

**AUTO PARTS STORE PROPERTIES
MEDIAN ASKING CAP RATES**

Tenant	Q4 2018 (Previous)	Q4 2019 (Current)	Basis Point Change
Advance Auto Parts	6.75%	6.95%	+20
AutoZone	5.47%	5.70%	+23
O'Reilly Auto Parts	5.80%	5.85%	+5

**AUTO PARTS STORE PROPERTIES
MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per Foot
Advance Auto Parts	\$1,352,000	\$203
AutoZone	\$1,658,000	\$248
O'Reilly Auto Parts	\$1,602,000	\$240

**PERCENTAGE OF AUTO PARTS STORES
ON THE MARKET BY TENANT**

Tenant	Percentage of Market
Advance Auto Parts	56%
AutoZone	19%
O'Reilly Auto Parts	25%

**AUTO PARTS STORE PROPERTIES VS.
RETAIL NET LEASE MARKET**

Tenant	Q4 2018 (Previous)	Q4 2019 (Current)
Auto Parts	6.26%	6.44%
Market	6.25%	6.07%
Spread (bps)	-1	+37

MARKET OVERVIEW

Cap rates for the single tenant net leased auto parts store sector increased by 18 basis points from the fourth quarter of 2018 to the fourth quarter of 2019 to 6.44%. The auto parts sector, for the purpose of this report, is defined as Advance Auto Parts, AutoZone and O'Reilly Auto Parts as they account for the highest percentage of single tenant transactions of properties occupied by auto parts retailers. The primary reason contributing to the increase in cap rates was an increase in supply of vintage properties with shorter lease term remaining. In the fourth quarter of 2019, the median remaining lease term for the sector decreased to 7 years, down from 9 years one year earlier.

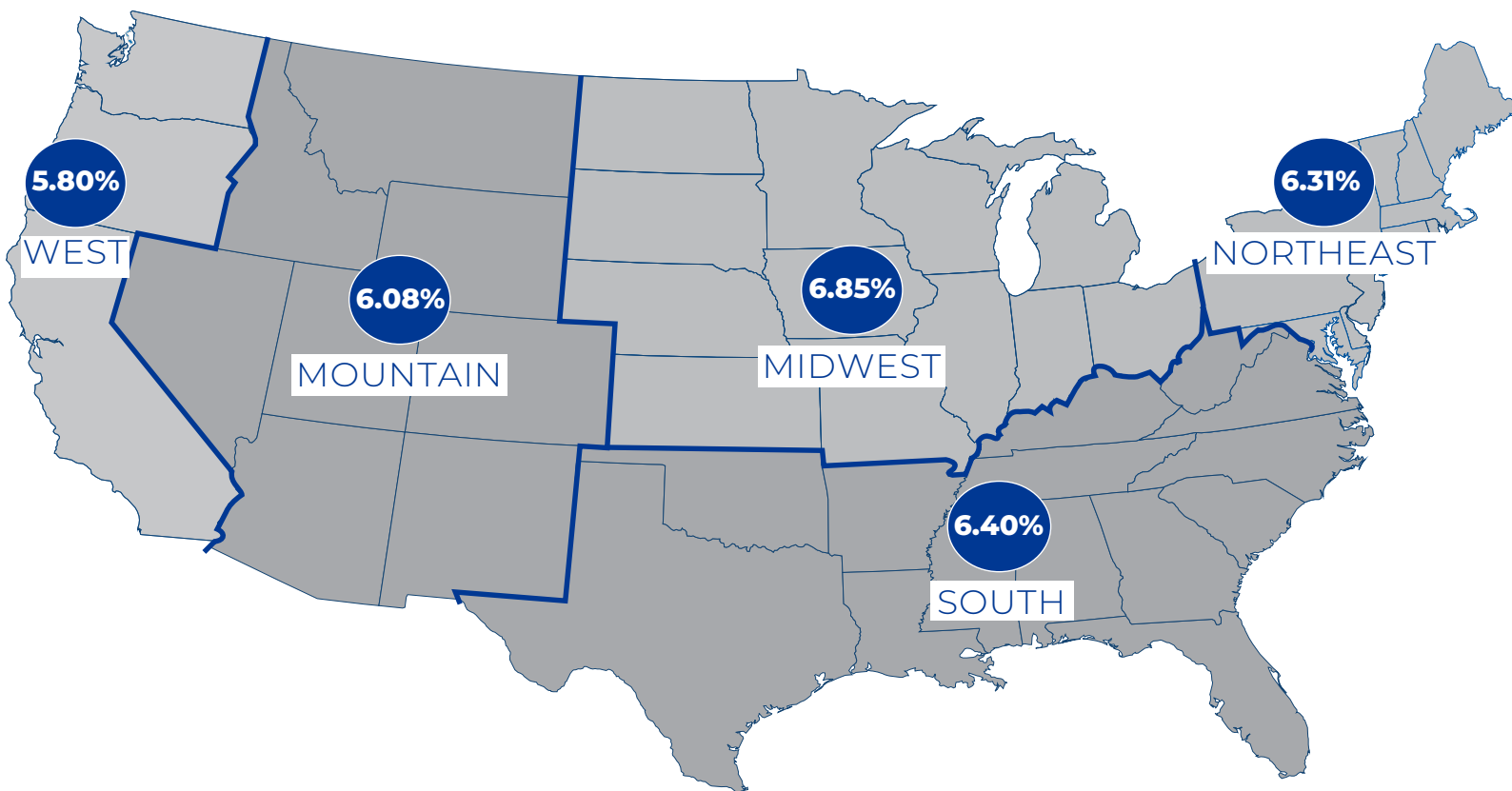
The majority of the sector is comprised of Advance Auto Parts properties (56%), which have cap rates significantly higher than its competitors. In the fourth quarter of 2019, properties tenanted by Advance Auto Parts, had cap rates of 6.95% - an increase of 20 basis points when compared to 2018. Advance Auto Parts were priced at more than a 100 basis point discount to AutoZone and O'Reilly Auto Parts properties. This was primarily due to a slightly lower credit rating associated with Advance Auto Parts and a greater supply of shorter term leases in the market.

