

NATIONAL ASKING CAP RATES

Sector	Q3 2011 (Previous)	Q4 2011 (Current)	Basis Point Change
Retail	7.75%	7.72%	-3
Office	8.24%	8.15%	-9
Industrial	8.47%	8.00%	-47

NUMBER OF PROPERTIES ADDED TO MARKET IN Q4

Sector	Q3 2011 (Previous)	Q4 2011 (Current)	Percent Change
Retail	2,360	2,488	+5.42%
Office	540	672	+24.44%
Industrial	300	352	+17.33%

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Property Type	Q3 2011 (Previous)	Q4 2011 (Current)	Basis Point Change
Walgreens	6.75%	6.50%	-25
Ground Leases	6.50%	6.00%	-50
Restaurants	7.50%	7.50%	0
Leaseholds	8.25%	8.06%	-19
Advance Auto	8.30%	7.90%	-40
Banks	6.15%	6.00%	-15
CVS	7.00%	7.00%	0
Government-GSA	7.75%	8.00%	+25
Dollar General	8.40%	8.50%	+10
Fedex	7.75%	7.32%	-43
McDonalds	5.00%	4.77%	-23

MARKET OVERVIEW

Cap rates in the single tenant net leased property sector continued to compress from the third to fourth quarter of 2011 across industrial, office and retail property segments. The main contributing factor for the cap rate compression remains the supply constraints due to the shortage of new net leased development. Other contributing factors causing the cap rate compression include a strong fundraising environment for both public and non-traded REITs and increased 1031 exchange volume driven by improving sales activity. As a result of increased prices for net lease properties, owners have added supply as they try to take advantage of increased activity and lowered cap rates in the net lease market. Overall, a 9.75% increase in property supply was added to the net lease market in the fourth quarter compared to the third.

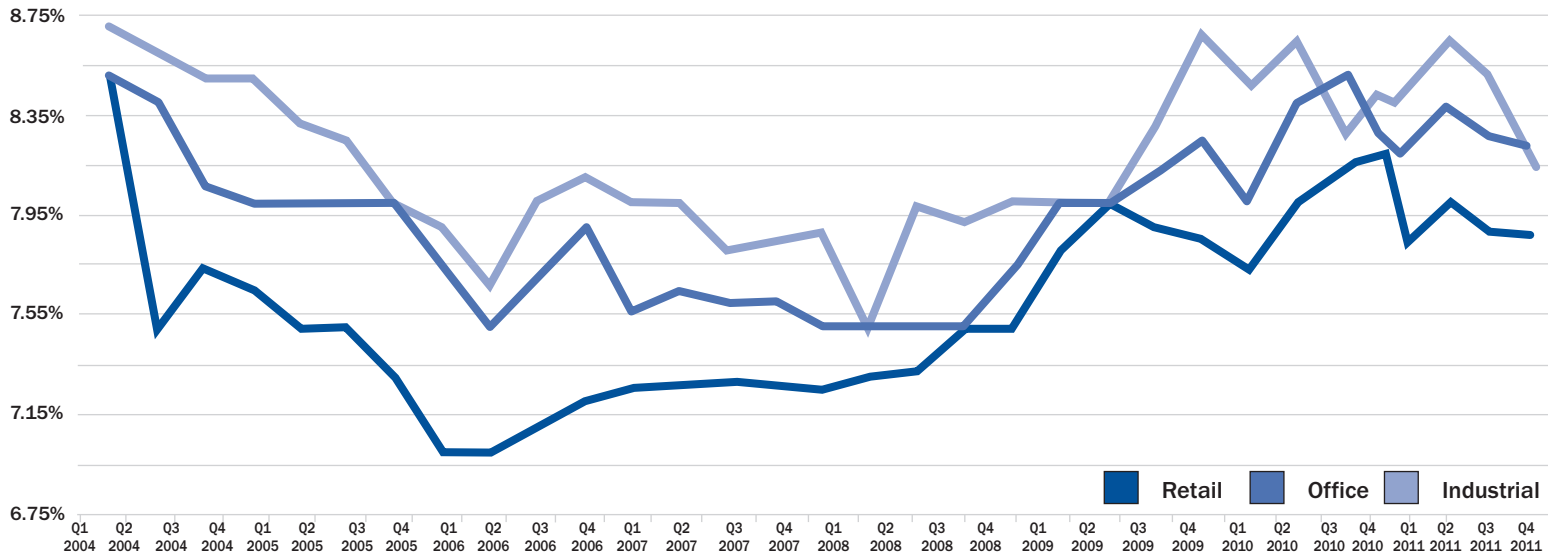
The single tenant net lease market is challenged by the supply of properties with long term leases to investment grade rated tenants. In response, some investors have changed their acquisition criteria in order to place capital in the supply constrained net lease market. The primary activity in secondary markets continues to remain with investment grade rated tenants. While fourth quarter retail cap rates stayed close to third quarter levels, the cap rates for well-located, high-quality assets continued to compress much further than the market as a whole. This can be best illustrated by McDonalds and Walgreens cap rates, compressing by 23 and 25 basis points respectively in the fourth quarter. In contrast to the overall net lease retail sector, the median cap rate decreased by only 3 basis points.

