

### NATIONAL ASKING CAP RATES

Sector	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
Retail	6.17%	6.27%	+10
Office	7.27%	7.41%	+14
Industrial	6.80%	6.96%	+16
Overall	6.40%	6.51%	+11

### NUMBER OF PROPERTIES ON THE MARKET

Sector	Q2 2023 (Previous)	Q3 2023 (Current)	Percentage Change
Retail	2,479	2,753	11.1%
Office	497	527	6.0%
Industrial	365	382	4.7%
Overall	3,341	3,662	9.6%

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

Sector	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
Retail	37	30	-7
Office	57	55	-2
Industrial	30	25	-5

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

## Market Overview

Cap rates in the single tenant net lease sector increased for the sixth consecutive quarter within all three sectors in the third quarter of 2023 to 6.51%. Single tenant cap rates increased to 6.27% (+10 bps) for retail, 7.41% (+14 bps) for office and 6.96% (+16 bps) for industrial in the third quarter. The consistent rise in interest rates continues to be the primary driver for the upward pressure on cap rates. Over the course of the third quarter, the 10 Year Treasury peaked at 4.68% which is almost 100 bps higher than the lowest level of 3.73% during the same time period.

The persistent rise in interest rates further amplified the pricing dislocation in the net lease market between buyers and sellers. As the gap between buyers and sellers remains consistent, properties are sitting on the market longer. In the third quarter of 2023, the marketing time of net lease properties grew when compared to the prior year by 25% to more than eight months. Furthermore, the supply of net lease product on the market increased by approximately 10%.

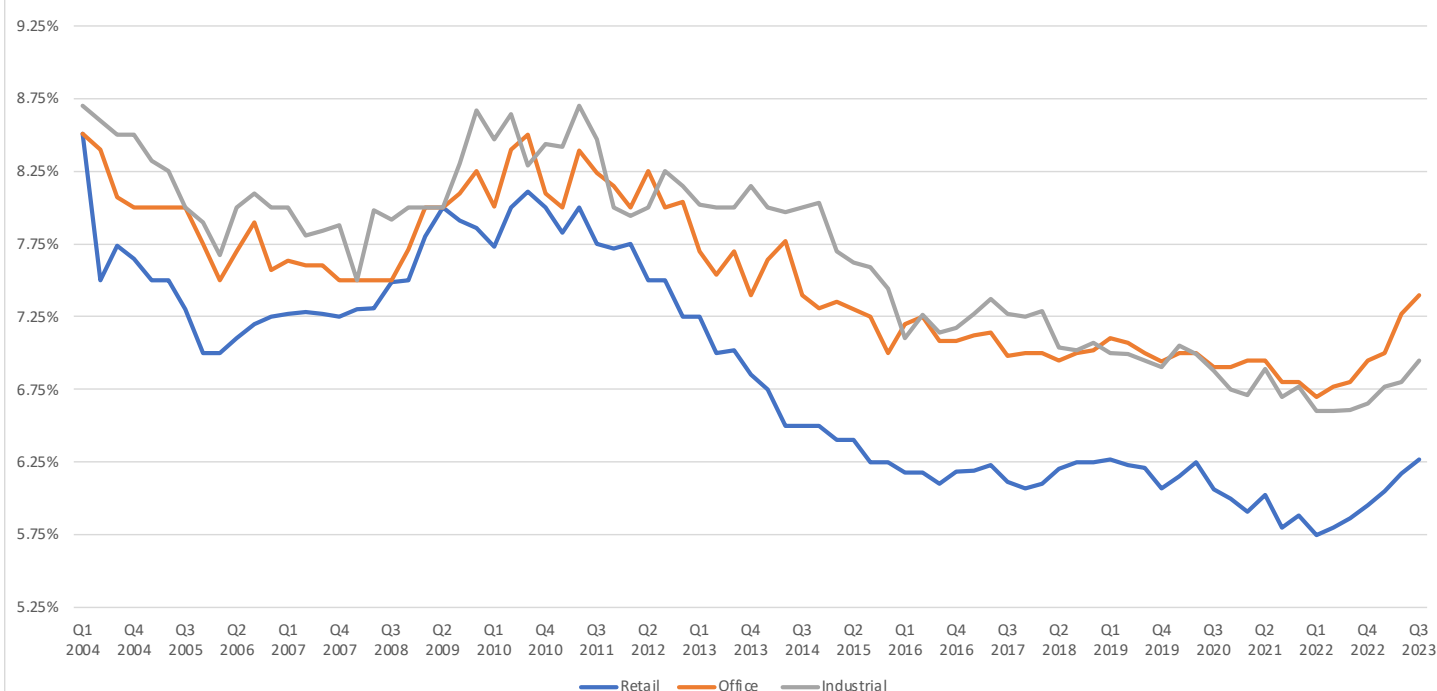
As the supply of net lease properties increased, the buyer pool for net lease properties decreased. Across all commercial real estate asset classes, sale transactions decreased by more than 50% through the first three quarters. Accordingly, the amount of 1031 exchange buyers in the market remains limited. 1031 exchange buyers historically made up a large segment of the buyers of properties below \$10 million. With limited 1031 buyers, sellers turned to institutional and REIT buyers. However, increased cost of capital and limited competition pushed cap rates higher for both REITs and private buyers.

