

**DRUG STORE PROPERTIES  
MEDIAN ASKING CAP RATES**

Tenant	Q3 2019 (Previous)	Q3 2020 (Current)	Basis Point Change
Walgreens	6.06%	6.25%	+19
CVS	5.60%	5.50%	-10
Rite Aid	7.65%	7.80%	+15

*Note: Above numbers include properties with all lease lengths*

**DRUG STORE PROPERTIES  
ON THE MARKET**

Tenant	Q3 2019 (Previous)	Q3 2020 (Current)	Percentage Change
Walgreens	175	155	-11.4%
CVS	112	90	-19.6%
Rite Aid	67	71	+6.0%

**DRUG STORE PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per SF
Walgreens	\$6,250,000	\$435
CVS	\$5,150,000	\$405
Rite Aid	\$4,150,000	\$280



**MARKET OVERVIEW**

Cap rates for the single tenant drug store sector increased by 17 basis points in the third quarter of 2020 to 6.39% when compared to last year. Cap rates for Rite Aid and Walgreens properties experienced cap rate increases of 19 and 15 basis points respectively. However, single tenant CVS properties experienced a 10 basis point decrease. Throughout 2020, net lease investors focused on essential retailers and accordingly the drug store sector experienced a significant increase in transaction volume. Transaction volume for single tenant drug stores increased by more than 30% in 2020 when compared to the prior year. The main factor for the increase in cap rates for the drug store sector was a shorter average remaining lease term which dropped to 10 years in the third quarter.

As Covid-19 continues to impact the greater real estate sector, net lease investors increased their interest level in single tenant drug stores. Throughout the pandemic the three main drug store tenants, CVS, Rite Aid and Walgreens did not ask for any rent relief or concessions. These tenants remained open due to their essential status and continued to pay rent on time. Despite the increased demand for single tenant drug stores, this sector provided a degree of value for its investors. In the third quarter of 2020, the net lease drug store sector was priced at a 33 basis point discount to the over net lease retail sector. This was primarily attributed to the aging supply of drug store properties with a shorter lease term.

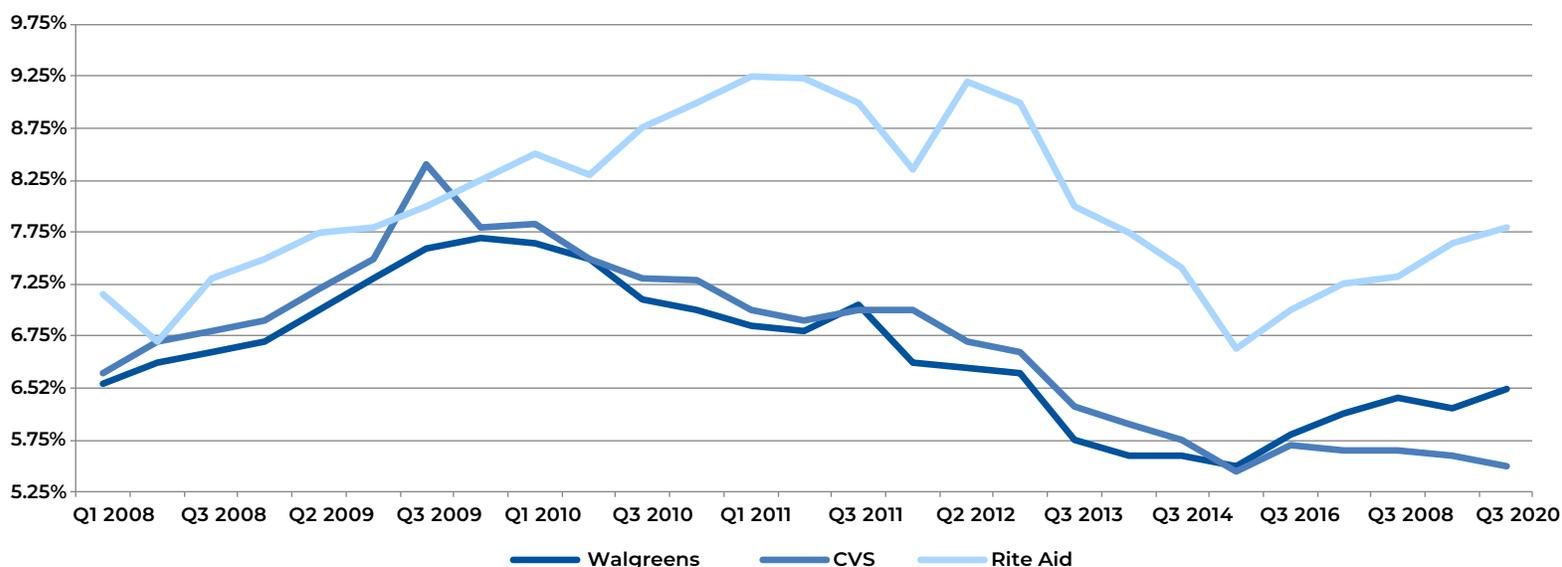
The significant demand for drug store assets combined with the increased number of transactions has depleted the sector of quality assets. When compared to 2019, the overall supply of single tenant drug store properties decreased by approximately 10%. Furthermore, the supply of long term leased properties has decreased as well. In 2019, leases with more than 15 years remaining on their primary term made up approximately 25% of the market. In 2020, this segment has decreased to approximately 15% of the market.

