

NATIONAL ASKING CAP RATES

Sector	Q3 2020 (Previous)	Q4 2020 (Current)	Basis Point Change
Retail	6.06%	6.00%	-6
Office	6.90%	6.90%	0
Industrial	6.88%	6.75%	-13

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q3 2020 (Previous)	Q4 2020 (Current)	Percentage Change
Retail	3,102	3,087	-0.50%
Office	380	403	+5.92%
Industrial	381	363	-4.62%

**MEDIAN NATIONAL ASKING VS
CLOSED CAP RATE SPREAD**

Sector	Q3 2020 (Previous)	Q4 2020 (Current)	Basis Point Change
Retail	24	20	-4
Office	50	32	-18
Industrial	13	21	+8

MARKET OVERVIEW

Cap rates in the single tenant net lease sector reached historic lows in the fourth quarter of 2020 across all three main sub-sectors (retail, office and industrial). Single tenant industrial cap rates compressed by 13 basis points to 6.75%, as investor demand increased resulting from e-commerce's accelerated growth during the pandemic. Retail cap rates compressed by six basis points to 6.00% and office cap rates remained at third quarter levels (6.90%). Cap rates continued at record low levels due to the historically low interest rate environment combined with a flight to quality in the net lease sector by investors.

While cap rates in the 4th quarter reached uncharted low levels for all three asset classes, there is uncertainty looming in 2021. Many investors are carefully monitoring the investment landscape to see the effectiveness of the Covid-19 vaccines and the timing of the economy's full reopening. The new presidential administration and possible Democratic control of the senate could put Section 1031 exchanges in potential jeopardy which would in turn severely impact the net lease sector. There is a mixed forecast from net lease investors as it relates to future cap rate movement with the aforementioned uncertainty.

Throughout 2020, the net lease sector continued to be impacted by the broader economic effects of Covid-19. Transaction volume in 2019 represented a peak for the net lease sector. Overall transaction volume for 2020 was dragged down by a dismal second quarter with only \$12 billion in transactions. While, the 4th quarter of 2020 is expected to be the strongest quarter of the year once transactions volumes are tabulated; 2020 transaction volume ended the year down significantly when compared to 2019.

Investor demand for the net lease sector should remain active throughout 2021 especially for high quality tenants in essential businesses. Investors will be carefully monitoring the lingering effects of Covid-19 on the economy and various business sectors as well as the effectiveness of the Covid-19 vaccines. Following a year of sporadic transaction velocity, the expectation is that transactions will be concentrated in specific segments of the sector, especially for retail.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Nov-20	Industrial	Amazon	Chandler	AZ	\$87,725,000	\$435	4.56%	12
Nov-20	Industrial	IFA Rotorion	Summerville	SC	\$55,000,000	\$123	6.02%	19
Oct-20	Office	Lehigh Valley Heath	Allentown	PA	\$31,250,000	\$125	7.20%	10
Nov-20	Industrial	Raley's Production Bakery	West Sacramento	CA	\$20,750,000	\$153	4.90%	7
Nov-20	Industrial	Triple H Foods	Riverside	CA	\$15,425,000	\$115	5.20%	4
Oct-20	Retail	Smart & Final	Chula Vista	CA	\$14,800,000	\$398	5.51%	14
Oct-20	Retail	Burlington Coat Factory	Hawthorne	CA	\$14,749,000	\$324	6.93%	10
Nov-20	Retail	Walmart Neighborhood Market	Kingsport	TN	\$12,842,000	\$298	5.50%	9
Oct-20	Medical	DaVita	Sacramento	CA	\$10,422,000	\$703	5.52%	14
Nov-20	Office	Filmetrics	San Diego	CA	\$9,825,000	\$441	7.18%	4
Oct-20	Retail	Orscheln Farm & Home	Decatur	TX	\$7,850,000	\$175	6.70%	10
Nov-20	Retail	Grocery Outlet	Lake Isabella	CA	\$6,680,000	\$371	5.83%	14
Oct-20	Retail	7-Eleven	Piedmont	SC	\$6,217,000	\$1,535	5.10%	15
Oct-20	Retail	CVS	Rockwall	TX	\$6,200,000	\$543	4.76%	19
Oct-20	Retail	Walgreens	Greenville	SC	\$6,200,000	\$428	6.61%	8
Dec-20	Retail	7-Eleven	Riverview	FL	\$5,782,000	\$1,921	4.95%	14
Oct-20	Retail	Bank of America	Charleston	SC	\$5,400,000	\$1,251	6.16%	6
Nov-20	Retail	Kum & Go	Craig	CO	\$5,088,000	\$1,500	5.60%	12
Dec-20	Retail	Walgreens	Fort Wayne	IN	\$5,064,000	\$352	7.50%	6

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2020	2011-2016	2005-2010	Pre 2005
7-Eleven	4.90%	5.15%	5.70%	6.10%
Advance Auto Parts	6.00%	6.50%	7.15%	7.80%
AutoZone	5.30%	5.55%	6.10%	7.00%
Bank of America	5.00%	5.25%	6.00%	6.80%
Chase Bank	4.50%	4.75%	5.15%	6.00%
CVS Pharmacy	5.00%	5.60%	6.50%	7.15%
DaVita Dialysis Center	5.75%	6.40%	7.00%	7.55%
Dollar General	6.50%	7.00%	7.30%	8.15%
Family Dollar	7.25%	7.50%	8.00%	8.40%
FedEx	6.00%	6.35%	7.00%	7.35%
Fresenius	5.70%	6.30%	6.85%	7.50%
McDonald's (GL)	4.00%	4.20%	4.75%	5.00%
O'Reilly Auto Parts	5.40%	6.00%	6.25%	6.85%
Rite Aid	NA	7.15%	8.00%	8.75%
Starbucks	5.10%	5.60%	6.00%	6.50%
Walgreens	5.50%	5.90%	6.90%	7.55%

FOR MORE INFORMATION

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