

CALKAIN
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RESEARCH

BESHEARS & ASSOCIATES
COMMERCIAL PROPERTY ANALYSTS



2016 FLORIDA NET LEASE REPORT

CALKAIN RESEARCH

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Florida continues to be a highly sought after market for the net lease investors. The flow of capital into Florida's commercial real estate section has been primarily fueled by the investors' desire to find a safe haven for their investment dollars. The sunshine state's growth in both population and GDP, combined with favorable income tax rates and overall economic health are the primary factors creating an ideal environment for investment opportunities for private investors across the country as well as from overseas.

Florida's expanding population is the primary engine of its economic growth, a trend that is expected to continue on an upward path over the next several years. The state is the third largest in the country, adding over 360,000 people every year. Florida has long been a popular market for second homeowners across the country, however given the natural timing, many of those vacation homes are becoming the permanent residence of the retiring baby-boomer generation. The trend of transferring residency to Florida carries over to the desire to transfer investment dollars into the state, keeping their real estate investments close

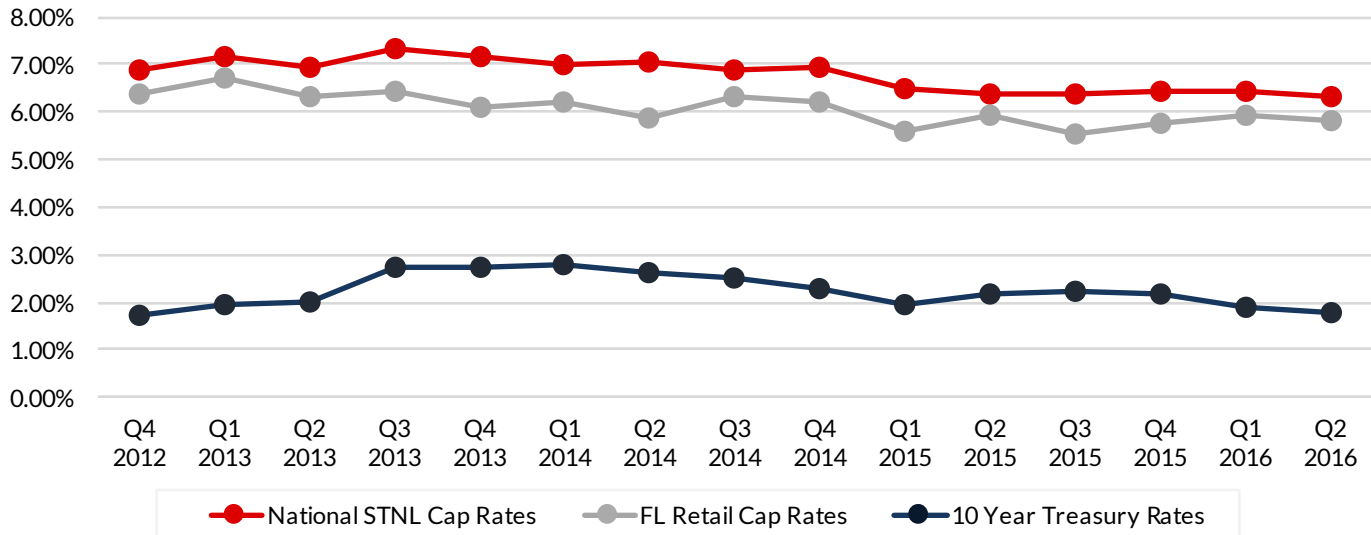
to home. Additionally, the decision for Florida not taxing their resident's income has attracted net lease investors from all over the globe, who are motivated to take advantage of this tremendous benefit if and when they decide to become a full-time Florida resident. Purchasing a real estate asset that has little to no landlord responsibilities seems to have proven to be a strong entrée into the gradual full-time status, and subsequent tax driven residency that is coveted by so many.

Florida's GDP has grown significantly in the first quarter of 2016 as reported by the U.S. Commerce Department. GDP numbers are driven significantly by growth in real estate and construction, specifically in the retail sector. This, along with rapidly rising tourism, particularly in South Florida and Orlando, has contributed to increased investments. Orlando has turned into a very active market becoming a large focus for developers as the market has experienced a large population influx.

This economic momentum in Florida shows potential to keep growing for the foreseeable future.