As the current vehicle fleet in the United States continues to age, investors are seeking properties occupied by auto parts retailers. According to IHS Markit, the typical age of a vehicle on the road is approximately 12 years old. This represents an all-time high and has increased an average of 4% over the last five years. The aging car fleet drives auto part demand from consumers, garages and service stations.

In 2019, transaction volume in the net lease auto parts retail sector increased by approximately 6% over 2018. The low absolute price point of properties within the net lease auto parts store sector make these investments attractive to investors. Outside of dollar stores, there is a limited supply of net leased properties available under \$2 million leased to investment grade rated tenants.

Transaction volume in the auto parts sector should remain similar to 2019 as investors continue to seek properties with investment grade tenants at lower price points. However, there will be increased competition amongst new construction assets as the average remaining lease term for the sector continues to dwindle. Auto parts store properties with shorter lease terms located in areas with strong real estate fundamentals also remain in high demand among buyers seeking higher yields.

AUTO PARTS STORES MEDIAN ASKING CAP RATES



MEDIAN ASKING CAP RATES BY LEASE TERM REMAINING

Years Remaining	Advance Auto Parts	AutoZone	O'Reilly Auto Parts
Under 5	7.92%	7.40%	7.00%
6-9 Years	7.19%	6.56%	6.55%
10-14 Years	6.50%	5.87%	6.12%
15-17 Years	6.00%	5.50%	5.80%
18-20 Years	N/A	5.37%	5.40%



THE NET LEASE AUTO PARTS REPORT

SELECTED SINGLE TENANT AUTO PARTS STORES SALE COMPARABLES

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaning
Nov-19	Advance Auto Parts	Richmond	VA	\$2,180,000	\$322	6.10%	10
Oct-19	Advance Auto Parts	Groton	CT	\$2,020,000	\$289	6.93%	6
Oct-19	Advance Auto Parts	Taneytown	MD	\$1,650,000	\$242	7.64%	6
Oct-19	Advance Auto Parts	Hardeeville	SC	\$1,367,444	\$198	6.30%	12
Dec-19	Advance Auto Parts	Greenwood	MS	\$1,340,000	\$192	8.67%	2
Nov-19	Advance Auto Parts	Martinez	GA	\$1,217,296	\$151	8.54%	5
Oct-19	Advance Auto Parts	North Versailles	PA	\$936,900	\$142	8.02%	3
Dec-19	AutoZone (GL)	Flagstaff	AZ	\$3,333,333	\$452	5.10%	15
Oct-19	AutoZone	Chicago	IL	\$2,407,935	\$352	6.20%	9
Nov-19	AutoZone	Rincon	GA	\$2,235,000	\$303	5.64%	12
Jan-20	AutoZone	Rome	GA	\$2,100,000	\$285	5.70%	9
Dec-19	O'Reilly Auto Parts	Crestwood	KY	\$1,850,000	\$260	5.77%	19
Nov-19	O'Reilly Auto Parts	Paragould	AR	\$1,655,677	\$175	5.75%	15
Nov-19	O'Reilly Auto Parts	Orem	UT	\$1,923,740	\$200	5.61%	10
Oct-19	O'Reilly Auto Parts	Oakland	TN	\$1,675,000	\$246	5.62%	18



AUTO PARTS STORES COMPANY COMPARISONS

	Advance Auto Parts	AutoZone	O'Reilly Auto Parts
Credit Rating:	BBB- (Stable)	BBB (Stable)	BBB+ (Stable)
Market Cap:	\$9.2 billion	\$25 billion	\$31.2 billion
Revenue:	\$9.6 billion	\$11.9 billion	\$9.54 billion
Number of Stores:	5,200	6000+	5,219
Typical Lease Term:	15 year primary term with fifteen years of options	15 year primary term with twenty years of options	20 year primary term with twenty years of options



FOR MORE INFORMATION

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