	7.50%	9
May-19	Industrial	Kansas City Star Newspaper	Kansas City	MO	\$30,100,000	\$71	9.25%	15
Apr-19	Retail	Whole Foods	Exton	PA	\$22,140,368	\$405	4.91%	19
May-19	Retail	24 Hour Fitness	Falls Church	VA	\$21,250,000	\$462	6.25%	9
May-19	Retail	Lowe's (GL)	Gainesville	FL	\$18,250,000	--	5.74%	24
Apr-19	Industrial	FedEx	Pacheco	CA	\$15,150,000	\$215	4.50%	16
Jun-19	Industrial	RoadSafe Traffic Systems	Centennial	CO	\$12,375,000	\$238	6.73	15
Apr-19	Retail	Maggiano's	Englewood	CO	\$12,300,000	\$736	5.73%	15
May-19	Industrial	FedEx	Columbia	MO	\$10,850,000	\$129	6.88%	6
Apr-19	Retail	Academy Sports	Mansfield	TX	\$9,450,000	\$132	7.21%	15
Apr-19	Retail	Dick's Sporting Goods	Wausau	WI	\$7,305,195	\$162	7.85%	9
Jun-19	Retail	Wawa (GL)	Delray Beach	FL	\$6,840,000	--	4.53%	20
Apr-19	Retail	Walgreens	Brooklyn Park	MD	\$5,960,000	\$402	6.54%	15
May-19	Retail	CVS	Carefree	AZ	\$5,750,000	\$416	7.60%	4
Apr-19	Retail	Red Lobster	Bridgeton	MO	\$5,327,492	\$624	6.44%	16

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2012-2019	2005-2011	2000-2005	Pre 2000
7-Eleven	4.88%	5.50%	6.00%	6.30%
Advance Auto Parts	6.00%	6.80%	7.15%	7.85%
AutoZone	5.33%	5.57%	6.10%	7.02%
Bank of America	4.95%	5.80%	6.20%	7.10%
Chase Bank	4.50%	4.60%	5.20%	6.00%
CVS Pharmacy	5.15%	5.75%	6.10%	7.10%
DaVita Dialysis Center	6.05%	6.45%	6.75%	7.30%
Dollar General	7.10%	7.60%	8.00%	8.50%
Family Dollar	7.00%	7.65%	8.15%	8.50%
FedEx	6.10%	6.55%	6.80%	7.25%
Fresenius	6.00%	6.50%	6.65%	7.23%
McDonald's (GL)	4.00%	4.30%	4.73%	4.96%
O'Reilly Auto Parts	5.30%	5.40%	6.15%	6.95%
Rite Aid	6.65%	6.90%	7.35%	8.67%
Starbucks	5.23%	5.70%	6.30%	6.75%
Walgreens	5.40%	5.65%	6.35%	7.30%

FOR MORE INFORMATION

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