

MARKET REPORT  
NET LEASE  
SPRING 2016



MID-AMERICA®



## MID-AMERICA INVESTMENT SALES

In the weeks leading up to 2016 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.

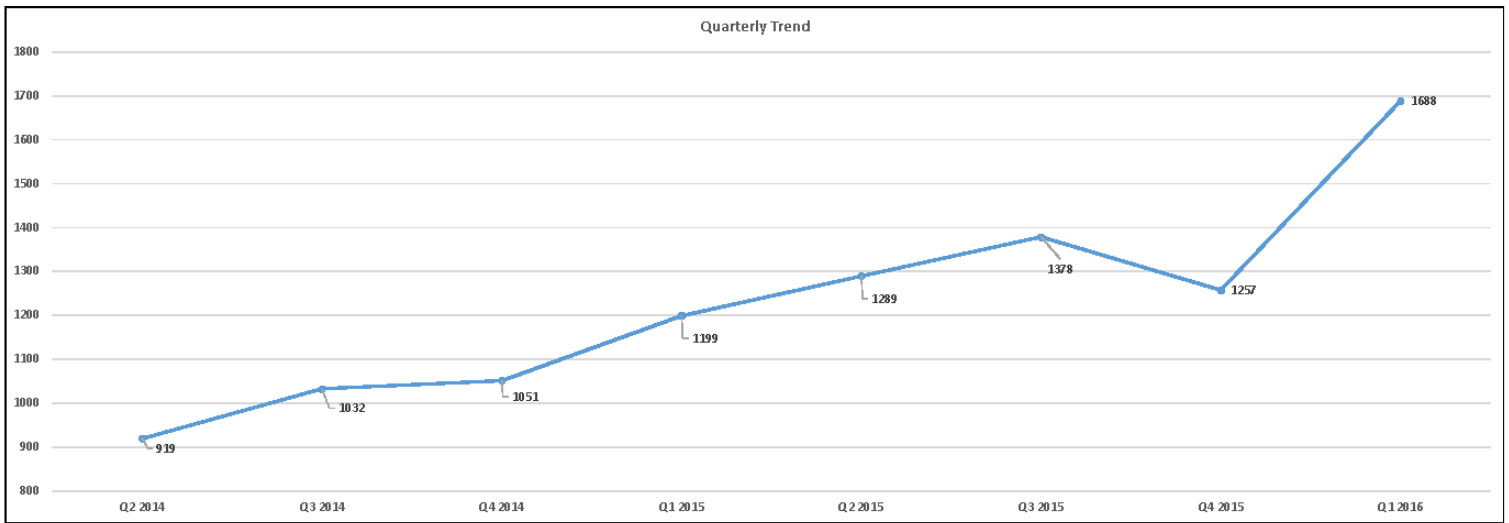


## NET LEASE MARKET SUPPLY

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, we had a dramatic increase in total number of new deals tracked. There was an increase of 34.29% from 4th Quarter 2015, 22.50% from 3rd Quarter 2015 and 40.78% from a year earlier. It will be interesting to see how the sheer increase in number of deals may impact pricing in the market.



### 2015 NET LEASE VOLUME

In terms of total retail net lease volume in 2015, Mid-America tracked close to \$16 billion in deals in 2015. While there are certainly many deals that trade off market, and ones that we may not track, this equates to retail net lease transactions comprising roughly 25%-30% of the total net lease marketplace. Estimates recently have shown this market in the US to be \$50-70 Billion.

Row Labels	0-5 years	10-15 years	15-20 years	20+ years	5-10 years	Grand Total
Q1 2015	\$ 359,606,172	\$ 1,257,978,255	\$ 890,397,345	\$ 106,852,518	\$ 1,101,967,657	\$ 3,716,801,947
Q2 2015	\$ 386,451,154	\$ 1,562,363,578	\$ 824,004,570	\$ 203,853,906	\$ 937,173,461	\$ 3,913,846,669
Q3 2015	\$ 417,667,624	\$ 1,710,063,117	\$ 979,815,845	\$ 306,858,408	\$ 959,645,085	\$ 4,374,050,079
Q4 2015	\$ 340,274,838	\$ 1,361,673,718	\$ 962,210,162	\$ 384,908,474	\$ 922,681,719	\$ 3,971,748,911
<b>Grand Total</b>	<b>\$ 1,503,999,788</b>	<b>\$ 5,892,078,668</b>	<b>\$ 3,656,427,922</b>	<b>\$ 1,002,473,306</b>	<b>\$ 3,921,467,922</b>	<b>\$ 15,976,447,606</b>



