

NATIONAL ASKING CAP RATES

Sector	Q1 2018 (Previous)	Q2 2018 (Current)	Basis Point Change
Retail	6.10%	6.20%	+10
Office	7.00%	6.95%	-5
Industrial	7.29%	7.04%	-25

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q1 2018 (Previous)	Q2 2018 (Current)	Percentage Change
Retail	3,710	4,216	13.64%
Office	480	538	12.08%
Industrial	430	388	-9.77%

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

Sector	Q1 2018 (Previous)	Q2 2018 (Current)	Basis Point Change
Retail	26	29	+3
Office	42	40	-2
Industrial	30	35	+5

MARKET OVERVIEW

Cap rates for the single tenant net lease retail sector increased by 10 basis points in the second quarter of 2018, representing the largest rise in cap rates for the single tenant retail sector since the second quarter of 2011. Cap rates compressed for the office and industrial sector by 5 and 25 basis points respectively. The upward trend of cap rates should remain as the Federal Reserve continues to implement its monetary policy objectives.

As investors expect increased cap rate pressure to remain; the supply of single tenant net lease properties on the market continues to increase. Owners of single tenant properties are bringing properties to market in attempt to maximize value prior to cap rates increasing further. In the second quarter of 2018, the net lease sector experienced an uptick in supply of more than 11% with the majority coming from net lease retail properties.

The spread between asking and closed cap rates continued to widen for the retail and industrial sectors, illustrating the upward movement on cap rates. The spread for the most desired assets (long term leases, credit, primary market locations, etc.) remained similar to recent years. However, properties with short term leases, weak credit, limited or no rental escalations and tertiary locations have experienced the greatest cap rate expansion.

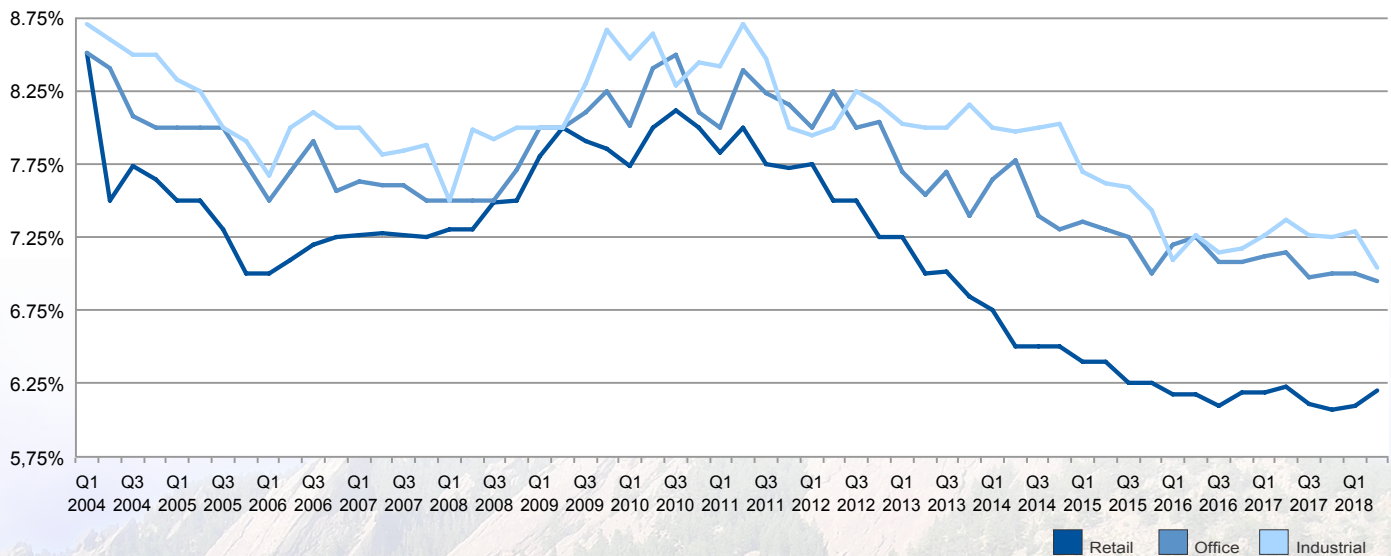
Despite the rise in retail cap rates in the second quarter, the perception is that the net lease retail market has been in a neutral position in recent years. Cap rates for the retail sector have primarily ranged between 6.10% and 6.25% since the third quarter of 2015. Proponents of the retail net lease sector have pointed to the strengths of the sector. These strengths include steady retail cap rates despite a rising interest rate environment and the argument that the net lease retail sector is the beneficiary of the shift away from the traditional shopping mall. The opposition has cited rising interest rates, a recent flood of net lease retail property supply and concentration of new construction with limited credit.

