

**BANK GROUND LEASE PROPERTIES  
MEDIAN ASKING CAP RATES**

Tenant	Q1 2019 (Previous)	Q1 2020 (Current)	Basis Point Change
Bank of America	4.50%	4.92%	+42
Chase Bank	5.00%	4.67%	-33
PNC Bank	4.55%	4.85%	+30
TD Bank	5.35%	4.50%	-85
Other Banks	5.15%	5.30%	+15
All Bank Ground Leases	4.84%	4.96%	+12

*The above data reflects bank ground leases with 12 or more lease years remaining.*

**BANK GROUND LEASE PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Median Price
Bank of America	\$3,894,000
Chase Bank	\$4,250,000
PNC Bank	\$3,328,000
TD Bank	\$5,850,000
Other Banks	\$2,925,000
All Bank Ground Leases	\$3,450,000

*The above data reflects bank ground leases with 12 or more lease years remaining.*

**MEDIAN ASKING CAP RATE  
BY LEASE TERM REMAINING**

Lease Term Remaining	Cap Rate
20+	4.40%
15-19	4.79%
10-14	5.10%
Under 10	6.00%

**MARKET OVERVIEW**

*\*This report is based on events that occurred throughout the first quarter of 2020, which does not fully take into account the evolving Covid-19 situation and its effect on the net lease market.*

Cap rates for the single tenant bank ground lease sector increased by 17 basis points to 5.47% in the first quarter of 2020 compared to one year ago. In the past three years, cap rates in the bank ground lease sector increased by more than 80 basis points while net lease retail cap rates compressed by 4 basis points. The continued increase in cap rates can be attributed to investor concern surrounding the future of consumer banking and a lack of new bank branch locations with long-term ground leases. For the purpose of this report, the bank ground lease sector is comprised of both national and regional banks.

In the first quarter of 2020, the supply of bank ground leases was heavily concentrated in short term leases. For the second consecutive year, the median term remaining for the bank ground lease sector was below 10 years. Consequently, the premium in cap rates historically associated with bank ground leases has compressed considerably. In the first quarter of 2020, the premium for bank ground leases when compared to the overall net lease retail sector compressed from 97 to 68 basis points. In 2013 – 2015, this premium was 200+ basis points.

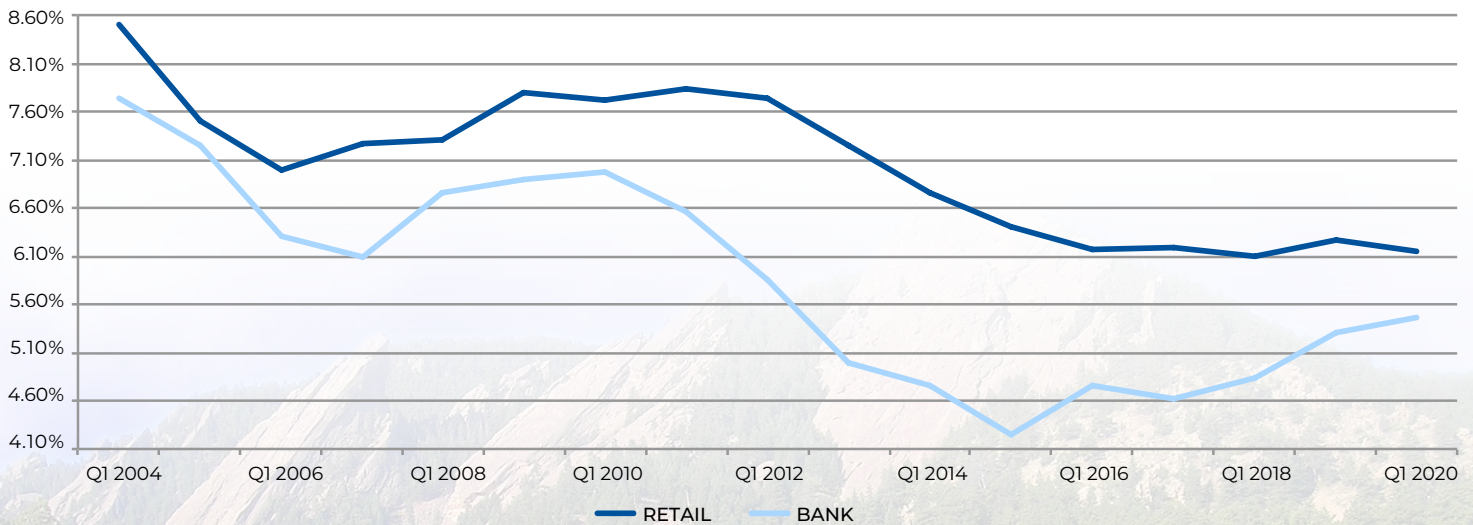
While relocation and consolidation of existing branches is common today, new branch expansion remains very limited. This is causing a decreased supply of long term leased bank properties that command a cap rate premium. In the first quarter of 2020, less than 10% of the overall bank ground lease sector was comprised of properties with 15 or more years remaining on their ground leases. As a result, bank ground leases with 20+ years of remaining lease term commanded asking cap rates of 4.40% while ground leases with 15-19 years of term asked 4.79%.

