

NATIONAL ASKING CAP RATES

Sector	Q3 2022 (Previous)	Q4 2022 (Current)	Basis Point Change
Retail	5.86%	5.95%	+9
Office	6.80%	6.95%	+15
Industrial	6.61%	6.65%	+4

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q3 2022 (Previous)	Q4 2022 (Current)	Percentage Change
Retail	3,017	3,371	11.73%
Office	645	677	4.96%
Industrial	352	394	11.93%

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

Sector	Q3 2022 (Previous)	Q4 2022 (Current)	Basis Point Change
Retail	22	28	+6
Office	36	37	+1
Industrial	18	22	+4

MARKET OVERVIEW

Cap rates in the single tenant net lease sector increased for the third consecutive quarter within all three sectors in Q4 2022. Single tenant cap rates increased to 5.95% (+9 bps) for retail, 6.95% (+15 bps) for office and 6.65% (+4 bps) for industrial in Q4 2022. Continued upward pressure mounts on cap rates for net leased properties, as borrowing costs for both private and institutional investors increase. For reference, the 10 Year Treasury Yield ended 2022 at 3.87% after beginning the year at 1.53%.

Following historically low cap rate levels for all three assets classes in Q1 2022, the retail and office sectors experienced a significant rise throughout 2022. Single tenant retail cap rates rose by 20 basis points while office cap rates expanded by 25 basis points from Q1 to Q4. Industrial cap rates widened to a lesser extent, just 5 basis points. The primary reason for increasing cap rates is related to borrowing costs which impacted pricing in all real estate sectors. Accordingly, the amount of private 1031 exchange investors dwindled as the year concluded. Furthermore, private and 1031 buyers who are active in the market are using less or no debt given the spread between cap rates and current borrowing costs.

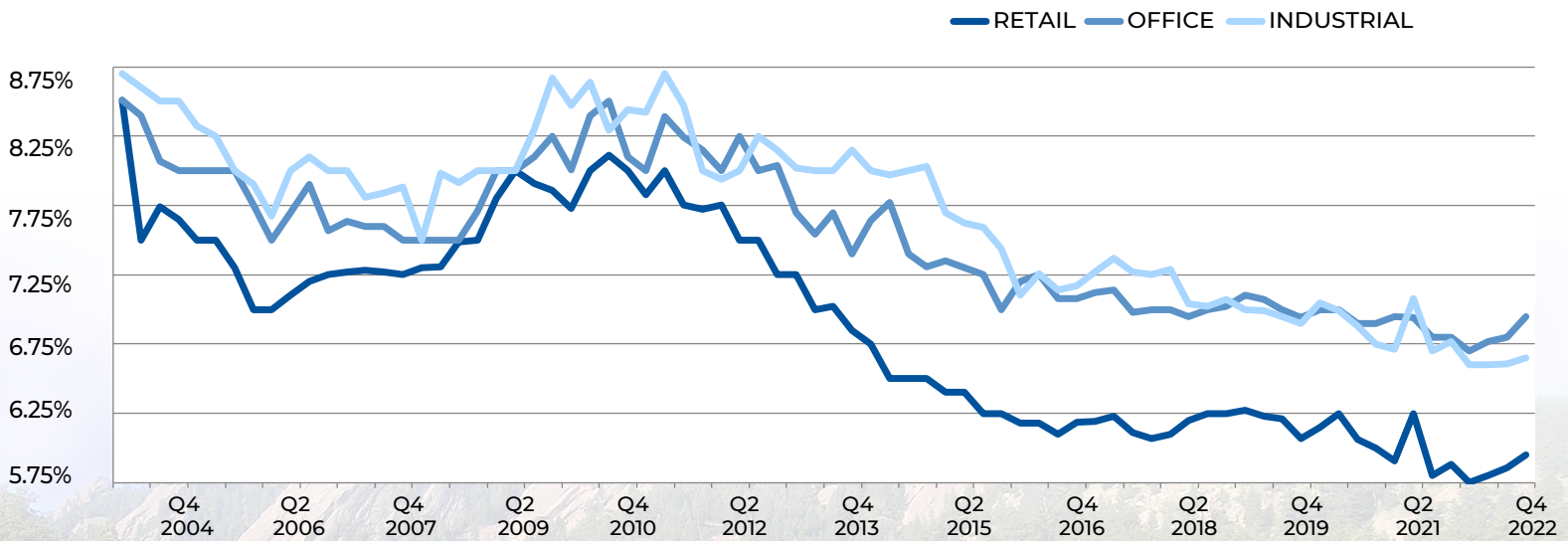
Market supply of net lease assets increased in Q4 2022 as transaction velocity slowed and properties remained on the market for longer durations. In Q4 2022, the supply of net leased properties increased by more than 10%. Recently constructed properties leased to Dollar General experienced cap rate expansion of 40 basis points over the past quarter. Other notable increases from Q3 to Q4 for recently constructed properties include 7-Eleven (+25 bps), DaVita Dialysis (+25 bps) and Starbucks (+15 bps).

