



CAP RATE REPORT

Q2 2016

CALKAIN RESEARCH

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Q2 2016 OVERVIEW

SECTORS	Q1 2016					Q2 2016					AVG CAP RATE (BPS)	LEASE YEARS (REM)
	AVG CAP	LOW	HIGH	AVG LEASE YEARS	SAMPLE SIZE	AVG CAP	LOW	HIGH	AVG LEASE YEARS	SAMPLE SIZE		
Automotive	6.38%	5.20%	7.87%	12.4	11	6.17%	4.25%	8.37%	12.3	25	-21	(0.14)
Bank	5.59%	3.80%	9.28%	15.0	9	5.35%	4.00%	8.00%	11.0	20	-24	(3.92)
Big-Box	6.92%	4.91%	10.70%	15.7	12	6.08%	4.73%	7.40%	13.2	8	-84	(2.49)
Casual Dining	6.06%	4.50%	7.72%	14.4	20	6.04%	3.70%	9.40%	14.0	43	-2	(0.42)
C-Store	5.99%	4.05%	12.08%	13.6	14	5.70%	4.25%	8.37%	12.2	11	-29	(1.41)
Dollar Store	7.06%	5.50%	10.37%	13.0	29	7.14%	5.60%	10.32%	11.5	49	8	(1.47)
Educational	8.29%	6.60%	14.48%	10.0	12	7.40%	5.90%	9.22%	10.7	8	-89	0.68
Medical	6.93%	5.00%	9.00%	11.5	5	6.89%	3.98%	10.00%	9.1	8	-5	(2.42)
Pharmacy	5.82%	4.81%	7.58%	14.9	33	5.80%	4.44%	9.32%	17.3	26	-2	2.44
QSR	5.90%	3.80%	9.76%	13.2	49	5.81%	3.63%	10.10%	13.1	82	-9	(0.10)
Other Retail ¹	6.06%	4.20%	7.52%	13.5	13	7.20%	4.59%	12.00%	10.5	33	114	(3.02)
Average	6.45%			13		6.32%			12			(1.12)
Total Sample Size					207					313		

