

NATIONAL ASKING CAP RATES

Sector	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
Retail	6.35%	6.42%	+7
Office	7.55%	7.60%	+5
Industrial	7.00%	7.02%	+2
Overall	6.58%	6.64%	+6

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q4 2023 (Previous)	Q1 2024 (Current)	Percentage Change
Retail	3,103	3,403	9.7%
Office	565	590	4.4%
Industrial	417	472	13.2%
Overall	4,085	4,465	9.3%

MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
Retail	31	34	+3
Office	67	65	-2
Industrial	32	32	0

“Cap Rates in the single tenant net lease sector increased every quarter for the last two years”

Market Overview

Cap rates in the single tenant net lease sector increased for the eighth consecutive quarter within all three sectors in the first quarter of 2024. Single tenant cap rates increased to 6.42% (+7 bps) for retail, 7.60% (+5 bps) for office and 7.02% (+2 bps) for industrial. Cap rates in the first quarter of 2024 represented the highest levels since 2014 for single tenant retail properties. However, cap rates for single tenant retail and industrial assets remain lower than their 20-year historical average by approximately 40 basis points. Elevated interest rates continue to impact transaction volume which is lower than prior years. Furthermore, a lack of 1031 exchange buyer activity is resulting in an increased supply of net lease properties on the market.

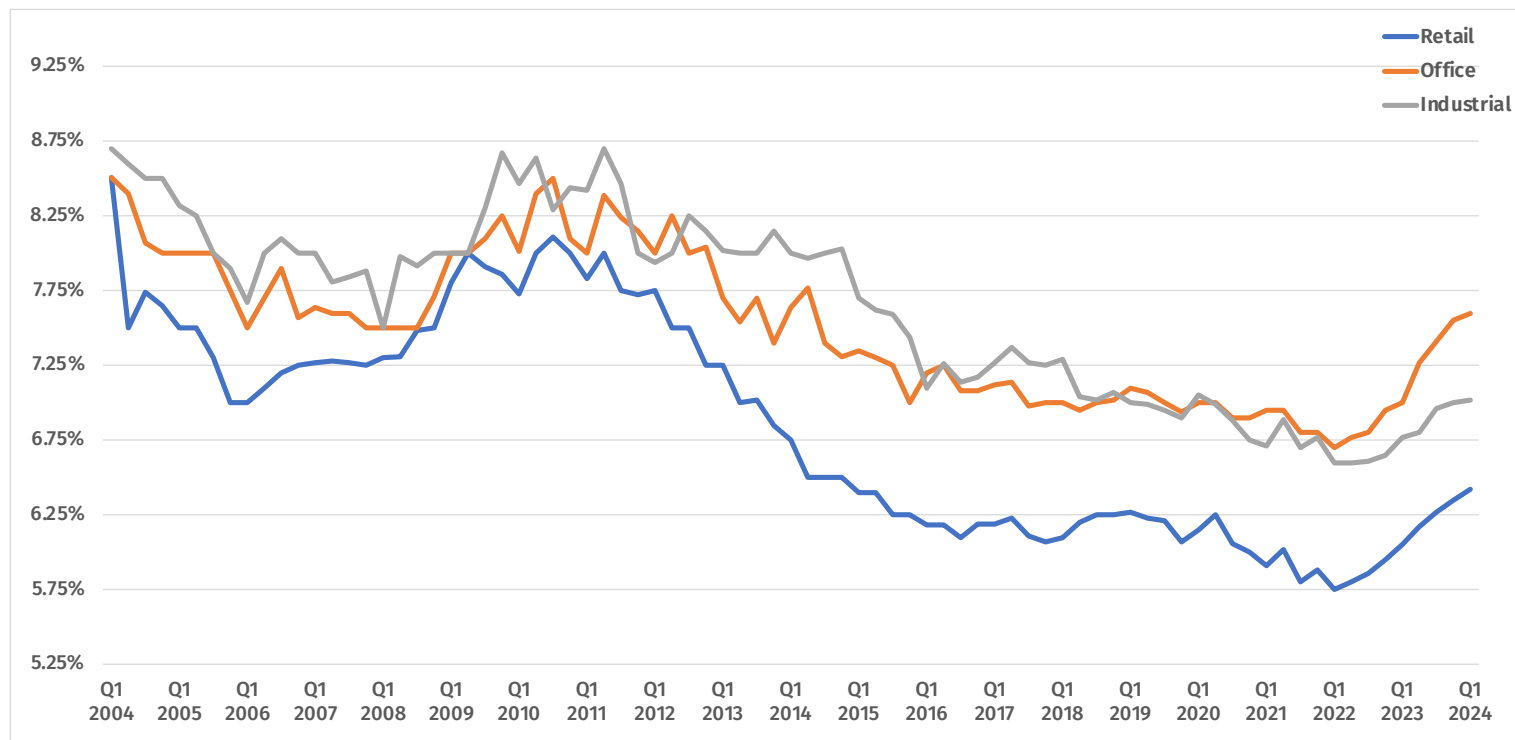
Property supply in the single tenant sector increased by more than 9% when compared to the prior quarter. With limited transactions occurring, properties continue to be added to and stay on the market. Despite the headwinds in the market, certain sellers including merchant builders or owners with upcoming loan maturities look to meet market pricing. Net lease retail properties with the largest supply (dollar stores and drug stores) continue to experience the greatest cap rate expansion. Both of these sectors experienced double digit cap rate expansion in the first quarter of 2024 when compared to the prior quarter.

