

**DRUG STORE PROPERTIES  
MEDIAN ASKING CAP RATES**

Tenant	Q3 2018 (Previous)	Q3 2019 (Current)	Basis Point Change
Walgreens	6.15%	6.06%	-9
CVS	5.65%	5.60%	-5
Rite Aid	7.32%	7.65%	+33

*Note: Above numbers include properties with all lease lengths.*

**DRUG STORE PROPERTIES  
ON THE MARKET**

Tenant	Q3 2018 (Previous)	Q3 2019 (Current)	Percentage Change
Walgreens	158	175	10.8%
CVS	98	112	14.3%
Rite Aid	58	67	15.5%

**DRUG STORE PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Median Asking Price	Median Price Per Foot
Walgreens	\$6,250,000	\$435
CVS	\$5,500,000	\$495
Rite Aid	\$3,725,000	\$285

**MARKET OVERVIEW**

Cap rates for the single tenant drug store sector increased by a single basis point in the third quarter of 2019 to 6.22% when compared to last year. Cap rates for CVS and Walgreens properties experienced decreases of 5 and 9 basis points to 5.60% and 6.06% respectively. However, single tenant Rite Aid properties experienced a 33 basis points increase to 7.65%. Drug store transaction volume in 2018 was significantly lower than in 2017 primarily attributed to concerns about store overlap and potential closings from the Walgreens and Rite Aid deal. However, in the first three quarters of 2019 the drug store sector experienced a 25% increase in transaction volume when compared to 2018.

Walgreens properties experienced their first decrease in cap rates since the third quarter of 2015. The decrease in cap rates is due to more transparency for Walgreens stores following the acquisition of approximately 1,900 stores from Rite Aid. While Walgreens has not rebranded all of the Rite Aid stores they have acquired, landlords have been notified if their stores are under a new drug store brand. Accordingly, many landlords with a new sense of clarity brought properties to market in 2019. The overall drug store sector experienced an increase in property supply of almost 13%. Walgreens and Rite Aid properties increased by 10.8% and 15.5% respectively.

While there is now a better understanding of Walgreens and Rite Aid stores, many investors have a preference for CVS properties. CVS properties typically have lower rent resulting in greater popularity from investors. In the third quarter of 2019, CVS properties with more than 20 years remaining of lease term had cap rates 25 basis points lower than Walgreens properties. The same differential held true for properties with 15 to 19 years of lease term remaining. Despite the popularity of CVS, some investors have concern with CVS assets as they typically do not disclose store level performance in contrast to Walgreens and Rite Aid which regularly provide store sales.

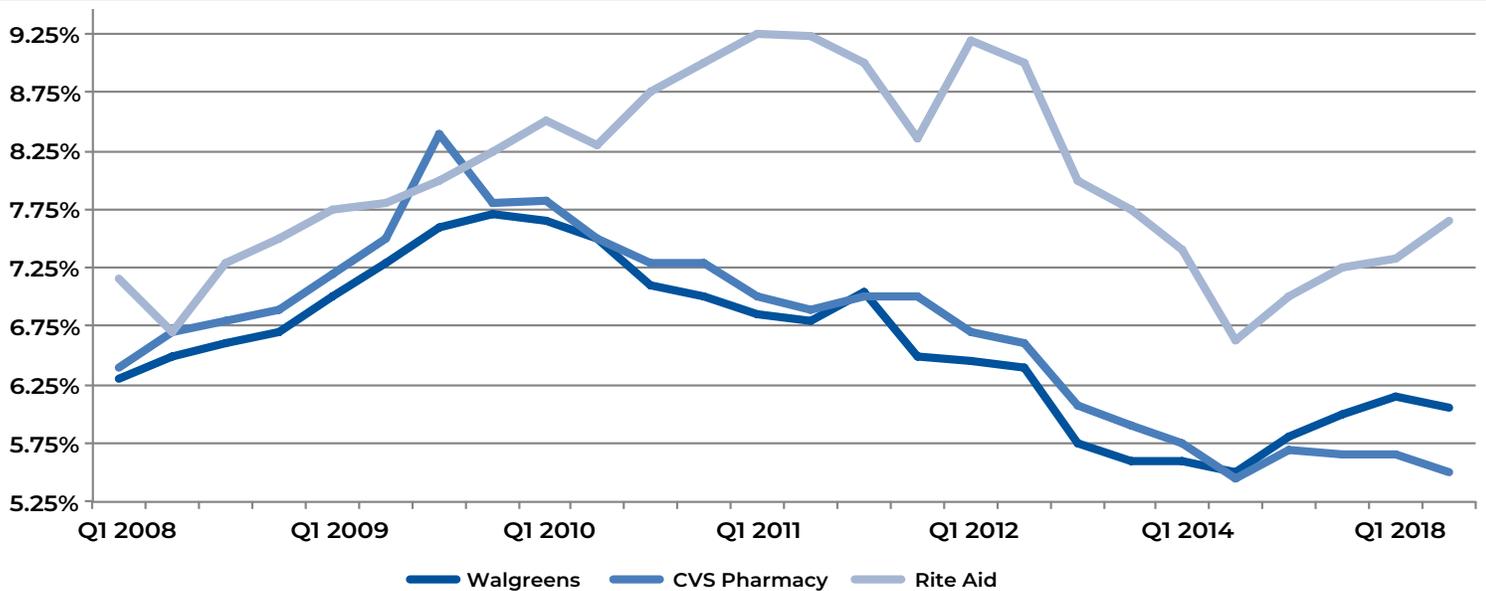
Transaction velocity for the remainder of 2019 should continue to increase as investors are once again targeting the drug store sector. Private and 1031 investors will continue to be the primary buyers of drug store assets. Furthermore, the vast majority of transactions will consist of stores with high quality real estate and superior store sales or long term leases.



