

Tenant Description

Within the dollar store sector, Dollar Tree is the largest operator of discount variety stores offering three main types of products, consumable merchandise, variety merchandise, and seasonal goods. Consumable merchandise, which includes candy and food, health and beauty care, and everyday consumables such as household paper and chemicals, account for the largest portion of net sales.

| Merchandise Type | Percentage of Net Sales |
|------------------|-------------------------|
| Consumable | 49.0% |
| Variety | 46.3% |
| Seasonal | 4.7% |

While 39% of the items offered in stores are replenished automatically, the remaining offerings are ordered weekly by store managers. This allows each store's offerings to be curated to meet the demands of their particular customer base.

In 2015, Dollar Tree acquired Family Dollar to create the largest discount retailer (by store count) in North America. Together these chains operate over 15,000 locations across 48 states and the District of Columbia.

Net Lease Overview

Dollar Tree presents investors with unique opportunities to acquire a property with a strong corporate guarantee, in sound locations, for relatively high cap rates. Dollar Tree received a credit rating upgrade in March 2018 from Moody's and S&P from Ba2 to Baa3 and BB+ to BBB-.

Dollar Tree has a unique advantage over other net leased dollar stores due to their locations. Dollar Tree has the flexibility to succeed in metro areas, mid-sized cities, and small towns.

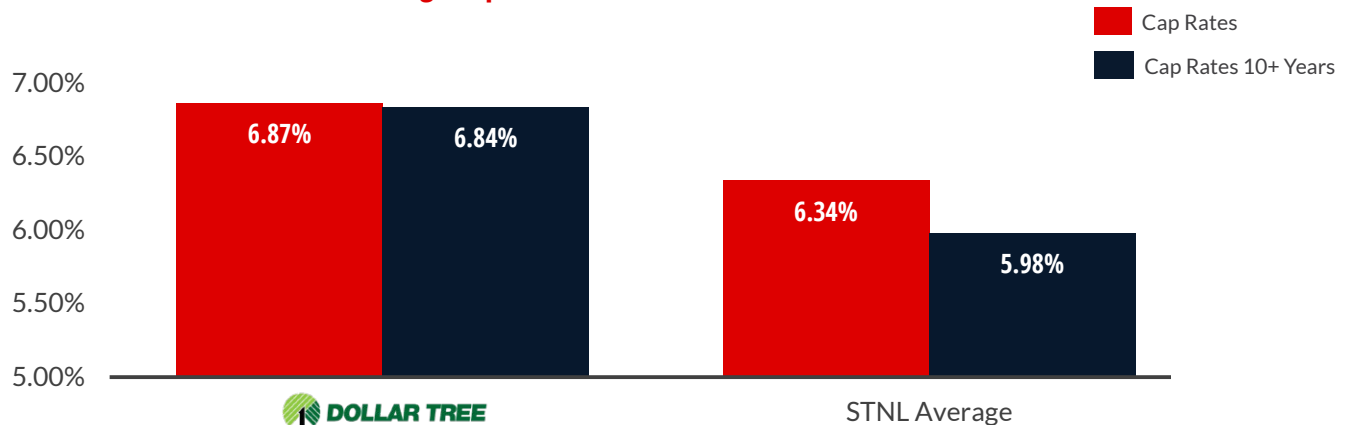
Dollar Tree has traded at cap rates significantly higher than the single tenant net lease (STNL) average. This high cap rate comes with a small price point, averaging \$1.8 million over the last 12 months. Dollar Tree's typical lease is a 10-year double net lease, leaving the investor with some landlord responsibilities.



