

NATIONAL ASKING CAP RATES

Sector	Q2 2012 (Previous)	Q3 2012 (Current)	Basis Point Change
Retail	7.50%	7.50%	0
Office	8.25%	8.00%	-25
Industrial	8.00%	8.20%	+20

NUMBER OF PROPERTIES ADDED TO MARKET IN Q3

Sector	Q2 2012 (Previous)	Q3 2012 (Current)	Percent Change
Retail	3,508	3,256	-7.18%
Office	455	397	-12.75%
Industrial	384	358	-6.77%

NATIONAL BID - ASK CAP RATE SPREAD

Sector	Q2 2012 (Previous)	Q3 2012 (Current)	Basis Point Change
Retail	26	17	-9
Office	53	50	-3
Industrial	63	58	-5

MARKET OVERVIEW

Cap rates for the single tenant net leased market remained near unprecedented levels across retail, office and industrial sectors in the third quarter of 2012. Cap rates for net leased office properties declined slightly and net leased industrial properties rose slightly, while cap rates for net leased retail properties remained unchanged. The primary factor contributing to the stagnation of cap rates for retail properties can be attributed to the plateau of investor yield thresholds as cap rates remain near historic lows. Additionally, the ten year treasury's decline from the previous quarter halted in the third quarter of 2012 after reaching its lowest point of the year in mid-July. The recent increase in the ten year treasury had limited effect on cap rates due to the limited supply of newly constructed properties.

The net lease market continues to be limited by the constricted development pipeline and a limited existing supply of long term leased properties. The third quarter of 2012 experienced a 7.8% decrease in supply for all three property sectors. As a result of the decreased supply and continued demand, the increased competition amongst net leased investors in the third quarter of 2012 has triggered the national bid ask spread to compress by six basis points on average when compared to last quarter. Accordingly, the average marketing time for net lease properties has decreased by 20% over the past twelve months.

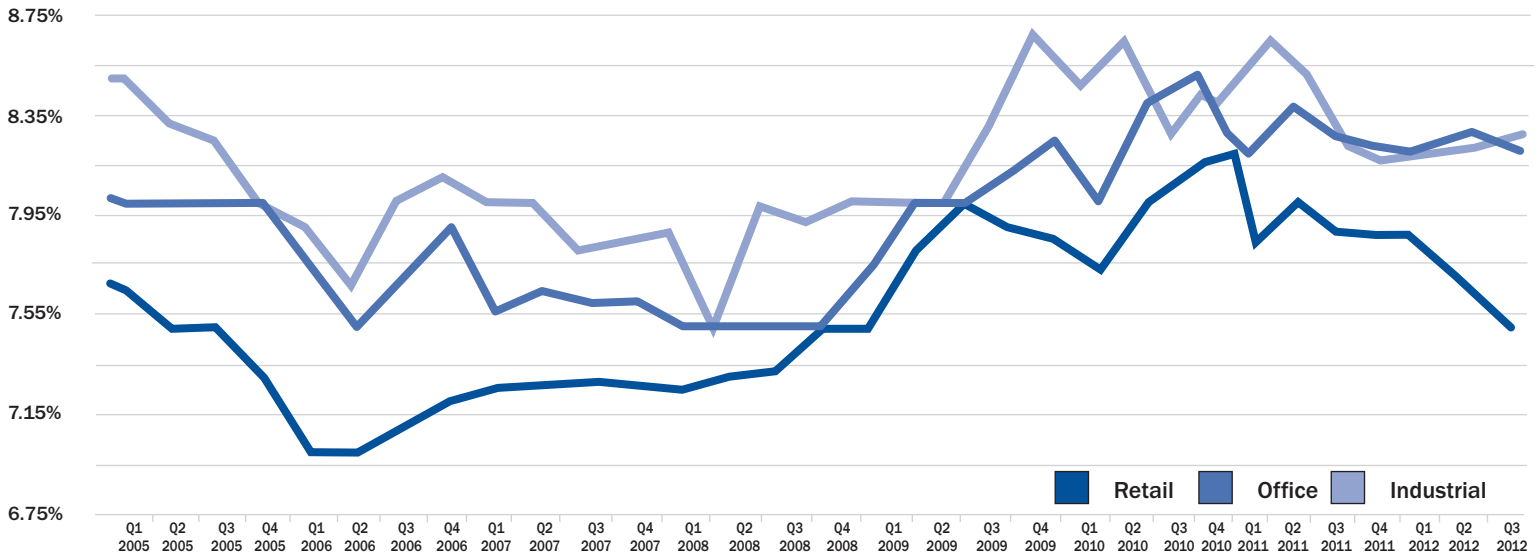
Investors are challenged to reach their yield thresholds with newly constructed properties due to near record low cap rates. Consequently, investor interest in properties with less than fifteen years of lease term has increased, most notably drugstore properties with strong sales performance. For example, the increased demand for Walgreens properties constructed from 2000-2004, which typically have higher yields, has caused cap rates for these properties to decline by 50 basis points in comparison to a year ago.

