

**AUTO PARTS STORE PROPERTIES
MEDIAN ASKING CAP RATES**

Tenant	Q4 2016 (Previous)	Q4 2017 (Current)	Basis Point Change
Advance Auto Parts	6.38%	6.75%	+37
AutoZone	5.55%	5.62%	+7
O'Reilly Auto Parts	5.52%	5.94%	+42

**AUTO PARTS STORE PROPERTIES
MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per Foot
Advance Auto Parts	\$1,556,948	\$233
AutoZone (Fee Simple)	\$1,725,500	\$259
O'Reilly Auto Parts	\$1,823,609	\$236

**PERCENTAGE OF AUTO PARTS STORES
ON THE MARKET BY TENANT**

Tenant	Percentage or Market
Advance Auto Parts	42.1%
AutoZone	29.8%
O'Reilly Auto Parts	28.1%

**AUTO PARTS STORES PROPERTIES VS.
RETAIL NET LEASE MARKET**

Tenant	Q4 2016 (Previous)	Q4 2017 (Current)
Auto Parts	5.90%	6.19%
Market	6.19%	6.07%
Differential (bps)	-29	+12

MARKET OVERVIEW

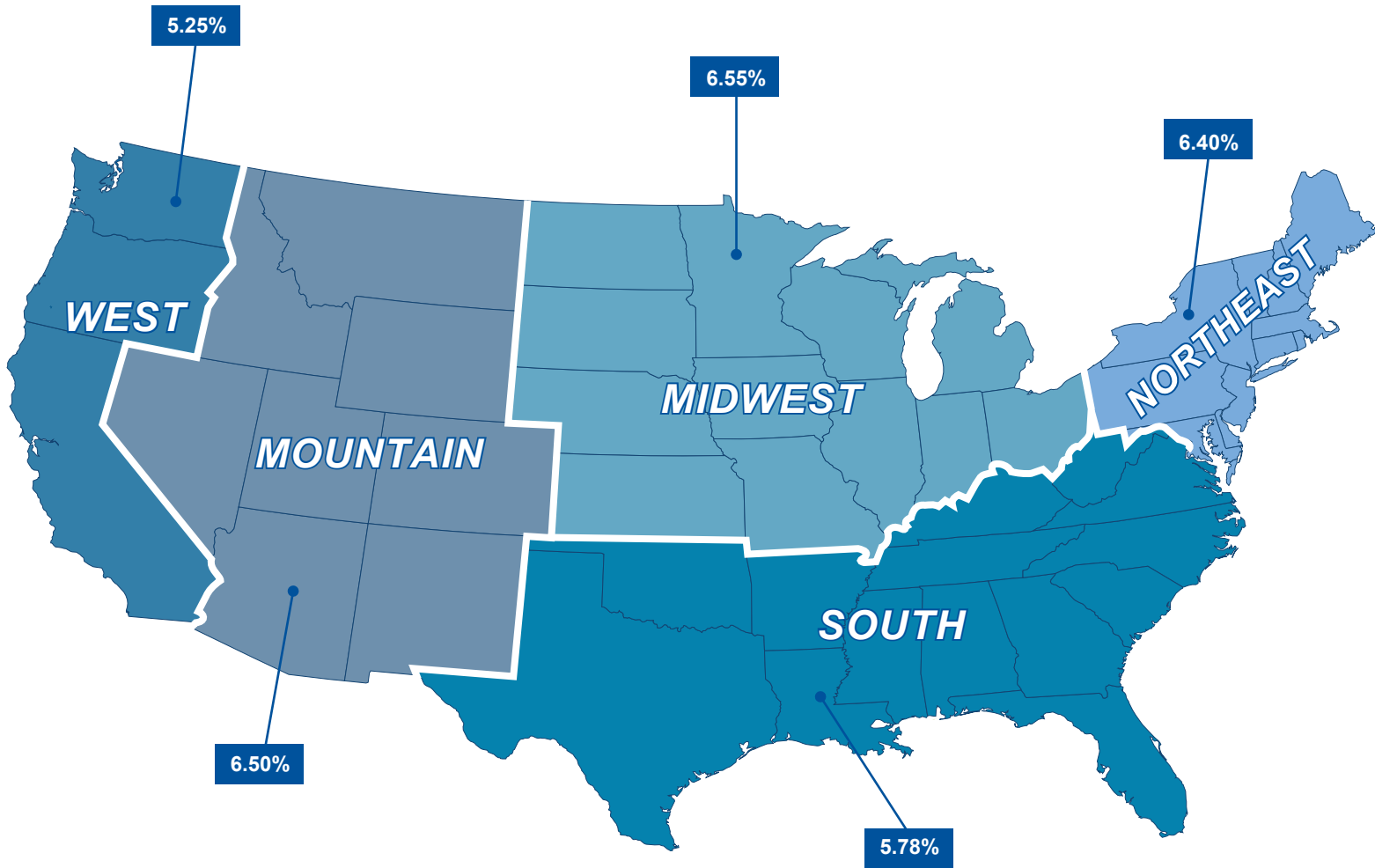
Cap rates for the single tenant net leased auto parts store sector increased by 29 basis points from the fourth quarter of 2016 to the fourth quarter of 2017 to 6.19%. During the same period, the overall net lease retail market compressed by 12 basis points. The increase in cap rates can be primarily attributed to the change in the market supply of auto parts stores and the continued disruption Amazon has brought to this sector. The auto parts sector, for the purpose of this report, is defined as Advance Auto Parts, AutoZone and O'Reilly Auto Parts as they account for the highest percentage of single tenant transactions of properties occupied by auto parts retailers.

