

NATIONAL ASKING CAP RATES

Sector	Q3 2019 (Previous)	Q4 2019 (Current)	Basis Point Change
Retail	6.21%	6.07%	-14
Office	7.00%	6.94%	-6
Industrial	6.95%	6.90%	-5

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q3 2019 (Previous)	Q4 2019 (Current)	Percentage Change
Retail	4,306	3,895	-9.54%
Office	547	475	-13.16%
Industrial	377	358	-5.04%

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

Sector	Q3 2019 (Previous)	Q4 2019 (Current)	Basis Point Change
Retail	22	28	+6
Office	28	30	+2
Industrial	23	20	-3

MARKET OVERVIEW

Cap rates in the single tenant net lease sector reached historic lows across all three main sub-sectors (retail, office and industrial). Single tenant retail reached a previous historic low from the fourth quarter of 2017 at 6.07%. Net leased office and industrial properties reached new historic lows of 6.94% and 6.90% respectively. Cap rates remain at low levels due to the historically low interest rate environment combined with a robust economy.

Despite the decrease in cap rates, the spread between asking and closed cap rates for retail and office properties widened by 6 and 2 basis points respectively. Real estate investors believe we are in the late stages of the real estate cycle with fewer buying opportunities, especially those of high quality. In the fourth quarter of 2019, the net lease market experienced a decrease in property supply of approximately 10%. Regardless of the decrease and limited quality supply in the fourth quarter of 2019, transaction volume for 2019 is expected to surpass 2018 by a significant margin. This is driven by a fundraising environment for cash flow vehicles with returns that exceed corporate bonds. Total single tenant transaction volume for 2018 was approximately \$59 billion.

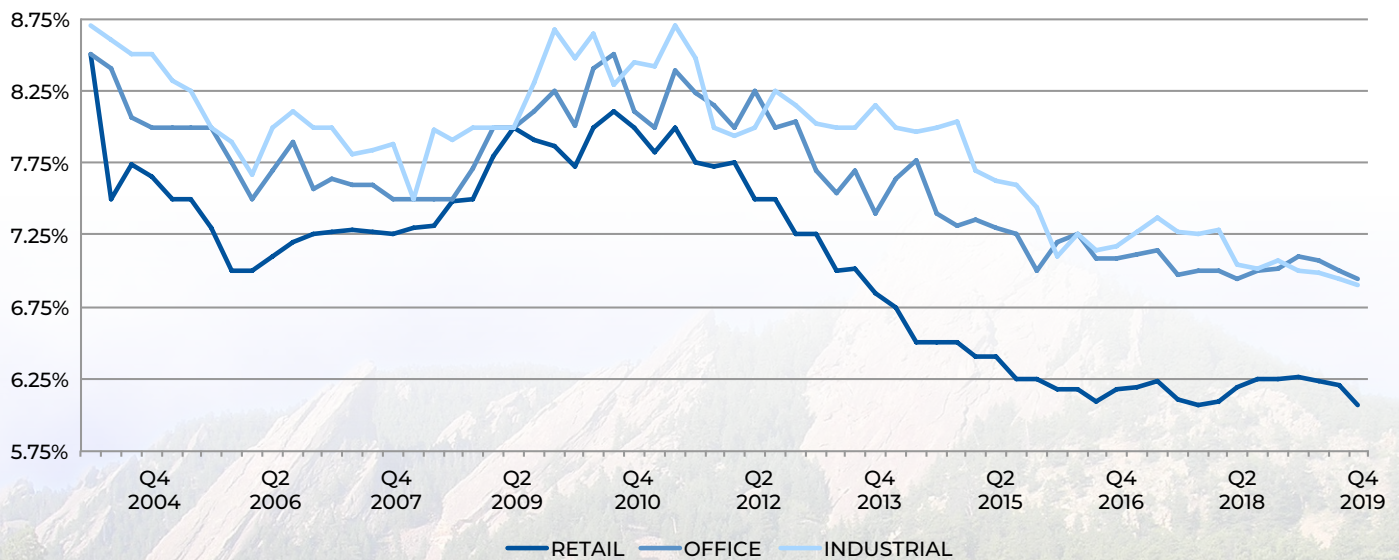
There is some uncertainty looming in 2020 surrounding the economy and upcoming presidential election, which is creating differing forecasts for the net lease market. In a recent national survey conducted by The Boulder Group, 45% of active net lease participants expect cap rates to rise in 2020 while 33% expect cap rates to decrease. The minority expects cap rates to remain relatively stable. The same poll in the fourth quarter of 2018 showed less than 5% of participants expecting cap rates to remain the same or decrease in 2019.

