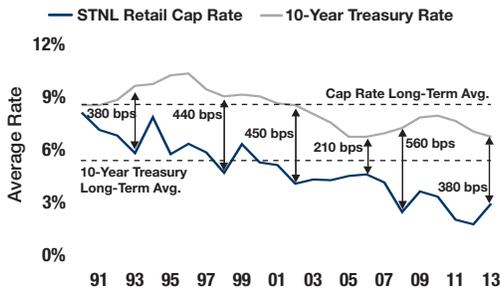


National Single-Tenant Outlook

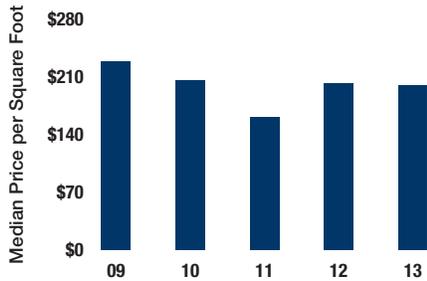
Net-Leased Retailers Target Infill; Alternative Revenue Options

Single-Tenant Retail Cap Rate Trends



Net-leased retailers of all sizes will focus on generating greater sales within existing or smaller footprints this year. CVS Caremark and Walgreens are exploring scaled-down floor plans to squeeze into in-fill locations where population density supports a higher number of visits. Along with other drugstores, these industry giants remain focused on competing with convenience stores by offering a limited selection of groceries. At the same time, clinics within existing facilities that offer primary healthcare options are pegged as a strong future revenue generator. In fact, CVS is confident enough in the model's potential that the firm announced plans to eliminate tobacco products from its stores, erasing an estimated \$2 billion in annual sales. Big-box retailers, which have been slower to install clinics, are maintaining plans to delve into the patient care arena in greater numbers, along with several grocery chains. While healthcare is a potential windfall for net-leased retailers, the impact on the middle-class from the recession continues to take a toll. Darden, for example, announced plans to divest Red Lobster, which will likely lead to store closings. The major dollar stores, however, plan on opening more than 1,200 new locations this year, leveraging ongoing frugality among many Americans.

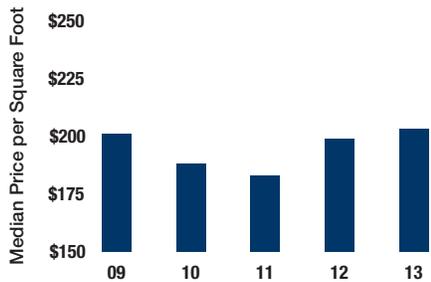
Auto-Part Retailers Sales Trends



Auto-Part Retailers

- Retail sales at auto-part stores dipped 0.5 percent over the past year, though the decline is likely a temporary set back. Record-low interest rates sent many consumers to car dealerships to purchase new cars, where sales jumped more than 10 percent in 2013.
- Prices remained relatively flat during 2013 compared to 2012 as buyers focused on yields. The median sales price dipped 2 percent to \$199 per square foot.
- First-year yields begin near 6 percent for newly constructed Advance Auto and O'Reilly stores. Overall, cap rates for auto-part retailers average in the low-7 percent range, down 30 basis points in the past 12 months.

Casual Dining Sales Trends



Casual Dining

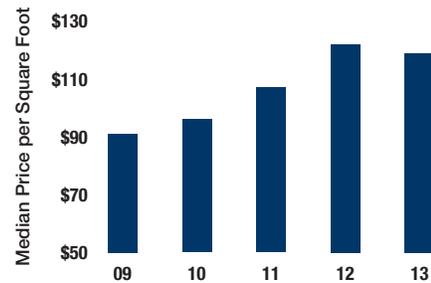
- Accommodation and food services establishments, which includes casual dining restaurants, added 38,000 jobs during 2013, a 3.4 percent increase.
- In 2013, deal flow in the restaurant segment dipped a modest 4 percent. The median sales price, meanwhile, inched up 3 percent to \$203 per square foot.
- Cap rates vary widely in the casual dining segment based on tenant and lease terms. Corporate-backed Applebee's can change hands in the low-6 percent range, while franchisee-occupied restaurants will trade at first-year returns approximately 150 basis points higher.

Sources: CoStar Group, Inc.

Dollar Stores

- Family Dollar, Dollar General and Dollar Tree will open approximately 1,200 new locations in 2014. Last year, the three major value stores each opened between 100 and 150 stores per quarter. Dollar General has announced more than 500 planned store openings in fiscal 2014.
- During the most recent 12-month period, deal flow of discount stores jumped 56 percent as buyers attempted to add higher-yield properties to their portfolios. The median price remained virtually unchanged during 2013 at \$119 per square foot.
- At the beginning of the year, new Dollar General stores typically generate buyer interest at cap rates in the low-6 percent range, while Family Dollar stores with full leases begins near 7 percent.

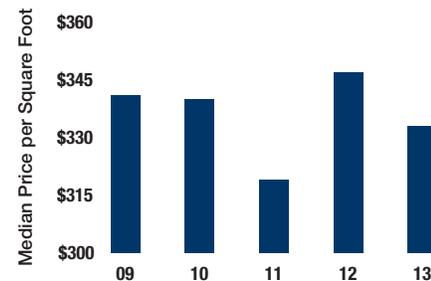
Dollar Store Sales Trends



Drugstores

- Expansion of in-store health clinics will be a primary focus for the major drugstore chains this year. CVS Caremark is aiming for 1,500 clinics by 2017, while Walgreens has announced significant additions to the existing 400 clinics this year.
- In 2013, drugstores sold for a median price of \$333 per square foot, down 4 percent from the previous year. The decline in price is the result of higher interest rates and more deals with shorter leases.
- Over the past 12 months, average cap rates for CVS and Walgreens drugstores began in the low-5 percent range for assets with 25-year triple-net leases. Deals with shorter terms or local tenants changed hands at first-year returns in the low-7 percent range, down 20 basis points year over year.

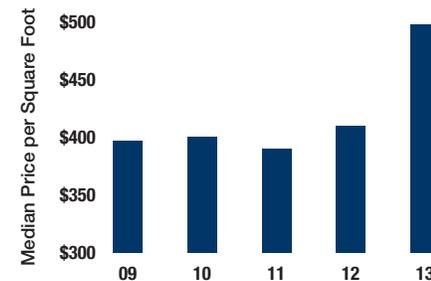
Drugstore Sales Trends



Quick-Service Restaurants

- The full implementation of the Affordable Care Act is requiring most restaurants to include calories on their menus. As a result, healthier choices are being presented to consumers by McDonald's, Burger King and other concepts to attract an increasingly health-conscious consumer.
- Deal flow ticked up marginally during the most recent 12-month period. The median sales price, however, jumped by more than 11 percent to \$498 per square foot as buyer demand remained strong.
- A McDonald's ground lease will garner attention at first-year returns in the low-4 percent range while corporate-backed chains trade at cap rates starting in the low-5 percent area and drifting up to the low-6 percent range.

Quick-Service Restaurant Sales Trends



Sources: CoStar Group, Inc.