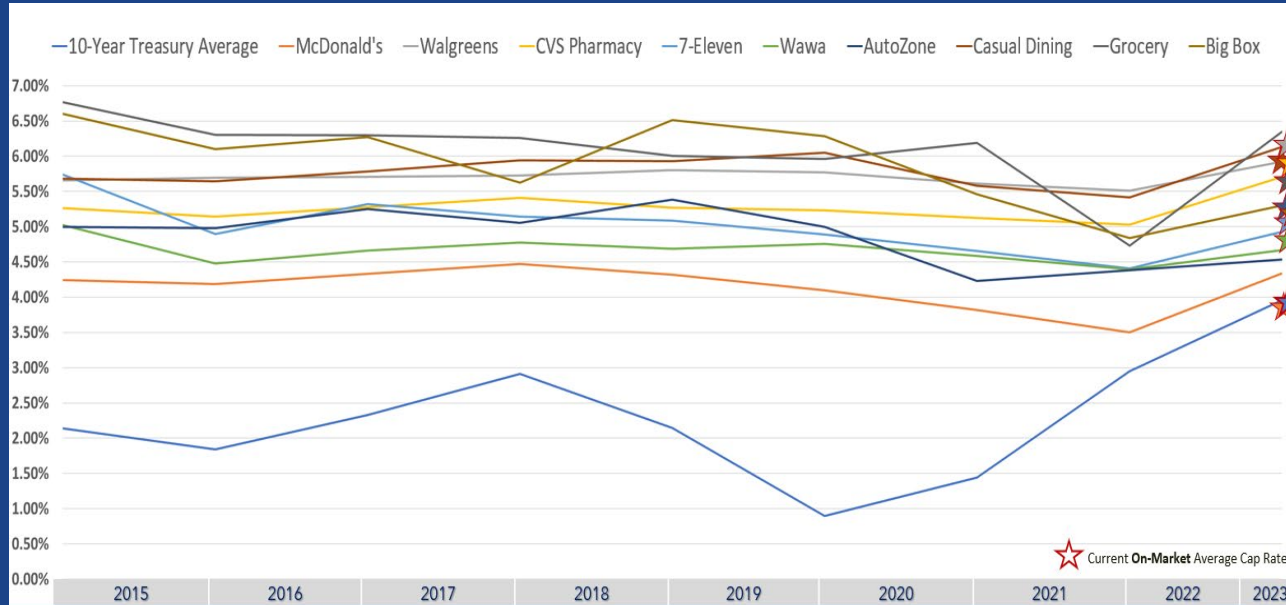


# CAP RATES: WHERE HAVE THEY BEEN? WHERE ARE THEY GOING? Updated: December 2023



DECEMBER 2023

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# THE 10-YEAR TREASURY AND HISTORICAL CAP RATE SPREADS:



When Forged Real Estate (FRE) published their initial 10-Year Treasury and Historical CAP Rate Spreads report in November 2022, the 10-Year Treasury average for the month was at 3.89% with the Federal Funds Rate between 3.75% and 4.00%. One year later, as of November 16th, 2023, the 10-year Treasury average for the month sits at 4.59%, an increase of 70 basis points while the Federal Funds Rate is 5.25% to 5.50%. While the Fed held interest rates steady following its late October 2023 meeting, there have been 11 rate hikes since March of 2022, with the most recent hike of 25 basis points in July 2023 with the Fed Funds Rate sitting between 5.25% to 5.50%. During that timeframe, lenders generally decreased their max loan-to-value ratio, increased interest rates in line with the Fed, and further tightened their lending requirements. As a result, since November 2022, net lease deals have stayed on market longer, CAP rates have risen and there has also been a continued decrease of aggressive 1031 exchange buyers due to the lack of transactions in complimentary sectors such as multifamily, shopping centers, industrial and office.