NATIONAL STNL CAP RATES VS. FL STNL CAP RATES VS. 10 YEAR TREASURY RATES

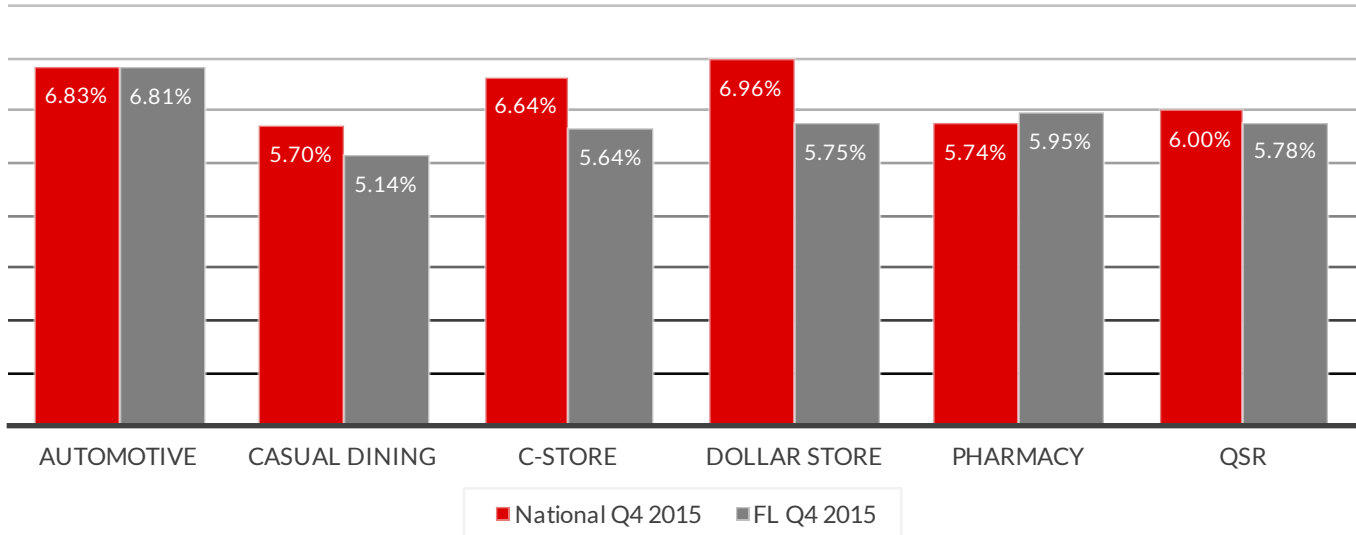


Due to the uncertainty in the global economy, the treasury rates have recently hit an all-time low. Investors continue to be in search of alternative investments offering any real rate of return, which has made commercial real estate, and specifically net lease, an attractive product. A net lease property offers investors a bond like structure but with a real estate asset attached. This secured investment draws many investors looking for a higher yield.

Florida STNL cap rates have typically been 50-80 bps lower than National STNL cap rates over the last several quarters. This is due to the fact Florida is viewed as a safe harbor for investment in comparison to the other states, especially on the East Coast. This is driven by constant job growth and positive economic growth along with the recent influx of foreign investments. Overall cap rates in Florida have been stable, with an average rate in the mid-5% range, while best in class assets continue to trade at or near 4%. Conversely, the national average for cap rates has remained in the low 6% range with only a few select markets experiencing sub-5% rates for best in class net lease properties.