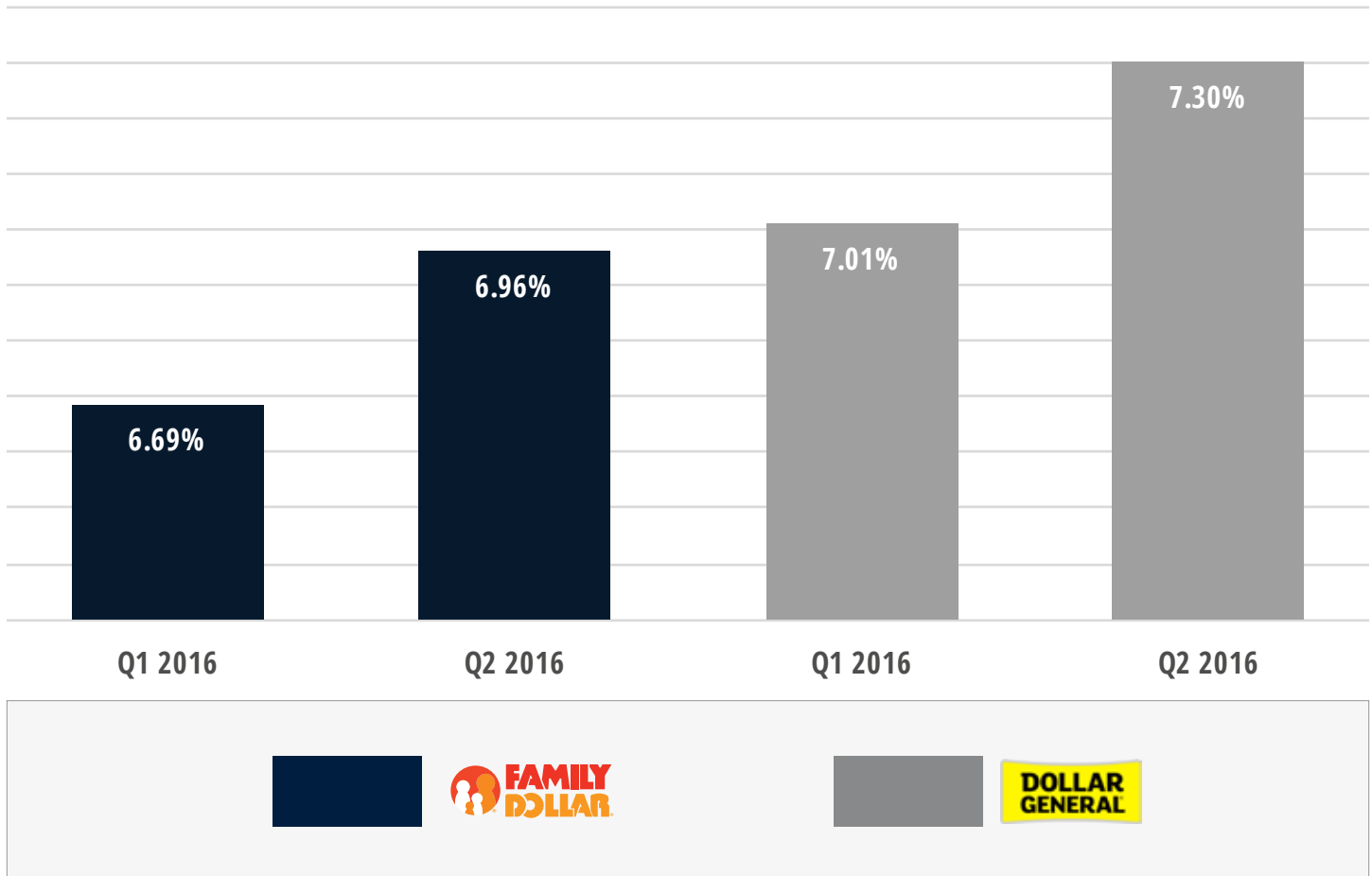
¹Other retail includes retailers who don't otherwise neatly fit into one of the above categories.

KEY TAKEAWAYS

- Overall cap rates remained largely stable.
- Big-box and educational sectors showed a decline in cap rates quarter over quarter.
- Q2 2016 average lease term remaining fell by one (1) year in comparison to Q1 2016.