Transaction velocity for the remainder of 2020 should continue to favor essential retailers with drug stores being a beneficiary of the increased demand. Private and 1031 exchange investors will continue to be the primary acquirers of single tenant drug stores as they seek the stable cash flows this asset class offers. With the current uncertainty throughout net lease sector, the majority of investors are focused on net lease drug stores with longer term leases and primary market locations.

**MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING**

Term Remaining	Walgreens	CVS	Rite Aid
20+ Years	5.50%	5.10%	NA
15-19 Years	5.75%	5.45%	7.10%
10-14 Years	6.15%	5.85%	7.50%
6-9 Years	6.90%	6.75%	8.00%
5 Years & Under	7.60%	7.15%	9.00%

**CAP RATE DRUG STORE TRENDS**



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

Tenant	Closed	Ask	Spread (bps)
Walgreens	6.51%	6.25%	26
CVS	5.65%	5.50%	15
Rite Aid	8.25%	7.80%	45

**DRUG STORE VS RETAIL NET LEASE MARKET CAP RATE**

Sector	Q3 2019 (Previous)	Q3 2020 (Current)
Drug Store	6.22%	6.39%
Market	6.21%	6.06%
Differential (bps)	+1	+33

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Jul-20	CVS	Ridgewood	NY	\$17,000,000	\$1,461	5.05%	17
Jul-20	CVS	Bakersfield	CA	\$9,180,000	\$662	6.54%	16
Sep-20	CVS	Margate	FL	\$7,000,000	\$555	6.39%	4
Jul-20	Walgreens	Dubuque	IA	\$6,960,000	\$480	6.26%	13
Aug-20	Walgreens	Waxhaw	NC	\$6,615,000	\$487	6.00%	15
Aug-20	Walgreens	Surprise	AZ	\$6,300,000	\$445	6.51%	14
Jul-20	Walgreens	Sacramento	CA	\$6,286,000	\$424	5.24%	12
Oct-20	Walgreens	Greenville	SC	\$6,200,000	\$470	6.61%	8
Aug-20	Rite Aid	Sylvania	OH	\$6,000,000	\$565	7.30%	10
Aug-20	Walgreens	Allentown	PA	\$5,750,000	\$435	6.27%	14
Aug-20	CVS	Cumming	GA	\$5,700,000	\$401	5.60%	12
Aug-20	CVS	Fort Myers	FL	\$5,260,000	\$402	6.52%	5
Oct-20	Walgreens	Grenada	MS	\$5,016,000	\$345	6.72%	13
Oct-20	Walgreens	Irmo	SC	\$4,950,000	\$337	6.22%	11
Aug-20	Rite Aid	Desert Hot Springs	CA	\$4,800,000	\$429	6.40%	10
Sep-20	Walgreens	Portage	WI	\$4,360,000	\$299	6.40%	8
Jul-20	CVS	Beaumont	TX	\$4,150,000	\$339	5.20%	18
Sep-20	Walgreens	Indianapolis	IN	\$4,000,000	\$265	7.13%	10
Aug-20	CVS	Paducah	KY	\$4,000,000	\$395	5.58%	19
Jul-20	CVS	Pleasant Grove	AL	\$3,905,000	\$395	6.30%	13
Aug-20	Walgreens	Las Vegas	NV	\$3,833,000	\$300	7.10%	5



**COMPANY AND LEASE OVERVIEW**

	<b>Walgreens</b>	<b>CVS</b>	<b>Rite Aid</b>
Credit Rating:	BBB	BBB	CCC+
Market Cap:	\$32 billion	\$79 billion	\$537 million
Revenue:	\$140 billion	\$263 billion	\$23 billion
Number of Stores:	9,021	9,900	2,400
Typical Lease Term:	20 year primary term with fifty years of options	25 year primary term with six 5-year options	20 year primary term with six 5-year options
Typical rent Increases:	None	None in primary 10% increases in option periods	Increases of 10% every 10 years



**FOR MORE INFORMATION**

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