Cap rates for all three major tenants within the sector increased in the fourth quarter of 2017. Cap rates for O'Reilly Auto Parts increased by 42 basis points while cap rates for Advance Auto Parts and AutoZone increased by 37 and 7 basis respectively in the fourth quarter of 2017. In the fourth quarter of 2017, the median remaining lease term for the auto parts store sector was 8 years, down 27% from the prior year. Owners of vintage properties within the auto parts store tenants have added older supply to the market in attempt take advantage of the low cap rate environment. Additionally, the lack of newly developed auto parts stores with long term leases has contributed to the sector's overall decrease in median remaining lease term.

Auto parts store properties remain in high demand amongst net lease investors as there are limited investment grade options priced under \$2 million, with the exception of dollar stores. When compared to dollar stores, auto parts stores are typically located in primary and secondary markets near major retailers as opposed to tertiary markets.

Transaction volume in the auto parts sector should remain active as investors continue to seek properties with investment grade tenants at lower price points. Additionally, the fundamentals of the retail auto parts industry and aging car population make these properties attractive to varying investors. Recently constructed properties with long term leases should continue to be in the highest demand as these assets are the most sought after amongst 1031 buyers due to their lease term duration. Auto parts store properties with shorter lease terms located in areas with strong real estate fundamentals also remain in high demand with buyers seeking higher yields.

AUTO PARTS STORES MEDIAN ASKING CAP RATES



MEDIAN ASKING CAP RATES BY LEASE TERM REMAINING

Years Remaning	Advance Auto Parts	AutoZone	O'Reilly Auto Parts
Under 5	7.60%	6.75%	7.05%
6-9	6.85%	6.40%	6.55%
10-14	6.30%	5.60%	6.10%
15-17	5.85%	5.25%	5.85%
18-20	--	--	5.40%



SELECT SINGLE TENANT AUTO PARTS STORES SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Price S.F.	Cap Rate	Lease Term Remaining
Dec-17	Advance Auto Parts	Elizabeth	NJ	\$3,795,000	\$542	6.78%	5
Dec-17	Advance Auto Parts	Lakewood	WA	\$3,700,000	\$304	5.50%	15
Oct-17	Advance Auto Parts	Murray	UT	\$3,440,000	\$317	5.50%	14
Nov-17	AutoZone	Atlanta	GA	\$2,800,000	\$257	5.20%	12
Dec-17	Advance Auto Parts	Phoenix	AZ	\$2,505,000	\$362	5.40%	15
Dec-17	Advance Auto Parts	Rowlett	TX	\$2,500,000	\$420	5.85%	14
Nov-17	O'Reilly Auto Parts	Mooresville	IN	\$2,153,000	\$289	5.50%	19
Dec-17	AutoZone	Seattle	WA	\$2,150,000	\$313	4.50%	11
Dec-17	AutoZone	Puyallup	WA	\$2,144,000	\$349	4.65%	11
Nov-17	Advance Auto Parts	Chicago	IL	\$2,037,195	\$333	6.11%	11
Dec-17	O'Reilly Auto Parts	Collierville	TN	\$1,950,000	\$252	5.51%	18
Oct-17	O'Reilly Auto Parts	Athens	GA	\$1,755,000	\$238	5.70%	19
Nov-17	O'Reilly Auto Parts	Knoxville	TN	\$1,752,260	\$234	5.35%	20
Nov-17	O'Reilly Auto Parts	La Grange	KY	\$1,725,000	\$239	5.50%	19
Nov-17	O'Reilly Auto Parts	Brighton	CO	\$1,698,113	\$283	5.30%	15
Dec-17	Advance Auto Parts	Balch Springs	TX	\$1,665,000	\$241	5.90%	12
Dec-17	Advance Auto Parts	Jefferson	GA	\$1,661,550	\$243	6.50%	11
Nov-17	Advance Auto Parts	Burien	WA	\$1,600,000	\$269	7.15%	4
Oct-17	Advance Auto Parts	Lexington	NC	\$1,395,000	\$203	8.03%	2
Dec-17	AutoZone	Aberdeen	SD	\$1,200,000	\$196	5.00%	10
Oct-17	AutoZone	Citrus Heights	CA	\$1,200,000	\$320	6.10%	3
Dec-17	Advance Auto Parts	Xenia	OH	\$1,130,000	\$161	7.12%	9

AUTO PARTS STORES COMPANY COMPARISONS

	Advance Auto Parts	AutoZone	O'Reilly Auto Parts
Credit Rating	BBB- (Stable)	BBB (Stable)	BBB+ (Stable)
Market Cap	\$8.3 billion	\$20.4 billion	\$21.7 billion
Revenue	\$9.57 billion	\$10.8 billion	\$8.59 billion
Stores Planned	75	150	210
Number of Stores	4,881	5,465	4,829
Typical Lease Term	15 year primary term with fifteen years of options	15 or 20 year primary term with twenty years of options	20 year primary term with twenty years of options



FOR MORE INFORMATION

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