

**DRUG STORE PROPERTIES
MEDIAN ASKING CAP RATES**

Tenant	Q3 2020 (Previous)	Q3 2021 (Current)	Basis Point Change
Walgreens	6.25%	5.40%	-85
CVS	5.50%	5.15%	-35
Rite Aid	7.80%	7.40%	-40

Note: Above numbers include properties with all lease lengths

**DRUG STORE PROPERTIES
ON THE MARKET**

Tenant	Q3 2020 (Previous)	Q3 2021 (Current)	Percentage Change
Walgreens	155	115	-25.8%
CVS	90	77	-14.4%
Rite Aid	71	60	-15.5%

**DRUG STORE PROPERTIES
MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per SF
Walgreens	\$6,250,000	\$420
CVS	\$5,504,000	\$497
Rite Aid	\$3,700,000	\$271

MARKET OVERVIEW

Cap rates in the single tenant drug store sector decreased by 59 basis points to a new historic low rate of 5.80% in the third quarter of 2021. New historic low cap rates levels for CVS and Walgreens of 5.15% and 5.40% respectively were the primary driver of the compression. Rite Aid cap rates compressed by 40 basis points to 7.40% but did not reach its prior historic low (2008). Investor demand for essential retailers carried over from 2020 into 2021, propelling cap rates for all three major tenants in the single tenant drug store sector lower.

The increased demand and transaction volume for drug stores in 2020 created a property supply issue in 2021. In the third quarter of 2021, the supply of single tenant drug stores decreased by approximately 20% when compared to the year prior. All three major tenants within the drug store sector experienced decrease in supply ranging from 14% to 26%. Furthermore, the supply of drug stores with long term leases remains low compared to historical standards mainly due to the lack of new store development. For the second straight year, the median remaining lease term for the drug store sector was less than 10 years.

While all three tenants within the sector provide investors with corporately guaranteed leases, differences in the credit profiles of each exist. CVS and Walgreens share an identical investment grade rating from Standard & Poor's of BBB, while Rite Aid carries a non-investment grade rating of B-. Rite Aid's rating is the primary reason for the cap rate discount of 225 and 200 basis points compared to CVS and Walgreens. Furthermore, Rite Aid experiences a wider spread between its asking price and closed cap rates when compared to its drug store peers.

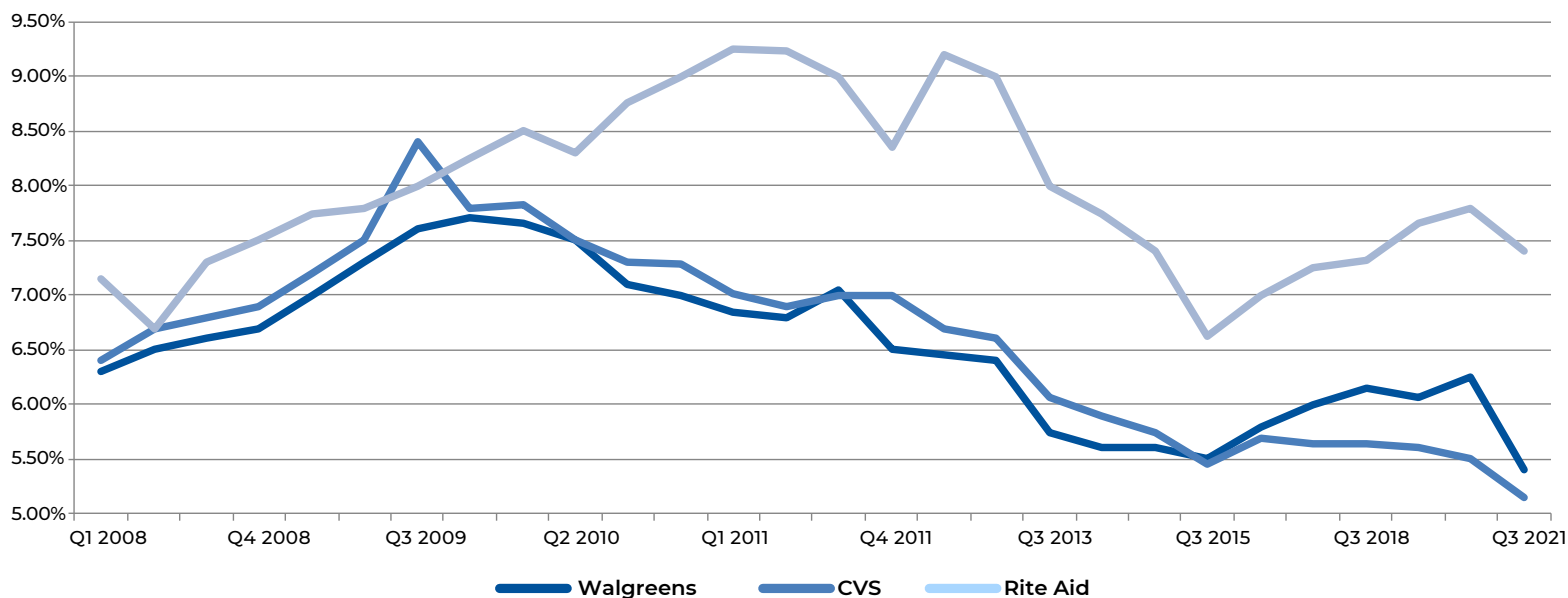
The drug store sector will continue to experience demand from investors targeting investment grade rated drug stores. The limited development pipeline of new stores for all three tenants will require that the majority of the supply of long-term leases will be provided by blend and extend of existing leases or larger portfolios of sale leasebacks. Private and 1031 exchange buyers will continue to be the primary acquirer of single tenant drug stores.