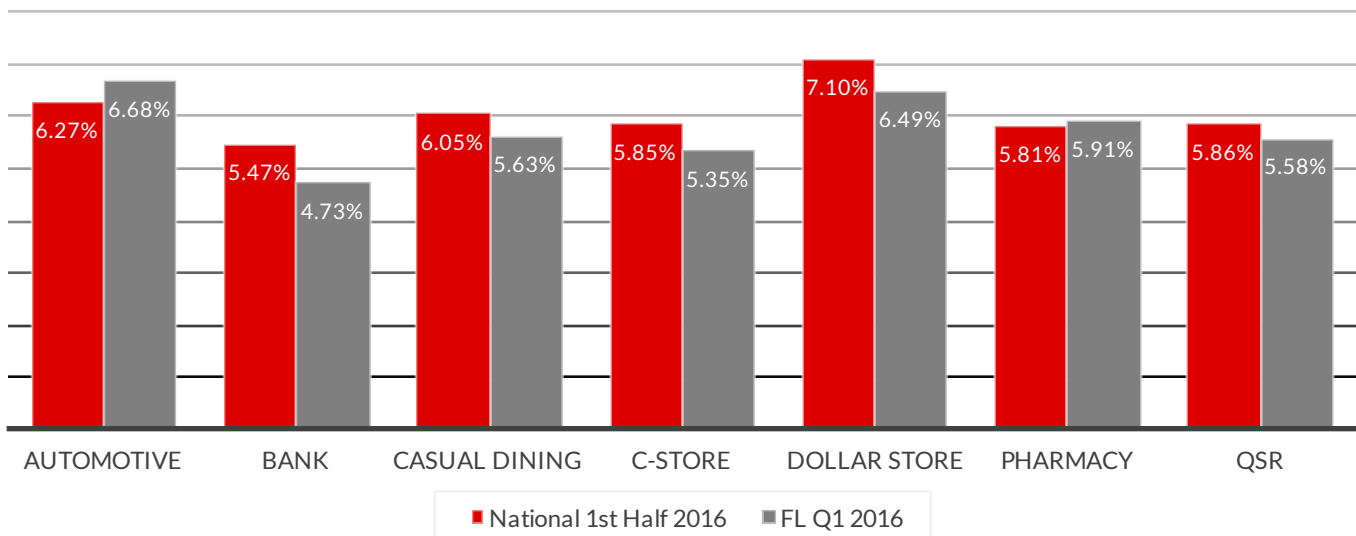
NATIONAL VS. FLORIDA

Q4 2015 Average Sector Cap Rates



Q4 2015 remained stable among automotive, pharmacy and QSR sectors between National and Florida average cap rates. However, dollar stores, casual dining, and c-store sectors showed slight variations with a lower average cap rate in Florida in comparison to the national cap rates.

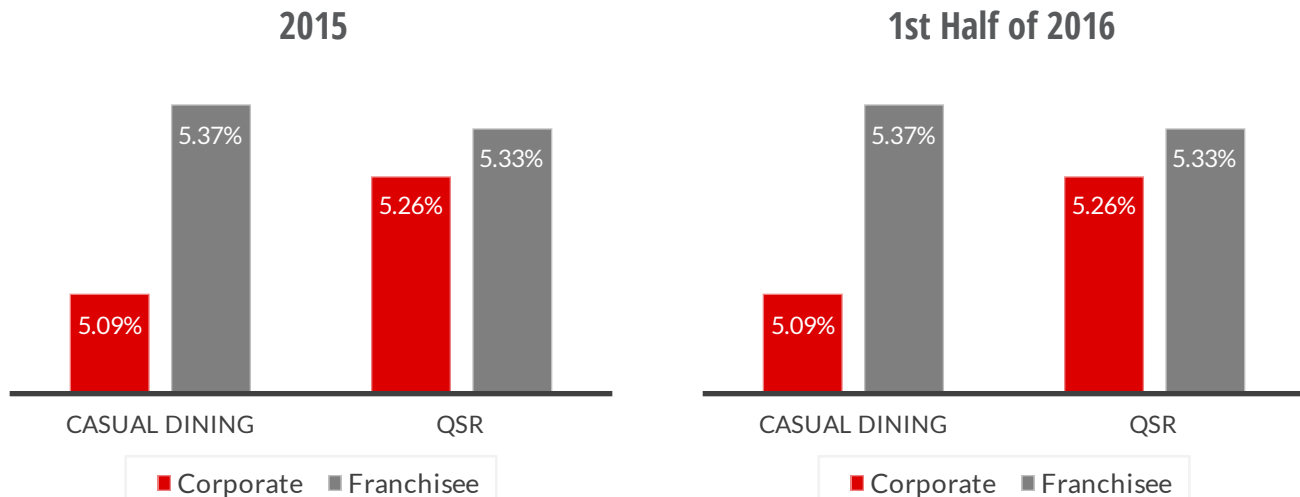
1st Half 2016 Average Sector Cap Rates



1st half of 2016 showed a similarly consistent trend for casual dining, c-store, QSR, and pharmacy sectors in comparison to 2015. Dollar Stores and Banks showed a lower average cap rate than National cap rates. However, automotive showed a higher average cap rate in Florida due to the relatively low sample size and some outlier transactions.

