

A photograph of the Chicago skyline at dusk, viewed from across a river. The sky is a deep blue, and the city lights are beginning to glow. A prominent white rectangular box is overlaid on the left side of the image, containing the title text. A thin green diagonal line extends from the top right corner of the box towards the center of the image. In the foreground, a white boat with a blue stripe is moving across the water, leaving a wake. The boat has "Chicago Sightseeing" and "Olive" written on it.

# MARKET REPORT NET LEASE SPRING 2017



MID-AMERICA®

## MID-AMERICA INVESTMENT SALES

In the weeks leading up to 2017 ICSC RECon, Mid-America presents our ICSC Net Lease Market Update Report. We felt it useful to discuss current trends we're seeing in the Net Lease sector surrounding supply, demand and cap rates.

### LET'S SET UP A MEETING

If you would like to schedule a meeting with us, to discuss the market report or a specific property question, please [send us a note](#) or call for an appointment.

Our booth is located at S266 Q Street, Kiosk #2.

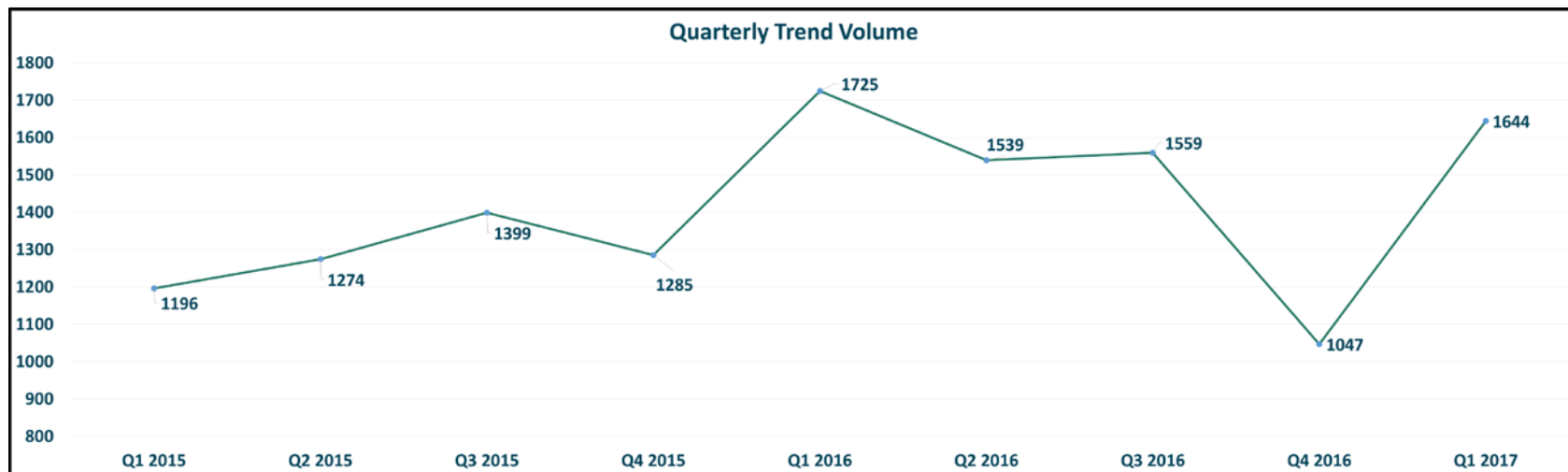


## NET LEASE MARKET SUPPLY

The Net Lease marketplace is a dynamic and growing entity. What was once a relative niche in the commercial real estate industry, Net Lease has become an integral sector in the business.

### STEADY CLIMB IN SUPPLY

As you can see from the quarterly new listing trend report below, we have seen a steady climb in new deals to market over the past two years. This past quarter, there was a dramatic increase in total number of new deals tracked. Throughout 2016, and into the first part of 2017, we have seen product levels at roughly 30% greater with the exception of the fourth quarter of 2016. Additionally (although not show in the graph below), early indications are that plenty of supply will be continuing to come to market.



## NET LEASE CLOSED RETAIL TRANSACTIONS

The retail net lease marketplace is as vibrant as ever. This can be seen not just from the increases in the supply, but also in closed transactions, which we track below.

