

### NATIONAL ASKING CAP RATES

Sector	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
Retail	6.27%	6.35%	+8
Office	7.41%	7.55%	+14
Industrial	6.96%	7.00%	+4
Overall	6.51%	6.58%	+7

### NUMBER OF PROPERTIES ON THE MARKET

Sector	Q3 2023 (Previous)	Q4 2023 (Current)	Percentage Change
Retail	2,753	3,103	12.7%
Office	527	565	7.2%
Industrial	382	417	9.2%
Overall	3,662	4,085	11.6%

### MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
Retail	30	31	+1
Office	55	67	+12
Industrial	25	32	+7

***“Cap rates in the single tenant net lease sector increased for the seventh consecutive quarter”***

### Market Overview

Cap rates in the single tenant net lease sector increased for the seventh consecutive quarter within all three sectors in the fourth quarter of 2023 to 6.58%. Single tenant cap rates increased to 6.35% (+8 bps) for retail, 7.55% (+14 bps) for office, and 7.00% (+4 bps) for industrial in the fourth quarter. Cap rates continued to rise in the fourth quarter as asset pricing has not caught up to the massive increase in borrowing costs over the past year. Furthermore, there is a lack of 1031 buyers causing property supply to increase.

Considerable discord between buyers and sellers in the net lease market exists. The disparity in the spread between the median asking and closed cap rate increased across all asset types from the previous quarter. This was especially apparent in the office sector, as the cap rate spread increased by 12 bps during the fourth quarter to 67 bps. Accordingly, the number of properties on the market in the fourth quarter grew by 11.6% overall and 12.7% for the retail sector when compared to the third quarter.

Subsectors within the net lease retail category that best illustrate the increased supply trend are the drug store and dollar store sectors. Both sectors are hindered by bloating supply and tenant issues at the corporate level leading to greater increases in cap rates than the overall retail sector. In the fourth quarter of 2023, Walgreens, was downgraded from investment grade to “junk” bond status by Moody’s. In the dollar store sector, the Family Dollar banner has weighed on Dollar Tree causing the company to review the Family Dollar portfolio. In the fourth quarter, cap rates for Family Dollar and Walgreens increased by 25 and 15 basis points respectively.

The Federal Reserve’s recent indication of interest rate cuts in 2024 will be welcomed by net lease developers and sellers. However, the markets will be carefully monitoring the upcoming Federal Reserve meetings in January and March to provide further insight and clarity on what kind of outlook should be expected later 2024. The expectation is that a stabilized or decreasing rate environment will increase dealmaking in 2024, however not to the peak levels experienced in prior years.

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Dec-23	Office	Southern Technical College	Fort Myers	FL	\$59,000,000	\$139	9.95%	3
Nov-23	Industrial	Dorman Products	Colmar	PA	\$30,700,000	\$90	7.24%	5
Nov-23	Retail	Tesla	Atlanta	GA	\$13,850,000	\$498	6.47%	10
Oct-23	Retail	EOS Fitness	Lutz	FL	\$13,600,000	\$321	6.99%	15
Oct-23	Industrial	Pamlico Air	Lake Wales	FL	\$12,353,000	\$63	7.94%	8
Nov-23	Retail	Guidepost Montessori	Saint Augustine	FL	\$8,065,000	\$634	7.50%	20
Nov-23	Industrial	Raloid Corporation	Reistertown	MD	\$7,300,000	\$91	8.47%	3
Nov-23	Retail	Everbrook Academy	Parker	CO	\$7,200,000	\$559	6.27%	20
Nov-23	Retail	7-Eleven	Myrtle Beach	SC	\$6,886,000	\$1,413	5.15%	15
Nov-23	Retail	Wawa (GL)	Hamilton	NJ	\$6,700,000	\$1,340	5.40%	20
Oct-23	Retail	Chick-Fil-A (GL)	Phoenix	AZ	\$6,100,000	--	4.18%	20
Nov-23	Medical	UF Health	Gainesville	FL	\$5,550,000	\$436	6.23%	15
Oct-23	Retail	Tractor Supply	St. Charles	IL	\$5,448,000	\$285	6.30%	15
Dec-23	Retail	Shake Shake (GL)	Colorado Springs	CO	\$5,343,000	--	5.25%	15
Nov-23	Retail	Raising Cane's (GL)	Santa Maria	CA	\$5,100,000	--	4.60%	15
Nov-23	Retail	Chipotle	Margate	FL	\$4,570,000	\$1,856	4.50%	15
Nov-23	Retail	Caliber Collision	High Point	NC	\$4,535,500	\$229	6.35%	15
Dec-23	Retail	Mach 1 Car Wash	Cartersville	GA	\$4,361,000	\$839	7.50%	20

