

NATIONAL ASKING CAP RATES

Sector	Q3 2012 (Previous)	Q4 2012 (Current)	Basis Point Change
Retail	7.50%	7.25%	-25
Office	8.00%	8.04%	+4
Industrial	8.20%	8.15%	-5

NUMBER OF PROPERTIES ADDED TO MARKET IN Q4

Sector	Q3 2012 (Previous)	Q4 2012 (Current)	Percent Change
Retail	3,256	2,848	-12.53%
Office	397	324	-18.39%
Industrial	358	261	-27.09%

MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q3 2012 (Previous)	Q4 2012 (Current)	Basis Point Change
Retail	17	10	-7
Office	50	50	0
Industrial	58	71	+13

MARKET OVERVIEW

Cap rates for the single tenant net leased market continued to remain near historic lows for retail, office and industrial sectors in the fourth quarter of 2012. Most notably, cap rates for net leased retail properties declined by 25 basis points when compared to the third quarter of 2012. Cap rates for net leased office properties rose slightly and net leased industrial properties declined slightly. In the fourth quarter of 2012, net leased retail properties are experiencing a premium in excess of 75 basis points over both office and industrial net lease properties.

Supply issues remain to be at the forefront of the net lease market as new construction is limited and there is a lack of existing supply of long-term net leased properties. Additionally, there was a significant decline of overall supply of net lease assets of 14.4% over the past quarter. One of the primary factors contributing to the lack of supply and new construction is that tenants are able to achieve low rents by backfilling second generation retail space. Additionally, as there is an increased fundraising environment with excess capital engaged to purchase this asset class, many properties being sold are not exposed to the public market. Furthermore, the current interest rate environment has enabled property owners to refinance and hold properties at historically low lending terms rather than sell.

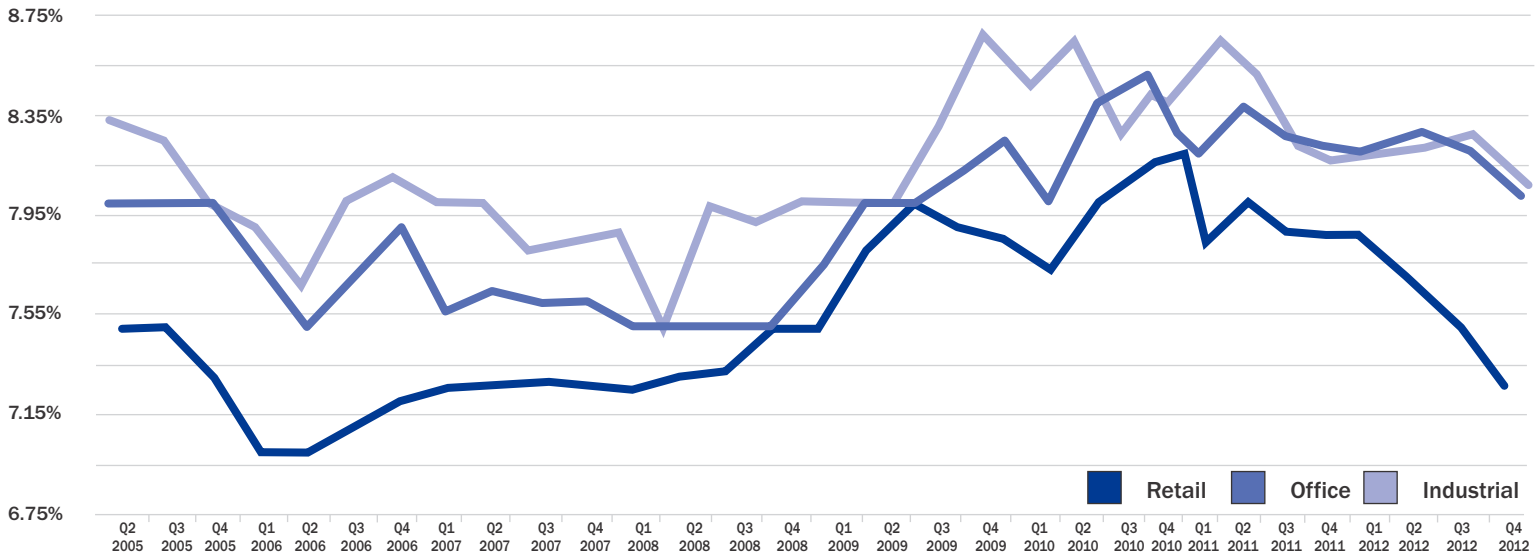
As a result of the limited supply, the median asking versus closed cap rate spread for net leased retail properties continued to decline an additional seven basis points in comparison to last quarter. The market remains limited by the lack of properties with long-term leases to investment grade tenants. Properties located in top tier metropolitan areas remain in the highest demand and are experiencing the greatest cap rate compression. Some of the most notable cap rate compression was for properties occupied by FedEx, McDonald's and AutoZone which experienced 20, 25 and 25 basis point declines respectively in the fourth quarter due to the tenants' investment grade rating and quality long-term lease structures.

