

NATIONAL ASKING CAP RATES

Sector	Q2 2015 (Previous)	Q3 2015 (Current)	Basis Point Change
Retail	6.40%	6.25%	-15
Office	7.30%	7.25%	-5
Industrial	7.62%	7.59%	-3

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q2 2015 (Previous)	Q3 2015 (Current)	Percentage Change
Retail	3,372	3,497	3.7%
Office	371	360	-3.0%
Industrial	342	323	-5.6%

MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Sector	Q2 2015 (Previous)	Q3 2015 (Current)	Basis Point Change
Retail	18	18	0
Office	32	33	1
Industrial	37	50	13

MARKET OVERVIEW

Cap rates in the third quarter of 2015 for the single tenant net lease retail and office sectors reached new historic lows of 6.25% and 7.25% respectively. Following consecutive quarters of cap rate stability, cap rates for net lease retail properties declined by 15 basis points. This is the largest decline since the second quarter of 2014.

Despite the decline in asking cap rates for retail assets to a new historic low, the spread between asking and closed cap rates remained the same as the previous quarter. Properties in the greatest demand continue to be new construction with long term leases with investment grade tenants. Despite a slight rise in the supply of net lease retail properties, there is a lack of new construction properties with long term leases as the development pipeline has slowed compared to the first half of 2015. Accordingly, cap rates for recently constructed properties tenanted by 7-Eleven, Bank of America and Family Dollar compressed by 32, 25 and 65 basis points, respectively, in the third quarter. This accounted for the greatest retail tenant compression as noted on page three of this report.

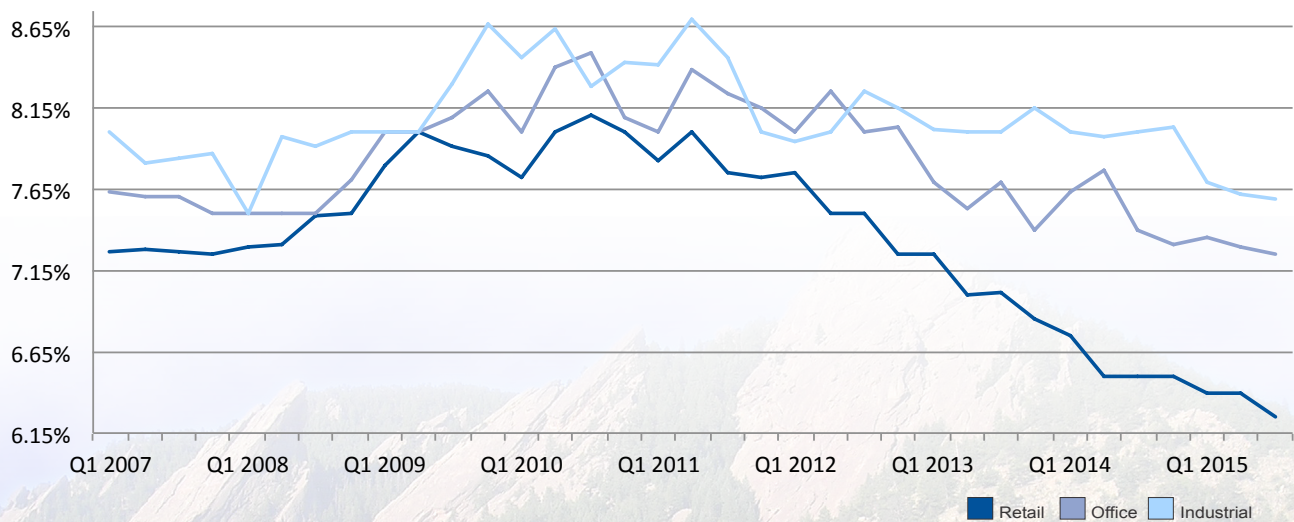
Retail assets remain at the forefront of investor demand as evidenced by their continued cap rate compression in a historically low cap rate environment. Cap rates for retail properties were 100 and 134 basis points lower than office and industrial respectively in the third quarter. This preference is best attributed to private and 1031 investors paying lower cap rates than institutional investors. Private and 1031 investors prefer retail as they have a familiarity with the tenants and have a preference for lower priced properties when compared to office and industrial investors.

The net lease market should remain active through the end of 2015 as the expectation is that net lease transactions will surpass last year's historic levels based on sales velocity through the first three quarters. 1031 investors will continue to acquire assets at the lowest cap rates due to their tax consequences; however institutional investors will generate the majority of transactions over \$15 million. Cap rates will remain favorable to Sellers as real estate investors continue to seek this asset class due to the passive nature of the leases.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Jul-15	Retail	Home Depot	Spokane	WA	\$24,367,000	\$183	6.30%	4
Jul-15	Retail	Super Stop & Shop	Brockton	MA	\$18,711,000	\$286	6.70%	8
Jul-15	Retail	Lowe's	Chillicothe	OH	\$11,000,000	\$84	6.80%	5
Sep-15	Office	GSA FBI	Irving	TX	\$10,020,000	\$353	6.87%	11
Jul-15	Retail	Shopko	Menasha	WI	\$10,000,000	\$123	7.35%	15
Aug-15	Retail	TD Bank (GL)	Plantation	FL	\$7,538,000	N/A	4.00%	20
Jul-15	Retail	Walgreens	Idaho Falls	ID	\$6,915,000	\$477	5.35%	20
Jul-15	Retail	Pep Boys	Las Vegas	NV	\$5,880,000	\$265	6.60%	8
Aug-15	Retail	Walmart Neighborhood Market (GL)	Spartanburg	SC	\$5,537,000	N/A	4.75%	20
Aug-15	Medical Office	Seasons Hospice	Naperville	IL	\$5,343,000	\$517	7.00%	8
Aug-15	Industrial	American Tire Distributors	Grand Junction	CO	\$5,255,000	\$63	7.92%	8
Sep-15	Retail	Rite Aid	Boston	MA	\$5,000,000	\$366	5.48%	13

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2011-2015	2006-2010	2000-2005	Pre 2000
7-Eleven	4.68%	5.30%	5.75%	6.30%
Advance Auto Parts	6.00%	6.42%	7.00%	7.75%
AutoZone	5.10%	5.70%	6.00%	6.50%
Bank of America (GL)	3.75%	4.50%	4.50%	N/A
Chase (GL)	4.00%	4.40%	5.00%	5.10%
CVS	4.90%	5.25%	6.00%	7.25%
DaVita	5.75%	6.94%	7.30%	8.50%
Dollar General	6.40%	7.75%	8.20%	9.00%
Family Dollar	6.35%	7.65%	8.00%	8.50%
FedEx	5.95%	6.40%	7.50%	9.75%
Fresenius	6.10%	7.00%	7.79%	9.50%
GSA	6.88%	7.10%	7.40%	9.00%
McDonald's (GL)	3.95%	4.13%	4.10%	4.58%
O'Reilly Auto Parts	5.60%	5.75%	6.03%	7.00%
PNC (GL)	4.00%	4.67%	5.26%	N/A
Rite Aid	5.90%	6.28%	6.65%	8.78%
Walgreens	5.00%	5.50%	5.85%	6.94%
Wells Fargo (GL)	N/A	4.55%	4.90%	5.00%

FOR MORE INFORMATION

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