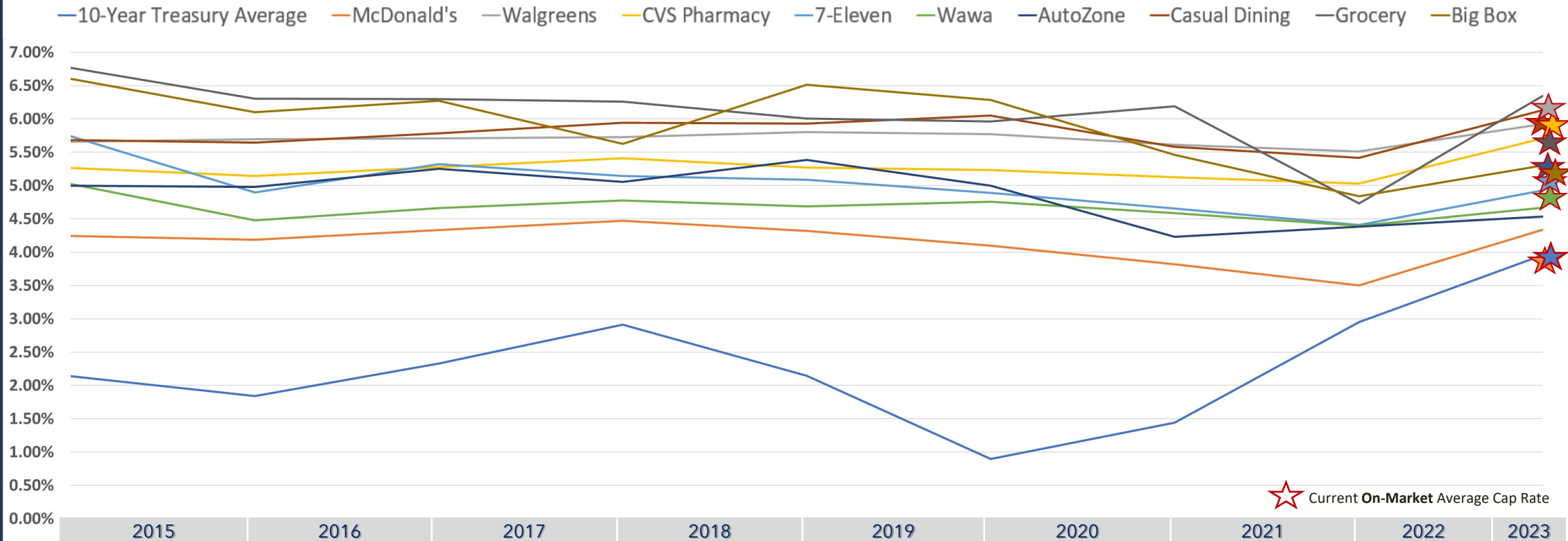
The original FRE report published in November 2022 detailed the last 7 years showing a snapshot of the 10-year Treasury during that time, and then compared numerous national retail tenants and how their single tenant, net lease deals traded over the same period. Note, for the comparables used in the report, only included were deals with over 6 years of primary lease term remaining, with most deals analyzed having 10+ years of primary term at the time of sale. There are varying historical spreads for each Tenant/category. Comparing the changes in trades from Dec. 2022 to Dec. 2023, CAP rates have risen an average of sixty-three (63 bps) basis points across the nine (9) types of Tenants detailed, with AutoZone being the least volatile, only increasing 15 bps. On the other hand, single tenant grocers saw the biggest CAP rate rarefaction with an increase of one-hundred and sixty-two (162 bps) basis points. We view this as a result of AutoZone transactions being one of the lower price point deals, which a majority are purchased as all-cash transactions, while Grocers are typically larger price points which require leverage and have been adversely impacted by financing.

To further portray how the market has transformed over the past year and since there were significantly fewer trades occurring, we show comparable deals in this report that are currently on-market as of November 2023. Using the same criteria as the sold deals, we have summarized the averages along with the number of deals considered for each of the nine (9) Tenants/categories. The data shows how the gap is closing or has already inverted between the asking CAP rate of deals currently on-market versus what CAP rate deals have recently sold for. In many cases asking CAP rates have now surpassed the recently sold comps. Please review the attached report and reach out to the FRE team if you would like to review additional data or discuss any of these trends further.