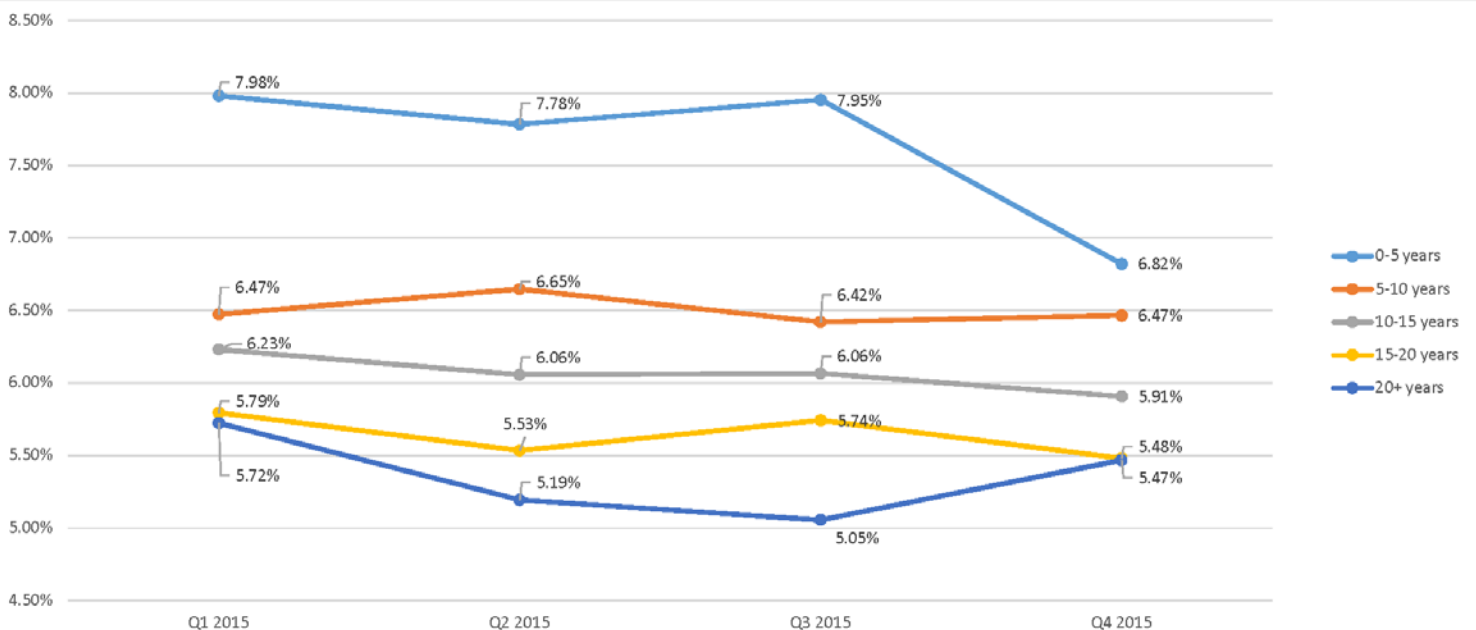
## CAP RATES & INCREASING TERM OF SALE

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, part of the dynamic has been an increase in ultra-long term deals. These are deals over 20 years, which are typically Sale-Leaseback transactions, long term bank deals, and Walgreens and CVS. In that category, we have seen an increase of almost 200% from Q1-Q4 of deals closed. This has caused the average deal term for 2015 closing to move up 1.5 years to 13.34 years.

Row Labels	0-5 years		5-10 years		10-15 years		15-20 years		20+ years		Total Avg Sale CAP	AVG Term
	Avg Sale CAP	% of Quarterly vol	Avg Sale CAP	% of Quarterly vol	Avg Sale CAP	% of Quarterly vol	Avg Sale CAP	% of Quarterly vol	Avg Sale CAP	% of Quarterly vol		
Q1 2015	7.98%	14.84%	6.47%	34.49%	6.23%	33.14%	5.79%	15.99%	5.72%	1.54%	6.50%	11.84
Q2 2015	7.78%	14.26%	6.65%	26.40%	6.06%	36.99%	5.53%	18.50%	5.19%	3.85%	6.33%	12.54
Q3 2015	7.95%	12.61%	6.42%	25.53%	6.06%	36.04%	5.74%	21.92%	5.05%	3.90%	6.28%	12.77
Q4 2015	6.82%	11.57%	6.47%	28.93%	5.91%	29.75%	5.48%	22.31%	5.47%	7.44%	6.05%	13.34
<b>Grand Total</b>	<b>7.83%</b>	<b>13.87%</b>	<b>6.52%</b>	<b>29.22%</b>	<b>6.11%</b>	<b>34.85%</b>	<b>5.66%</b>	<b>18.70%</b>	<b>5.29%</b>	<b>3.35%</b>	<b>6.35%</b>	<b>12.41</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 seeing in the market currently.



**RICK DROGOSZ**  
PRINCIPAL



**BEN WINEMAN**  
PRINCIPAL



**JOE GIRARDI**  
PRINCIPAL



**CARLY GALLAGHER**  
BROKER



**WES KOONTZ**  
DIRECTOR, NET LEASE



**CHRIS MARTIN**  
ANALYST



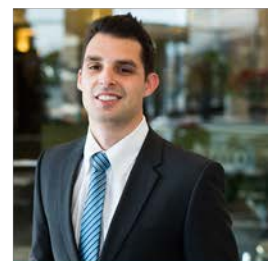
**HALEY PIKE**  
ANALYST



**TOM O'REILLY**  
ANALYST



**AL DZIADKOWIEC**  
ANALYST



**CHRISTIAN TREMBLAY**  
ASSOCIATE



# RELY ON THE MIDWEST'S RETAIL REAL ESTATE EXPERTS.

## OUR SERVICES

Tenant Representation

Investment Sales

Net Lease Sales

Surplus Property  
Disposition

Project Leasing

Asset Management

Construction Management  
and Development Services

Land Brokerage



**MID-AMERICA®**

### Illinois

One Parkview Plaza, 9th Floor  
Oakbrook Terrace, Illinois 60181  
630.954.7300

### Chicago

435 N Michigan Ave, Suite 2009  
Chicago, Illinois 60611  
630.954.7327

### Michigan

38500 Woodward Ave, Suite 100  
Bloomfield Hills, Michigan 48304  
248.855.6800

### Minnesota

5353 Wayzata Blvd, Suite 650  
Minneapolis, Minnesota 55416  
952.563.6600

### Wisconsin

648 N Plankinton Ave, Suite 264  
Milwaukee, Wisconsin 53203  
414.273.4600

**MidAmericaGrp.com**