



Q4-2021 NET LEASE CAP RATE REPORT

REAL-TIME, MARKET DATA SUMMARY

QUARTER SUMMARY

As we enter the fourth quarter of 2021, the limited market supply and significant increase in investor demand has remained the primary factor in the illustrated cap rate compression. Almost every asset type in the net lease sector saw a decrease in cap rates, which was fueled by the limited availability of quality supply on the market. The current market environment is highly favorable to sellers as multiple asset types are seeing record high prices. This compression of cap rates is not expected to decrease anytime soon, especially among stable asset classes such as Industrial and Retail.

Industrial assets continue to draw high demand due to the limited supply of strong credit tenants with longer lease terms. Distribution assets continue to price at a premium in the industrial sector, with the average cap rates for Q4 being +/- 5.68%, a negative 82 basis point spread from the previous quarter. The e-commerce

industry continues to fuel the demand for distribution assets as companies continue to look for ways to reduce shipping times and offer virtual buying options.

The largest cap rate spreads in the retail sector were Convenience Stores (-29 bps), Auto Parts (-28 bps), and Dollar Stores (-28 bps). QSR's remain attractive in the market with average cap rates dipping below the 5.00% threshold in Q4. Investors and 1031 exchangers typically seek longer term leases with credit tenants in the retail sector. The lack of credit retail tenants with over 10 years of term is driving cap rates to record lows.

Looking forward, we expect demand to increase, especially for retail and industrial assets, as we enter the holiday season. The 10-Year Treasury Rate and the future of 1031 exchanges will also be on investors' minds as we enter the end of the year and look into 2022.

| SECTOR | NUMBER ON MARKET | AVERAGE CAP Q3 2021 | AVERAGE CAP Q4 2021 | BPS |
|----------------------------|------------------|---------------------|---------------------|-----|
| RETAIL | | | | |
| Convenience Store | 241 | 5.50% | 5.21% | -29 |
| Auto Parts | 82 | 6.23% | 5.95% | -28 |
| Grocery | 44 | 5.89% | 5.88% | -1 |
| Casual Dining / Restaurant | 270 | 6.02% | 5.85% | -17 |
| QSR | 477 | 5.21% | 4.99% | -22 |
| Bank | 151 | 5.72% | 5.66% | -6 |
| Pharmacy | 379 | 5.57% | 5.92% | 35 |
| Dollar Store | 331 | 6.52% | 6.24% | -28 |
| INDUSTRIAL | | | | |
| Distribution | 32 | 6.50% | 5.68% | -82 |
| Manufacturing | 26 | 6.58% | 6.69% | 11 |
| Warehouse | 19 | 6.81% | 6.48% | -33 |
| SPECIALTY | | | | |
| Dialysis | 61 | 6.27% | 5.97% | -30 |
| Car Wash | 40 | 6.22% | 5.99% | -23 |
| Early Learning | 80 | 6.73% | 6.61% | -12 |

CONVENIENCE STORE

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-----------|-------------|----------|-------------|-------------|--------------|
| 7-Eleven | 87 | 4.71% | 11.08 Years | \$5,395,965 | 4.44% |
| Circle K | 20 | 5.63% | 11.10 Years | \$2,735,631 | 5.30% |
| Shell Oil | 20 | 5.98% | 14.80 Years | \$2,944,298 | 6.19% |
| Wawa | 12 | 4.44% | 18.16 Years | \$6,218,095 | 4.44% |

AUTO PARTS

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|---------------------|-------------|----------|-------------|-------------|--------------|
| Advance Auto Parts | 37 | 6.89% | 5.35 Years | \$1,649,951 | 5.42% |
| AutoZone | 22 | 4.45% | 13.13 Years | \$1,742,956 | 4.11% |
| FleetPride | 14 | 7.51% | 10.14 Years | \$1,631,100 | 7.50% |
| Jiffy Lube | 26 | 5.98% | 8.85 Years | \$1,642,058 | 5.37% |
| O'Reilly Auto Parts | 19 | 5.58% | 9.84 Years | \$1,907,967 | 5.12% |
| Pep Boys Auto | 1 | 7.25% | 3.00 Years | \$1,046,400 | N/A |

GROCERY STORE

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-------------|-------------|----------|-------------|--------------|--------------|
| Albertson's | 3 | 6.40% | 13.66 Years | \$14,238,421 | 5.38% |
| ALDI | 1 | 4.65% | 8.50 Years | \$4,395,000 | N/A |
| Kroger | 2 | 5.86% | 5.00 Years | \$2,529,080 | N/A |

CASUAL DINING

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|------------|-------------|----------|-------------|-------------|--------------|
| Applebee's | 24 | 6.84% | 9.25 Years | \$3,132,201 | 6.59% |
| Denny's | 3 | 6.11% | 10.00 Years | \$2,079,108 | 5.25% |

QSR (QUICK SERVICE RESTAURANT)