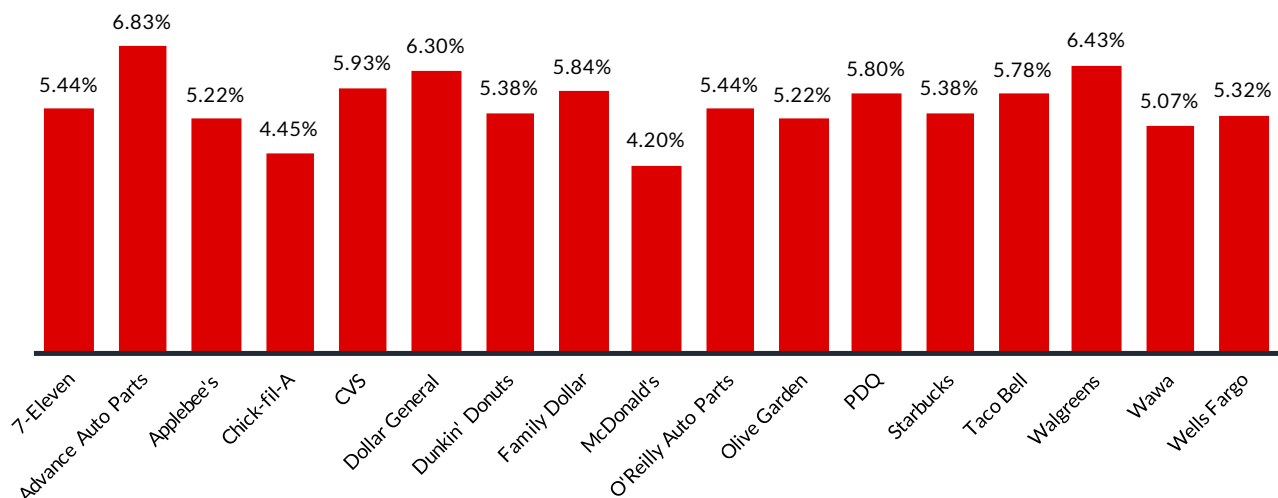
Of the data analyzed, 35% of the pharmacy and dollar store properties were brand new, resulting in lower cap rates due to the longer lease duration.

AVERAGE FLORIDA QSR & CASUAL DINING CAP RATES: CORPORATE VS. FRANCHISEE



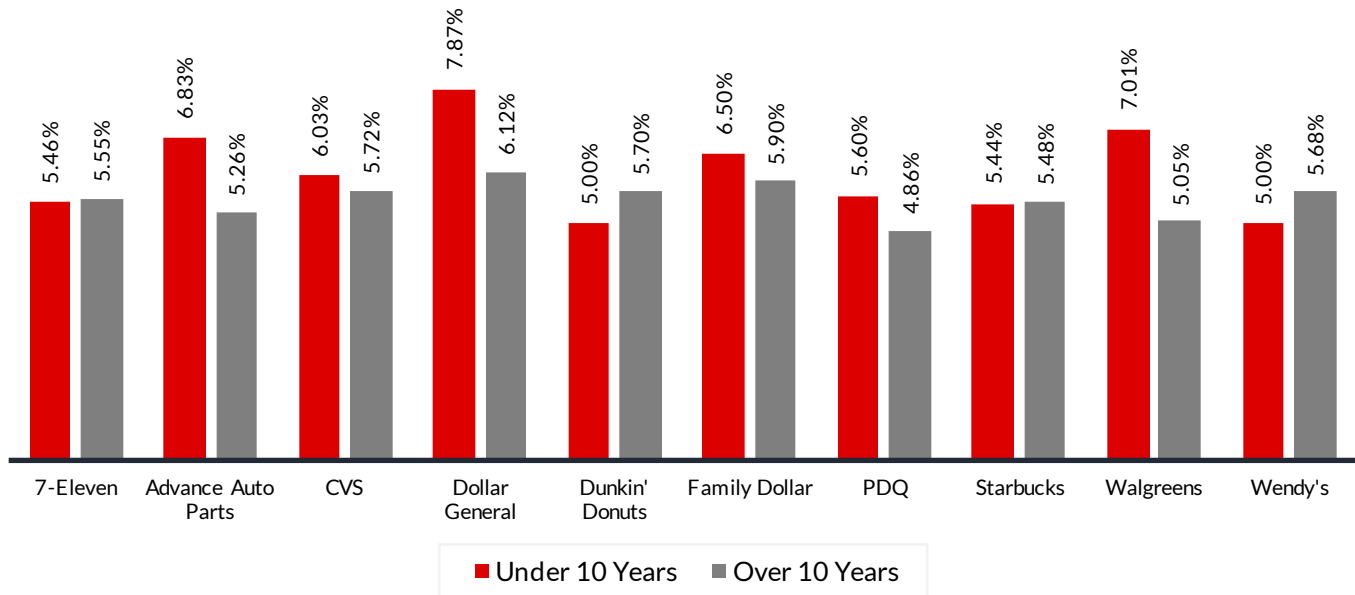
Due mainly to the credit profile, corporate leases observe a lower average cap rates versus their franchisee counterparts in both QSR and Casual Dining sectors. Additionally, Casual Dining observed a wider spread between corporate and franchisee cap rates in comparison to QSR for 2015, due largely to the difference in average lease term remaining. The majority of corporate guaranteed leases that traded were done as part of several large-scale sale-leaseback transactions.

