

## NATIONAL ASKING CAP RATES

Sector	Q3 2015 (Previous)	Q4 2015 (Current)	Basis Point Change
Retail	6.25%	6.25%	0
Office	7.25%	7.00%	-25
Industrial	7.59%	7.44%	-15

## NUMBER OF PROPERTIES ON THE MARKET

Sector	Q3 2015 (Previous)	Q4 2015 (Current)	Percentage Change
Retail	3,497	3,061	-12.5%
Office	360	322	-10.6%
Industrial	323	335	+3.7%

## MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Sector	Q3 2015 (Previous)	Q4 2015 (Current)	Basis Point Change
Retail	18	23	+5
Office	33	39	+6
Industrial	50	40	-10

## MARKET OVERVIEW

Cap rates in the fourth quarter of 2015 for the single tenant net lease retail sector remained unchanged from the previous quarter at their historic low rate of 6.25%. Cap rates for the office and industrial sector reached new historic lows of 7.00% and 7.44%. Over the course of 2015, cap rates for retail, office, and industrial properties declined by 15, 35 and 26 basis points respectively as investor interest has increased due to the safe and stable returns this asset class generates.

Cap rates for all major sectors remained unchanged or declined in the fourth quarter. This can be attributed to the limited supply of product in a market with high demand despite a wide spread expectation of higher interest rates in the future. From the third quarter of 2015 to the fourth quarter of 2015, the overall supply of net lease assets decreased by more than 11%. Retail assets experienced the largest decline of 12.5%. Investor demand has continued for this asset class despite the decline in cap rates over the course of 2015. The increased demand in the net lease sector has caused cap rates to remain stable despite the volatility in the 10-year Treasury over the course of 2015.

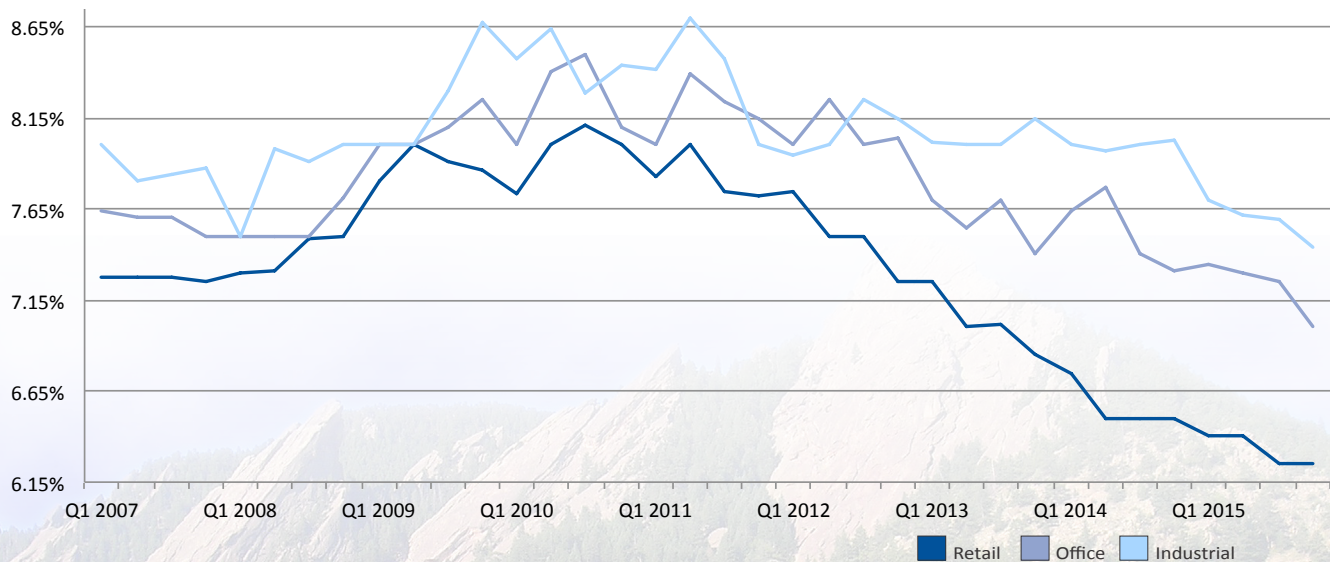
The fourth quarter represented the first time in 2015 that the cap rate spread between asking and closed pricing increased for retail properties. Owners of net lease product have attempted to take advantage of the low cap rate environment over the course of 2015. The spread for retail and office properties expanded by 5 and 6 basis points for retail and office properties respectively illustrating the pushback from buyers on the aggressive pricing sellers are seeking.

The net lease market is expected to remain active in 2016 as investor demand for this asset class remains. The expectation is that there will be limited movement in valuations moving forward. In a recent national survey conducted by The Boulder Group, the majority of active net lease participants expect cap rates to remain unchanged or rise slightly in 2016. The largest segments of net lease participants expect cap rates to remain unchanged from 2015 levels by the end of 2016. After the decision to increase rates at the December Federal Reserve meeting, investors will carefully monitor the capital markets and effect on pricing.

