

BIG BOX ASKING CAP RATE COMPARISON

Q4 2015 (Previous)	Q4 2016 (Current)	Basis Point Change
6.08%	6.50%	+42

**BIG BOX VS. NET LEASE SECTOR
MEDIAN ASKING CAP RATE**

Sector	Q4 2015 (Previous)	Q4 2016 (Current)
Big Box	6.08%	6.50%
Retail Net Lease Market	6.25%	6.19%
Differential (bps)	-17	+31

**BIG BOX PROPERTIES MEDIAN
ASKING PRICE**

Sector	Average Price	Average Price Per SF
Investment Grade	\$8,906,903	\$158
Non-Investment Grade	\$5,967,861	\$156

**BIG BOX MEDIAN ASKING CAP RATE
BY CREDIT RATING**

Investment Grade Cap Rate	Non-Investment Grade Cap Rate	Basis Point Spread
6.35%	6.50%	15

MARKET OVERVIEW

Cap rates in the single tenant net lease big box sector rose 42 basis points to 6.50% from the fourth quarter of 2015 to the fourth quarter of 2016. The increase in cap rates can be primarily attributed to investor concern about the future of soft good retailers and the evolving size of floorplates for big box retailers. Big box properties, especially mid box and large format stores, have a significantly higher price point than other net lease retail properties. This can cause re-leasing costs to be higher due to tenant improvement allowances and the possibility of dividing space for multiple smaller tenants in the future. The median asking price for net lease big box properties with investment grade tenants was \$8.9 million in the fourth quarter of 2016.

In the fourth quarter of 2015, big box properties were priced at a 17 basis point premium to the overall net lease retail market. This was largely attributed to the large supply of Walmart Neighborhood Market properties in the market at the time. In the fourth quarter of 2016, the differential between big box cap rates and retail cap rates reverted to the norm with big box properties being priced at a 31 basis point discount to the overall retail market.

Despite the perception that the big box sector is solely large format big box stores including Walmart, Target and Home Depot, junior big box tenants like Hobby Lobby, Goodwill and PetSmart made up the majority of the supply in the fourth quarter of 2016. Junior big box accounted for 50% of the supply while mid box and large format made up 37% and 13% respectively. In the fourth quarter of 2016, approximately 25% of the big box supply was leased to investment grade tenants. The cap spread between investment grade and non-investment grade tenants compressed in the fourth quarter of 2016 to 15 basis points. In the fourth quarter of 2015, this spread was 155 basis points, again, due to the concentration of Walmart Neighborhood Market properties at the time.

The single tenant net lease big box sector will remain active as both individual and institutional investors seek net leased properties with higher yields than the overall net lease retail sector. However, investors will carefully monitor retailer's store prototypes, especially as it relates to square footage as retailers continually shift the size of their stores. With changing retailer store formats, investors are paying greater attention to market rental rates and residual values when making acquisitions.