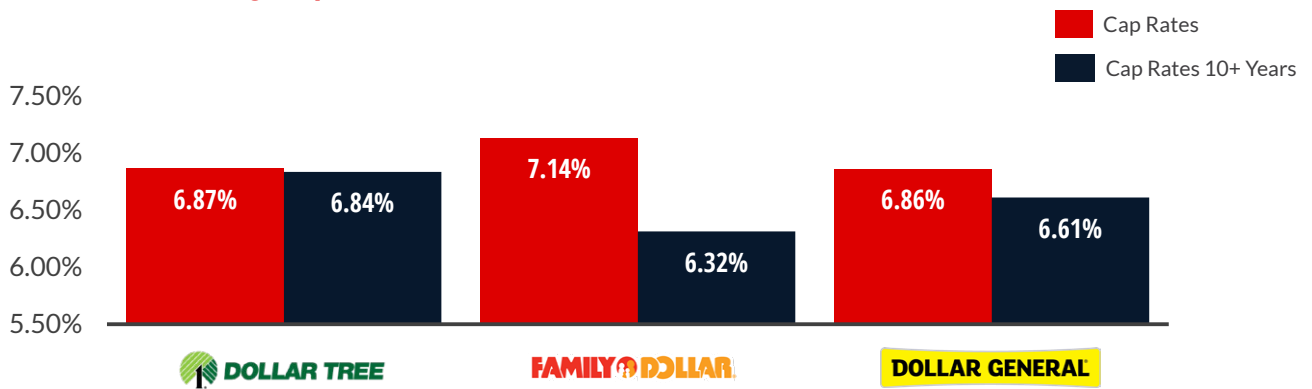
Growth Strategy

New store openings, store expansion and remodel programs, and selective mergers and acquisitions have been the major drivers of Dollar Tree, Inc.'s net sales growth. Dollar Tree expects to open new stores in new markets and increase its presence in existing markets.

Average Cap Rates Over the Past 12 Months

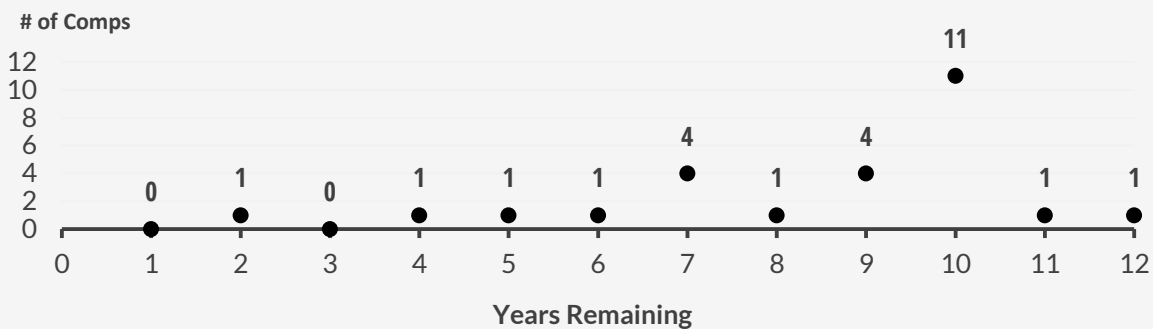


Average Cap Rate of Various Dollar Stores Over the Past 12 Months

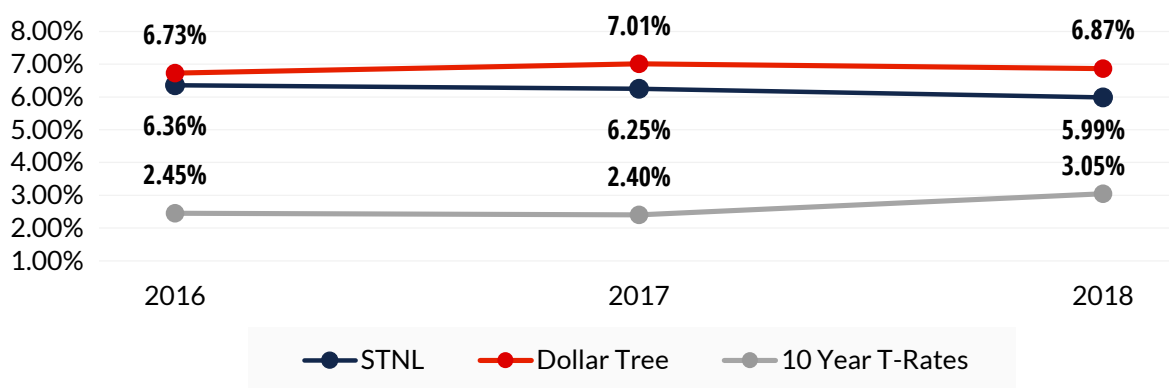


The split between average Dollar Tree and the average of Dollar Tree with at least 10 lease years remaining is much smaller than the other tenants in the dollar store sector. This narrow spread is due to the large cluster of sales with or near 10 years remaining.

Number of Comps by Years Remaining



STNL Cap Rates vs Dollar Tree Cap Rates vs 10 Year T-Rates



Dollar Tree has been trading at a significant discount to the STNL average.

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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. e) In sectors with a skew of greater than |2|, we have replaced the mean with the median to better describe these sectors. Consequently the data supplied here for any given quarter is likely to miss a material amount of transactions that actually closed in it.