

NATIONAL ASKING CAP RATES

Sector	Q4 2021 (Previous)	Q1 2022 (Current)	Basis Point Change
Retail	5.88%	5.75%	-13
Office	6.80%	6.70%	-10
Industrial	6.77%	6.60%	-17

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q4 2021 (Previous)	Q1 2022 (Current)	Percentage Change
Retail	3,897	3,605	-7.49%
Office	613	633	3.26%
Industrial	414	435	5.07%

MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD

Sector	Q4 2021 (Previous)	Q1 2022 (Current)	Basis Point Change
Retail	22	20	-2
Office	30	25	-5
Industrial	20	13	-7

MARKET OVERVIEW

Cap rates in the single tenant net lease sector reached historic lows for all three asset classes in the first quarter of 2022. Single tenant cap rates compressed by 13, 10, and 17 basis points for the retail, office and industrial categories respectively. Cap rate compression continues to be derived from the significant demand for net lease properties across all investor classes. Following record transaction volume in 2021, net lease sales velocity continued in the first quarter of 2022. Transaction volume in the first quarter of 2022 exceeded the first quarter of 2021 by more than 10% for the net lease sector.

Despite the record transaction volume in 2021, the overall net lease property supply declined by more than 5% in the first quarter of 2022. Supply chain issues and delayed expansion plans for retailers related to Covid-19 limited new construction supply. Only 15% of net lease retail properties on the market were constructed in 2021 or 2022. Accordingly, new construction properties with credit tenants including AutoZone, CVS and Dollar General experienced greater compression. Cap rates for these tenants compressed by 20, 15 and 10 basis points respectively, in the first quarter. Competition amongst investors for high quality net lease product can be evidenced by the bid-ask spread in the first quarter of 2022. The spread between asking and closed cap rates compressed by 2, 5 and 7 basis points respectively for retail, office and industrial sectors.

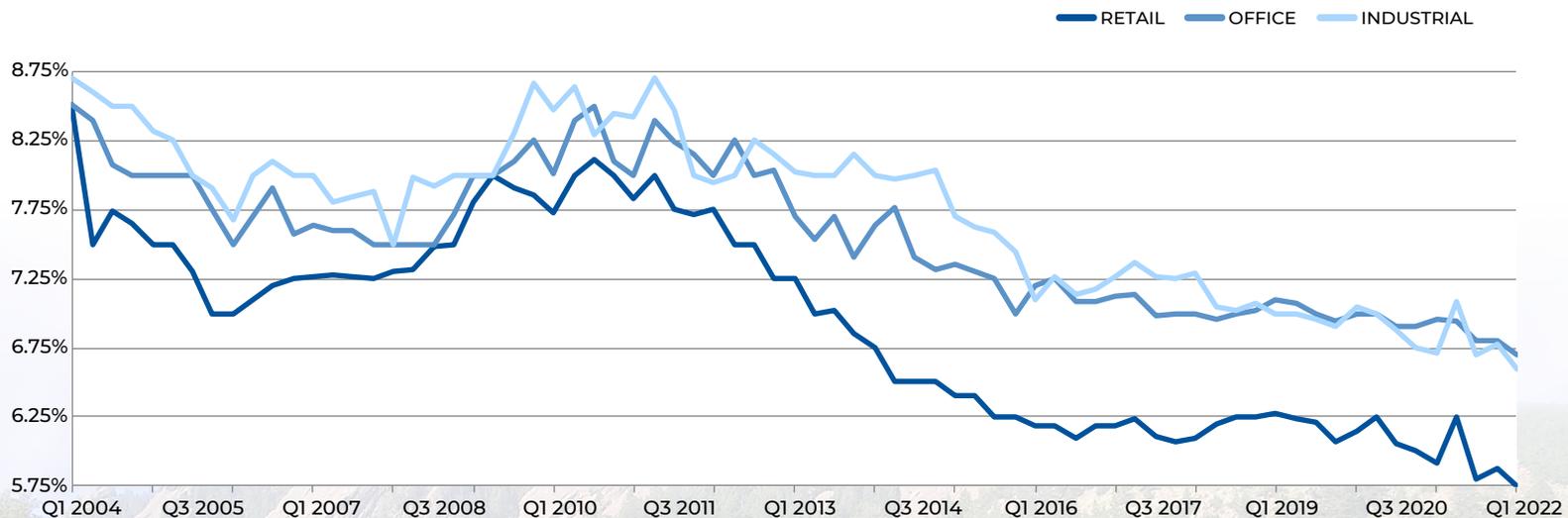
Towards the end of the first quarter, interest rates and inflation posed concerns to investors. The 10 Year Treasury Yield in the third quarter experienced a significant rise of 70 basis points and inflation has run to record levels. Accordingly, net lease investors are targeting properties with fixed rental escalations during the term of their leases. Investor demand for properties with limited or no rental escalations were impacted in the first quarter of 2022.