**NET LEASE CAP RATE TRENDS**





## Net Lease Sectors

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1. Auto Sector
2. Casual Dining
3. Dollar Stores
4. Drug Stores
5. Quick Service Restaurants (QSR)



## 1. Net Lease Auto Sector

### NATIONAL ASKING CAP RATES

	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
<b>Auto Sector</b>	6.23%	6.28%	+5

### MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
<b>Auto Parts</b>	6.20%	6.25%	+5
<b>Auto Service</b>	6.00%	6.04%	+4
<b>Collision</b>	6.35%	6.45%	+10

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
<b>16-20 Years</b>	5.40%	5.38%	6.00%
<b>11-15 Years</b>	5.85%	5.70%	6.25%
<b>6-10 Years</b>	7.00%	6.80%	6.75%
<b>5 Years &amp; Under</b>	7.30%	7.05%	7.65%



## 2. Net Lease Casual Dining Sector

### NATIONAL ASKING CAP RATES

Tenant	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
<b>All Corporate Casual Dining</b>	6.40%	6.50%	+10
<b>Buffalo Wild Wings</b>	7.00%	7.00%	0
<b>Applebee's</b>	6.65%	6.55%	-10
<b>Chili's</b>	5.50%	5.62%	+12
<b>IHOP</b>	7.15%	7.20%	+5
<b>Olive Garden</b>	5.75%	5.75%	0
<b>Outback Steakhouse</b>	6.35%	6.40%	+5
<b>Red Lobster</b>	6.55%	6.75%	+20
<b>Texas Roadhouse (Ground Lease)</b>	5.30%	5.25%	-5

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
<b>16-20 Years</b>	6.00%
<b>11-15 Years</b>	6.20%
<b>6-10 Years</b>	6.85%
<b>5 Years &amp; Under</b>	7.20%



### 3. Net Lease Dollar Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
Dollar General	6.55%	6.65%	+10
Family Dollar	7.30%	7.55%	+25
Dollar Tree	7.15%	7.25%	+10
Dollar Store Sector	6.76%	6.86%	+10



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

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.50%	NA	NA
9-11 Years	6.85%	7.25%	7.00%
6-8 Years	7.50%	7.75%	7.35%
3-5 Years	7.75%	8.30%	7.75%
Under 3 Years	8.50%	8.50%	8.40%

### 4. Net Lease Drug Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
Walgreens	6.40%	6.55%	+15
CVS	6.05%	6.12%	+7
Rite Aid	8.75%	8.80%	+5
Drug Store Sector	6.34%	6.46%	+13



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

Years Remaining	Walgreens	CVS	Rite Aid
20+ Years	N/A	5.25%	N/A
15-19 Years	5.80%	5.50%	N/A
10-14 Years	6.35%	6.05%	8.00%
6-9 Years	7.25%	6.80%	8.65%
Under 5 Years	7.80%	7.65%	9.15%

### 5. Net Lease Quick Service Restaurant (QSR) Sector

#### CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
All Corporate QSR	5.50%	5.59%	+9
Chick-fil-A (Ground Lease)	4.25%	4.25%	0
Chipotle	5.10%	5.15%	+5
McDonald's (Ground Lease)	4.30%	4.35%	+5
Panera Bread	5.60%	5.50%	-10
Raising Cane's	4.90%	4.90%	0
Starbucks	6.15%	6.25%	10

#### FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q3 2023 (Previous)	Q4 2023 (Current)	Basis Point Change
All Franchisee QSR	6.37%	6.50%	+13
Burger King	6.00%	6.05%	+5
Dunkin'	5.55%	5.62%	+7
KFC	6.05%	6.20%	+15
Taco Bell	5.40%	5.45%	+5
Wendy's	5.50%	5.60%	+10

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

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	5.00%	5.60%
15-19 Years	5.15%	5.90%
10-14 Years	5.72%	6.50%
Under 10 Years	6.50%	7.20%



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