The primary sentiment amongst net lease investors is that cap rates should remain relatively stable and within the range of the past few years across all three asset classes. Investors will be carefully monitoring the monetary policy decisions of the Federal Reserve in 2018, as well as the capital markets effect on pricing.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
May-18	Industrial	Shaw Industries	Savannah	GA	\$56,500,000	\$56	5.90%	15
Apr-18	Industrial	B. Braun Medical, Inc.	Daytona Beach	FL	\$30,750,540	\$77	6.37%	10
Apr-18	Office	Accenture	San Antonio	TX	\$21,000,000	\$234	7.85%	4
Apr-18	Retail	Lowe's	Mount Bernon	WA	\$16,991,453	\$124	5.85%	10
Apr-18	Office	AT&T	Chicago	IL	\$13,500,000	\$145	9.26%	4
Apr-18	Retail	Walmart Neighborhood Market	Clemson	SC	\$13,080,000	\$318	5.55%	18
May-18	Retail	Walgreens	Spring Valley	NY	\$13,000,000	\$877	5.30%	19
Apr-18	Retail	Jewel-Osco	Orland Park	IL	\$12,680,000	\$201	5.50%	20
Jun-18	Retail	Shopko	Sioux Falls	SD	\$11,701,199	\$129	8.00%	17
Apr-18	Retail	Safeway	Silver Spring	MD	\$10,425,000	\$234	5.45%	20
May-18	Retail	Hobby Lobby	Palmdale	CA	\$10,150,000	\$185	6.22%	15
Apr-18	Retail	Home Depot	Farmington	NM	\$9,100,000	\$70	6.27%	8
Apr-18	Industrial	FedEx Ground	Emporia	VA	\$8,413,776	\$166	7.60%	8
Apr-18	Retail	Kohl's	Cedar Rapids	IA	\$8,100,000	\$101	7.29%	10
Apr-18	Retail	Wawa (GL)	Towson	MD	\$7,480,000	--	4.35%	20
May-18	Industrial	FedEx Ground	Escanaba	MI	\$5,397,200	\$123	6.75%	9
Apr-18	Retail	CVS	Richmond	VA	\$4,307,000	\$399	5.25%	20

NET LEASE CAP RATE TRENDS



**MEDIAN ASKING CAP RATES
BY YEAR BUILT**

Tenant	2012-2018	2005-2011	2000-2005	Pre 2000
7-Eleven	4.85%	5.25%	5.90%	6.35%
Advance Auto Parts	6.00%	6.75%	7.50%	8.00%
AutoZone	5.15%	5.65%	6.25%	7.00%
Bank of America	N/A	5.05%	6.00%	6.40%
Chase Bank	4.50%	4.75%	5.00%	5.65%
CVS Pharmacy	5.35%	5.72%	5.95%	6.90%
DaVita Dialysis Center	5.82%	6.00%	N/A	6.95%
Dollar General	7.00%	7.70%	8.15%	8.50%
Family Dollar	7.25%	7.65%	8.10%	8.65%
FedEx	6.00%	6.65%	7.00%	7.55%
Fresenius	5.90%	6.65%	6.85%	7.40%
McDonald's (GL)	4.13%	4.25%	4.75%	4.95%
O'Reilly Auto Parts	5.55%	6.05%	6.25%	7.00%
Rite Aid	6.25%	7.00%	7.75%	8.40%
Starbucks	5.00%	5.40%	6.00%	6.50%
Walgreens	5.50%	5.80%	6.65%	7.15%

FOR MORE INFORMATION

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