# THE 10-YEAR TREASURY AND HISTORICAL CAP RATE SPREADS:



INTRODUCTION



10 Year Treasury		Note: *Annual Data for 2023 is based on 11 months through November 30, 2023								
Year	Average	McDonald's	Walgreens	CVS Pharmacy	7-Eleven	Wawa	AutoZone	Casual Dining	Grocery	Big Box
2015	2.14%	4.24%	5.66%	5.27%	5.74%	5.03%	5.00%	5.68%	6.77%	6.60%
2016	1.84%	4.19%	5.69%	5.15%	4.90%	4.48%	4.98%	5.64%	6.30%	6.10%
2017	2.33%	4.33%	5.71%	5.28%	5.32%	4.67%	5.25%	5.79%	6.30%	6.28%
2018	2.91%	4.47%	5.73%	5.41%	5.14%	4.78%	5.06%	5.94%	6.26%	5.63%
2019	2.14%	4.32%	5.80%	5.27%	5.08%	4.69%	5.38%	5.93%	6.01%	6.51%
2020	0.89%	4.10%	5.77%	5.23%	4.89%	4.76%	5.00%	6.05%	5.96%	6.29%
2021	1.44%	3.82%	5.61%	5.12%	4.66%	4.59%	4.23%	5.58%	6.19%	5.46%
2022	2.95%	3.50%	5.51%	5.03%	4.41%	4.39%	4.38%	5.41%	4.73%	4.84%
2023*	3.96%	4.34%	5.93%	5.70%	4.93%	4.67%	4.54%	6.13%	6.35%	5.30%



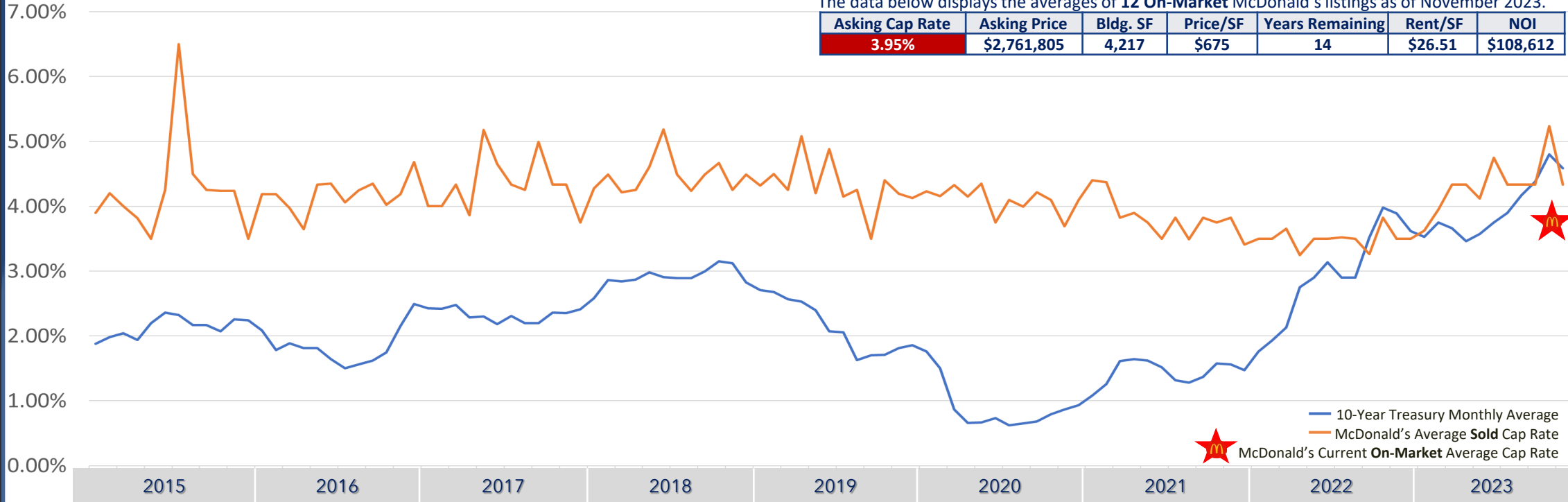
# MCDONALD'S vs. 10-YEAR TREASURY

The data below considers **132 Sold** McDonald's comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
4.14%	\$2,345,444	4,200	\$560	15	\$23.34	\$95,264

