

AUTO PROPERTIES MEDIAN ASKING CAP RATE COMPARISON

Sector	Q4 2020 (Previous)	Q4 2021 (Current)	Basis Point Change
Auto Sector	5.89%	5.40%	-49

NET LEASE AUTO VS NET LEASE MARKET CAP RATE

Sector	Q4 2020 (Previous)	Q4 2021 (Current)
Net Lease Auto	5.89%	5.40%
Net Lease Market (Retail)	6.00%	5.88%
Differential (bps)	-11	-48

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q4 2020 (Previous)	Q4 2021 (Current)	Basis Point Change
Auto Parts	5.90%	5.53%	-37
Auto Service	5.78%	5.35%	-43
Collision	6.00%	5.85%	-15

PERCENTAGE OF AUTO PROPERTIES ON MARKET BY PROPERTY TYPE

Sector	Percentage of Market
Auto Parts	49%
Auto Service	37%
Collision	14%

MARKET OVERVIEW

Cap rates for the single tenant net leased auto sector decreased by 49 basis points from the fourth quarter of 2020 to the fourth quarter of 2021 to 5.40%. The auto sector, for the purpose of this report, consists of various auto related tenants in the parts, service and collision sectors. The primary reason contributing to the decrease in cap rates was caused by overall market conditions in the net lease sector with increased demand. Over the course of 2021, the net lease retail sector experienced cap rate compression resulting in a 12 basis point decline.

Supply in the net lease auto sector primarily consists of auto parts retailers (49%). Development and tenant expansion in this category lagged historical standards which lead to an average remaining lease term of less than 9 years for the auto parts sub-sector. Both the auto service and collision sub-sectors had average remaining lease term in excess of 12 years in the fourth quarter of 2021. The auto service sub-sector represents the lowest cap rates in the net lease auto sector.

The supply chain constraints and chip shortages increased the length of car ownership, benefiting the auto parts and auto service sectors. The current vehicle fleet in the United States continues to age, providing investors with further confidence in the auto parts and auto service sectors. According to IHS Markit, the typical age of a vehicle on the road is more than 12 years old – representing an all-time high.

Transaction volume in the auto sector should remain similar to 2021 as investors continue to seek properties with strong tenants in the price range this sector provides. Competition for new construction properties with long term leases will remain, especially amongst 1031 investors. The net lease auto sector will garner investor interest ranging from private investors to institutional/REIT investors.

Examples of tenants in the auto related sectors include but are not limited the following:

Parts – Advance Auto Parts, AutoZone, NAPA, O'Reilly Auto Parts, Pep Boys

Service – Christian Brothers, Firestone, Goodyear, Jiffy Lube, Mavis, NTB, Take 5, Valvoline

