

NATIONAL ASKING CAP RATES

Sector	Q4 2020 (Previous)	Q1 2021 (Current)	Basis Point Change
Retail	6.00%	5.91%	-9
Office	6.90%	6.95%	+5
Industrial	6.75%	6.71%	-4

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q4 2020 (Previous)	Q1 2021 (Current)	Percentage Change
Retail	3,087	3,353	+8.63%
Office	403	453	+12.55%
Industrial	363	393	+8.15%

MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Sector	Q4 2020 (Previous)	Q1 2021 (Current)	Basis Point Change
Retail	20	18	-2
Office	32	23	-9
Industrial	21	23	+2

MARKET OVERVIEW

Cap rates in the single tenant net lease sector reached historic lows for the retail and industrial sectors in the first quarter of 2021. Single tenant retail cap rates compressed by 9 basis points to 5.91%, while industrial compressed by 4 basis points to 6.71%. Office cap rates increased by 5 basis points to 6.95% due to general concerns regarding office utilization following the pandemic. Cap rate compression for retail and industrial assets can be best attributed to investor demand for secure cash flow streams. Following record transaction volume in 2019, 2020 experienced a significant decline in transaction volume of approximately 11% which was largely caused by the pandemic.

Despite a 9% percent increase in property supply in the first quarter of 2021, there remains a lack of high-quality assets with long term leases in the net lease market. Accordingly, owners of lower quality assets brought properties to the market in attempt to take advantage of the compressed cap rate environment. The limited supply of high quality assets, created increased competition amongst investors. The competition maintains a low cap rate environment despite the recent uptick in the 10 year treasury yield.

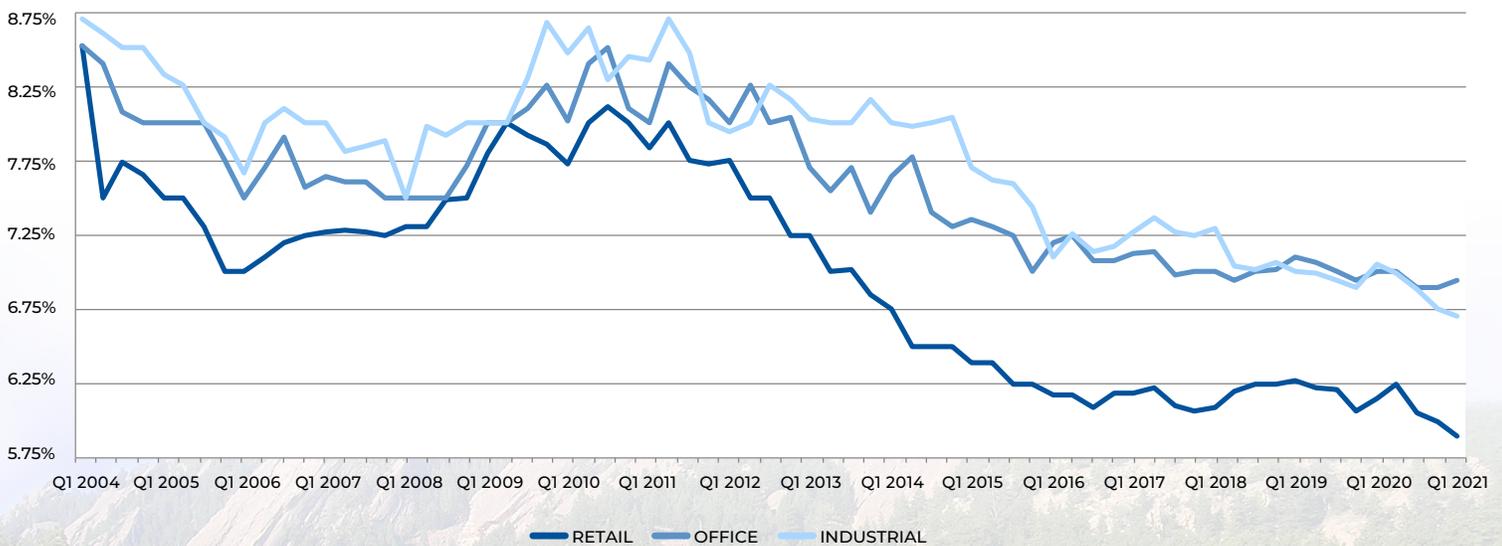
As the effects of Covid-19 continues to surround the net lease landscape, many passive investors shifted their focus to essential business related tenants. Accordingly, viable tenants represent some of the lowest cap rates in the sector. In the first quarter of 2021, 7-Eleven, CVS and McDonald's cap rates were 4.90%, 5.00% and 4.00% respectively for assets that were recently constructed.