### 2016 NET LEASE SALES VOLUME

In terms of total retail net lease volume in 2016, Mid-America tracked close to \$17.8 Billion in deals in 2016, which is up approximately 11% from 2015. Estimates have recently shown the net lease market, including industrial and office, in the US to be \$50-70 Billion.

Time Period	0-5 years	5-10 years	10-15 years	15-20 years	20+ years	Grand Total	AVG Term
Q1 2015	\$ 349,083,353	\$ 1,084,586,303	\$ 1,272,446,337	\$ 864,208,684	\$ 96,176,851	\$ 3,666,501,528	11.82
Q2 2015	\$ 370,619,330	\$ 898,886,118	\$ 1,598,991,841	\$ 801,019,021	\$ 203,637,335	\$ 3,873,153,645	12.09
Q3 2015	\$ 430,466,642	\$ 1,001,939,520	\$ 1,721,181,066	\$ 925,459,058	\$ 308,494,633	\$ 4,387,540,919	12.33
Q4 2015	\$ 341,477,107	\$ 961,325,821	\$ 1,371,380,846	\$ 977,112,086	\$ 383,903,819	\$ 4,035,199,679	12.59
Q1 2016	\$ 523,824,026	\$ 1,243,161,225	\$ 2,139,794,284	\$ 959,618,056	\$ 497,115,935	\$ 5,363,513,527	12.31
Q2 2016	\$ 491,445,540	\$ 1,116,131,130	\$ 1,626,138,227	\$ 982,009,437	\$ 389,931,724	\$ 4,605,656,058	12.24
Q3 2016	\$ 413,693,228	\$ 1,104,435,923	\$ 2,006,265,929	\$ 846,269,876	\$ 227,559,883	\$ 4,598,224,839	12.32
Q4 2016	\$ 320,942,933	\$ 790,681,196	\$ 1,296,428,573	\$ 689,343,927	\$ 156,416,864	\$ 3,253,813,493	12.15
Q1 2017	\$ 425,561,298	\$ 1,222,349,995	\$ 1,850,953,412	\$ 1,242,006,993	\$ 147,511,365	\$ 4,888,383,063	12.51
Grand Total	\$ 3,667,113,457	\$ 9,423,497,232	\$ 14,883,580,516	\$ 8,287,047,138	\$ 2,410,748,409	\$ 38,671,986,751	12.28



