

NATIONAL ASKING CAP RATES

Sector	Q1 2012 (Previous)	Q2 2012 (Current)	Basis Point Change
Retail	7.75%	7.50%	-25
Office	8.00%	8.25%	+25
Industrial	7.94%	8.00%	+6

NUMBER OF PROPERTIES ADDED TO MARKET IN Q2

Sector	Q1 2012 (Previous)	Q2 2012 (Current)	Percent Change
Retail	2,976	3,508	+17.88%
Office	500	455	-9.00%
Industrial	320	384	+20.00%

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Property Type	Q1 2012 (Previous)	Q2 2012 (Current)	Basis Point Change
Walgreens	6.45%	6.45%	0
Ground Leases	5.75%	5.75%	0
Restaurants	7.50%	7.25%	-25
Leaseholds	7.75%	8.17%	+42
Advance Auto Parts	7.33%	7.00%	-33
Banks	5.85%	5.50%	-35
CVS	6.70%	6.70%	0
Government-GSA	7.77%	7.79%	+2
Dollar General	8.25%	8.10%	-15
Fedex	7.70%	7.60%	-10
McDonalds	5.00%	4.80%	-20

MARKET OVERVIEW

Cap rates for the single tenant net leased retail property sector compressed from the first quarter of 2012 to the second quarter of 2012. However, the cap rates for net leased properties within the office and industrial sectors rose slightly. The primary factor contributing to the compression of cap rates for retail properties remains to be the continued lack of new development and an excess of capital engaged to purchase this asset class. In addition to the lack of new construction, supply has been hindered by tenants actively backfilling vacant space to take advantage of reduced rents. For example, over two-thirds of the former Borders' locations have been re-tenanted. New construction has also been slowed by the lack of expansion plans for national tenants with the exception of dollar stores and quick service restaurants. Additionally, some owners of core net lease assets with significant lease term have decided to hold the property due to the refinancing options available in a historically low interest rate environment.

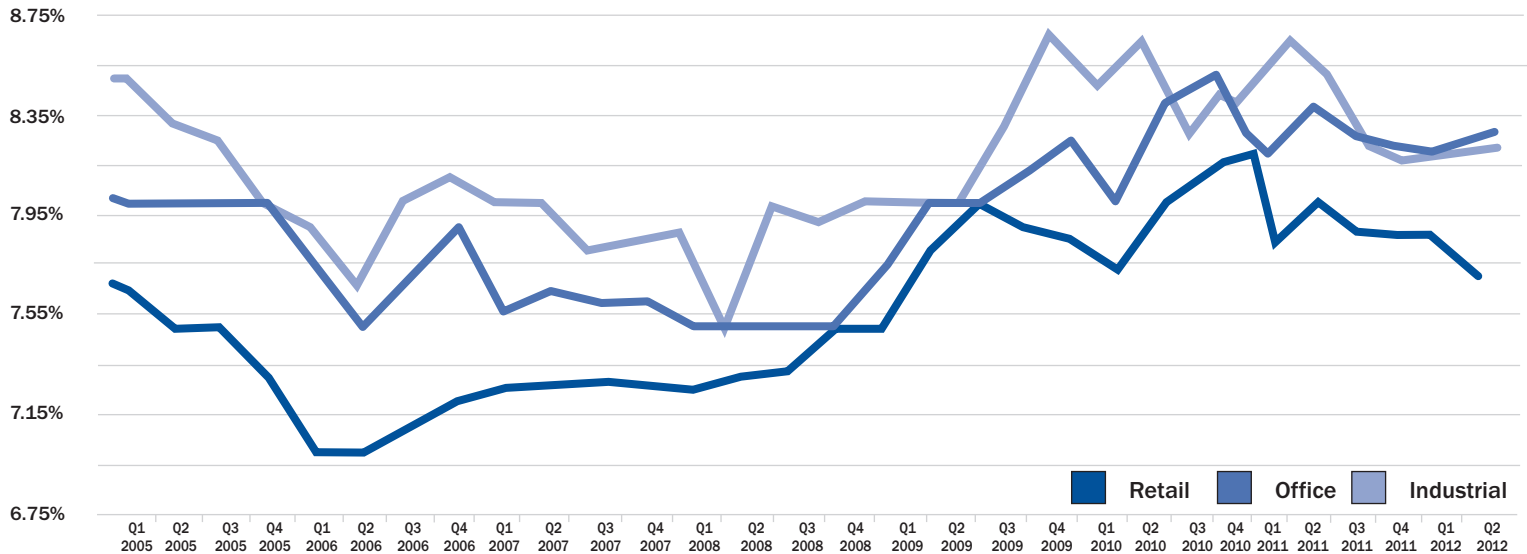
The market remains limited by the lack of properties with long-term leases to investment grade tenants (core assets). Accordingly, these properties located in primary metropolitan markets are experiencing the greatest cap rate compression. Dollar General was recently upgraded by Standard & Poor's to BBB- (Investment Grade), reducing Dollar General cap rates by 15 basis points. Additionally, FedEx, McDonald's and Advance Auto Parts occupied properties experienced cap rate compression of 10, 20 and 33 basis points respectively in the second quarter due to the tenants' investment grade rating and quality long-term lease structures.