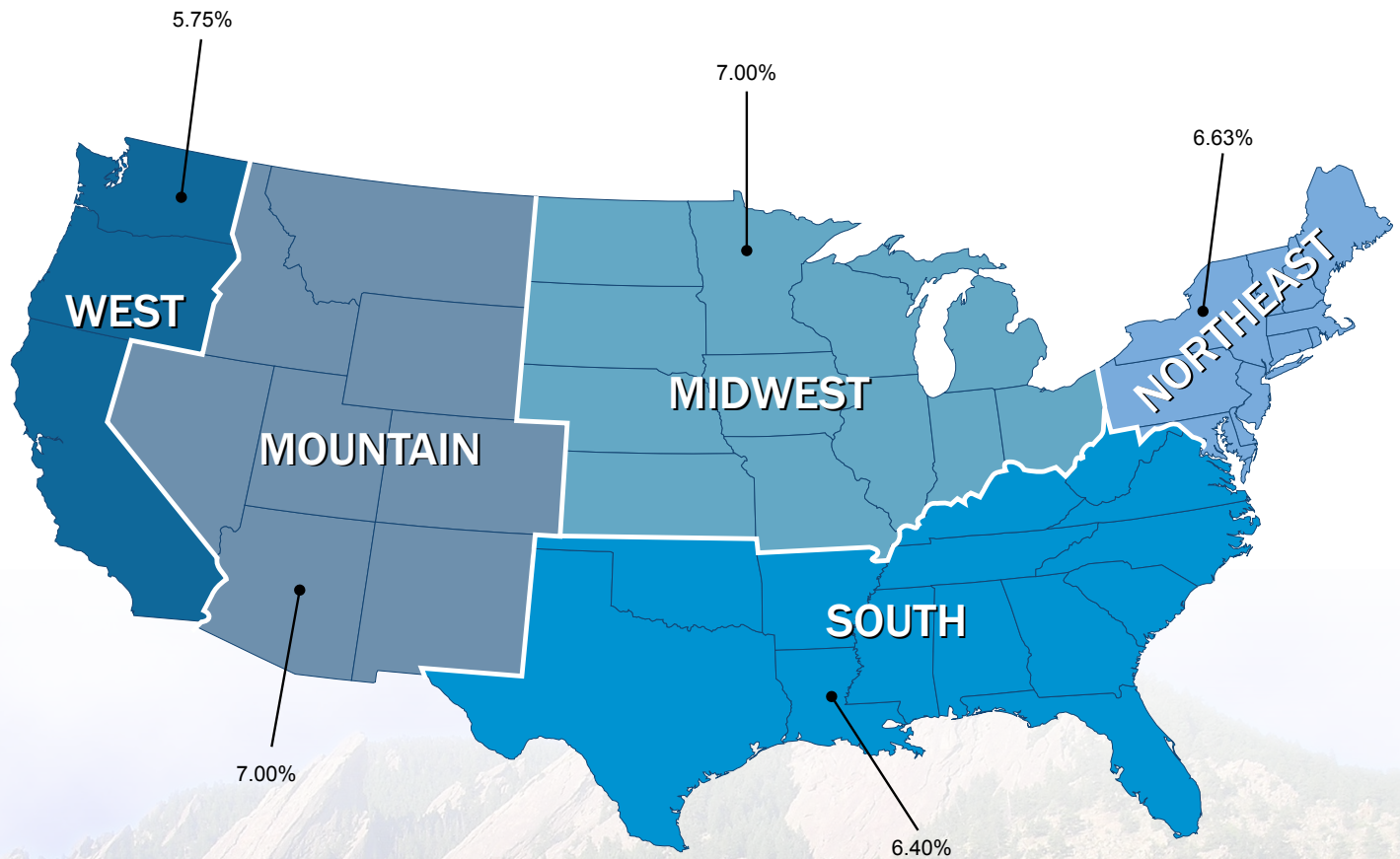
**MEDIAN ASKING CAP RATES
BY SQUARE FOOTAGE**

Sector	SF Range	Cap Rate	Percentage of Market
Junior Big Box	20,000 - 40,000	6.75%	50%
Mid Box	40,000 - 80,000	6.25%	37%
Large Format	Over 80,000	6.58%	13%

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

Years Remaining	Investment Grade	Non-Investment Grade
16-20	5.20%	5.45%
11-15	5.50%	6.25%
6-10	6.50%	6.73%
5 & Under	7.75%	7.90%

BIG BOX MEDIAN ASKING CAP RATE BY REGION



SELECTED SINGLE TENANT BIG BOX CLOSED TRANSACTIONS

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaining
Oct-16	Super Stop & Shop	Stamford	CT	\$45,300,000	\$650	5.50%	15
Oct-16	Mariano's	Chicago	IL	\$34,464,645	\$461	5.86%	20
Jan-17	Home Depot	Las Vegas	NV	\$23,100,000	\$219	6.00%	6
Nov-16	Sam's Club	Timonium	MD	\$18,300,000	\$137	6.00%	10
Jan-17	BJ's Wholesale Club	Tampa	FL	\$17,996,000	\$150	6.75%	10
Sep-16	BJ's Wholesale Club	Maple Shade	NJ	\$15,600,000	\$142	7.13%	5
Jul-16	Walmart Neighborhood Market	Richmond	VA	\$12,091,000	\$294	5.40%	14
Dec-16	Academy Sports + Outdoors	Gainesville	GA	\$10,977,000	\$174	6.24%	15
Oct-16	Dick's Sporting Goods	Butler	PA	\$10,075,000	\$171	6.71%	11
Nov-16	Academy Sports + Outdoors	Tuscaloosa	AL	\$8,731,000	\$116	6.65%	8
Dec-16	PetSmart	Gurnee	IL	\$6,590,000	\$257	6.27%	10
Oct-16	Petco	Bloomington	IL	\$5,345,000	\$260	6.55%	12
Oct-16	Marshalls	Wilkesboro	NC	\$3,152,000	\$131	6.40%	8
Nov-16	PetSmart	Howell	MI	\$3,013,000	\$148	7.11%	10

COMPANY COMPARISON

Tenant	Total Number of Stores	Credit Rating
24 Hour Fitness	400+	B
Academy Sports	225+	Not Rated
Bed Bath & Beyond	1,504	BBB+
Best Buy	1,379	BBB-
BJ's Wholesale	213	B-
Dick's Sporting Goods	610	Not Rated
Gander Mountain	162	Not Rated
Hobby Lobby	600+	Not Rated
Kmart	801	CCC+
Kohl's	1,155	BBB
Kroger	2,778	BBB
LA Fitness	800+	Not Rated
Lowe's	1,840	A-
Petco	1,400	B
PetSmart	1,352	B+
Ross	1,342	A-
Shopko	357	Not Rated
Staples	3,856	BBB-
The Home Depot	2,274	A
Wal-Mart Stores	11,593	AA
Whole Foods	435	BBB-

FOR MORE INFORMATION

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