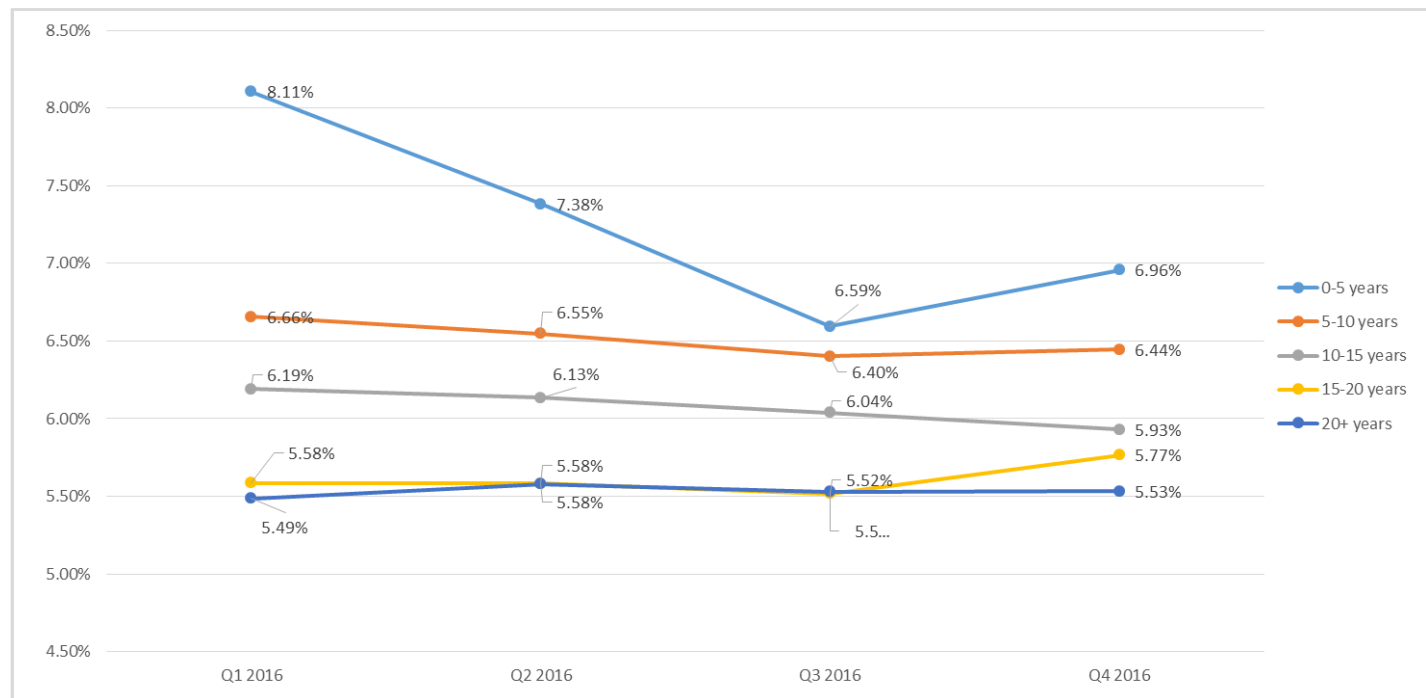
# CAP RATES & INCREASING TERM OF SALE

Cap Rates in the Net Lease and Investment real estate industry are a critical barometer of industry health and good measure of supply and demand.

## RETAIL NET LEASE CAP RATE COMPRESSION

The other component of the marketplace which normally gets much more attention is Cap Rates. We track average Retail Net Lease cap rates across the term spectrum, but find it more useful to see what is happening by segmented term lengths. While we have had an overall consistent compression of cap rates throughout the past year, we saw a very slight uptick in the cap rates on properties that closed in the fourth quarter.

	0-5 years		5-10 years		10-15 years		15-20 years		20+ years		Total Avg Sale CAP	Avg Term
	Avg Sale	% of	Avg Sale	% of	Avg Sale	% of	Avg Sale	% of	Avg Sale	% of		
Q1 2016	8.11%	14.42%	6.66%	27.27%	6.19%	32.97%	5.58%	18.06%	5.49%	7.27%	6.43%	12.32
Q2 2016	7.38%	11.76%	6.55%	29.79%	6.13%	35.91%	5.58%	18.68%	5.58%	3.86%	6.28%	12.24
Q3 2016	6.59%	8.87%	6.40%	23.92%	6.04%	43.71%	5.52%	20.00%	5.53%	3.51%	6.05%	12.32
Q4 2016	6.96%	11.59%	6.44%	30.49%	5.93%	32.32%	5.77%	20.73%	5.53%	4.88%	6.15%	12.16
<b>Grand Total</b>	<b>7.56%</b>	<b>12.12%</b>	<b>6.55%</b>	<b>27.49%</b>	<b>6.11%</b>	<b>36.28%</b>	<b>5.58%</b>	<b>18.90%</b>	<b>5.52%</b>	<b>5.20%</b>	<b>6.28%</b>	<b>12.25</b>



## SET UP A MEETING AT RECON TODAY

We will be heading out to Las Vegas in a few weeks, and look forward to discussing in detail what we are currently seeing in the market.



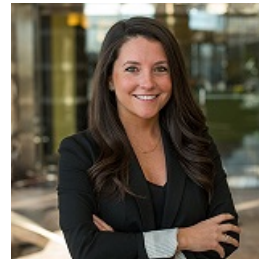
**RICK DROGOSZ**  
PRINCIPAL



**BEN WINEMAN**  
PRINCIPAL



**JOE GIRARDI**  
PRINCIPAL



**CARLY GALLAGHER**  
BROKER



**WES KOONTZ**  
DIRECTOR



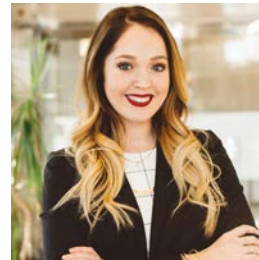
**CHRISTIAN TREMBLAY**  
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