

**BIG BOX ASKING CAP RATE COMPARISON**

| Q4 2018 (Previous) | Q4 2019 (Current) | Basis Point Change |
|--------------------|-------------------|--------------------|
| 7.04%              | 7.00%             | -4                 |

**BIG BOX VS. NET LEASE SECTOR MEDIAN ASKING PRICE**

| Sector                  | Q4 2018 (Previous) | Q4 2019 (Current) |
|-------------------------|--------------------|-------------------|
| Big Box                 | 7.04%              | 7.00%             |
| Retail Net Lease Market | 6.25%              | 6.07%             |
| Differential (bps)      | +79                | +93               |

**BIG BOX PROPERTIES MEDIAN ASKING PRICE**

| Sector               | Average Price | Average Price Per SF |
|----------------------|---------------|----------------------|
| Investment Grade     | \$9,215,000   | \$130 PSF            |
| Non-Investment Grade | \$5,769,230   | \$158 PSF            |

**BIG BOX MEDIAN ASKING CAP RATE BY CREDIT RATING**

| Investment Grade Cap Rate | Non-Investment Grade Cap Rate | Basis Point Spread |
|---------------------------|-------------------------------|--------------------|
| 6.00%                     | 7.25%                         | +125               |

**MARKET OVERVIEW**

Cap rates in the single tenant net lease big box sector decreased by 4 basis points to 7.00% from the fourth quarter of 2018 to the fourth quarter of 2019. The decrease in cap rates can be primarily attributed to a compressed cap rate environment for the entire net lease market. Additionally, there was an uptick in supply of big box properties with investment grade rated tenants in 2019 when compared to the prior year.

While cap rates decreased slightly for the single tenant big box sector, they still ultimately priced at a discount within the overall net lease retail market. In the fourth quarter of 2019, net lease big box properties were priced at a 93 basis point discount to the overall net lease market, 14 basis points higher than in the fourth quarter of 2018. This delta in cap rates for net lease retail versus big box properties illustrates a growing trend of increasing yields for big box properties. In 2015 cap rates for net lease big box properties had a 17 basis point premium over the entire net lease retail market.

With an ongoing focus on tenant financial health for net lease retailers as e-commerce continues to disrupt, investors put premiums on properties with high quality tenancy. In the fourth quarter of 2019, properties with investment grade rated tenants had a 125 basis point cap rate premium over those without. Regardless, non-credit big box properties with strong underlying real estate or below market rents, will continue to garner demand from investors.

Despite the issues making headlines within the big box retail space, big box properties in 2019 surpassed transaction volume for 2018. The net lease big box market was fueled by large portfolio/sale leaseback transaction by tenants including Albertsons, Bass Pro Shops, Regal Cinemas and others. Institutional investors looking to place large amounts of capital with higher yielding returns, capitalized on retailers transitioning to an asset light ownership approach.

The single tenant net lease big box sector will remain active as investors seeking higher yields will target these assets. As the big box retailer environment continues to evolve, investors will be carefully monitoring tenant financial health and placing strong emphasis on the underlying real estate.