The national single tenant net lease market should remain active in 2013 due to the stability and financing availability of this asset class. According to a national survey by The Boulder Group, the majority of active net lease participants are expecting 2013 transaction volume to be up between 5% and 14% from 2012 levels. Core assets with investment grade tenants will remain in the highest demand, maintaining low cap rates for these assets. However, with the limited supply of long term leased properties, investors will seek assets with shorter term leases to achieve higher yields, but mostly in top tier markets. Cap rates will remain near current levels in 2013 as buyer demand remains high and new development remains limited.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Dec-12	Industrial	Amazon	Spartanburg	SC	\$63,253,209	\$62	6.23%	15
Nov-12	Industrial	Elizabeth Arden	Roanoke	VA	\$23,500,000	\$59	7.27%	11
Dec-12	Office	Aon	Libertyville	IL	\$22,572,000	\$101	6.91%	10
Dec-12	Retail	LA Fitness	Secaucus	NJ	\$16,400,000	\$366	7.47%	12
Dec-12	Office	Chase Bank	Columbus	OH	\$8,928,000	\$106	9.25%	2
Dec-12	Retail	Winn-Dixie	Riviera Beach	FL	\$7,378,500	\$167	8.23%	7
Nov-12	Retail	Walgreens	Butler	PA	\$7,175,000	\$484	6.42%	21
Nov-12	Retail	Walgreens	Apex	NC	\$6,425,000	\$443	6.06%	24
Nov-12	Retail	Hobby Lobby	Mooresville	NC	\$5,500,000	\$100	7.50%	15
Oct-12	Retail	Wawa (Ground Lease)	North Wildwood	NJ	\$5,050,000	-	5.84%	20
Oct-12	Retail	Ross	Ft. Worth	TX	\$4,900,000	\$151	7.27%	10
Oct-12	Retail	Walgreens	Baltimore	MD	\$4,811,000	\$318	7.70%	9
Nov-12	Retail	Trader Joe's	Brookfield	WI	\$4,782,609	\$382	5.75%	10

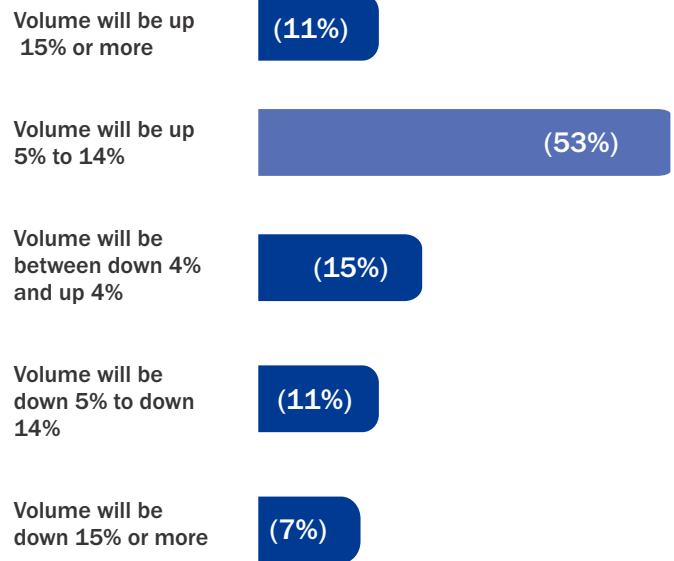
NET LEASED CAP RATE TRENDS



**MEDIAN ASKING CAP RATES
BY YEAR BUILT**

Tenant	2010 - 2012	2005 - 2009	2000 - 2004	Pre-2000
Walgreens	5.93%	6.00%	7.00%	7.55%
CVS	6.00%	6.10%	6.88%	8.00%
Rite Aid	8.00%	8.58%	9.00%	9.55%
Advance Auto Parts	7.00%	7.10%	8.00%	8.25%
AutoZone	6.25%	6.50%	6.73%	6.78%
O'Reilly Auto Parts	6.50%	6.75%	7.13%	-
Dollar General	7.25%	8.20%	9.00%	10.00%
Family Dollar	8.00%	8.50%	9.50%	10.00%
McDonald's	4.25%	4.62%	4.75%	4.90%
FedEx	6.80%	8.00%	8.10%	8.20%
GSA	7.20%	7.61%	8.60%	9.50%
Chase	5.00%	5.17%	5.25%	6.29%
PNC Bank	5.25%	5.75%	5.75%	6.10%
Bank of America	5.25%	5.30%	5.87%	-
7-Eleven	5.68%	5.80%	6.41%	6.75%
DaVita	6.67%	8.25%	9.50%	-
Fresenius	7.15%	7.63%	8.00%	-
Burger King	6.25%	6.88%	7.55%	8.23%
Verizon	7.25%	7.40%	9.00%	9.50%

HOW WILL 2013 NET LEASE TRANSACTION VOLUME COMPARE TO 2012?



Source: The Boulder Group

FOR MORE INFORMATION

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