DOLLAR STORES

NATIONAL AVERAGE CAP RATES BY DOLLAR STORES

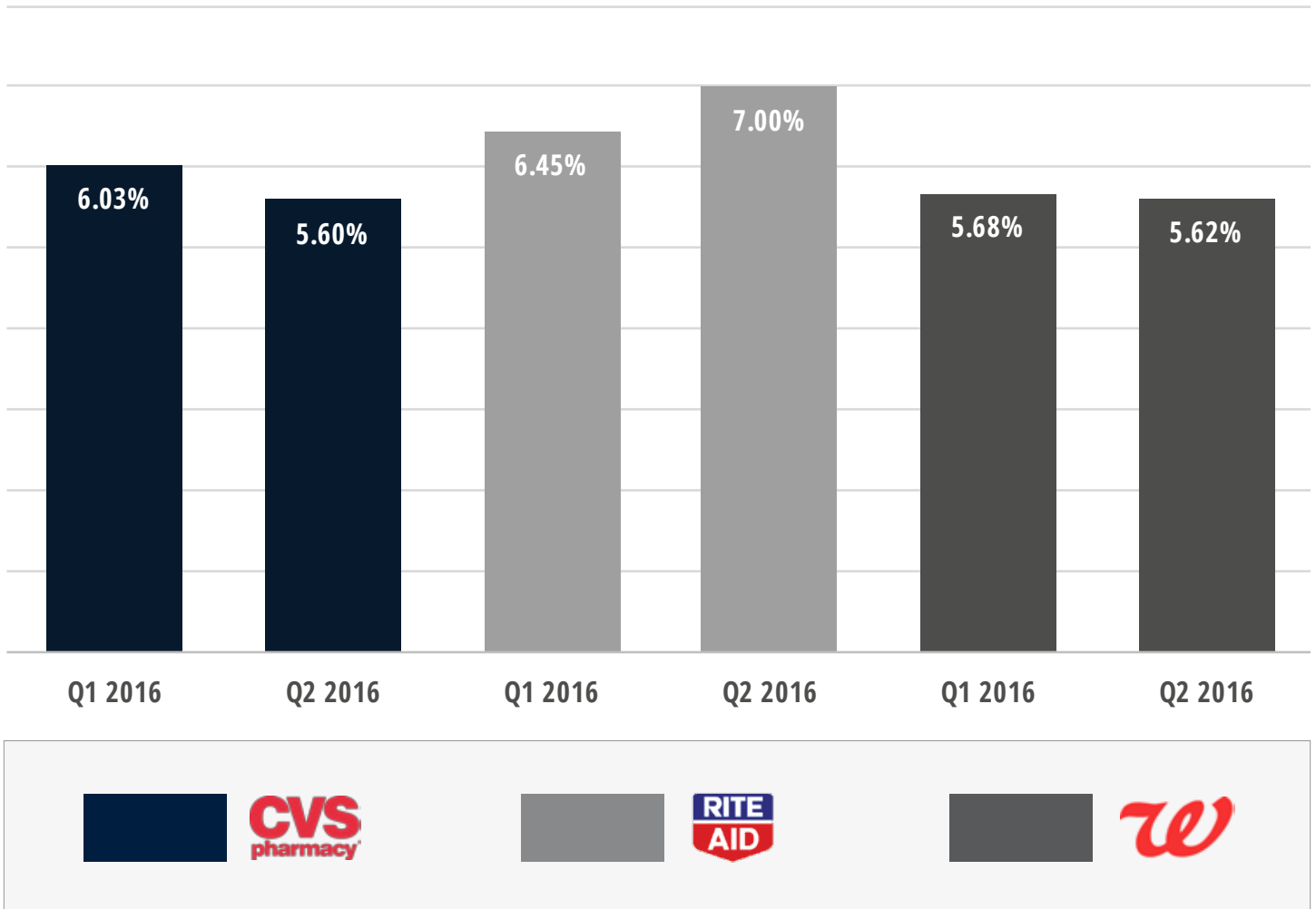


The national average cap rate for Family Dollar and Dollar General in Q2 2016 had slight upticks in cap rates of 27 bps and 29 bps respectively. This was due to the fact that approximately 40% of the data in our sample size included higher cap rate sales with less than 10 years remaining. The national average for Family Dollar excluding sales with less than 10 years remaining was 6.44%. Meanwhile, the national average for Dollar General excluding sales with less than 10 years remaining was 6.39%, which mainly included build-to-suit 15-year NNN sales.

Dollar store average cap rates remained largely unchanged as a sector. There was no change in average lease years remaining at sale (10+/- years), which indicates sales were composed mainly of newer stores. Dollar stores remain a high demand net lease investment. There are currently 300+ dollar stores on the market consisting mostly of brand new absolute NNN 15-year lease making it a buyer's market.