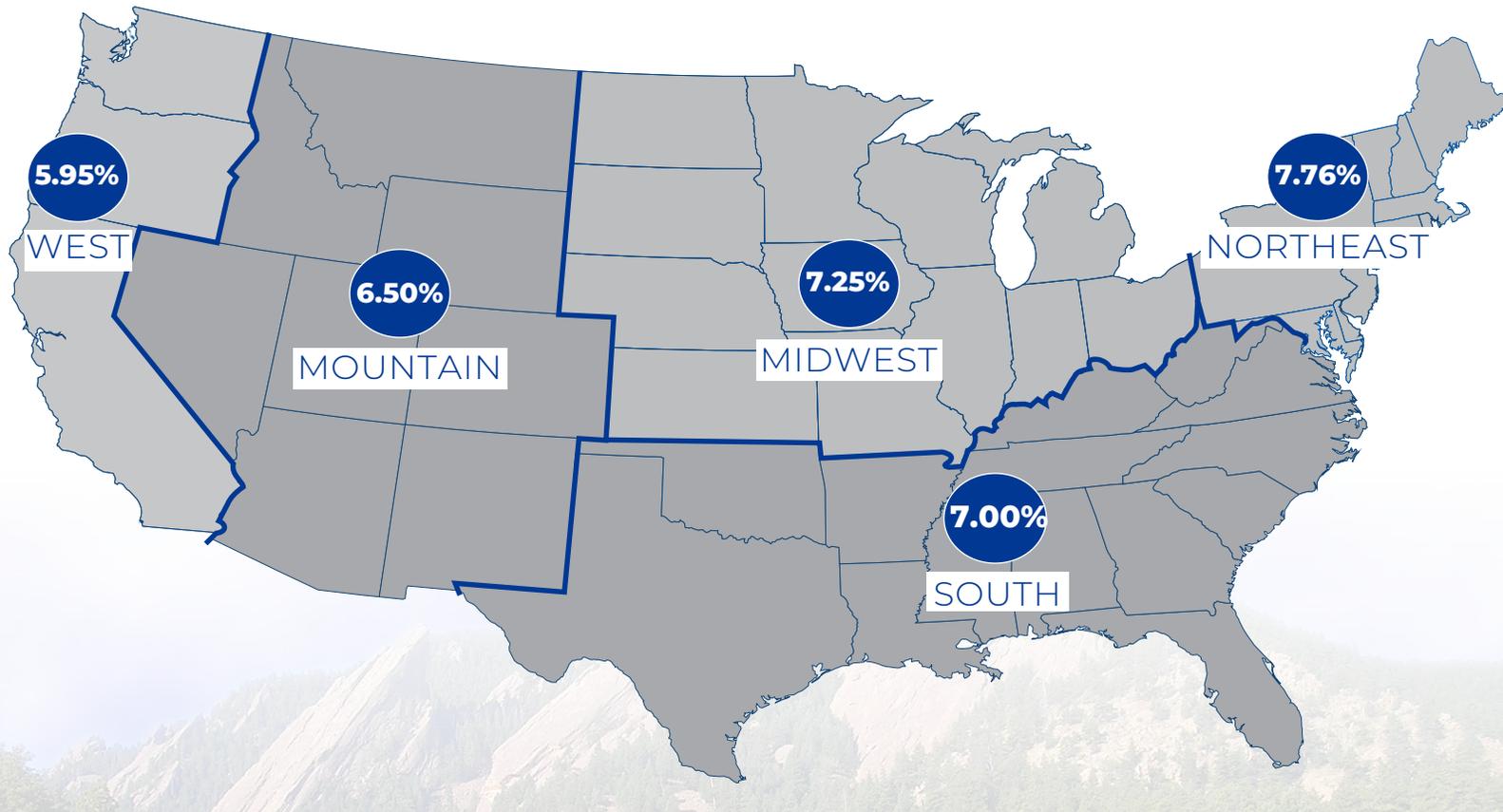
**MEDIAN ASKING CAP RATES BY SQUARE FOOTAGE**

| Sector         | SF Range        | Cap Rate | Percentage of Market |
|----------------|-----------------|----------|----------------------|
| Junior Big Box | 20,000 - 40,000 | 7.29%    | 44%                  |
| Mid Box        | 40,000 - 80,000 | 6.99%    | 42%                  |
| Large Format   | Over 80,000     | 6.75%    | 14%                  |

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

| Years Remaining | Investment Grade | Non-Investment Grade |
|-----------------|------------------|----------------------|
| 16-20 Years     | 5.25%            | 6.50%                |
| 11-15 Years     | 6.00%            | 6.85%                |
| 6-10 Years      | 6.65%            | 7.50%                |
| 5 Years & Under | 7.13%            | 8.25%                |

