

NATIONAL ASKING CAP RATES

Sector	Q2 2021 (Previous)	Q3 2021 (Current)	Basis Point Change
Retail	6.02%	5.80%	-22
Office	6.95%	6.80%	-15
Industrial	6.89%	6.70%	-19

**NUMBER OF PROPERTIES
ON THE MARKET**

Sector	Q2 2021 (Previous)	Q3 2021 (Current)	Percentage Change
Retail	3,221	3,550	10.21%
Office	442	525	18.78%
Industrial	418	370	-11.48%

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

Sector	Q2 2021 (Previous)	Q3 2021 (Current)	Basis Point Change
Retail	16	16	0
Office	27	32	+5
Industrial	19	18	-1

MARKET OVERVIEW

Cap rates in the single tenant net lease sector reached a new historic low for all three asset classes in the third quarter of 2021. Cap rates for retail, office and industrial fell to 5.80%, 6.80% and 6.70% respectively. Significant investor demand combined with limited supply of quality net lease assets remains the primary driver of continued cap rate compression in the sector. Furthermore, during the first half of the third quarter, the 10 Year Treasury yield decreased to its lowest levels since the first quarter of 2021.

As pricing within the net lease sector remains at all-time highs; owners are taking advantage and adding properties to the market. Property supply increased by approximately 9% in the third quarter, driven by an increase in retail and office properties. Property supply in the industrial sector decreased by more than 11% in the third quarter. With the significant demand for industrial assets, many transactions are occurring prior to a public marketing process.

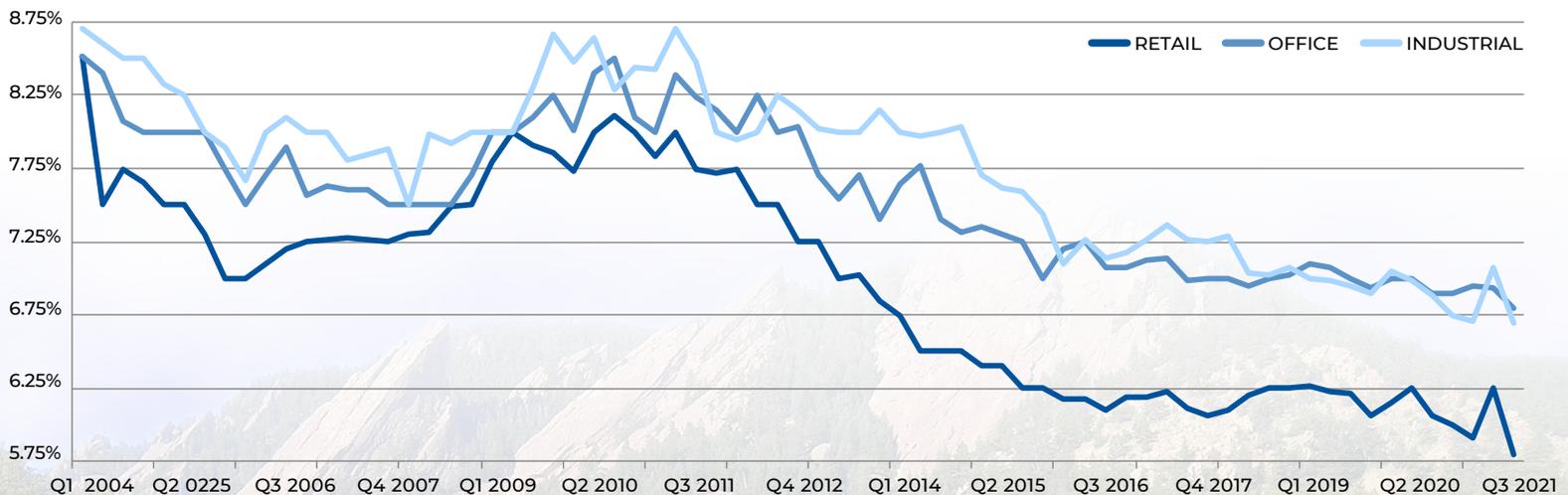
In the third quarter of 2021, less than 25% of the retail property supply had more than 15 years of lease term remaining which is below the historical average. High quality tenants with long term leases experienced the biggest decline in cap rates. Investment grade rated tenants including 7-Eleven, AutoZone and Fresenius experienced the greatest amount of cap rate compression for new construction properties. 1031 exchange and private investors primarily seek assets with long term leases and creditworthy tenants. The limited supply of long term leased assets created competition amongst all buyer profiles resulting in the cap rate compression experienced in the third quarter.