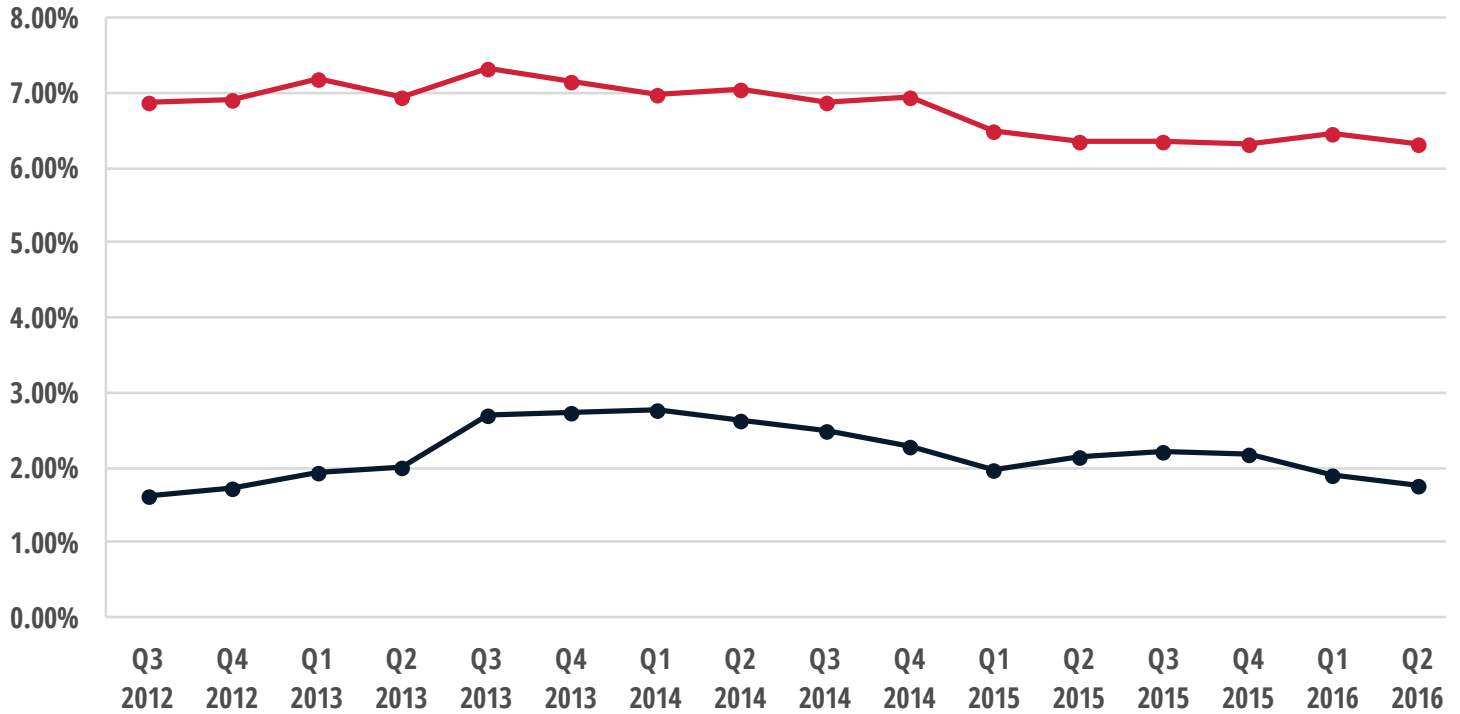
PHARMACIES

NATIONAL AVERAGE CAP RATES BY PHARMACIES



Pharmacy cap rate trends have been similar for Q2 2016 in comparison to Q1 2016. Walgreens remained relatively unchanged with a small dip of 6 bps. Meanwhile, CVS showed a decline of 43 bps, which we attribute mainly to a low population of CVS deals in our data set, and some outlier transactions. The national average cap rate for CVS with 20+ lease term remaining was 5.23% for Q2 2016. This included both ground lease and fee simple transactions. Rite Aid cap rate increased by 55 bps, however, our sample size only had one data point for the period in question. Average remaining lease terms were between 18-20 years.

STNL CAP RATES VS. 10 YEAR TREASURY RATES



—●— STNL CAP RATES

—●— 10 YEAR TREASURY RATES





DISCLOSURES: As part of our market research, we collect sales price, cap rate, and lease years remaining for all publicly advertised and sold STNL properties. a) We are not able to capture 100% of the off-market transactions that occur; however the nature of off-market typically limits their value as true market comps. b) Sources include public records, sales announcements, Calkain sales, and appraiser obtained sales amongst others. c) Our collection process, while thorough, is not all encompassing and there may be biases in the data as it relates to geography, tenancy, or brokers involved in the transaction. d) Public records often lag behind when transactions actually close, months in some cases. Consequently the data supplied here for any given quarter is likely to miss a material amount of transactions that actually closed in it.

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