

NATIONAL ASKING CAP RATES

Sector	Q3 2021 (Previous)	Q4 2021 (Current)	Basis Point Change
Retail	5.80%	5.88%	+8
Office	6.80%	6.80%	0
Industrial	6.70%	6.77%	+7

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q3 2021 (Previous)	Q4 2021 (Current)	Percentage Change
Retail	3,550	3,897	9.77%
Office	525	613	16.76%
Industrial	370	414	11.89%

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

Sector	Q3 2021 (Previous)	Q4 2021 (Current)	Basis Point Change
Retail	16	22	+6
Office	32	30	-2
Industrial	18	20	+2

MARKET OVERVIEW

Cap rates in the single tenant net lease sector rose slightly in the fourth quarter of 2021; following historic low levels reached in the third quarter of 2021. Cap rates for retail and industrial increased slightly to 5.88% and 6.77% respectively. Cap rates for net lease office remained unchanged at 6.80%. A limited supply of net lease properties with attributes that command low cap rates (long term leases, primary market locations, investment grade tenants, etc.) was the main contributing factor for the change in cap rates. Low interest rates and substantial amounts of investment capital chasing stable yields created an active net lease market throughout 2021. Net lease transaction volume in 2021 exceeded \$90 billion, a new record for the net lease sector, according to CoStar.

Property supply in the fourth quarter of 2021 increased by more than 10%. As a result of the low cap rate environment and high demand for net lease properties, net lease owners added lesser quality properties to the market to take advantage of attractive pricing. Many of the assets contributing to the increase in supply are perceived lower quality (shorter term leases, non-investment grade tenants, etc.). In the fourth quarter of 2021, less than 25% of the property supply had leases with more than 15 years remaining on their primary term.

The net lease market for all asset classes is expected to remain active in 2022 following a year of record activity. In a recent national survey conducted by The Boulder Group, the vast majority of active net lease participants expect transaction volume in 2022 to surpass 2021. Furthermore, the largest segment of net lease participants expecting cap rates to remain relatively stable throughout 2022. Investors will carefully monitor the capital markets and the effect on pricing as rate hikes are expected from the Federal Reserve in 2022.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Nov-21	Office	Sierra Health Services	Las Vegas	NV	\$67,000,000	\$328	7.10%	4
Oct-21	Industrial	Fleetwood USA	Corona	CA	\$65,500,000	\$316	3.60%	3
Nov-21	Retail	Whole Foods	Santa Monica	CA	\$54,158,500	\$1,863	3.44%	16
Nov-21	Industrial	HanesBrands	Kings Mountain	NC	\$33,210,948	\$71	4.80%	8
Oct-21	Retail	Tesla	Fife	WA	\$28,500,000	\$445	5.75%	10
Nov-21	Industrial	Memory Experts International	Santa Ana	CA	\$13,522,100	\$333	4.05%	5
Nov-21	Industrial	OakCraft Elegant Cabinetry	Peoria	AZ	\$12,300,000	\$111	6.50%	15
Nov-21	Retail	Albertsons	Henderson	NV	\$11,700,000	\$175	4.70%	14
Nov-21	Retail	Academy Sports	Knoxville	TN	\$11,100,000	\$146	6.75%	10
Oct-21	Retail	Rite Aid	Menifee	CA	\$9,000,000	\$524	4.72%	15
Nov-21	Retail	TD Bank	Jamaica	NY	\$8,500,000	\$2,209	4.50%	9
Dec-21	Retail	7-Eleven	Denver	CO	\$8,479,034	\$1,794	4.35%	19
Nov-21	Retail	7-Eleven	Montgomery	TX	\$8,410,000	\$2,057	4.25%	14
Dec-21	Retail	Walgreens	Cottage Grove	OR	\$7,665,000	\$517	5.25%	12
Oct-21	Retail	Carvana	Warrensville Heights	OH	\$6,739,000	\$802	7.30%	17
Nov-21	Retail	Crunch Fitness	Melbourne	FL	\$6,067,000	\$311	6.50%	14
Oct-21	Retail	Raising Cane's	Tucson	AZ	\$5,964,000	\$1,649	4.14%	14
Oct-21	Retail	Chick-Fil-A	Norridge	IL	\$5,350,000	\$1,066	4.30%	14
Nov-21	Retail	Wendy's	Ontario	CA	\$5,000,000	\$1,674	3.75%	15

NET LEASE CAP RATE TRENDS

RETAIL OFFICE INDUSTRIAL



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2021	2011-2016	2005-2010	Pre 2005
7-Eleven	4.25%	5.00%	5.30%	5.70%
Advance Auto Parts	5.85%	6.05%	7.00%	7.55%
AutoZone	4.85%	5.20%	5.65%	6.70%
Bank of America	4.80%	5.05%	6.25%	6.55%
Chase Bank	4.20%	4.45%	5.00%	5.75%
CVS Pharmacy	4.65%	5.00%	6.25%	6.80%
DaVita Dialysis Center	5.25%	6.10%	6.65%	7.25%
Dollar General	5.40%	6.00%	6.75%	7.30%
Family Dollar	6.60%	7.00%	7.30%	8.00%
FedEx	5.15%	5.70%	6.45%	7.00%
Fresenius	5.35%	5.95%	6.80%	7.40%
McDonald's (GL)	3.50%	3.85%	4.25%	4.55%
O'Reilly Auto Parts	5.00%	5.70%	6.00%	6.47%
Rite Aid	NA	7.20%	8.00%	8.30%
Starbucks	4.95%	5.45%	5.85%	6.25%
Walgreens	5.05%	5.30%	6.60%	7.25%

FOR MORE INFORMATION

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