Investor interest in bank ground leases will remain as investors continue to value the credit quality of the tenants, passive nature of ground leases and favorable locations. However, demand for bank ground leases will remain fragmented between long term credit investors and others who desire the underlying real estate of the bank property. Accordingly, in-place rental rates and bank branch deposits will be carefully scrutinized by bank ground lease investors.

**SELECTED BANK GROUND LEASE SALE COMPARABLES**

Sale Date	Tenant	City	State	Price	Cap Rate	Lease Term Remaining
Dec-19	PNC Bank (GL)	Woodbridge	VA	\$7,350,000	7.19%	8
Dec-19	Regions Bank (GL)	Houston	TX	\$5,783,133	4.15%	20
Mar-20	Chase Bank (GL)	Anaheim	CA	\$5,100,000	3.63%	20
Mar-20	Bank of America (GL)	Centennial	CO	\$5,075,000	4.61%	15
Jan-20	Bank of America (GL)	Northbrook	IL	\$4,639,000	4.85%	15
Mar-20	Chase (GL)	Gilbert	AZ	\$4,628,000	5.15%	9
Jan-20	PNC Bank (GL)	Niles	IL	\$4,100,000	6.05%	11
Feb-20	Chase (GL)	Bonita Springs	FL	\$4,093,023	4.30%	13
Nov-19	Chase Bank (GL)	Miami	FL	\$4,050,000	4.32%	20
Jan-20	Chase Bank (GL)	Hillside	IL	\$3,275,000	5.75%	10
Apr-20	PNC Bank (GL)	Brookfield	WI	\$2,500,000	5.00%	14
Apr-20	Andigo Credit Union (GL)	Streamwood	IL	\$2,250,000	6.00%	15
Dec-19	Bank of America (GL)	Lithonia	GA	\$1,680,715	6.90%	3
Feb-20	Compass Bank (GL)	Fort Walton Beach	FL	\$1,440,000	6.43%	8
Jan-20	Republic Bank (GL)	New Port Richey	FL	\$1,092,000	5.00%	10

**BANK GROUND LEASE VS RETAIL NET LEASE CAP RATE TRENDS**



**COMPANY COMPARISON**

Tenant	Number of Branches	Credit Rating	Market Cap (Billions)
Associated Bank	230	BBB+	\$1.8
Bank of America	4,212	A-	\$185.0
Truist Financial	2,049	A-	\$40.0
BMO Harris	600	A+	\$31.0
Chase Bank	5,100	A+	\$266.0
Citibank	4,600	BBB+	\$85.0
Fifth Third	1,154	A-	\$10.6
KeyBank	1,197	A-	\$11.0
PNC Bank	2,459	A	\$38.0
Regions Bank	1,454	A-	\$8.5
TCF Bank	500	BBB-	\$3.4
TD Bank	1,301	AA-	\$70.9
US Bank	3,067	A+	\$48.2
Wells Fargo	8,050	A-	\$109.5

**MEDIAN CLOSED CAP RATE SPREAD**

Tenant	Closed	Ask	Spread (bps)
Bank Ground Leases	5.28%	4.96%	32

*The above data reflects bank ground leases with 12 or more lease years remaining.*

**BANK GROUND LEASE SECTOR VS NET LEASE SECTOR CAP RATE**

Tenant	Q1 2019 (Previous)	Q1 2020 (Current)
Bank Ground Lease Sector	5.30%	5.47%
Retail Net Lease Market	6.27%	6.15%
Bank Ground Lease Premium (bps)	97	68

**FOR MORE INFORMATION**

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