2015 FLORIDA TENANT AVERAGE CAP RATES



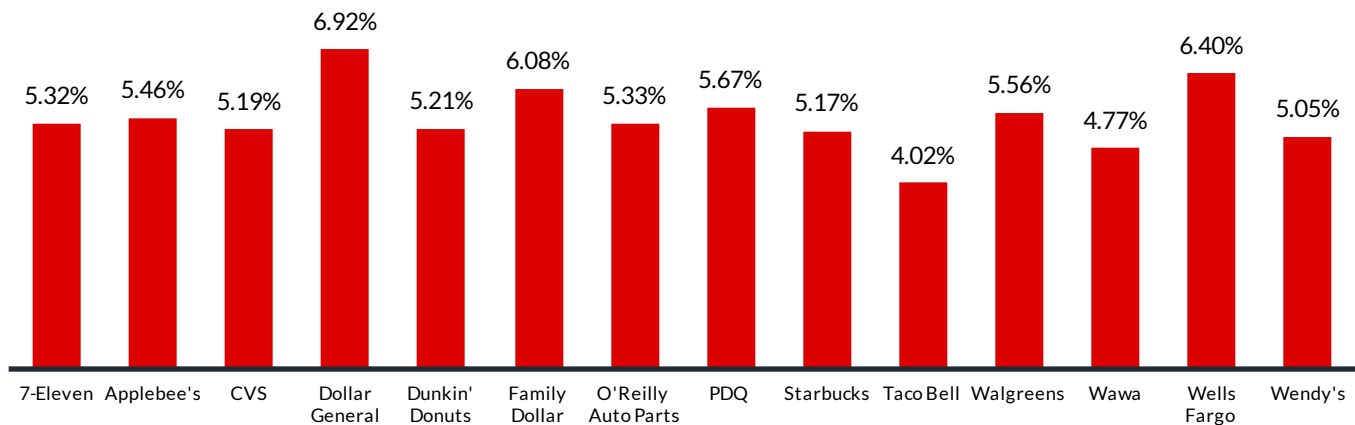
Most QSR such as McDonald's, Chick-fil-A and Wendy's, had an average cap rate ranging from 4.5 - 5%.

2015 Florida Tenants Average Cap Rates: Over vs. Under 10 Years Remaining



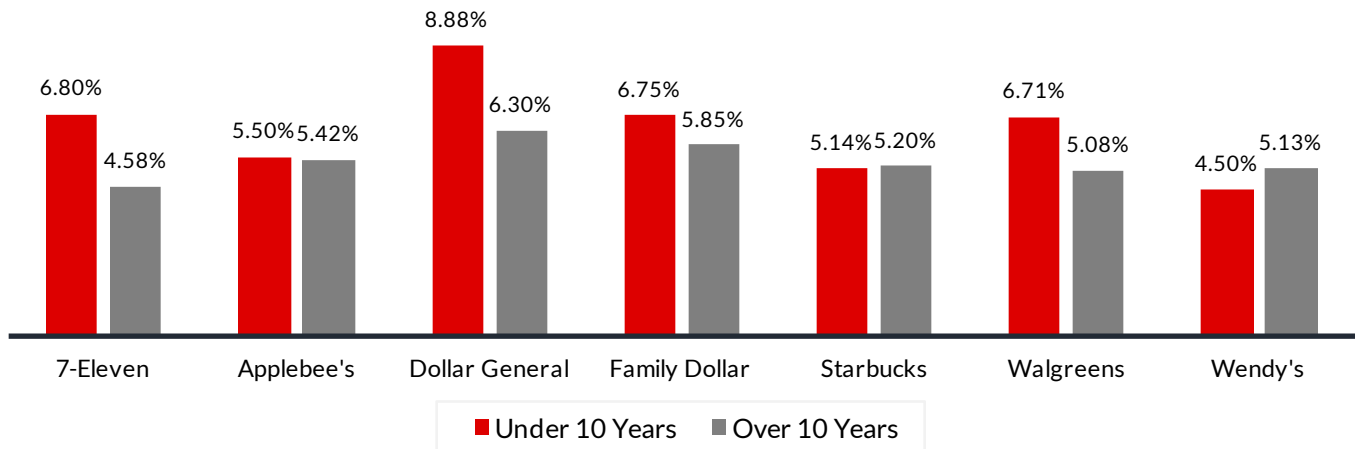
Drug store average cap rates stayed in the high 5% to low 6%.