**BIG BOX MEDIAN ASKING CAP RATE BY REGION**



**SELECTED SINGLE TENANT BIG BOX CLOSED TRANSACTIONS**

| Sale Date | Tenant          | City                 | State | Price        | Price/SF | Cap Rate | Lease Term Remaining |
|-----------|-----------------|----------------------|-------|--------------|----------|----------|----------------------|
| Dec-19    | Cabela's        | Hamburg              | PA    | \$55,218,045 | \$227    | 6.65%    | 25                   |
| Oct-19    | Fleet Farm      | Sioux City           | IA    | \$37,300,000 | \$171    | 7.85%    | 19                   |
| Nov-19    | Home Depot      | Grand Rapids         | MI    | \$22,555,000 | \$218    | 5.80%    | 10                   |
| Nov-19    | Lowe's          | Concord              | NC    | \$15,150,000 | \$112    | 6.09%    | 10                   |
| Oct-19    | Burlington      | North Richland Hills | TX    | \$11,900,000 | \$168    | 7.02%    | 9                    |
| Nov-19    | LA Fitness      | Cedar Park           | TX    | \$10,642,276 | \$313    | 6.15%    | 15                   |
| Dec-19    | At Home         | Kennewick            | WA    | \$10,450,000 | \$98     | 7.12%    | 10                   |
| Oct-19    | Hobby Lobby     | Pearland             | TX    | \$9,545,000  | \$173    | 6.05%    | 14                   |
| Dec-19    | Harkin Theatres | Tucson               | AZ    | \$8,475,000  | \$186    | 8.06%    | 9                    |
| Nov-19    | Academy Sports  | Starkville           | MS    | \$8,378,000  | \$133    | 7.60%    | 15                   |
| Oct-19    | LA Fitness      | Maplewood            | MN    | \$8,185,150  | \$226    | 6.75%    | 9                    |
| Dec-19    | Camping World   | Tyler                | TX    | \$7,385,000  | \$157    | 7.25%    | 17                   |
| Dec-19    | Planet Fitness  | Salem                | OR    | \$4,880,000  | \$209    | 7.59%    | 10                   |
| Oct-19    | La-Z-Boy        | Las Vegas            | NV    | \$4,700,000  | \$227    | 6.60%    | 6                    |

**COMPANY COMPARISON**

| Tenant                    | Total Number of Stores | Credit Rating |
|---------------------------|------------------------|---------------|
| 24 Hour Fitness           | 400+                   | B-            |
| Academy Sports + Outdoors | 290                    | Not Rated     |
| Albertsons                | 2,260                  | B+            |
| Bed Bath & Beyond         | 1,550                  | BB            |
| Best Buy                  | 997                    | BBB           |
| BJ's Wholesale            | 216                    | B+            |
| Dick's Sporting Goods     | 850                    | Not Rated     |
| Hobby Lobby               | 822                    | Not Rated     |
| Kohl's                    | 1,158                  | BBB           |
| Kroger                    | 3,014                  | BBB           |
| LA Fitness                | 700+                   | Not Rated     |
| Lowe's Home Improvement   | 2,002                  | BBB+          |
| Petco                     | 1,500                  | CCC+          |
| PetSmart                  | 1,500                  | B-            |
| Ross Dress for Less       | 1,483                  | A-            |
| Staples                   | 1,220                  | B+            |
| TJMaxx                    | 1,241                  | A+            |
| The Home Depot            | 2,285                  | A             |
| Walmart Stores            | 11,438                 | AA            |
| Whole Foods Market        | 500                    | A+            |

**FOR MORE INFORMATION**

**AUTHOR**

**JOHN FEENEY**

SENIOR VICE PRESIDENT

[john@bouldergroup.com](mailto:john@bouldergroup.com)

**CONTRIBUTORS**

**RANDY BLANKSTEIN**

PRESIDENT

[randy@bouldergroup.com](mailto:randy@bouldergroup.com)

**JIMMY GOODMAN**

PARTNER

[jimmy@bouldergroup.com](mailto:jimmy@bouldergroup.com)

**SCOTT HARRIS**

VICE PRESIDENT

[scott@bouldergroup.com](mailto:scott@bouldergroup.com)

**JEFF WEIL**

VICE PRESIDENT

[jeff@bouldergroup.com](mailto:jeff@bouldergroup.com)

© 2020. 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.