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Term Remaining	Walgreens	CVS	Rite Aid
20+ Years	NA	4.70%	NA
15-19 Years	5.00%	4.95%	NA
10-14 Years	5.30%	5.40%	7.00%
6-9 Years	6.50%	6.00%	7.50%
5 Years & Under	7.25%	6.65%	8.00%

CAP RATE DRUG STORE TRENDS



MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Tenant	Closed	Ask	Spread (bps)
Walgreens	5.53%	5.40%	13
CVS	5.25%	5.15%	10
Rite Aid	7.62%	7.40%	22

DRUG STORE VS RETAIL NET LEASE MARKET CAP RATE

Sector	Q3 2020 (Previous)	Q3 2021 (Current)
Drug Store	6.39%	5.80%
Market	6.06%	5.80%
Differential (bps)	+33	0

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Oct-21	Walgreens	Huntington Beach	CA	\$11,290,000	\$954	5.00%	10
Oct-21	Walgreens	Saint Augustine	FL	\$8,800,000	\$594	4.70%	14
Sep-21	Walgreens	Indianapolis	IN	\$8,300,000	\$572	5.47%	16
Oct-21	Walgreens	Rockwall	TX	\$6,290,000	\$418	4.61%	15
Oct-21	Walgreens	Lansing	MI	\$6,200,000	\$426	6.05%	9
Sep-21	Walgreens	Akron	OH	\$6,078,000	\$450	5.50%	11
Sep-21	Rite Aid	Waterford	MI	\$5,750,000	\$397	8.18%	7
Sep-21	Walgreens	Spring Hill	FL	\$5,690,000	\$400	4.50%	13
Sep-21	Walgreens	Franklin	LA	\$4,935,000	\$333	6.10%	12
Oct-21	CVS	Burnham	PA	\$4,721,000	\$466	5.76%	13
Aug-21	CVS	Benson	NC	\$4,485,000	\$332	4.70%	20
Aug-21	Walgreens	Potsdam	NY	\$4,341,000	\$298	6.86%	10
Oct-21	CVS	Columbus	OH	\$4,330,000	\$428	4.75%	20
Sep-21	Rite Aid	Belle Vernon	PA	\$4,153,000	\$381	7.25%	6
Aug-21	CVS	Pittsburgh	PA	\$3,888,000	\$325	4.50%	20
Oct-21	Walgreens	Glendale	AZ	\$3,336,000	\$222	5.50%	5
Aug-21	CVS	Apalachicola	FL	\$3,100,000	\$404	5.00%	15
Aug-21	Walgreens	Tulsa	OK	\$2,853,000	\$190	7.00%	3
Aug-21	CVS	Perry	FL	\$2,667,000	\$236	6.00%	5



COMPANY AND LEASE OVERVIEW

	Walgreens	CVS	Rite Aid
Credit Rating:	BBB	BBB	B-
Market Cap:	\$41 billion	\$111 billion	\$760 million
Revenue:	\$146 billion	\$277 billion	\$24 billion
Number of Stores:	8,972	9,945	2,430
Typical Lease Term:	15 year primary term with sixty years of options	25 year primary term with six 5-year options	20 year primary term with six 5-year options
Typical Rent Increases:	5% every five years	None in primary 10% increases in option periods	Increases of 10% every 10 years



FOR MORE INFORMATION

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