After multiple Federal Reserve meetings without any interest rate relief, investors will be monitoring upcoming rhetoric from the members of the Federal Reserve. Any cuts to interest rates would be welcomed by net lease owners looking to refinance or sell properties prior to year-end. With stability in the capital markets, the expectation from market participants is for increased transaction volume in the second half of 2024. However, an increase in transaction volume would be relative as transactions are not expected to be anywhere near the amount in prior peak markets including 2020 and 2021.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Jan-24	Industrial	Maxxxis	Whitestown	IN	\$24,522,122	\$69	5.60%	3
Jan-24	Industrial	Amazon	Twinsburg	OH	\$22,900,000	\$92	6.50%	5
Feb-24	Retail	Tesla	Chattanooga	TN	\$12,532,000	\$466	6.20%	12
Feb-24	Retail	CVS	Spencer	MA	\$10,324,000	\$803	4.90%	24
Mar-24	Retail	Best Buy	Mishawaka	IN	\$9,600,000	\$191	8.13%	4
Jan-24	Retail	AtHome	Broomfield	CO	\$9,000,000	\$78	7.99%	7
Jan-24	Office	Amazon Game Studios	San Diego	CA	\$8,000,000	\$302	5.67%	3
Feb-24	Office	Dignity Health	Folsom	CA	\$7,350,000	\$336	7.92%	3
Feb-24	Industrial	Southern Graphic Systems	Cincinnati	OH	\$7,162,814	\$93	7.00%	3
Feb-24	Retail	76 Gas	Chandler	AZ	\$6,000,000	\$1,935	7.33%	20
Jan-24	Retail	7-Eleven	Bakersfield	CA	\$5,841,000	\$1,432	4.40%	9
Jan-24	Retail	Raising Cane's	Minneapolis	MN	\$5,400,000	\$1,942	5.91%	10
Feb-24	Retail	The Learning Experience	Melbourne	FL	\$5,300,000	\$530	6.74%	15
Feb-24	Retail	Chase	Boca Raton	FL	\$5,125,000	\$1,449	4.25%	11
Feb-24	Retail	Caliber Collision	Pocatello	ID	\$5,067,699	\$315	6.65%	14

NET LEASE CAP RATE TRENDS





Net Lease Sectors

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

	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
Auto Sector	6.28%	6.30%	+2

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
Auto Parts	6.25%	6.25%	0
Auto Service	6.04%	6.05%	+1
Collision	6.45%	6.50%	+5

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
16-20 Years	5.40%	5.45%	6.10%
11-15 Years	5.90%	5.70%	6.30%
6-10 Years	7.00%	6.82%	6.75%
5 Years & Under	7.32%	7.10%	7.65%



2. Net Lease Casual Dining Sector

NATIONAL ASKING CAP RATES

Tenant	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
All Corporate Casual Dining	6.50%	6.57%	+7
Buffalo Wild Wings	7.00%	7.10%	+10
Applebee's	6.55%	6.62%	+7
Chili's	5.62%	5.65%	+3
IHOP	7.20%	7.20%	0
Olive Garden	5.75%	5.80%	+5
Outback Steakhouse	6.40%	6.50%	+10
Red Lobster	6.75%	6.85%	+10
Texas Roadhouse (Ground Lease)	5.25%	5.25%	0

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
16-20 Years	6.00%
11-15 Years	6.25%
6-10 Years	6.90%
5 Years & Under	7.25%



3. Net Lease Dollar Store Sector

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Tenant	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
Dollar General	6.65%	6.75%	+10
Family Dollar	7.55%	7.70%	+15
Dollar Tree	7.25%	7.30%	+5
Dollar Store Sector	6.86%	6.99%	+13



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.55%	N/A	N/A
9-11 Years	7.00%	7.40%	7.00%
6-8 Years	7.60%	7.90%	7.45%
3-5 Years	7.90%	8.50%	7.90%
Under 3 Years	8.75%	9.00%	8.50%

4. Net Lease Drug Store Sector

NATIONAL ASKING CAP RATES

Tenant	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
Walgreens	6.55%	6.65%	+10
CVS	6.12%	6.15%	+3
Rite Aid	8.80%	9.00%	+20
Drug Store Sector	6.46%	6.56%	+10



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Walgreens	CVS	Rite Aid
20+ Years	N/A	5.30%	N/A
15-19 Years	6.00%	5.50%	N/A
10-14 Years	6.40%	6.10%	N/A
6-9 Years	7.35%	6.95%	8.80%
Under 5 Years	8.00%	7.75%	9.45%

5. Net Lease Quick Service Restaurant (QSR) Sector

CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
All Corporate QSR	5.59%	5.65%	+6
Chick-fil-A (Ground Lease)	4.25%	4.33%	+8
Chipotle	5.15%	5.20%	+5
McDonald's (Ground Lease)	4.35%	4.35%	0
Panera Bread	5.50%	5.50%	0
Raising Cane's	4.90%	5.00%	+10
Starbucks	6.25%	6.25%	0

FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q4 2023 (Previous)	Q1 2024 (Current)	Basis Point Change
All Franchisee QSR	6.50%	6.55%	+5
Burger King	6.00%	6.10%	+10
Dunkin'	5.55%	5.60%	+5
KFC	6.05%	6.15%	+10
Taco Bell	5.40%	5.40%	0
Wendy's	5.50%	5.50%	+5

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	5.05%	5.70%
15-19 Years	5.20%	6.00%
10-14 Years	5.80%	6.65%
Under 10 Years	6.65%	7.25%



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