

BIG BOX ASKING CAP RATE COMPARISON

Q4 2019 (Previous)	Q4 2020 (Current)	Basis Point Change
7.00%	6.75%	-25

BIG BOX VS. NET LEASE SECTOR MEDIAN ASKING PRICE

Sector	Q4 2019 (Previous)	Q4 2020 (Current)
Big Box	7.00%	6.75%
Retail Net Lease Market	6.07%	6.00%
Differential (bps)	+93	+75

BIG BOX PROPERTIES MEDIAN ASKING PRICE

Sector	Average Price	Average Price Per SF
Investment Grade	\$7,889,022	\$142 PSF
Non-Investment Grade	\$9,560,134	\$163 PSF

BIG BOX MEDIAN ASKING CAP RATE BY CREDIT RATING

Investment Grade Cap Rate	Non-Investment Grade Cap Rate	Basis Point Spread
5.90%	6.95%	+105

MARKET OVERVIEW

Cap rates in the single tenant net lease big box sector decreased by 25 basis points to 6.75% from the fourth quarter of 2019 to the fourth quarter of 2020. The decrease in cap rates can be primarily attributed an increased appetite from investors for big box tenants that operate in the essential business category such as grocery related and home improvement.

Despite the headlines surrounding retail and the Covid-19 pandemic; demand in the marketplace for big box retail assets was strong for specific tenants. Investment grade tenants within essential and operating businesses experienced an increased demand from investors in both the private and institutional sectors. The grocery sector was the winner during the pandemic in addition to other retailers including Walmart, Costco, Target, Home Depot and Lowe's. In the fourth quarter of 2020, properties with grocery related tenancy accounted for more than 30% of the market, up 22% from 2019.

While investors sought investment grade retailers in essential businesses throughout the pandemic, tenants in businesses that were targeted by governmental shutdowns experienced the opposite effect. Tenants in the fitness, movie theater and experiential retail categories suffered from the pandemic. Accordingly, investor interest in these categories was virtually non-existent. The challenges that the pandemic and e-commerce created for retailers resulted in net lease big box properties being priced at a 75-basis point discount to the overall net lease market.

Tenant quality and financial resiliency will continue to be top of mind with net lease investors. In the 4th quarter of 2020, big box properties with investment grade rated tenants were priced 105 basis points lower than their non-investment grade counterparts. However, opportunistic real estate investors will carefully be monitoring the sector for non-credit big box properties. Investors will seek assets with strong underlying real estate or below market rents as these properties will provide above average returns with potential future value.

The single tenant net lease big box sector will remain bifurcated as investors monitor the continued effects of e-commerce's growth and the impact of the Covid-19 pandemic. With higher returns available when compared to other net lease sectors, investors seeking higher yields will continue to target these assets and evaluate the big box retailer environment as it continues to evolve.