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|------------------------|-------------|----------|-------------|-------------|--------------|
| Arby's | 22 | 5.31% | 10.15 Years | \$2,295,768 | 4.97% |
| Bojangles' | 7 | 6.10% | 8.74 Years | \$2,831,029 | 6.00% |
| Burger King | 41 | 5.31% | 15.99 Years | \$2,241,367 | 5.03% |
| Chick Fil-A | 12 | 3.54% | 16.99 Years | \$5,475,610 | 3.54% |
| Chipotle Mexican Grill | 25 | 4.38% | 11.62 Years | \$3,102,480 | 4.05% |
| Dairy Queen | 4 | 6.55% | 12.97 Years | \$1,089,575 | 6.32% |
| Domino's Pizza | 5 | 6.24% | 7.52 Years | \$846,819 | 5.70% |
| Dutch Bros. Coffee | 18 | 4.17% | 14.54 Years | \$2,420,368 | 4.17% |
| Hardee's | 9 | 5.84% | 9.20 Years | \$1,646,960 | 5.01% |
| KFC | 20 | 5.33% | 15.90 Years | \$1,743,390 | 5.29% |
| McDonald's | 13 | 3.54% | 9.37 Years | \$2,824,150 | 3.50% |
| Panera Bread | 14 | 4.85% | 11.06 Years | \$3,795,425 | 4.86% |
| Pizza Hut | 14 | 5.57% | 13.76 Years | \$1,111,317 | 5.60% |
| Popeyes | 17 | 4.89% | 17.65 Years | \$2,629,456 | 4.87% |
| Starbucks | 45 | 4.69% | 9.01 Years | \$2,908,780 | 4.27% |
| Taco Bell | 23 | 4.88% | 15.61 Years | \$2,027,448 | 4.75% |
| Wendy's | 38 | 4.93% | 15.69 Years | \$2,923,906 | 4.94% |

BANK

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-----------------|-------------|----------|-------------|-------------|--------------|
| Bank of America | 17 | 4.83% | 8.64 Years | \$4,915,305 | 4.14% |
| Chase Bank | 20 | 4.67% | 11.54 Years | \$3,740,145 | 4.33% |
| PNC Bank | 5 | 6.30% | 8.12 Years | \$5,202,519 | 4.25% |

BANK (CONTINUED)

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-------------|-------------|----------|-------------|-------------|--------------|
| TD Bank | 4 | 4.27% | 10.63 Years | \$7,245,000 | 4.14% |
| Wells Fargo | 9 | 5.08% | 5.58 Years | \$5,021,800 | N/A |

BIG BOX

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|---------------------------|-------------|----------|-------------|--------------|--------------|
| Academy Sports + Outdoors | 1 | 6.75% | 10.30 Years | \$11,213,000 | 6.75% |
| At Home | 4 | 7.17% | 6.18 Years | \$8,952,206 | N/A |
| Best Buy | 4 | 7.81% | 3.88 Years | \$6,617,688 | N/A |
| Goodwill Industries | 8 | 6.20% | 6.46 Years | \$3,333,313 | 5.30% |
| Harbor Freight Tools | 5 | 6.36% | 10.60 Years | \$2,318,600 | 6.10% |
| Hobby Lobby | 2 | 6.15% | 9.00 Years | \$6,945,000 | 5.50% |
| Tractor Supply Co. | 23 | 4.74% | 10.48 Years | \$5,021,417 | 4.56% |
| Walmart | 4 | 5.08% | 9.25 Years | \$11,755,750 | 5.25% |

PHARMACY

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|--------------|-------------|----------|-------------|-------------|--------------|
| CVS Pharmacy | 126 | 5.43% | 13.77 Years | \$6,347,250 | 5.17% |
| Rite Aid | 64 | 7.07% | 6.23 Years | \$4,269,822 | 5.61% |
| Walgreens | 177 | 5.87% | 8.60 Years | \$6,492,944 | 5.27% |

DOLLAR STORE

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|---|-------------|----------|-------------|-------------|--------------|
| Dollar General | 240 | 6.21% | 10.09 Years | \$1,642,671 | 5.41% |
| Dollar Tree | 19 | 7.26% | 4.82 Years | \$1,915,173 | 5.50% |
| Family Dollar | 64 | 6.78% | 6.27 Years | \$1,414,777 | 5.95% |
| Family Dollar & Dollar Tree Combo Store | 4 | 6.31% | 9.95 Years | \$1,780,489 | 6.25% |

EARLY LEARNING

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-------------------------|-------------|----------|-------------|-------------|--------------|
| The Learning Experience | 21 | 6.81% | 14.74 Years | \$4,758,015 | 6.81% |
| KinderCare | 8 | 6.28% | 7.55 Years | \$3,350,816 | 5.88% |
| Kid City USA | 7 | 6.82% | 13.40 Years | \$1,332,050 | 6.71% |
| Guidepost Montessori | 9 | 6.43% | 17.96 Years | \$6,250,354 | 6.52% |

INDUSTRIAL; DISTRIBUTION

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|----------------|-------------|----------|------------|--------------|--------------|
| Amazon | 1 | 4.85% | 4.70 Years | \$19,800,000 | N/A |
| FedEx | 6 | 5.38% | 5.62 Years | \$9,621,657 | N/A |
| Flowers Foods | 3 | 6.57% | 7.17 Years | \$1,822,819 | N/A |
| United Rentals | 3 | 7.77% | 3.00 Years | \$1,947,165 | N/A |

DIALYSIS

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-----------------|-------------|----------|------------|-------------|--------------|
| DaVita Dialysis | 27 | 6.09% | 8.34 Years | \$3,201,843 | 5.50% |
| Fresenius | 26 | 5.97% | 9.56 Years | \$3,518,806 | 5.29% |

URGENT CARE

| TENANT | # ON MARKET | AVG. CAP | AVG. TERM | AVG. PRICE | 10+ YEAR CAP |
|-----------------------------|-------------|----------|-------------|-------------|--------------|
| Concentra Urgent Care | 2 | 6.32% | 9.15 Years | \$1,900,000 | 5.75% |
| Xpress Wellness Urgent Care | 3 | 6.67% | 12.13 Years | \$1,966,841 | 6.67% |
| Fast Pace Urgent Care | 4 | 5.75% | 14.60 Years | \$2,176,049 | 5.75% |
| MedExpress Urgent Care | 1 | 6.44% | 1.40 Years | \$875,000 | 6.44% |

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ABOUT B+E

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