Collision – Caliber Collision, Gerber Collision & Glass, Maaco, Service King

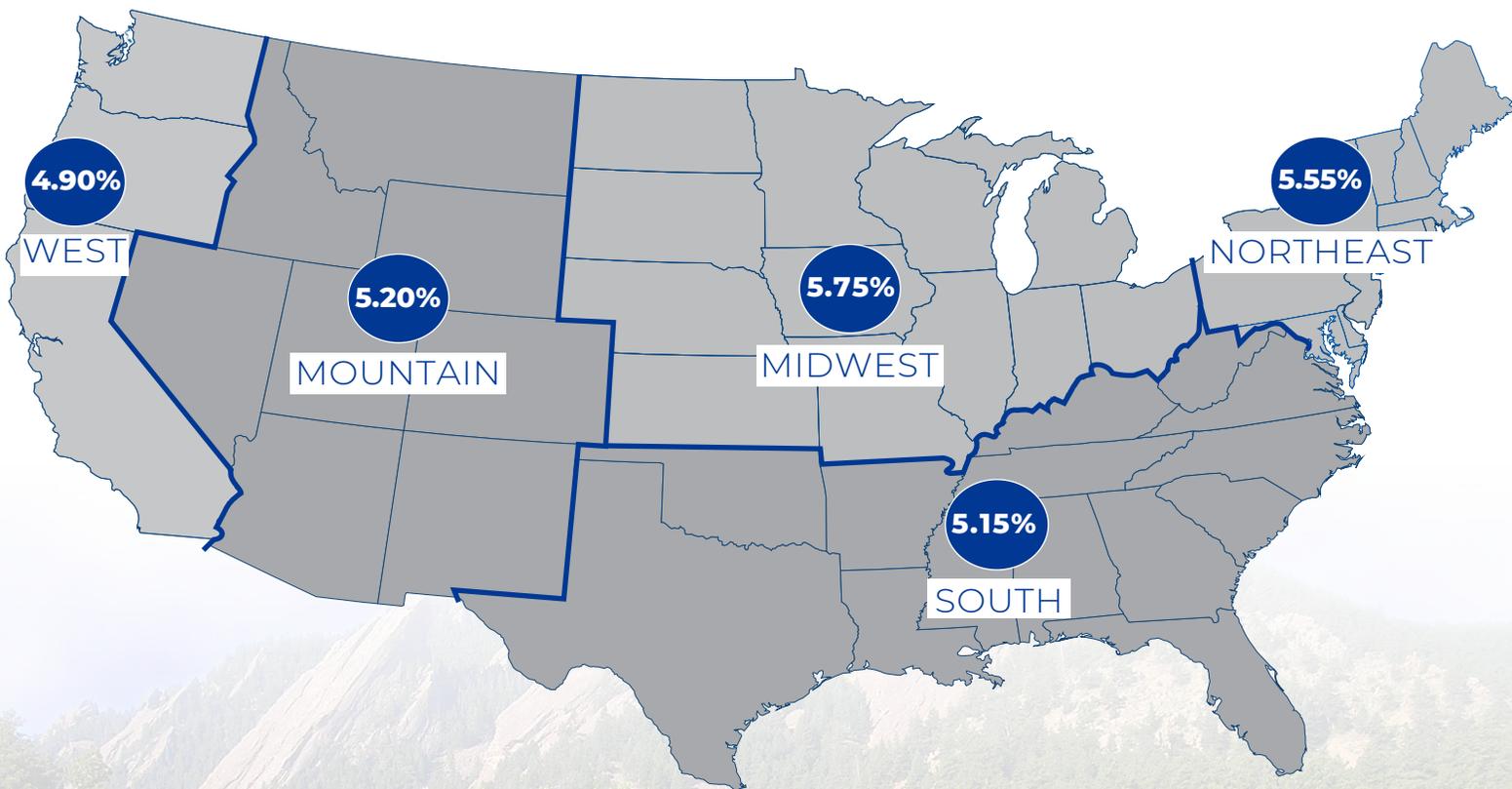
AUTO PARTS STORE PROPERTIES MEDIAN ASKING CAP RATES

Tenant	Q4 2020 (Previous)	Q4 2021 (Current)	Basis Point Change
Advance Auto Parts	6.50%	6.00%	-50
AutoZone	5.25%	4.85%	-40
Bridgestone/Firestone	5.00%	4.65%	-35
Caliber Collision	6.00%	5.75%	-25
Jiffy Lube	5.75%	5.25%	-50
National Tire & Battery	5.50%	5.50%	0
O'Reilly Auto Parts	5.95%	5.00%	-95
Take 5	5.88%	5.25%	-63
Service King	6.00%	5.90%	-10
Valvoline	6.05%	5.25%	-80

MEDIAN ASKING CAP RATES BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
16-20	4.80%	4.75%	5.25%
11-15	5.10%	5.00%	5.75%
6-10	5.85%	5.50%	6.05%
5 & Under	6.70%	6.40%	6.80%

MEDIAN ASKING CAP RATE BY REGION



SELECTED NET LEASE AUTO SALE COMPARABLES

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaining
Jan-22	Caliber Collision	Hernando	MS	\$3,737,500	\$254	6.00%	14
Jan-22	Valvoline	Riverside	CA	\$3,200,000	\$1,676	5.78%	3
Dec-21	AutoZone	Miramar	FL	\$3,067,000	\$256	3.75%	19
Dec-21	Caliber Collision	Rochester	MN	\$2,924,804	\$248	5.53%	14
Jan-22	Gerber Collision & Glass	Lynnwood	WA	\$2,200,000	\$264	5.40%	3
Jan-22	Advance Auto Parts	Leesburg	FL	\$2,191,000	\$323	5.75%	9
Dec-21	Take 5 Oil Change	Snellville	GA	\$2,182,000	\$436	5.50%	13
Dec-21	Just Brakes	Leesburg	FL	\$2,020,000	\$345	6.25%	8
Dec-21	Jiffy Lube	Redding	CA	\$2,000,000	\$1,033	6.00%	9
Dec-21	Valvoline	Kansas City	MO	\$1,724,000	\$885	5.05%	13
Dec-21	Safelite	Melbourne	FL	\$1,600,000	\$432	5.69%	3
Dec-21	Take 5 Oil Change	Columbus	OH	\$1,042,000	\$526	5.00%	14
Feb-22	Firestone	Shreveport	LA	\$942,860	\$110	7.00%	2
Jan-22	O'Reilly Auto Parts	Dallas	TX	\$825,000	\$114	4.75%	8

FOR MORE INFORMATION

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