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Nov-15	Office	Wells Fargo	Raleigh	NC	\$42,300,000	\$93	6.50%	9
Oct-15	Retail	Walgreens	Las Vegas	NV	\$37,000,000	\$2,310	5.27%	14
Nov-15	Industrial	CVS	Orlando	FL	\$35,500,000	\$50	5.95%	11
Dec-15	Industrial	Yokohama Tire	Groveport	OH	\$35,000,000	\$46	6.25%	15
Oct-15	Retail	Kohl's	Lakewood	CO	\$18,705,000	\$212	5.95%	10
Nov-15	Industrial	Technicolor	Memphis	TN	\$16,500,000	\$26	8.00%	5
Oct-15	Industrial	FedEx	Tallahassee	FL	\$14,928,000	\$120	6.35%	10
Nov-15	Retail	Walmart Neighborhood Market	Anderson	SC	\$13,900,000	\$336	5.15%	20
Oct-15	Retail	CVS	Plano	TX	\$10,202,589	\$776	4.82%	21
Dec-15	Retail	Walgreens	Whitehouse Station	NJ	\$9,720,000	\$790	4.99%	25
Oct-15	Retail	BB&T Bank	Haymarket	VA	\$7,500,000	\$1,704	4.75%	14
Oct-15	Retail	Rite Aid	Allentown	PA	\$6,765,000	\$457	7.00%	7
Oct-15	Retail	Walgreens	Dallas	TX	\$5,753,868	\$380	6.80%	3
Nov-15	Retail	Rite Aid	Moses Lake	WA	\$5,650,000	\$337	6.46%	4

**NET LEASE CAP RATE TRENDS**

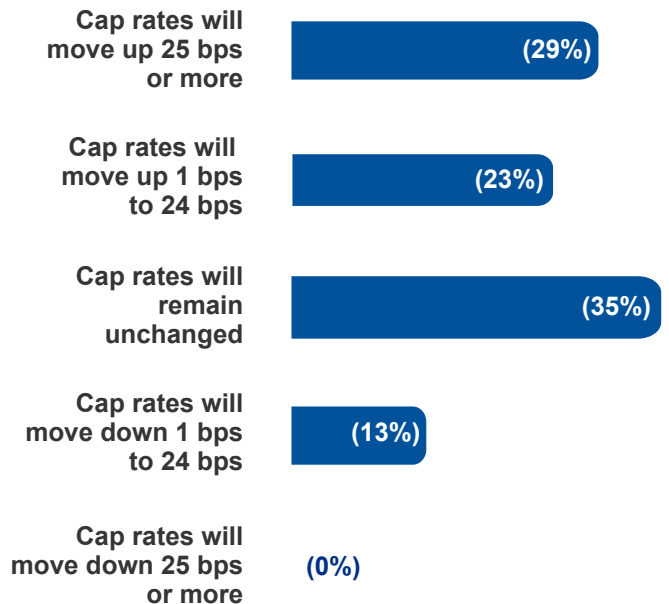


**MEDIAN ASKING CAP RATES BY YEAR BUILT**

Tenant	2011-2015	2005-2010	2000-2005	Pre 2000
7-Eleven	4.60%	5.15%	6.15%	6.33%
Advance Auto Parts	6.05%	6.36%	7.00%	7.30%
AutoZone	5.15%	5.90%	6.00%	N/A
Bank of America (GL)	4.00%	4.50%	4.85%	5.15%
Chase (GL)	4.10%	4.30%	4.45%	N/A
CVS	5.05%	5.30%	5.95%	7.50%
DaVita	6.00%	6.80%	7.00%	8.00%
Dollar General	6.50%	7.80%	8.25%	8.94%
Family Dollar	6.30%	7.84%	8.50%	8.75%
FedEx	5.75%	6.33%	7.00%	9.00%
Fresenius	6.00%	6.70%	7.85%	8.50%
GSA	6.50%	7.02%	8.54%	7.02%
McDonald's (GL)	3.90%	4.15%	4.75%	4.90%
O'Reilly Auto Parts	5.60%	5.95%	6.10%	7.00%
PNC (GL)	4.00%	4.63%	N/A	N/A
Rite Aid	5.83%	6.40%	6.55%	8.25%
Walgreens	5.18%	5.60%	6.00%	6.97%

**THE BOULDER GROUP CAP RATE POLL**

**WHERE DO YOU EXPECT CAP RATES TO MOVE BY THE END OF 2016**



**FOR MORE INFORMATION**

**AUTHOR**

John Feeney | Vice President  
[john@bouldergroup.com](mailto:john@bouldergroup.com)

**CONTRIBUTORS**

Randy Blankstein | President  
[randy@bouldergroup.com](mailto:randy@bouldergroup.com)

Jimmy Goodman | Partner  
[jimmy@bouldergroup.com](mailto:jimmy@bouldergroup.com)

Zach Wright | Analyst  
[zach@bouldergroup.com](mailto:zach@bouldergroup.com)

Scott Harris | Analyst  
[scott@bouldergroup.com](mailto:scott@bouldergroup.com)

© 2016. The Boulder Group. Information herein has been obtained from databases owned and maintained by The Boulder Group as well as third party sources. We have not verified the information and we make no guarantee, warranty or representation about it. This information is provided for general illustrative purposes and not for any specific recommendation or purpose nor under any circumstances shall any of the above information be deemed legal advice or counsel. Reliance on this information is at the risk of the reader and The Boulder Group expressly disclaims any liability arising from the use of such information. This information is designed exclusively for use by The Boulder Group clients and cannot be reproduced, retransmitted or distributed without the express written consent of The Boulder Group.