Transaction volume for the net lease sector will continue to lag the robust transaction levels of 2021 as increased borrowing costs and a decreasing amount of 1031 exchange investors hinders activity. The Federal Reserve's monetary policy will continue to impact the market and net lease investors will carefully monitor its future meetings. It is important to note that despite the challenges facing the sector, net lease transactions are occurring. Investor demand from 1031 buyers will be primarily concentrated in assets with the strongest perceived attributes (top tier credit, long term leases and strong markets with demographic growth or advantageous tax policy).

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Oct-22	Office	Sabre Holdings	Southlake	TX	\$76,500,000	\$288	6.87%	10
Oct-22	Retail	CVS	Miami Beach	FL	\$35,250,000	\$1,541	4.59%	11
Oct-22	Industrial	FedEx Ground	South Bend	IN	\$22,000,000	\$106	4.55%	8
Oct-22	Industrial	GE Energy	Denver	CO	\$12,000,000	\$175	6.00%	20
Oct-22	Office	WuXi AppTec's	Plainsboro	NJ	\$12,000,000	\$273	6.11%	9
Nov-22	Retail	Academy Sports	Liberty	MO	\$8,650,000	\$137	6.00%	11
Dec-22	Retail	7-Eleven	Anderson	SC	\$7,760,000	\$1,636	4.70%	14
Oct-22	Retail	Cheesecake Factory	Pittsburgh	PA	\$7,100,000	\$565	6.02%	13
Dec-22	Retail	Bank of America	Fort Lauderdale	FL	\$7,000,000	--	3.80%	20
Dec-22	Medical	Exceptional Emergency Ctr.	Lubbock	TX	\$6,900,000	\$1,372	6.53%	10
Nov-22	Retail	Tractor Supply	Fountain Hills	AZ	\$6,251,000	\$288	5.45%	8
Nov-22	Retail	Walgreens	Champaign	IL	\$5,800,000	\$386	5.25%	12
Dec-22	Retail	Caliber Collision	Deland	FL	\$5,660,000	\$352	5.00%	15
Oct-22	Retail	Red Lobster	Spring Hill	FL	\$5,655,000	\$735	5.96%	17
Oct-22	Office	DaVita	Stockton	CA	\$5,650,000	\$632	5.25%	6
Dec-22	Retail	Chick-fil-A	Kilgore	TX	\$5,603,000	--	4.30%	14
Oct-22	Industrial	Blue Diamond Industries	Clinton	SC	\$1,058,500	\$56	5.75%	10

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2022	2011-2016	2005-2010	Pre 2005
7-Eleven	4.55%	5.15%	5.60%	5.75%
Advance Auto Parts	5.90%	6.35%	7.00%	7.75%
AutoZone	4.85%	5.10%	5.90%	6.70%
Bank of America	5.00%	5.32%	6.15%	6.40%
Chase Bank	4.50%	4.90%	5.20%	5.95%
CVS Pharmacy	5.00%	5.30%	6.75%	7.10%
DaVita Dialysis Center	5.50%	6.05%	6.70%	7.10%
Dollar General	5.80%	6.30%	7.00%	7.30%
Family Dollar	6.40%	6.85%	7.10%	7.90%
FedEx	5.25%	5.70%	6.35%	7.00%
Fresenius	5.45%	6.00%	6.60%	7.20%
McDonald's (GL)	3.85%	4.05%	4.25%	4.70%
O'Reilly Auto Parts	5.10%	5.70%	6.00%	6.50%
Rite Aid	N/A	7.60%	8.00%	8.35%
Starbucks	5.15%	5.65%	6.10%	6.40%
Walgreens	5.15%	5.50%	6.80%	7.20%

FOR MORE INFORMATION

AUTHOR

JOHN FEENEY

SENIOR VICE PRESIDENT

john@bouldergroup.com

CONTRIBUTORS

RANDY BLANKSTEIN

PRESIDENT

randy@bouldergroup.com

JIMMY GOODMAN

PARTNER

jimmy@bouldergroup.com

CARTER HIMLEY

SENIOR ANALYST

carter@bouldergroup.com

SEAN DITTOE

ANALYST

sean@bouldergroup.com

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