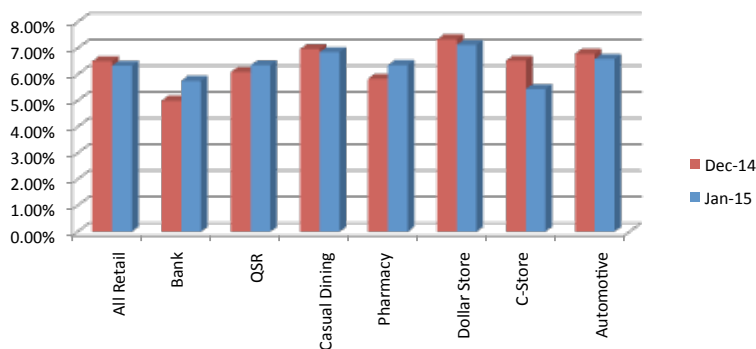




Average CAP Rates for Main Net Lease Sectors

JANUARY 2015

Net Lease Cap Rate Sector Trends



NET LEASE SECTOR	DEC-14	JAN-15	BASIS POINT DIFFERENCE
All Retail	6.51%	6.33%	↓ 0.18%
Bank	5.00%	5.76%	↑ 0.76%
QSR	6.09%	6.35%	↑ 0.26%
Restaurant	6.97%	6.85%	↓ 0.12%
Pharmacy	5.84%	6.36%	↑ 0.52%
Dollar Store	7.34%	7.13%	↑ 0.21%
C-Store	6.53%	5.44%	↓ 1.09%
Automotive	6.79%	6.59%	↓ 0.20%

Summary

2014 ended with a flurry of activity as people rushed to close deals by year end. Overall we saw cap rates slide downward from 6.78% in November to 6.51% in December. The second half of 2014 overall, saw cap rates decrease month after month and we expect this trend to continue into the start of 2015. However, this may change before the summer due to a rise in interest rates. Investors will continue to look at secondary and tertiary markets more for net lease properties due to the lack of current supply in core markets. Investors will also continue to increase their risk to achieve higher yields.

The first month of 2015 saw another drop in net lease cap rates from 6.51% in December to 6.33% in January. The most active states for net lease activity from the past month was California (1st), North Carolina (2nd) and Florida and Arizona (joint 3rd). On January 22nd, 2015, Family Dollar shareholders voted to approve the retailer's \$8.5 billion merger with Dollar Tree, leaving the company's unwanted suitor, Dollar General, on the losing side. The deal could close in March of this year. There will be a number of store closings from the merger, but new dollar stores will open at the same time.

FOR MORE INFORMATION

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