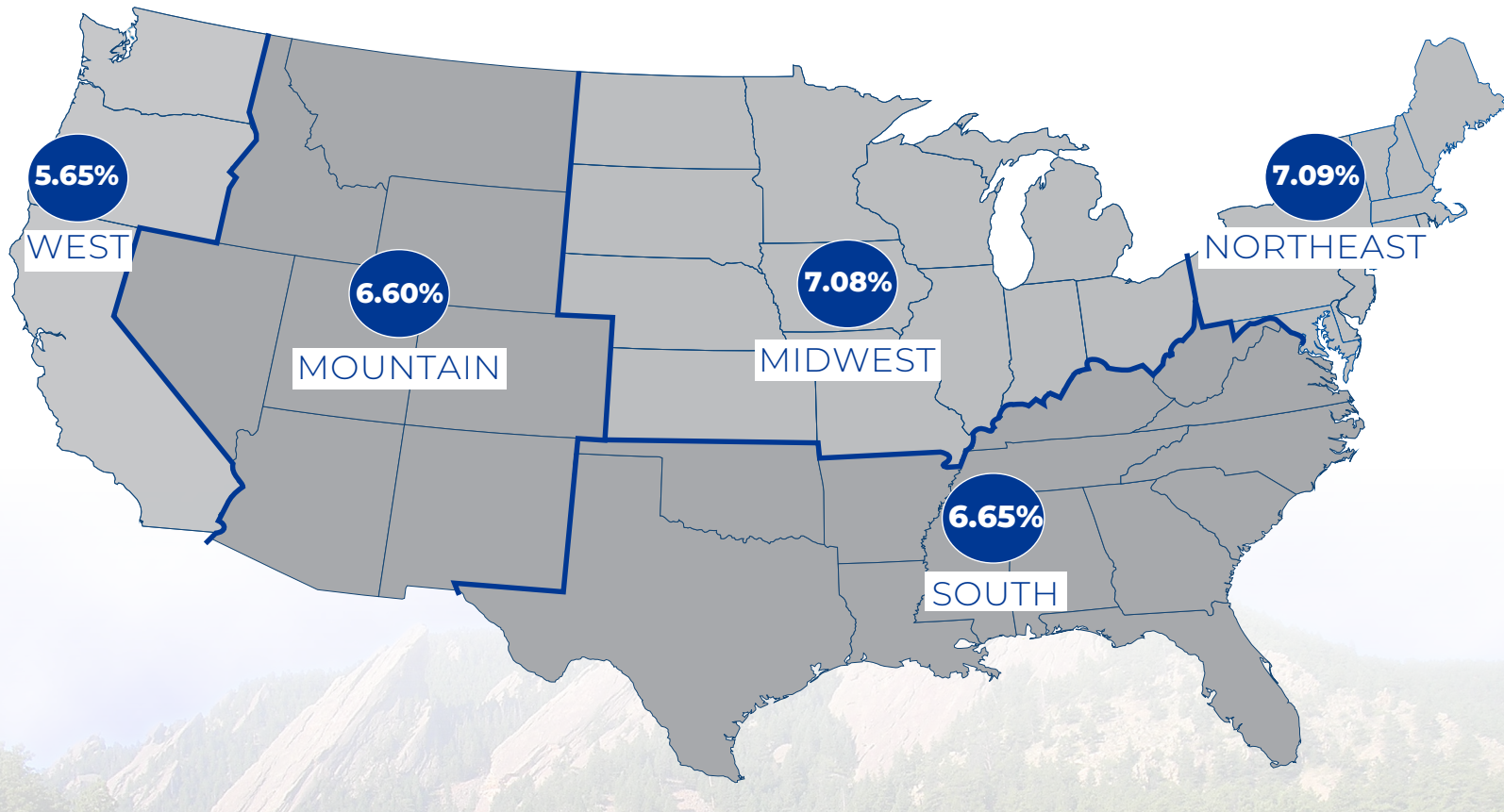
MEDIAN ASKING CAP RATES BY SQUARE FOOTAGE

Sector	SF Range	Cap Rate	Percentage of Market
Junior Big Box	20,000 - 40,000	6.74%	33%
Mid Box	40,000 - 80,000	6.83%	46%
Large Format	Over 80,000	6.63%	22%

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Investment Grade	Non-Investment Grade
16-20 Years	5.15%	6.10%
11-15 Years	5.81%	6.47%
6-10 Years	6.40%	6.92%
5 Years & Under	7.26%	7.75%

BIG BOX MEDIAN ASKING CAP RATE BY REGION



SELECTED SINGLE TENANT BIG BOX CLOSED TRANSACTIONS

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaining
Nov-20	BJ's Wholesale	Roanoke	VA	\$20,841,231	\$204	6.50%	17
Dec-20	ShopRite	Slingerlands	NY	\$18,495,000	\$285	7.16%	10
Nov-20	Albertsons	Walla Walla	WA	\$16,198,000	\$270	5.30%	14
Oct-20	Smart & Final	Chula Vista	CA	\$14,800,000	\$398	5.51%	14
Oct-20	Burlington	Hawthorne	CA	\$14,749,167	\$324	6.93%	10
Nov-20	Walmart Neighborhood	Kingsport	TN	\$12,842,171	\$298	5.50%	10
Dec-20	Kohl's	Glendale	AZ	\$11,600,000	\$131	7.20%	9
Dec-20	Home Depot (GL)	Carson City	NV	\$10,200,000	--	4.91%	8
Dec-20	Floor & Décor	San Antonio	TX	\$8,400,000	\$105	6.19%	20
Nov-20	Best Buy	Reynoldsburg	OH	\$7,537,000	\$164	7.60%	7
Dec-20	Academy Sports	Belton	MO	\$6,600,000	\$114	7.75%	9
Dec-20	Bob's Discount Furni-	Cincinnati	OH	\$5,505,000	\$142	7.75%	9
Dec-20	Guitar Center	Houston	TX	\$5,225,000	\$209	7.99%	9

COMPANY COMPARISON

Tenant	Total Number of Stores	Credit Rating
24 Hour Fitness	400+	Private
Academy Sports + Outdoors	259	Private
Albertsons	2,252	BB-
Bed Bath & Beyond	1,024	B+
Best Buy	997	BBB
BJ's Wholesale	216	BB
Dick's Sporting Goods	850	Not Rated
Hobby Lobby	932	Not Rated
Kohl's	1,158	BBB-
Kroger	2,527	BBB
LA Fitness	690	Not Rated
Lowe's Home Improvement	2,200	BBB+
Petco	1,500	CCC+
PetSmart	1,500	B-
Ross Dress for Less	1,483	BBB+
Staples	1,220	B
TJMaxx	1,273	A+
The Home Depot	2,285	A
Walmart Stores	11,501	AA
Whole Foods Market	500	A+

FOR MORE INFORMATION

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