Transaction volume in the net lease sector should remain active, especially as optimism increases following the economy's recovery from Covid-19. Certain segments (fitness, second tier casual dining, etc.) should become more investable at pre-pandemic pricing again. 1031 and private capital investors will continue to seek assets with long term leases, strong tenants and top metro locations, causing cap rates for these assets to remain low. Investors will be carefully monitoring the economy as it looks to recover from the pandemic combined with the impact of multiple rounds of stimulus.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Jan-21	Office	Huntsman Headquarters	The Woodlands	TX	\$107,000,000	\$478	7.01%	9
Jan-21	Industrial	Owens-Illinois, Inc.	Fairfield	CA	\$73,500,000	\$121	4.75%	3
Feb-21	Industrial	FedEx	South Windsor	CT	\$50,000,000	\$164	5.62%	10
Jan-21	Retail	Kohl's	Pleasant Hill	CA	\$36,700,000	\$363	7.73%	10
Jan-21	Industrial	Blue Buffalo	Bellevue	NE	\$24,400,000	\$66	6.00%	4
Feb-21	Retail	Whole Foods	Milwaukee	WI	\$23,500,000	\$436	5.50%	10
Jan-21	Retail	Wawa	Doral	FL	\$10,800,000	\$1,765	4.59%	19
Jan-21	Retail	Academy Sports	Jacksonville	FL	\$9,800,000	\$126	7.76%	8
Feb-21	Retail	Sprouts	Pearland	TX	\$9,617,000	\$343	5.82%	15
Jan-21	Retail	Kum & Go	Aurora	CO	\$8,258,000	\$1,457	5.39%	20
Feb-21	Retail	Grocery Outlet	Desert Hot Springs	CA	\$7,635,000	\$382	5.25%	15
Feb-21	Retail	Walgreens	Tucson	AZ	\$7,567,000	\$485	5.95%	10
Jan-21	Retail	Sportsman's Warehouse	Ankeny	IA	\$7,534,247	\$158	7.30%	6
Feb-21	Retail	Bob's Discount Furniture	Glendale	AZ	\$7,090,000	\$229	7.00%	10
Jan-21	Retail	Wendy's	Jamaica	NY	\$6,500,000	\$2,708	5.38%	20
Mar-21	Retail	Walgreens	Kingston	PA	\$6,400,000	\$449	6.44%	7
Feb-21	Retail	Natural Grocers	Denton	TX	\$6,250,000	\$291	6.30%	7
Mar-21	Retail	Rite Aid	Kingston	WA	\$6,168,000	\$357	7.10%	9
Mar-21	Retail	Caliber Collision	Acworth	GA	\$5,560,000	\$369	6.00%	15

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2021	2011-2016	2005-2010	Pre 2005
7-Eleven	4.90%	5.10%	5.75%	6.00%
Advance Auto Parts	5.95%	6.40%	7.00%	7.75%
AutoZone	5.25%	5.55%	6.00%	6.90%
Bank of America	5.00%	5.25%	6.00%	6.80%
Chase Bank	4.50%	4.70%	5.10%	5.85%
CVS Pharmacy	5.00%	5.50%	6.60%	7.10%
DaVita Dialysis Center	5.65%	6.40%	6.90%	7.60%
Dollar General	6.15%	6.75%	7.25%	8.00%
Family Dollar	7.00%	7.40%	7.85%	8.50%
FedEx	5.90%	6.30%	6.90%	7.25%
Fresenius	5.60%	6.30%	6.80%	7.50%
McDonald's (GL)	4.00%	4.20%	4.70%	5.00%
O'Reilly Auto Parts	5.35%	5.95%	6.15%	6.80%
Rite Aid	NA	7.15%	8.00%	8.75%
Starbucks	5.10%	5.50%	5.90%	6.40%
Walgreens	5.35%	5.85%	7.00%	7.40%

FOR MORE INFORMATION

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