Traditionally, the fourth quarter of the year represents greater transaction volume than other individual quarters as funds are looking to fill yearly allocations. However, with many institutional and REIT buyers achieving their target allocations early, the expectation is for a slower than normal quarter. With interest rates and cost of capital at the forefront of investors' minds, the focus will be on the upcoming Federal Reserve meetings. All cash and 1031 buyers, while limited, will look to take advantage of the increased property supply in order to buy assets at higher cap rates. Ultra-low cap rate assets will be concentrated in properties with “one-of-a-kind” attributes in top markets with long term leases and strong tenants.

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Aug-23	Office	Elevance Health	Richmond	VA	\$66,172,500	\$214	6.50%	12
Aug-23	Industrial	FedEx Freight	Belgrade	MT	\$47,736,194	\$248	6.00%	10
Jul-23	Industrial	Anderson-Dubose	Waren	OH	\$47,000,000	\$223	5.85%	9
Jul-23	Industrial	Wilbert Plastic Services	Easley	SC	\$15,750,000	\$61	6.27%	8
Sep-23	Retail	Stop & Shop	Bristol	RI	\$15,255,241	\$242	6.85%	3
Aug-23	Retail	Kohl's	Katy	TX	\$14,650,000	\$266	6.73%	12
Jul-23	Retail	Sprouts Farmers Market	Lancaster	CA	\$10,570,000	\$455	5.00%	12
Aug-23	Retail	Chase Bank	Brooklyn	NY	\$10,262,500	\$1,283	5.90%	7
Sep-23	Retail	7-Eleven	Sacramento	CA	\$5,981,500	\$1,975	5.35%	13
Aug-23	Retail	Panera (GL)	Queen Creek	AZ	\$5,104,000	--	4.80%	15
Sep-23	Retail	Chick Fil A (GL)	Beaverton	OR	\$5,087,500	--	4.32%	7
Sep-23	Retail	7-Eleven	Haverstraw	NY	\$5,000,000	\$1,648	5.00%	15
Sep-23	Retail	Goodwill	Mankato	MN	\$4,956,000	\$239	6.13%	9
Sep-23	Retail	Walgreens	Tewksbury	MA	\$4,550,000	\$329	6.57%	8

**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

	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
<b>Auto Sector</b>	6.13%	6.23%	+10

### MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
<b>Auto Parts</b>	6.10%	6.20%	+10
<b>Auto Service</b>	5.93%	6.00%	+7
<b>Collision</b>	6.20%	6.35%	+15

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
<b>16-20 Years</b>	5.25%	5.25%	6.00%
<b>11-15 Years</b>	5.70%	5.50%	6.20%
<b>6-10 Years</b>	6.90%	6.75%	6.55%
<b>5 Years &amp; Under</b>	7.25%	7.00%	7.50%