1ST HALF 2016 FLORIDA TENANT AVERAGE CAP RATE



Dollar General had an average cap rate of 6.92% and Family Dollar had an average cap rate of 6.08% for the 1st half of 2016. While new construction Family Dollar stores continue to realize lower cap rates due to rent increases which are lacking in the standard Dollar General lease, the larger than normal spread in our findings is due to a greater number of short duration Dollar General sales with significantly higher cap rates.

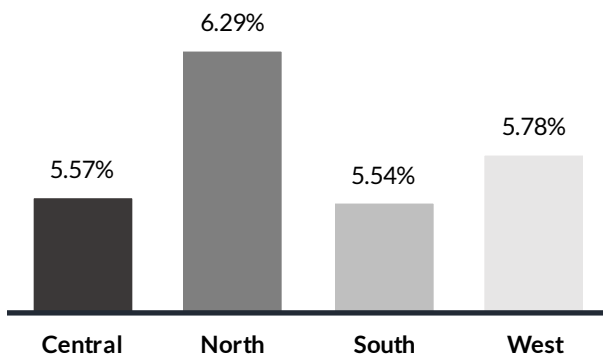
1st Half 2016 Florida Tenants Average Cap Rates: Over vs. Under 10 Years Remaining



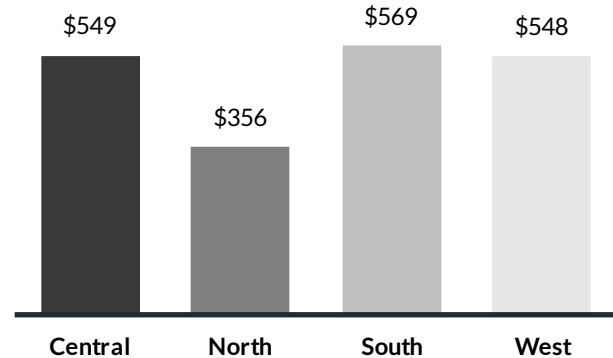
CVS had an average cap rate of 5.19% and Walgreens had an average cap rate of 5.56% for the 1st half of 2016.