The national single tenant net lease market transaction volume should remain active due to stability of cash flows and attractive financing availability for this asset class. There has been increased investor interest from both institutional investors and private individuals in the net lease market due to the stability this investment class offers. Core assets with investment grade tenants will remain in the highest demand, maintaining low cap rates for these assets. The majority of net lease participants expect cap rate compression to continue over the next six months. Accordingly, investors will need to pay a premium for newly constructed prime assets for the foreseeable future.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
May-12	Retail	24 Hour Fitness	Huntington Beach	CA	\$13,800,000	\$383	7.12%	10
Apr-12	Retail	Pick N' Save	Sheboygan	WI	\$11,750,000	\$189	7.40%	18
Apr-12	Retail	Trader Joe's	Agoura Hills	CA	\$7,500,000	\$585	5.76%	8
Apr-12	Retail	Walgreens	Victorville	CA	\$7,469,000	\$506	5.69%	25
May-12	Office	Lockheed Martin	Prescott Valley	AZ	\$7,000,000	\$139	8.65%	3
Apr-12	Retail	The Fresh Market	Fort Lauderdale	FL	\$6,820,000	\$355	6.74%	15
Apr-12	Retail	Rite Aid	Hoquiam	WA	\$6,563,330	\$378	8.59%	19
May-12	Office	Miami Jacobs College	Independence	OH	\$5,600,000	\$165	9.21%	10
May-12	Retail	Walgreens	Alexandria	MN	\$5,075,000	\$342	6.60%	21
Apr-12	Industrial	Time Warner Cable	Farmers Branch	TX	\$4,820,000	\$120	8.63%	7

NET LEASED CAP RATE TRENDS



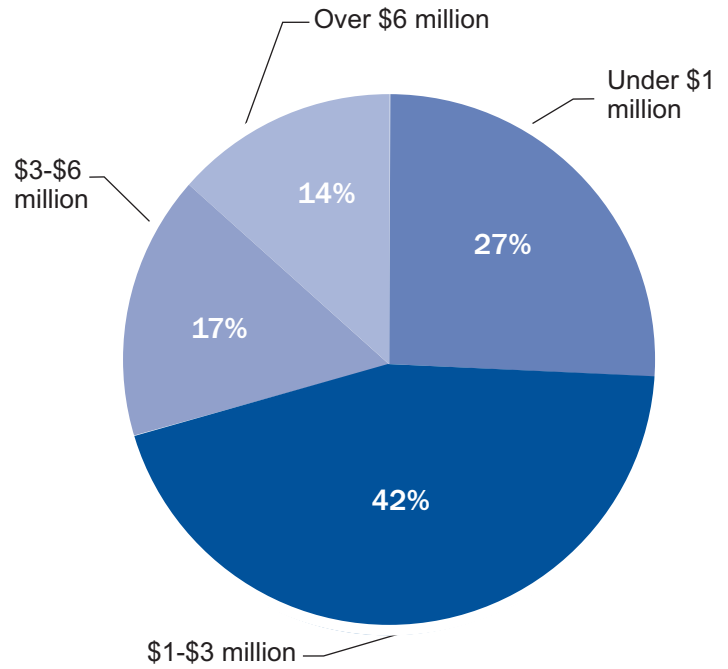
NATIONAL BID - ASK CAP RATE SPREAD

Sector	Q1 2012 (Previous)	Q2 2012 (Current)	Basis Point Change
Retail	32	26	-6
Office	60	53	-7
Industrial	66	63	-3

LARGEST FIVE MSA STATISTICS

MSA	# of Properties on the Market	Retail Median Cap Rate	Office Median Cap Rate	Industrial Median Cap Rate
New York	116	5.75%	6.80%	7.00%
Los Angeles	329	6.50%	6.15%	7.00%
Chicago	416	7.75%	8.25%	8.40%
Dallas	192	6.85%	8.00%	8.00%
Philadelphia	165	7.75%	7.89%	8.00%

Q2 - 2012 Properties by Price



FOR MORE INFORMATION

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