



Jacky Londono
VP, Commercial Division
Cell: 305.345.3738
jlondono@mwus.us

THE NET LEASE BIG BOX REPORT

NOVEMBER 2011

OVERVIEW OF MAJOR BIG BOX PROPERTIES ON THE MARKET

Tenant	Asking Cap Rate	Average Price Per Foot	Average Asking Price
24 Hour Fitness	8.50%	\$169	\$6,912,118
Ashley Furniture	8.00%	\$144	\$6,190,000
ALCO	9.50%	\$85	\$2,093,195
Best Buy	7.50%	\$192	\$6,399,000
Dick's Sporting Goods	6.94%	\$236	\$12,750,000
Food Lion	8.64%	\$75	\$2,242,750
Gander Mountain	8.55%	\$129	\$4,250,000
Hobby Lobby	8.73%	\$84	\$5,075,000
Kmart	8.50%	\$34	\$2,978,000
La Fitness	8.63%	\$199	\$9,494,739
Lowe's	7.03%	\$86	\$11,037,500
Office Depot	9.00%	\$162	\$3,309,473
Office Max	10.50%	\$103	\$2,427,884
Pamida	9.00%	\$68	\$2,077,000
Staples	9.36%	\$116	\$3,000,000
Tractor Supply	7.68%	\$170	\$3,835,135

BIG BOX ASKING CAP RATE COMPARISON

Cap Rate 2010	Cap Rate 2011	Annual Basis Point Change
8.51%	8.35%	-16

MARKET OVERVIEW

Cap rates in the single tenant net leased big box sector compressed in the third quarter of 2011 in comparison to a year ago, with the median asking cap rate declining by 16 basis points primarily due to the decline of interest rates over the past year. However, the big box median cap rate remains 60 basis points above the retail net lease market as a whole as of the third quarter of 2011. This can be attributed to the limited number of properties on the market with big box tenants that have an investment grade credit rating. While many big box tenants have strong name recognition only 30% of the big box net lease users being tracked have investment grade ratings. The absolute dollar size of the investment limits the pool of investors when compared to the net lease market as a whole. The median price for big box properties in Q3 2011 was over \$4 million; while 71% of the single tenant net lease market is priced below \$3 million. Big box assets with investment grade tenants, such as Best Buy and Lowe's, are in higher demand as the majority of the market is tenanted with non-investment grade companies like Office Max and Kmart. Investment grade tenanted big boxes are experiencing a 100 basis point premium over non-investment grade tenanted big box properties.

Similar to the single tenant net lease market the big box sector is seeing supply constraints due to limited new development. The primary transaction activity for big box properties currently on the market is in the junior big box category (20,000 – 40,000 SF), which accounts for 48% of the market. Best Buy currently has the most big box locations on the market accounting for over 17% of all big box properties. Compared to Q3 2010 the average asking price per foot for big box properties rose 17% to \$123. This can be attributed to a greater supply of high price per foot stores like Best Buy, LA Fitness and Tractor Supply on the market.

The single tenant net leased big box sector will remain active as investors seek net leased properties with higher yields. However, the property supply will remain low as big box tenants expansion plans remain limited for 2012. Additionally, a significant portion of tenants expansion plans are to backfill existing vacant stores and not build new free standing locations.