## 2. Net Lease Casual Dining Sector

### NATIONAL ASKING CAP RATES

Tenant	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
<b>All Corporate Casual Dining</b>	6.25%	6.40%	+15
<b>Buffalo Wild Wings</b>	6.80%	7.00%	+20
<b>Applebee's</b>	6.50%	6.65%	+15
<b>Chili's</b>	5.25%	5.50%	+25
<b>IHOP</b>	7.05%	7.15%	+10
<b>Olive Garden</b>	5.68%	5.75%	+7
<b>Outback Steakhouse</b>	6.15%	6.35%	+20
<b>Red Lobster</b>	6.35%	6.55%	+20
<b>Texas Roadhouse (Ground Lease)</b>	5.17%	5.30%	+13

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
<b>16-20 Years</b>	5.90%
<b>11-15 Years</b>	6.10%
<b>6-10 Years</b>	6.70%
<b>5 Years &amp; Under</b>	7.25%



### 3. Net Lease Dollar Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
Dollar General	6.40%	6.55%	+15
Family Dollar	7.28%	7.30%	+2
Dollar Tree	7.10%	7.15%	+5
Dollar Store Sector	6.62%	6.76%	+14



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

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.40%	NA	NA
9-11 Years	6.80%	6.90%	6.80%
6-8 Years	7.40%	7.35%	7.20%
3-5 Years	7.80%	8.10%	7.70%
Under 3 Years	8.40%	8.45%	8.35%

### 4. Net Lease Drug Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
Walgreens	6.05%	6.40%	+35
CVS	5.85%	6.05%	+20
Rite Aid	8.35%	8.75%	+40
Drug Store Sector	6.43%	6.54%	+11



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

Years Remaining	Walgreens	CVS	Rite Aid
20+ Years	N/A	NA	NA
15-19 Years	5.65%	5.40%	NA
10-14 Years	6.15%	6.00%	7.90%
6-9 Years	7.05%	6.80%	8.40%
Under 5 Years	7.60%	7.45%	9.00%

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

#### CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
All Corporate QSR	5.27%	5.50%	+23
Chick-fil-A (Ground Lease)	4.10%	4.25%	+15
Chipotle	4.70%	5.10%	+40
McDonald's (Ground Lease)	4.15%	4.30%	+15
Panera Bread	5.35%	5.60%	+25
Raising Cane's	4.60%	4.90%	+30
Starbucks	6.08%	6.15%	+7

#### FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q2 2023 (Previous)	Q3 2023 (Current)	Basis Point Change
All Franchisee QSR	6.20%	6.37%	+17
Burger King	5.82%	6.00%	+18
Dunkin'	5.35%	5.55%	+20
KFC	5.81%	6.05%	+24
Taco Bell	5.15%	5.40%	+25
Wendy's	5.40%	5.50%	+10

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

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	4.90%	5.45%
15-19 Years	5.10%	5.95%
10-14 Years	5.65%	6.30%
Under 10 Years	6.35%	7.05%



### For More Information:



**RANDY BLANKSTEIN**  
President  
randy@bouldergroup.com

**JIMMY GOODMAN**  
Partner  
jimmy@bouldergroup.com

**JOHN FEENEY**  
Senior Vice President  
john@bouldergroup.com

**ZACH WRIGHT**  
Vice President  
zach@bouldergroup.com

**CARTER HIMLEY**  
Senior Analyst  
carter@bouldergroup.com



© 2023. The Boulder Group. Information herein has been obtained from databases owned and maintained by The Boulder Group as well as third party sources. We have not verified the information and we make no guarantee, warranty or representation about it. This information is provided for general illustrative purposes and not for any specific recommendation or purpose nor under any circumstances shall any of the above information be deemed legal advice or counsel. Reliance on this information is at the risk of the reader and The Boulder Group expressly disclaims any liability arising from the use of such information. This information is designed exclusively for use by The Boulder Group clients and cannot be reproduced, retransmitted or distributed without the express written consent of The Boulder Group.