

**DOLLAR STORE PROPERTIES
MEDIAN ASKING CAP RATES**

Tenant	Q2 2017 (Previous)	Q2 2018 (Current)	Basis Point Change
Dollar General	6.75%	7.05%	+30
Family Dollar	6.70%	7.31%	+61
Dollar Tree	6.90%	7.02%	+12

MEDIAN ASKING PRICE

Tenant	Median Asking Price	Median Price Per Foot
Dollar General	\$1,225,316	\$136
Family Dollar	\$1,281,896	\$147
Dollar Tree	\$1,592,500	\$175

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

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.90%	6.80%	--
9-11 Years	7.12%	7.42%	6.95%
6-8 Years	7.65%	8.00%	7.40%
3-5 Years	8.05%	8.35%	7.85%
Under 3 Years	8.75%	8.62%	--

**MEDIAN NATIONAL CLOSED
CAP RATE SPREAD**

Tenant	Closed	Ask	Spread (bps)
Dollar General	7.17%	7.05%	12
Family Dollar	7.50%	7.31%	19
Dollar Tree	7.19%	7.02%	17

MARKET OVERVIEW

Cap rates within the single tenant net lease dollar store sector increased by 35 basis points from the second quarter of 2017 to the second quarter of 2018 to a 7.10% cap rate. The dollar store sector, for the purpose of this report, is defined as free standing Dollar General, Dollar Tree and Family Dollar properties, as these tenants represent the largest presence within the sector. Cap rates for Family Dollar assets increased most significantly by 61 basis points while Dollar General and Dollar Tree experienced increases of 30 and 12 basis point each, respectively. The reason for the more significant cap rate uptick experienced by Family Dollar properties was related to lease term remaining. In the second quarter of 2018, the median remaining lease term for the Family Dollar properties sector declined by 27% from the prior year.

The greatest contributing factor for the significant increase in cap rates for the net lease dollar store sector is the supply of product in the marketplace. The majority of supply is concentrated in new construction stores. The dollar store sector in the second quarter of 2018 experienced a 12% increase in supply when compared to the prior year. Dollar store tenants are still expanding at a substantial pace. Historically, dollar store developers were able to sell large pools of properties to institutional owners, however in recent years these institutional owners are looking for pricing that is below what developers are willing to accept or their tenant concentration for dollar store tenants is at its threshold. Without an institutional investor acquiring dollar store properties in large increments the supply must be absorbed by 1031 and private investors in individual transactions or small portfolios.

After years of major expansion, the concentration of new construction of dollar stores exists in tertiary markets. As many net lease participants believe we are in the late stages of this real estate cycle, investors have demanded additional yield to invest in these small markets. In the second quarter of 2018, dollar store properties were priced at a 90 basis point discount to the net lease retail market compared to 52 basis points one year ago.

The net lease dollar store sector will remain active as investors are attracted to the higher yields this asset class generates when compared to other net lease sectors with low absolute price points. With a strong development pipeline due to dollar store expansion plans, supply will remain saturated with long term leased properties. The expectation is that the majority of demand for this asset class will remain in new construction assets as investors look to take advantage of the full lease term.