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

Term Remaining	Walgreens	CVS	Rite Aid
20+ Years	5.40%	5.15%	6.75%
15-19 Years	5.60%	5.35%	7.00%
10-14 Years	5.90%	5.90%	7.35%
6-9 Years	6.75%	6.25%	8.00%
5 Years & Under	7.50%	7.15%	9.00%

**CAP RATE DRUG STORE TRENDS**



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

Tenant	Closed	Asking	Spread (bps)
Walgreens	6.28%	6.06%	22
CVS	5.80%	5.60%	20
Rite Aid	8.00%	7.65%	35

**DRUG STORE VS. RETAIL NET LEASE MARKET CAP RATE**

Sector	Q3 2018 (Previous)	Q3 2019 Current
Drug Store	6.21%	6.22%
Market	6.25%	6.21%
Differential (bps)	-4	+1

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Aug-19	CVS	Washington	DC	\$15,000,000	\$1,714	5.84%	9
Aug-19	Walgreens	Sanger	CA	\$6,826,000	\$495	6.40%	15
Jul-19	Walgreens	Sacramento	CA	\$6,260,000	\$432	6.23%	7
Jul-19	Walgreens	Newport News	VA	\$6,240,000	\$430	6.25%	11
Jul-19	Walgreens	New Castle	IN	\$6,030,000	\$350	6.60%	14
Aug-19	CVS	Detroit	MI	\$1,740,000	\$160	5.80%	15
Aug-19	CVS	Cypress	TX	\$3,825,480	\$318	5.20%	19
Jul-19	Walgreens	Papillion	NE	\$4,816,000	\$325	6.70%	15
Jul-19	CVS	Cheraw	SC	\$1,727,302	\$169	5.50%	20
Jul-19	CVS	Crystal River	FL	\$3,641,850	\$334	7.22%	5
Jul-19	Walgreens	Warwick	RI	\$2,300,000	\$221	11.68%	6
Jul-19	Walgreens	Saint Louis	MO	\$4,877,698	\$329	6.95%	15
Oct-19	CVS	Poulsbo	WA	\$8,895,000	\$613	5.00%	22
Sep-19	Walgreens	Orlando	FL	\$8,450,000	\$581	5.21%	14
Sep-19	CVS	Pensacola	FL	\$5,236,538	\$468	5.20%	5
Oct-19	Rite Aid	Virginia Beach	VA	\$4,483,000	\$347	8.25%	4
Sep-19	Walgreens	Liverpool	NY	\$4,070,000	\$373	7.36%	9
Sep-19	Walgreens	Ocean Springs	MS	\$2,825,093	\$263	7.48%	6
Oct-19	CVS	Newnan	GA	\$3,992,492	\$307	6.40%	13
Oct-19	Walgreens	Phoenix	AZ	\$7,050,000	\$487	6.80%	8
Oct-19	Walgreens	Ballwin	MO	\$8,465,000	\$584	6.53%	14
Oct-19	Walgreens	Providence	RI	\$3,300,000	\$237	7.25%	8
Sep-19	Walgreens	Omaha	NE	\$6,125,664	\$413	5.65%	19
Sep-19	Walgreens	Cocoa	FL	\$4,533,188	\$300	6.92%	9
Sep-19	Walgreens (DARK)	Clinton Township	MI	\$3,475,000	\$240	9.30%	10
Sep-19	Rite Aid	Granite Falls	WA	\$7,147,508	\$414	7.12%	9
Aug-19	Walgreens	Brooklyn	NY	\$12,800,000	\$1,012	5.47%	12
Aug-19	Walgreens	North Highlands	CA	\$7,075,000	\$488	5.82%	13
Aug-19	Walgreens	Mantua	NJ	\$6,100,000	\$578	6.33%	11
Aug-19	Walgreens	Mesquite	NV	\$4,039,000	\$248	7.33%	5



**COMPANY AND LEASE OVERVIEW**

	WALGREENS	CVS PHARMACY	RITE AID
<b>Credit Rating:</b>	BBB	BBB+	B
<b>Market Cap:</b>	\$49 billion	\$86 billion	\$490 million
<b>Revenue:</b>	\$136 billion	\$226 billion	\$21.6 billion
<b>Number of Stores:</b>	9,560	9,900	2,496
<b>Typical Lease Term:</b>	20 year primary term with fifty years of options	25 year primary term with six 5-year options	20 year primary term with six 5-year options
<b>Typical Rent Increases:</b>	None	None in primary 10% increases in option periods	Increases of 10% every 10 years



**FOR MORE INFORMATION**

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