The national single tenant net lease market should remain active as the year end approaches and institutional investors seek to hit acquisition targets. Additionally, there will be an increased amount of sellers to take advantage of current capital gains rates as it remains uncertain how government policies will impact the net lease market in 2013. With cap rates near historic lows and new construction supply diminished, the majority of industry professionals believe the market will remain favorable to sellers for the remainder of the year. As the upcoming election looms, it is unclear as to what effect its outcome will have on the net lease industry in 2013.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Sep-12	Office	HCA, Inc.	Irving	TX	\$15,483,000	\$164	7.60%	10
Sep-12	Retail	Pick N' Save	Sheboygan	WI	\$14,122,000	\$202	7.67%	19
Jul-12	Office	Panasonic	Lake Forest	CA	\$13,050,000	\$222	7.65%	10
Aug-12	Industrial	Marsh Supermarkets	Yorktown	IN	\$10,322,450	\$55	8.64%	15
Sep-12	Industrial	American Tire	Colorado Springs	CO	\$8,311,000	\$66	7.90%	11
Sep-12	Retail	Walgreens	Norristown	PA	\$7,765,000	\$535	6.27%	21
Aug-12	Retail	Wawa	Cape May	NJ	\$7,639,896	\$1,330	6.75%	14
Sep-12	Retail	Walgreens	Chicago	IL	\$7,500,000	\$549	6.53%	17
Aug-12	Retail	Rite Aid	North Haven	CT	\$6,688,000	\$455	8.75%	18
Jul-12	Retail	Home Depot (GL)	Blaine	MN	\$6,650,000	\$13	6.01%	16

NET LEASED CAP RATE TRENDS



MEDIAN ASKING CAP RATES BY YEAR BUILT

Property Type	2010 - 2012	2005 - 2009	2000 - 2004	Pre-2000
Walgreens	6.00%	6.00%	6.40%	7.81%
CVS	6.00%	6.00%	7.15%	7.75%
Advance Auto Parts	6.85%	7.18%	8.25%	8.75%
AutoZone	6.50%	6.50%	N/A	7.50%
O'Reilly Auto Parts	6.63%	6.75%	7.50%	7.60%
Dollar General	7.25%	8.45%	9.00%	N/A
Family Dollar	8.00%	8.60%	9.13%	9.38%
McDonald's	4.50%	4.65%	4.75%	5.00%
FedEx	7.15%	7.55%	7.68%	8.63%
GSA	7.10%	8.20%	N/A	10.25%
Chase	5.00%	5.00%	N/A	N/A
Rite Aid	N/A	9.00%	10.00%	10.01%
Bank of America	5.30%	N/A	5.38%	N/A
PNC Bank	5.38%	5.75%	6.00%	N/A
7-Eleven	5.88%	6.00%	6.00%	6.49%
DaVita	6.50%	8.13%	9.10%	9.65%
Burger King	6.00%	6.83%	7.50%	9.50%
Applebee's	6.75%	7.00%	7.22%	7.50%
Verizon	7.50%	8.21%	9.00%	9.25%

FOR MORE INFORMATION

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