THE NET LEASE DOLLAR STORE REPORT

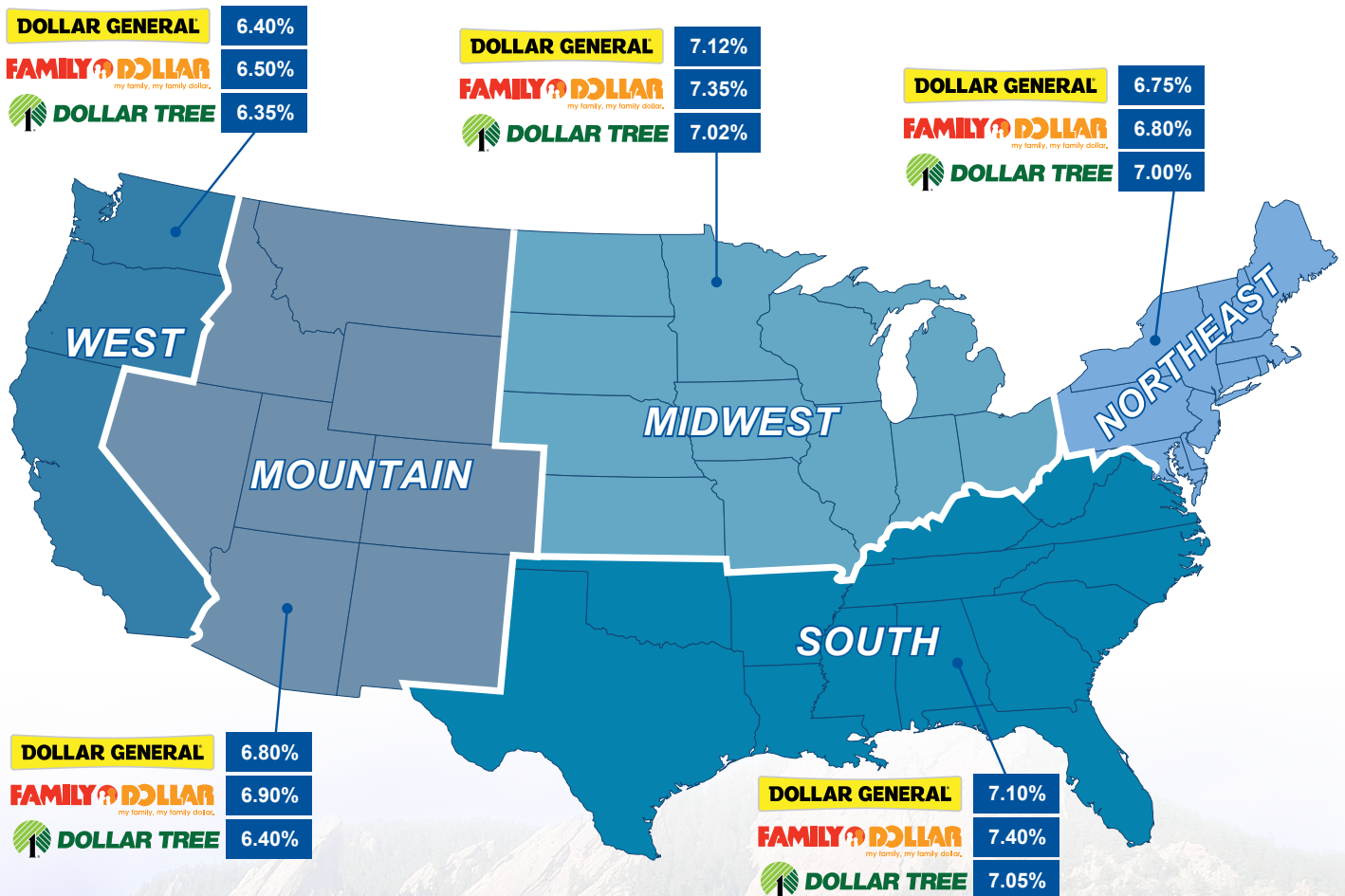
PERCENTAGE OF DOLLAR STORES ON THE MARKET BY TENANT

Tenant	Percentage of Market
Dollar General	75%
Family Dollar	21%
Dollar Tree	4%

DOLLAR STORE VS RETAIL NET LEASE MARKET CAP RATES

Tenant	Q2 2017 (Previous)	Q2 2018 (Current)
Dollar Store	6.75%	7.10%
Market	6.23%	6.20%
Dollar Store Discount (bps)	52	90

DOLLAR STORE MEDIAN ASKING CAP RATE BY REGION



COMPANY AND LEASE OVERVIEW

	Dollar General	Family Dollar	Dollar Tree
Credit Rating	BBB (Stable)	--	BBB- (Stable)
Stock Symbol	DG	--	DLTR
Market Cap	\$26 billion	--	\$20 billion
Revenue	\$22 billion	--	\$22 billion
Number of Stores	14,761	8,200	14,800*
Typical New Lease Type	Triple Net	Triple Net	Double Net
Typical New Lease Term	15 years primary term with twenty years of options	10 or 15 years primary term with twenty to thirty years of options	7 or 10 years primary term with ten years of options
Typical Rent Increases	None in primary term; 10% each option period	10% in year 11 and/or each option period	\$0.50 per square foot every five years

DOLLAR GENERAL

FAMILY DOLLAR
my family, my family dollar.

DOLLAR TREE

*Includes Family Dollar locations

FOR MORE INFORMATION

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