Investor demand for the net lease sector should remain active throughout 2020. Following a year with voracious transaction velocity in the second half, expectations are for that pace to continue into 2020. With a diverse set of viewpoints as evidenced by the aforementioned cap rate poll, market participants will actively monitor the property and capital markets to create a viable investment strategy for 2020.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Oct-19	Industrial	Martin Brower	Coatesville	PA	\$36,850,000	\$241	6.44%	10
Oct-19	Office	GSA	Tustin	CA	\$36,200,000	\$542	6.58%	15
Oct-19	Industrial	FedEx	West Jefferson	OH	\$30,300,000	\$189	6.60%	4
Sep-19	Retail	LA Fitness	West Orange	NJ	\$17,995,000	\$373	7.52%	15
Nov-19	Retail	Lowe's	Concord	NC	\$15,150,000	\$112	6.09%	10
Sep-19	Industrial	FedEx	Raleigh	NC	\$11,700,000	\$122	5.61%	8
Dec-19	Retail	Sprouts	Fontana	CA	\$10,400,000	\$347	5.19%	14
Oct-19	Industrial	ABC Supply	Fort Worth	TX	\$8,971,000	\$112	4.98%	12
Dec-19	Retail	Harkin Theatres	Tucson	AZ	\$8,475,000	\$186	8.06%	8
Oct-19	Medical Office	Integrated Healthcare Systems	Wichita	KS	\$8,100,000	\$266	6.77%	9
Oct-19	Retail	Kum & Go	Iowa City	IA	\$7,700,000	\$2,674	5.75%	20
Nov-19	Office	DaVita	Stockton	CA	\$7,492,000	\$551	5.15%	15
Dec-19	Retail	Wawa (GL)	Fort Lauderdale	FL	\$7,283,000	--	4.60%	18
Oct-19	Retail	Outback Steakhouse	Garden Grove	CA	\$6,625,000	\$1,072	4.57%	20
Oct-19	Retail	Wawa	Margate	FL	\$6,590,000	\$1,109	4.93%	19
Nov-19	Retail	Shake Shack (GL)	Lawrence Township	NJ	\$5,950,000	--	4.71%	15
Sep-19	Office	SimonMed Imaging	Orlando	FL	\$5,950,000	\$685	6.31%	10
Oct-19	Industrial	DirecTV	Irvine	CA	\$5,795,000	\$328	4.37%	2
Sep-19	Retail	7-Eleven	Sunrise	FL	\$4,950,000	\$1,524	5.50%	10

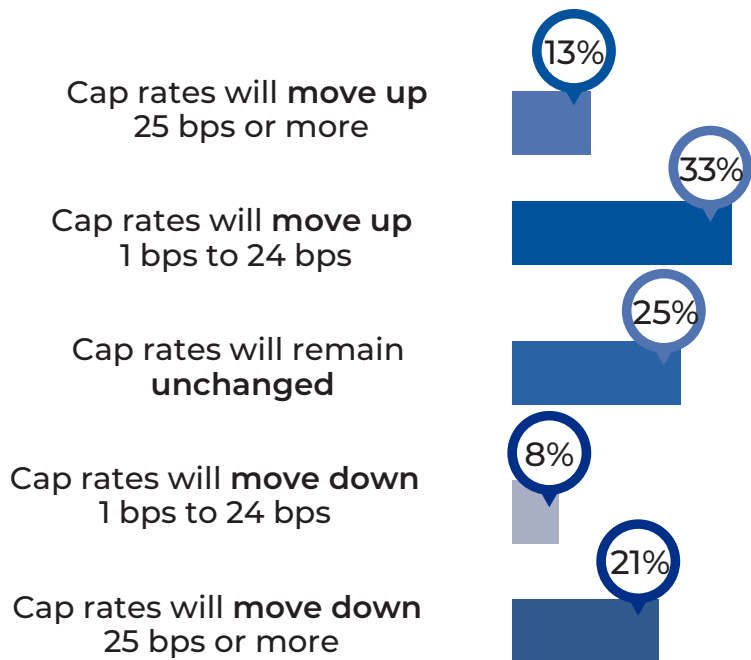
NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2019	2011-2016	2005-2010	Pre 2005
7-Eleven	4.80%	5.40%	5.78%	6.25%
Advance Auto Parts	6.00%	6.80%	7.17%	8.02%
AutoZone	5.35%	5.62%	7.15%	8.00%
Bank of America	5.00%	5.68%	6.25%	7.00%
Chase Bank	4.50%	4.70%	5.30%	6.25%
CVS Pharmacy	5.20%	5.70%	6.12%	7.05%
DaVita Dialysis Center	5.85%	6.15%	6.90%	7.50%
Dollar General	6.85%	7.45%	7.90%	8.30%
Family Dollar	6.95%	7.50%	8.00%	8.35%
FedEx	6.00%	6.40%	6.95%	7.25%
Fresenius	5.90%	6.25%	7.00%	7.30%
McDonald's (GL)	4.00%	4.22%	4.65%	5.00%
O'Reilly Auto Parts	5.40%	5.60%	6.00%	6.85%
Rite Aid	N/A	6.85%	7.75%	8.90%
Starbucks	5.10%	5.70%	6.15%	6.60%
Walgreens	5.45%	5.70%	6.45%	7.50%

WHERE DO YOU EXPECT NET LEASE CAP RATES TO MOVE BY THE END OF 2020?



FOR MORE INFORMATION

AUTHOR

JOHN FEENEY

SENIOR VICE PRESIDENT
john@bouldergroup.com

CONTRIBUTORS

RANDY BLANKSTEIN

PRESIDENT
randy@bouldergroup.com

SCOTT HARRIS

VICE PRESIDENT
scott@bouldergroup.com

JIMMY GOODMAN

PARTNER
jimmy@bouldergroup.com

JEFF WEIL

VICE PRESIDENT
jeff@bouldergroup.com

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