2015 FLORIDA REGIONAL

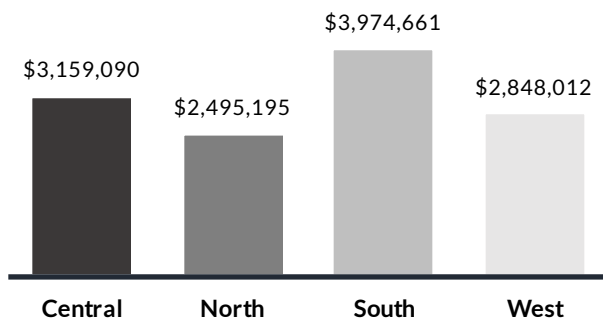
Cap Rate by Region



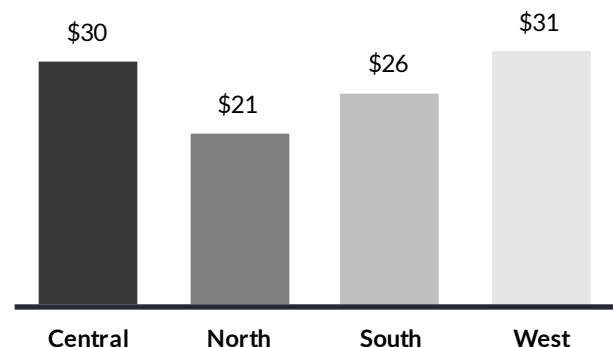
Price Per SF by Region



Price by Region



Rent Per SF by Region



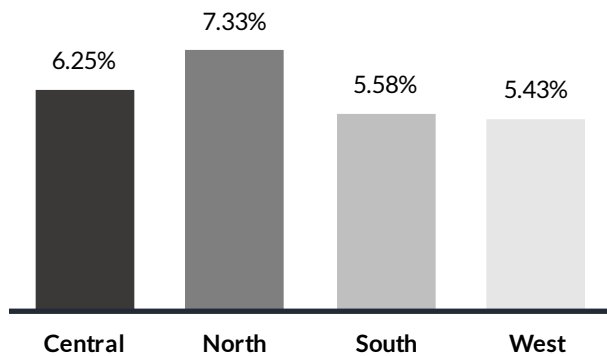
Investors from South America continue to flood into Florida, due to the cultural and linguistic ties the region offers, as well as, the economic uncertainty that Latin American countries are currently experiencing. While Miami and Southeast Florida are the gateway for this class of investors, Tampa and Orlando remain a favorite alternative. This increase of capital into commercial real estate for these regions shows in the charts below.

North Florida had the highest average cap rate while South Florida had the lowest average cap rate for 2015. South Florida is considered relatively safer than rest of Florida due its status as a gateway market, dense population and heavy real estate investments in Miami and the surrounding areas in South Florida. South Florida was the first market in Florida to bounce back from the crash in 2008 showing the strong influence of foreign capital investment in the state.

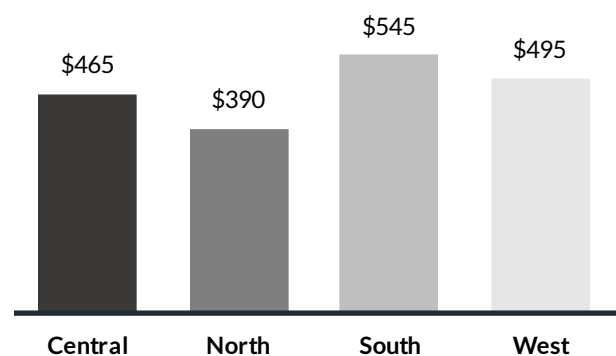
South Florida had the highest price and price per SF and North Florida had the lowest.

