

BIG BOX ASKING CAP RATE COMPARISON

Q4 2020 (Previous)	Q4 2021 (Current)	Basis Point Change
6.75%	6.25%	-50

BIG BOX VS. RETAIL NET LEASE SECTOR MEDIAN ASKING PRICE

Sector	Q4 2020 (Previous)	Q4 2021 (Current)
Big Box	6.75%	6.25%
Retail Net Lease Market	6.00%	5.88%
Differential (bps)	+75	+37

BIG BOX PROPERTIES MEDIAN ASKING PRICE

Sector	Average Price	Average Price Per SF
Investment Grade	\$8,679,284	\$158 PSF
Non-Investment Grade	\$6,340,000	\$154 PSF

BIG BOX MEDIAN ASKING CAP RATE BY CREDIT RATING

Investment Grade Cap Rate	Non-Investment Grade Cap Rate	Basis Point Spread
5.60%	6.50%	+90

MARKET OVERVIEW

Cap rates in the single tenant net lease big box sector decreased by 50 basis points to 6.25% from the fourth quarter of 2020 to the fourth quarter of 2021. The decrease in cap rates can be primarily attributed to increased activity in the big box sector from substantial amounts of capital targeting this sector, particularly institutional investors. Once the economy began to recover from the initial pandemic, activity within the sector increased.

At the height of the Covid-19 pandemic, big box property investors flocked to tenants categorized as essential retail with investment grade ratings including grocery and home improvement. Throughout 2021, big box investors became more comfortable with non-essential retailers. Accordingly, the spread between investment grade and non-investment grade big box retailers shrunk to 90 basis points from 105 basis points.

Following the surge in demand for essential and investment grade retailers in 2020, the supply of these assets were limited in 2021. In the fourth quarter of 2021, less than 10% of the net lease big box sector was comprised of investment grade grocery related or home improvement tenants. Properties with these tenants were priced at an even greater premium. In the fourth quarter of 2021, investment grade grocery and home improvement related properties had an average cap rate of 5.05%. With a limited supply of inventory and increased demand for these assets from individual and institutional investors alike, many of these properties are being sold on an off-market basis.

Despite the positive investor sentiment for the big box sector, these properties are still priced at a discount to the overall net lease retail market. In the fourth quarter of 2021, the net lease big box sector was priced at a 37-basis point discount to net lease retail. However, this discount was 75 basis points in the fourth quarter of 2020.

The single tenant net lease big box sector will continue to see demand from both individual and institutional buyers. The most conservative investors will pay a significant premium for specific assets such as Walmart and Home Depot. The higher yields generated by this asset class will be attractive to financial buyers utilizing low interest rate debt. Despite lower demand for non-investment grade big box, a market for these assets still exist for properties with favorable underlying real estate, strong performing locations or below market rents.