The national single tenant net lease market transaction volume should remain active due to the stability and financing availability of this asset class. According to a national survey by The Boulder Group, the majority of active net lease participants are expecting 2012 transaction volume to be up between 5% and 14% from 2011 levels. Core assets with investment grade tenants will remain in the highest demand, maintaining low cap rates for these assets. However, with the new construction pipeline continuing to be lower than historical standards, investors will seek assets with shorter term leases. Cap rates will remain near current levels in 2012 as buyer demand remains high and new development remains limited.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Dec-11	Office	United Technologies	Bradenton	FL	\$20,100,000	\$188	7.17%	10
Oct-11	Retail	Giant Eagle	Columbus	OH	\$19,510,000	\$168	8.13%	10
Oct-11	Retail	BJ's Wholesale	Voorhees	NJ	\$15,900,000	\$138	7.91%	13
Nov-11	Industrial	Performance Food Group	Santa Cruz	CA	\$9,800,000	\$98	9.02%	5
Nov-11	Retail	Walgreens	Maplewood	NJ	\$8,200,000	\$674	6.86%	25
Nov-11	Retail	Walgreens	McKinney	TX	\$7,300,000	\$493	6.27%	22
Nov-11	Retail	Rite Aid	Fairfax	VA	\$7,300,000	\$573	7.70%	22
Oct-11	Retail	CVS	Cherry Hill	NJ	\$6,506,365	\$427	7.06%	25
Dec-11	Retail	Hobby Lobby	Concord	NC	\$5,800,000	\$97	7.76%	13
Dec-11	Retail	Walgreens	Olive Branch	MS	\$5,175,000	\$350	6.65%	22

NET LEASED CAP RATE TRENDS



NATIONAL BID - ASK CAP RATE SPREAD

Sector	Q3 2011 (Previous)	Q4 2011 (Current)	Basis Point Change
Retail	46	45	-1
Office	71	77	+6
Industrial	50	47	-3

LARGEST FIVE MSA STATISTICS

MSA	# of Properties on the Market	Retail Median Cap Rate	Office Median Cap Rate	Industrial Median Cap Rate
New York	106	6.40%	6.60%	6.75%
Los Angeles	299	6.45%	7.04%	7.00%
Chicago	343	8.00%	8.50%	8.30%
Dallas	149	8.00%	9.00%	8.00%
Philadelphia	112	8.00%	8.63%	8.68%

HOW WILL 2012 NET LEASE TRANSACTION VOLUME COMPARE TO 2011?

Volume will be up
15% or more

(10%)

Volume will be up
5% to 14%

(64%)

Volume will be
between down 4%
and up 4%

(21%)

Volume will be
down 5% to down
14%

(1%)

Volume will be
down 15% or more

(0%)

Source: National survey of net lease participants by The Boulder Group via LinkedIn

FOR MORE INFORMATION

AUTHOR

John Feeny | Research Director
john@bouldergroup.com

CONTRIBUTORS

Randy Blankstein | President
rblank@bouldergroup.com

Jimmy Goodman | Partner
jimmy@bouldergroup.com

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