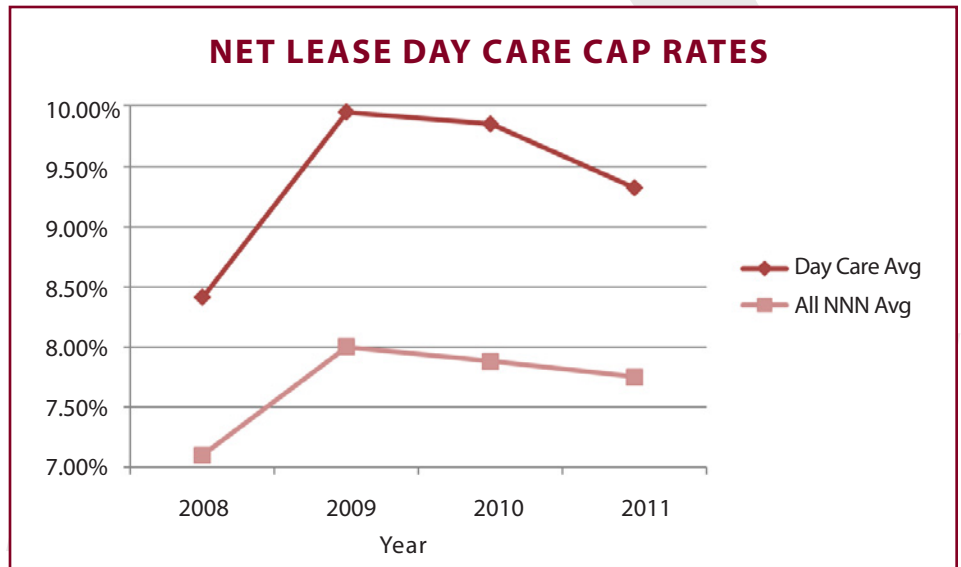


RESEARCH SNAPSHOT: DAY CARE CAP RATES

Day Care centers are a popular and varied net lease tenant. Unlike other segments such as Banks and Pharmacies, the cap rates for day care centers fluctuate greatly depending on tertiary factors. Nevertheless, since the economic crisis of 2008, Day Care cap rates have stabilized and recently compressed. This is inline with the net lease market en masse and shows a direct correlation to larger market forces. Day care cap rates remain higher than the net lease average, though this is also part of their overall trend.

Key issues that affect day care centers are size of the operator and whether or not the lease is franchise or corporate. Though some net lease investors and RE-ITS choose only to deal with large and national day care operations, more exclusive locally based operators can sometimes offer substantially lower cap rates. However, the advantage of a corporate lease is seen by many as preferable to one guaranteed by a franchisee. Another issue affecting day care centers are their specific location. Properties located as outparcels to centers or with flexible zoning to permit retail or medical office as alternative uses tend to trade for lower cap rates. Investors view this as a means to protect the income stream since a variety of replacement tenants able to match the day care's rent are possible.

Depending on investor preference, day care centers can be an excellent option. They usually offer higher returns than typical net leases and if chosen correctly, a high degree of stability.



GRAPH DATA

Year	2008	2009	2010	2011
Day Care	8.41%	9.95%	9.85%	9.32%
All NNN	7.10%	8.00%	7.88%	7.75%

FOR MORE INFORMATION

WINSTON ORZECOWSKI | *Research Director*
 Calkain Companies, Inc.
 Tel. (703) 787-4714 | Fax (703) 787-4783
 worzechowski@calkain.com

CALKAIN | WASHINGTON, DC
COMPANIES, | FLORIDA
INC. | MARYLAND
 DELAWARE
 BOSTON