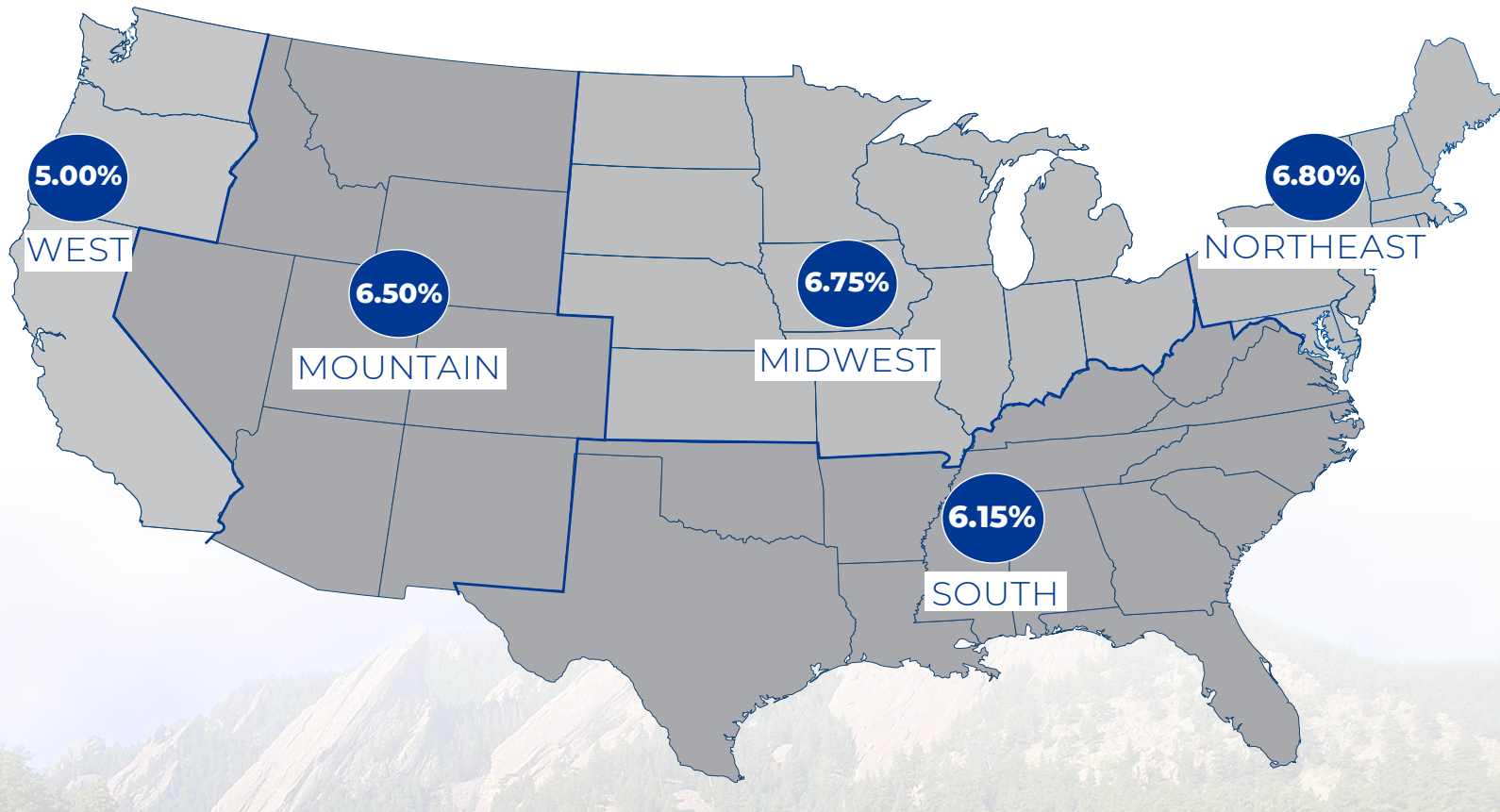
MEDIAN ASKING CAP RATES BY SQUARE FOOTAGE

Sector	SF Range	Cap Rate	Percentage of Market
Junior Big Box	20,000 - 40,000	6.38%	37%
Mid Box	40,000 - 80,000	6.10%	51%
Large Format	Over 80,000	6.75%	12%

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Investment Grade	Non-Investment Grade
16-20 Years	4.63%	5.25%
11-15 Years	5.00%	5.40%
6-10 Years	5.75%	6.15%
5 Years & Under	6.90%	7.50%

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
Nov-21	Whole Foods	Santa Monica	CA	\$54,250,000	\$1,867	3.44%	16
Oct-21	The Home Depot	Anaheim	CA	\$53,000,000	\$259	4.50%	4
Oct-21	Cabela's	Verdi	NV	\$38,957,622	\$305	6.10%	23
Dec-21	24 Hour Fitness	Falls Church	VA	\$21,500,000	\$442	6.53%	14
Dec-21	Harley Davidson	Bedford	TX	\$15,300,000	\$216	5.88%	10
Nov-21	Albertsons	Henderson	NV	\$11,700,000	\$175	4.70%	14
Oct-21	Walmart	Shreveport	LA	\$11,290,000	\$269	5.16%	9
Dec-21	Tesla	Las Vegas	NV	\$10,750,000	\$394	4.54%	9
Nov-21	Great Floors	Kennewick	WA	\$7,019,697	\$260	5.00%	9
Nov-21	Conn's Appliance	Baton Rouge	LA	\$4,875,000	\$91	8.75%	7
Dec-21	OfficeMax	Elko	NV	\$3,000,000	\$128	7.00%	7

COMPANY COMPARISON

Tenant	Total Number of Stores	Credit Rating
24 Hour Fitness	420	Private
Academy Sports + Outdoors	259	B+
Albertsons	2,277	BB
Bed Bath & Beyond	1,020	B+
Best Buy	977	BBB+
BJ's Wholesale	229	BB
Dick's Sporting Goods	854	BBB
Hobby Lobby	962	Not Rated
Kohl's	1,158	BBB-
Kroger	2,726	BBB
LA Fitness	700	Not Rated
Lowe's Home Improvement	1,728	BBB+
Petco	1,500	B
PetSmart	1,650	B
Ross Dress for Less	1,629	BBB+
Staples	1,583	B
TJMaxx	1,273	A
The Home Depot	2,300	A
Walmart Stores	11,443	AA
Whole Foods Market	500	A+

FOR MORE INFORMATION

AUTHOR

JOHN FEENEY

SENIOR VICE PRESIDENT

john@bouldergroup.com

CONTRIBUTORS

RANDY BLANKSTEIN

PRESIDENT

randy@bouldergroup.com

JIMMY GOODMAN

PARTNER

jimmy@bouldergroup.com

CARTER HIMLEY

SENIOR ANALYST

carter@bouldergroup.com

JOHN MAZUR

ANALYST

mazur@bouldergroup.com

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