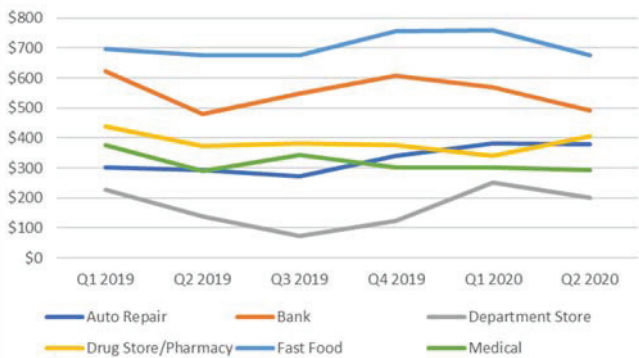
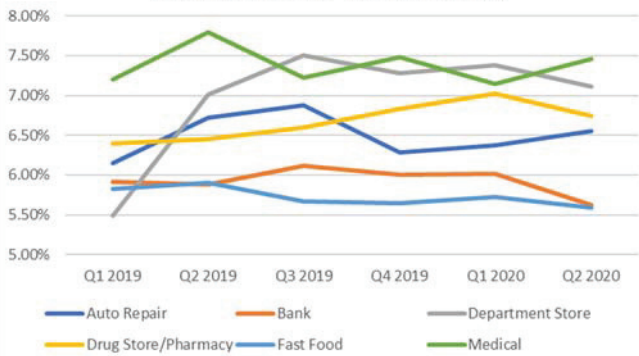


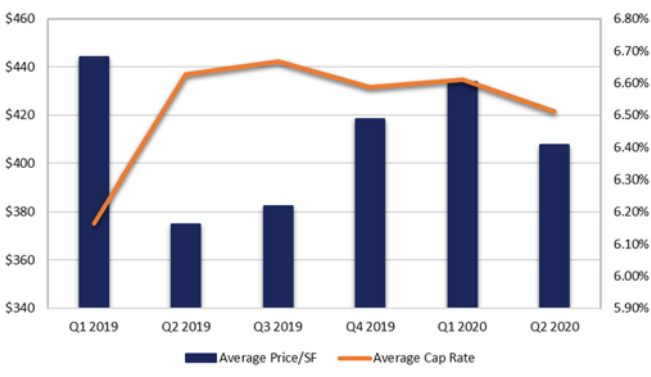
Price Per SF- Net Lease Market



Historical Cap Rates- Net Lease Market



AVERAGE \$/SF & CAP RATE - NET LEASE MARKET



SOURCE: CoStar and Marshall & Stevens



Patrick T. Craig, MAI, MRICS
Executive Managing Director
Real Estate Valuation Practice
212.897.9481
ptcraig@marshall-stevens.com



Conner Bianchini
Analyst
Real Estate Valuation Practice
646.438.7607
cbianchini@marshall-stevens.com



Gino Alosco
Senior Associate
Real Estate Valuation Practice
212.897.9475
galosco@marshall-stevens.com



Matt Schlatter
Senior Associate
Real Estate Valuation Practice
646.438.7603
mschlatter@marshall-stevens.com

Average \$/SF on Quarterly Transactions

Price per square foot on quarterly transactions fell 5% from \$434 per square foot to \$408 per square foot from Q1 2020 to Q2 2020 but increased 6.5% from Q2 2019. Investors have flocked to high-quality, long-term lease assets in Q2 2020, and the high demand has limited price decreases. The chart shows the department store sector achieving the lowest price per square foot at \$204/sf, and the fast food sector achieving the highest price per square foot at \$675/sf in Q2 2020. The only sector to see a price per square foot increase in Q2 2020 was the drug store sector, which increased from \$341 to \$405 per square foot over the prior quarter. This sector has performed well during COVID-19-as consumer traffic and spending has increased.

Average Cap Rate of Quarterly Transaction

With the exception of department stores, who have been struggling in recent years, the average capitalization rate for US net lease transactions has been consistent from Q2 2019 through Q2 2020. Cap rates over the period have ranged from 6.16% in Q1 2019 to 6.67% in Q3 2019. Cap rates have fluctuated by only 16 basis points over the last five quarters. The fast food sector commands the lowest cap rates due to long term leases and frequent escalations, and medical properties command the highest cap rates, as they typically offer a blend of retail and office space. Net lease office assets register higher cap rates relative to retail assets. Cap rates decreased 10 basis points from 6.61% to 6.51% over the last quarter. Cap rate and lease term remaining have an inverse relationship, with cap rates decreasing as lease term remaining increases.

Average \$/SF & Cap Rate: 5 Year Trend

Since Q1 2019, price per square foot and cap rates have generally showed an inverse relationship. Cap rates increased substantially in Q2 2019 as price per square foot dipped considerably. As price per square foot has leveled off in recent years, cap rates have shown less fluctuation. Boulder Group denotes a decrease in the bid-ask spread in the net lease sector. Retail assets in Q2 2020 closed at a cap rate 22 basis points higher than the initial asking cap rate, which is 8 basis points lower than the 30 basis-point difference in Q1 2020. This suggests increased competition for quality assets during a time of uncertainty.