

**BANK GROUND LEASE PROPERTIES  
MEDIAN ASKING CAP RATE**

Tenant	Q1 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Bank of America	4.75%	4.90%	+15
Chase Bank	4.50%	4.53%	+3
PNC Bank	4.70%	5.00%	+30
TD Bank	4.35%	4.50%	+15
Other Banks	4.68%	4.95%	+27
All Bank Ground Leases	4.63%	4.84%	+21

*The above data reflects bank ground leases with 15 or more lease years remaining.*

**BANK GROUND LEASE PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Average Price
Bank of America	\$4,694,696
Chase Bank	\$4,105,000
PNC Bank	\$3,250,000
TD Bank	\$6,578,000
Other Banks	\$3,250,185
All Bank Ground Leases	\$3,960,000

**MEDIAN ASKING CAP RATE  
BY LEASE TERM REMAINING**

Lease Term Remaining	Cap Rate
20+	4.42%
15-19	4.95%
10-14	5.05%
Under 10	5.50%

**MARKET OVERVIEW**

Cap rates for the single tenant bank ground lease sector increased by 21 basis points to 4.84% in the first quarter of 2018 when compared to one year ago. Furthermore, the supply of bank ground leases on the market decreased by 18%. While bank ground lease cap rates were on the rise this past year, the cap rates for the net lease retail sector compressed by 9 basis points. Accordingly, the significant cap rate premium historically associated with the bank ground lease sector compressed to 136 basis points from 156. For the purpose of this report, the bank ground lease sector is comprised of both national and regional banks, regardless of credit.

Due to limited bank branch expansion, the market has not seen an ample supply of new construction or properties with long term leases. In 2018, the median remaining lease term for bank ground lease properties was approximately 10 years, down from 12 years only one year ago. The typical bank ground lease investor prefers longer term leases which in turn has lowered the demand for this asset class due to the current supply of shorter leases. In 2018, the spread between asking and closed cap rates was 31 basis points, an 8 basis point increase over the prior year. This can be attributed to diminishing investor demand to the bank ground lease sector as banks including SunTrust and Regions have announced branch closing plans nationwide.

While investor concern lingers regarding the future need for the current concentration of bricks and mortar bank locations, investors are still drawn to the net lease bank sector due to the credit of the tenants within the sector and rental increases typically associated with bank ground leases. Additionally, after years of bank branch closing announcements, banks including Chase and Bank of America announced aggressive retail banking expansion which will include the opening of over 800 new locations.

Investor demand for bank ground leases will remain concentrated to assets with long term leases, strong branch deposits and in-place rents comparable to the surrounding area. Investors, both private and 1031 based, will carefully review opportunities and price acquisitions accordingly. The expectation is that cap rates for the bank ground lease sector will increase in the near term as there is a limited buyer pool of investors who are willing to accept the historically low cap rates these assets commanded in previous years.

**SELECTED BANK GROUND LEASE SALES COMPARABLES**

Sale Date	Tenant	City	State	Price	Cap Rate	Lease Term Remaining
Feb-18	PNC Bank	Chicago	IL	\$4,000,000	5.50%	22
Jan-18	Bank of America	Mesa	AZ	\$3,076,900	4.29%	15
Oct-17	Chase Bank	Brandon	FL	\$3,050,000	4.16%	20
Jan-18	Wells Fargo	Rowlett	TX	\$2,765,000	5.25%	9
Jan-18	Wells Fargo	Lindon	UT	\$2,700,000	5.83%	6
Oct-17	Chase Bank	Kissimmee	FL	\$2,700,000	5.09%	12
Jan-18	Wells Fargo	Lithonia	GA	\$2,500,000	5.08%	10
Nov-17	Bank of America	Richardson	TX	\$2,200,000	5.63%	6
Dec-17	TD Bank	Bluffton	SC	\$2,100,000	5.63%	10
Jan-18	BB&T Bank	Wilson	NC	\$1,875,738	5.35%	6
Dec-17	Bank of America	Lithonia	GA	\$1,570,000	6.77%	5
Dec-17	BBVA Compass Bank	San Antonio	TX	\$1,032,772	5.50%	5

**BANK GROUND LEASE VS RETAIL NET LEASE CAP RATE TRENDS**



**COMPANY COMPARISON**

Tenant	Total Number of Branches	Credit Rating	Market Cap (Billions)
Associated Bank	230	BBB+	4.2
Bank of America	4,600	BBB+	311.7
BB&T	2,100	A-	41.1
BMO Harris	600	A+	48.8
Chase Bank	5,300	A+	383.8
Citibank	2,649	A	182.8
Fifth Third	1,312	BBB+	22.0
KeyBank	1,217	BBB+	20.8
PNC Bank	2,459	A-	71.5
Regions Bank	1,527	BBB+	21.1
TCF Bank	321	BBB-	3.9
TD Bank	1,150	AA-	103.5
US Bank	3,067	A+	84.7
Wells Fargo	5,000	A	257.3

**MEDIAN CLOSED  
CAP RATE SPREAD**

Tenant	Closed	Cap	Spread (bps)
Bank Ground Leases	5.15%	4.84%	31

**BANK GROUND LEASE SECTOR VS  
NET LEASE SECTOR CAP RATE**

Tenant	Q1 2017 (Previous)	Q1 2018 (Current)
Bank Ground Lease Sector	4.63%	4.84%
Retail Net Lease Market	6.19%	6.10%
Bank Ground Lease Premium (bps)	+156	+126

**FOR MORE INFORMATION**

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