Transaction activity in the net lease sector is expected to remain active throughout 2021 and continue through 2022. However, the demand for this asset class will be met by supply pipeline issues. The majority of new construction properties are concentrated in dollar stores and quick service restaurants. For the past two quarters investors were carefully monitoring potential tax changes related to the American Families Plan. In mid-September the House Ways and Means Committee released its tax proposal which did not include Section 1031 exchange elimination or modification. Market participants will continue to monitor the situation as any legislative changes could impact the overall net lease market.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Aug-21	Industrial	VF Outdoor	Visalia	CA	\$93,500,000	\$114	4.25%	5
Aug-21	Retail	Home Depot	Glendale	CA	\$61,750,000	\$553	4.46%	8
Jul-21	Retail	Amazon Fresh	Los Angeles	CA	\$35,000,000	\$1,188	4.20%	15
Aug-21	Office	Asurion	Antioch	TN	\$27,850,000	\$229	7.68%	7
Aug-21	Industrial	Borgers	Norwalk	OH	\$24,750,000	\$75	6.00%	20
Aug-21	Industrial	Xerox	Monroe	OH	\$23,300,000	\$58	6.70%	6
Jul-21	Industrial	Amazon	Tucson	AZ	\$18,000,000	\$364	5.06%	7
Sep-21	Retail	CVS (Ground Lease)	Miami	FL	\$16,000,000	\$1,067	4.69%	22
Aug-21	Industrial	Trane	Midlothian	VA	\$14,000,000	\$169	5.30%	7
Sep-21	Retail	Tesla	Chicago	IL	\$13,100,000	\$413	6.00%	8
Jul-21	Retail	Tractor Supply Company	Oakland	FL	\$10,000,000	\$532	5.00%	15
Jul-21	Retail	La-Z-Boy	Knoxville	TN	\$8,422,000	\$330	7.00%	10
Aug-21	Retail	Walgreens	Chicago	IL	\$7,724,000	\$504	6.15%	8
Aug-21	Retail	QuickChek	Stanhope	NJ	\$6,275,000	\$980	4.90%	19
Jul-21	Retail	7-Eleven	Eugene	OR	\$6,270,000	\$1,693	4.78%	15
Aug-21	Retail	Caliber Collision	Lakeland	FL	\$6,209,000	\$367	5.60%	15
Aug-21	Retail	PNC Bank	Chicago	IL	\$6,200,000	\$3,100	5.41%	14
Sep-21	Retail	Caliber Collision	Colorado Springs	CO	\$5,655,000	\$219	5.72%	10
Sep-21	Retail	QuikTrip	Tempe	AZ	\$5,623,000	\$1,000	4.14%	15
Sep-21	Retail	Quick Run	Orlando	FL	\$5,225,000	\$1,418	6.50%	20

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2021	2011-2016	2005-2010	Pre 2005
7-Eleven	4.40%	5.00%	5.35%	5.65%
Advance Auto Parts	5.85%	6.00%	6.80%	7.50%
AutoZone	4.90%	5.20%	5.70%	6.75%
Bank of America	4.85%	5.00%	5.90%	6.60%
Chase Bank	4.25%	4.50%	4.90%	5.75%
CVS Pharmacy	4.80%	5.10%	6.00%	6.75%
DaVita Dialysis Center	5.35%	6.00%	6.50%	7.25%
Dollar General	5.55%	6.10%	6.85%	7.30%
Family Dollar	6.70%	7.15%	7.50%	8.15%
FedEx	5.15%	5.70%	6.45%	7.00%
Fresenius	5.40%	6.00%	6.85%	7.35%
McDonald's (GL)	3.60%	3.85%	4.35%	4.65%
O'Reilly Auto Parts	5.00%	5.65%	5.90%	6.50%
Rite Aid	NA	7.15%	7.85%	8.25%
Starbucks	4.95%	5.35%	5.70%	6.15%
Walgreens	5.10%	5.40%	6.55%	7.35%

FOR MORE INFORMATION

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