Jacky Londono
 VP, Commercial Division
 Cell: 305.345.3738
 jlondono@mwus.us

THE NET LEASE BIG BOX REPORT

NOVEMBER 2011

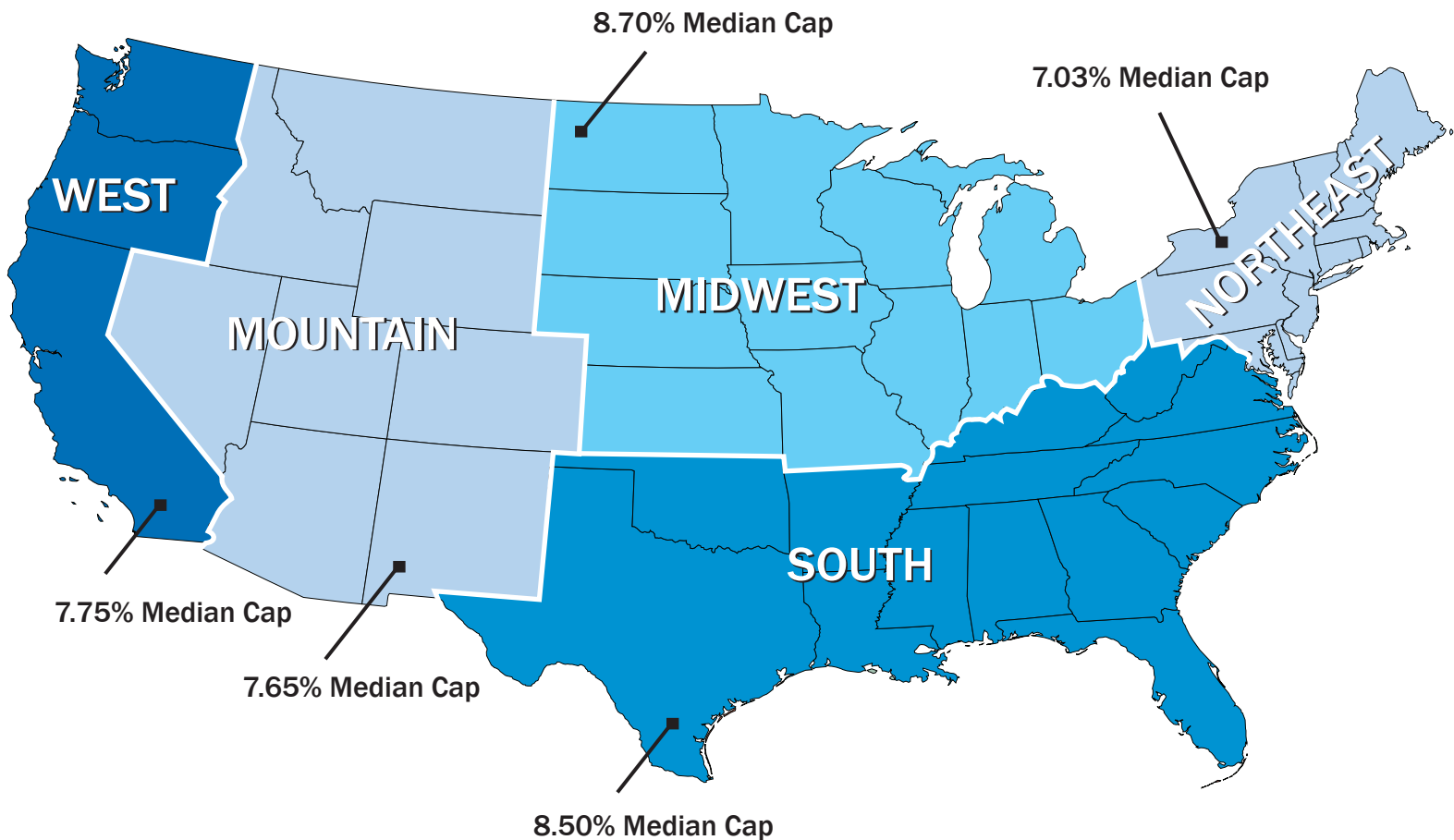
ASKING CAP RATE BY SQUARE FOOTAGE

	SF Range	Cap Rate	# on Market	Percentage of Market
Junior Big Box	20,000 - 40,000	8.22%	288	48%
Mid Box	40,000 - 80,000	8.50%	196	33%
Large Format	Over 80,000	8.37%	112	19%

BIG BOX ASKING CAP RATE BY CREDIT RATING

Investment Grade Cap Rate	Non-Investment Grade Cap Rate	Basis Point Spread
7.50%	8.50%	+100

BIG BOX ASKING CAP RATE BY REGION





Jacky Londono
 VP, Commercial Division
 Cell: 305.345.3738
 jlondono@mwus.us

THE NET LEASE BIG BOX REPORT

SELECTED BIG BOX CLOSED TRANSACTIONS IN 2011

Sale Date	Tenant	City	State	Price	Cap Rate	Lease Term Remaining
8/11	Stop & Shop	Cranston	RI	\$13,521,468	7.22%	20
9/11	LA Fitness	Royal Oak	MI	\$12,375,000	8.00%	19
8/11	Sam's Club	Douglasville	GA	\$12,343,369	7.50%	8
9/11	Lowe's	Dayton	OH	\$11,650,000	6.99%	13
8/11	LA Fitness	Avondale	AZ	\$8,089,474	8.90%	15
8/11	Lowe's	Kansas City	MO	\$7,650,000	6.47%	17
8/11	Kohl's (Ground Lease)	Brownsville	TX	\$6,570,000	7.00%	11
5/11	Hobby Lobby	Avon	IN	\$5,750,000	7.90%	11
6/11	Hhgregg	Midlothian	VA	\$4,850,000	8.07%	15
7/11	Best Buy	Richmond	IN	\$4,781,666	7.80%	10
7/11	Best Buy	Indianapolis	IN	\$4,750,000	7.89%	10
8/11	PetSmart	Parma	OH	\$4,212,500	8.00%	10

COMPANY COMPARISON

Tenant	Total Number of Stores	Rating	Market Cap
24 Hour Fitness	400+	B-	Private
Ashley Furniture	400+	Private	Private
Barnes & Noble	1,341	Not Rated	\$657 M
Best Buy	1,150	BBB-	\$8 B
Dick's Sporting Goods	455	Not Rated	\$3 B
Food Lion	1,167	BBB-	\$6 B
Gander Mountain	118	Private	Private
Gold's Gym	600+	Private	Private
Hhgregg	180	Not Rated	\$550 M
Hobby Lobby	456	Private	Private
Kmart	1,307	B+	\$6 B
Kohl's	1,097	BBB+	\$13 B
LA Fitness	340+	Private	Private
Lowe's	1,723	A	\$24 B
Office Depot	1,641	B-	\$554M
Office Max	983	B-	\$414M
PETCO	1,000 +	B	Private
PetSmart	1,197	BB	\$5 B
Staples	1,900	BBB	\$9 B
Tractor Supply	1,043	Not Rated	\$4 B
Wal-Mart	9,600	AA	\$181 B

FOR MORE INFORMATION



Jacky Londono
 VP, Commercial Division
 Cell: 305.345.3738
 jlondono@mwus.us

© 2011. Morgan Whitney. Information herein has been obtained from databases owned and maintained by Morgan Whitney as well as third party sources. We have not verified the information and we make no guarantee, warranty or representation about it. This information is provided for general illustrative purposes and not for any specific recommendation or purpose nor under any circumstances shall any of the above information be deemed legal advice or counsel. Reliance on this information is at the risk of the reader and Morgan Whitney expressly disclaims any liability arising from the use of such information. This information is designed exclusively for use by Morgan Whitney clients and cannot be reproduced, retransmitted or distributed without the express written consent of Morgan Whitney.