Transaction activity in the net lease sector will remain active through 2022. Property supply will be a constraint for transaction volume as current demand for net lease assets outpaces supply. Net lease investors will be carefully monitoring the capital markets following the uptick in the 10 Year Treasury towards the end of the quarter. Cap rates will face upward pressure as the Fed has forecast multiple rate hikes in 2022.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Jan-22	Industrial	Unis	Pooler	GA	\$105,000,000	\$88	4.60%	10
Jan-22	Industrial	Spartan College of Aeronautics and Technology	Inglewood	CA	\$32,000,000	\$341	4.70%	7
Jan-22	Office	Bankwell Financial	New Canaan	CT	\$13,500,000	\$466	6.33%	9
Feb-22	Retail	Sprouts Farmers Market	Tulsa	OK	\$11,430,000	\$458	5.80%	6
Mar-22	Retail	7-Eleven	Los Angeles	CA	\$11,300,000	\$4,484	3.72%	20
Feb-22	Office	Community Health Center	Clermont	FL	\$11,250,000	\$450	5.29%	10
Mar-22	Retail	Walgreens	Covington	GA	\$10,110,000	\$682	5.00%	16
Feb-22	Retail	Dick's Sporting Goods	El Paso	TX	\$9,950,000	\$193	7.15%	5
Feb-22	Retail	Chick-Fil-A	Carson	CA	\$9,900,000	\$1,995	3.40%	19
Mar-22	Retail	Cooper's Hawk	Sarasota	FL	\$7,980,000	\$665	5.20%	15
Feb-22	Industrial	Con-Trol	Grovetown	GA	\$7,800,000	\$111	6.21%	9
Feb-22	Retail	TD Bank	Coconut Creek	FL	\$7,500,000	\$1,894	3.85%	8
Feb-22	Retail	Harbor Freight	Pleasant Hill	CA	\$7,215,240	\$423	5.05%	10
Jan-22	Retail	Office Depot	Eden Prarie	MN	\$7,000,000	\$224	6.50%	2
Jan-22	Retail	Wawa	Cherry Hill	NJ	\$7,000,000	\$1,253	4.50%	18
Jan-22	Retail	Red Lobster	Fort Smith	AR	\$6,700,000	\$850	6.15%	17
Feb-22	Retail	Curaleaf	Miami	FL	\$5,333,000	\$1,444	6.00%	10
Jan-22	Retail	Crunch Fitness	Topeka	KS	\$5,235,000	\$133	7.51%	7

NET LEASE CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Tenant	2017-2021	2011-2016	2005-2010	Pre 2005
7-Eleven	4.25%	4.90%	5.25%	5.50%
Advance Auto Parts	5.65%	5.85%	6.65%	7.40%
AutoZone	4.65%	5.20%	5.50%	6.50%
Bank of America	4.75%	5.00%	6.00%	6.35%
Chase Bank	4.10%	4.35%	4.80%	5.65%
CVS Pharmacy	4.50%	4.90%	6.10%	6.70%
DaVita Dialysis Center	5.25%	6.00%	6.65%	7.00%
Dollar General	5.30%	5.85%	6.25%	6.85%
Family Dollar	6.25%	6.50%	7.00%	7.75%
FedEx	5.15%	5.60%	6.30%	6.85%
Fresenius	5.25%	5.80%	6.50%	7.25%
McDonald's (GL)	3.40%	3.85%	4.15%	4.50%
O'Reilly Auto Parts	5.00%	5.60%	6.00%	6.40%
Rite Aid	NA	7.00%	7.75%	8.00%
Starbucks	4.85%	5.25%	5.70%	6.15%
Walgreens	4.90%	5.00%	6.25%	6.75%

FOR MORE INFORMATION

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