1ST HALF 2016 FLORIDA REGIONAL

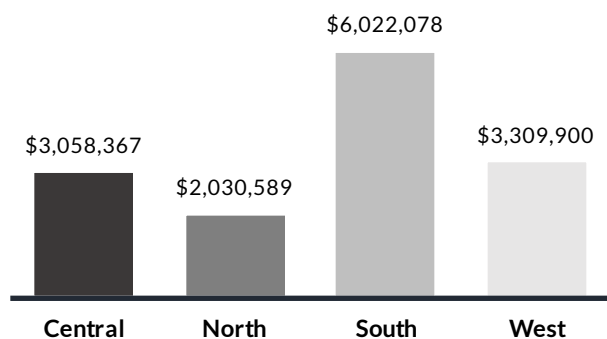
Cap Rate by Region



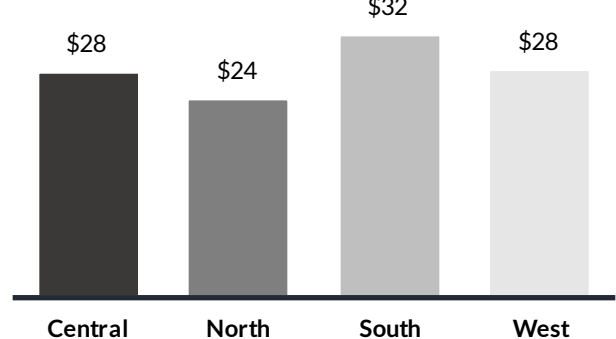
Price Per SF by Region



Price by Region



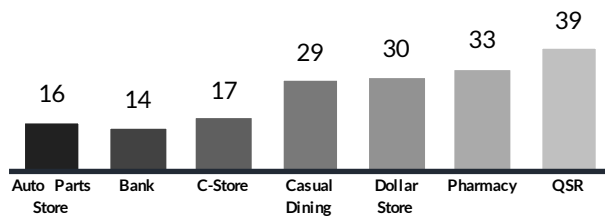
Rent Per SF by Region



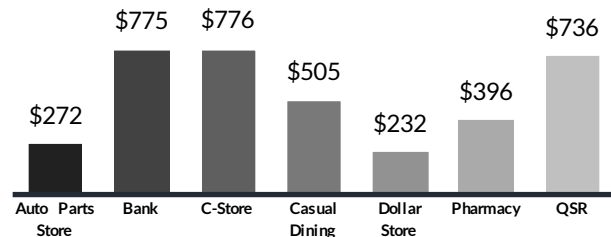
1st half of 2016 followed a similar trend as 2015. Cap rates in South Florida were lowest with a higher price and price per SF. Meanwhile, North Florida had the highest cap rate with the lowest price per SF.

2015 FLORIDA SECTORS

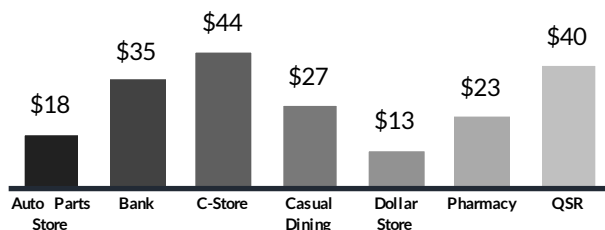
Sales by Sector



Sector Price Per SF



Sector Rent Per SF

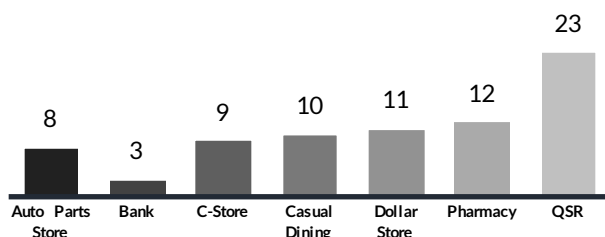


QSR had the highest number of sales followed by pharmacy and dollar stores.

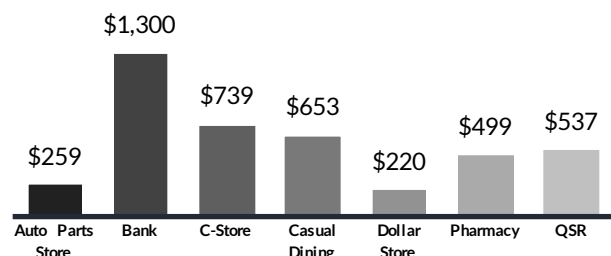
Bank and C-Store had the highest price per SF amongst different sectors in Florida for 2015.

1ST HALF 2016 FLORIDA SECTORS

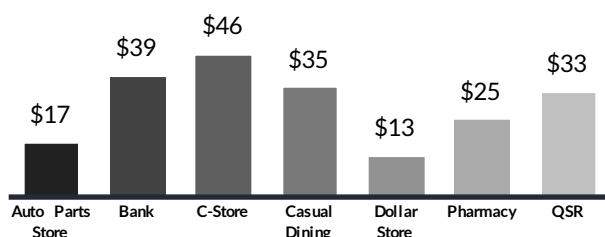
Sales by Sector



Sector Price Per SF



Sector Rent Per SF



2016 1st half trends were similar to 2015.

QSR had the highest sales in Florida.

Banks were leading the price and rent per SF for the 1st half of 2016.

ABOUT CALKAIN COMPANIES

Calkain Companies is a commercial real estate brokerage firm specializing in assisting buyers and sellers with single and multi-tenant net leased properties through all aspects of the transaction including advisory, brokerage, debt placement, equity placement, asset management and research.

Calkain, headquartered in Herndon, Virginia, has multiple offices, including two Florida locations in Tampa and Fort Lauderdale, with a national platform. Listings and additional information about the firm can be found at calkain.com.



ABOUT BESHEARS & ASSOCIATES

Beshears and Associates is a commercial appraisal firm with offices in Tampa and Orlando. In addition to covering apartments, office, industrial, land, and retail, we have specialty practices in gas stations, self-storage, hotels and mobile home parks.

Our staff of 13 appraisers complete over 650 appraisals annually in Florida and Georgia.



MORE INFORMATION

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