The data below displays the averages of **12 On-Market** McDonald's listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
3.95%	\$2,761,805	4,217	\$675	14	\$26.51	\$108,612



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	4.24%	-	2.14%	-	2.11
2016	4.19%	-0.06	1.84%	-0.30	2.35
2017	4.33%	0.15	2.33%	0.49	2.01
2018	4.47%	0.14	2.91%	0.58	1.56
2019	4.32%	-0.15	2.14%	-0.77	2.18
2020	4.10%	-0.22	0.89%	-1.25	3.20
2021	3.82%	-0.28	1.44%	0.55	2.38
2022	3.50%	-0.32	2.95%	1.51	0.55
2023*	4.34%	0.84	3.96%	1.01	0.38

\*Annual Data for 2023 is based on 11 months through November 30, 2023

Average: 1.86



JAN 2015 - NOV 2023





# WAWA vs. 10-YEAR TREASURY

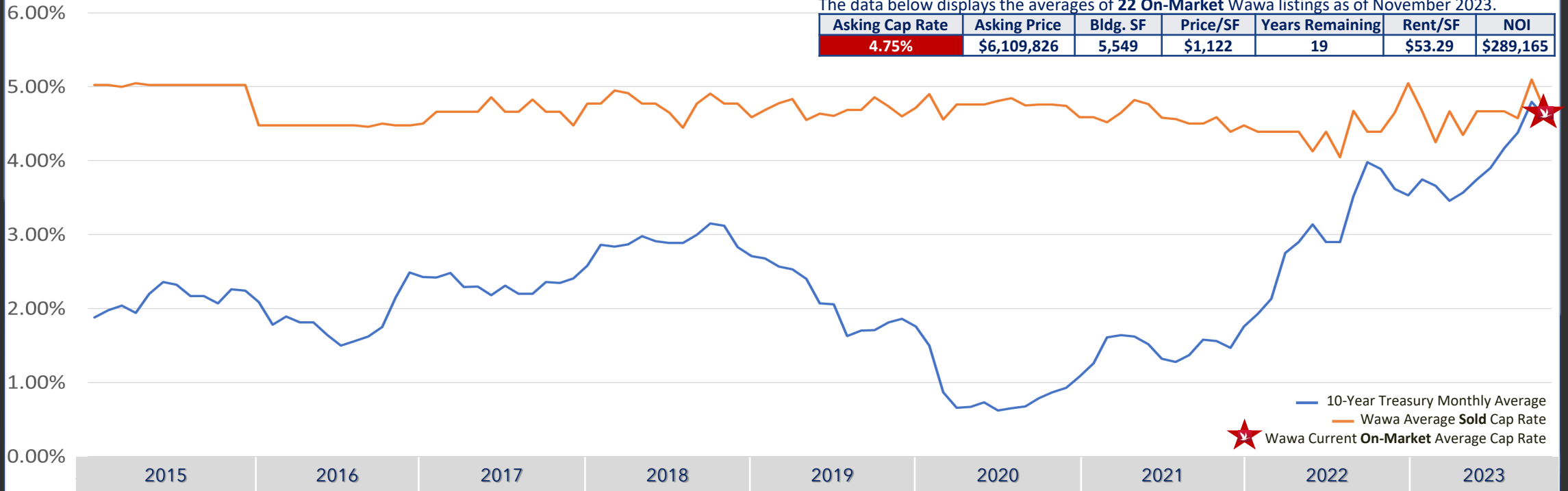


The data below considers **106 Sold** Wawa comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
4.68%	\$5,993,177	5,611	\$1,088	18	\$51.47	\$280,662

The data below displays the averages of **22 On-Market** Wawa listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
4.75%	\$6,109,826	5,549	\$1,122	19	\$53.29	\$289,165



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	5.03%	-	2.14%	-	2.89
2016	4.48%	-0.55	1.84%	-0.30	2.64
2017	4.67%	0.18	2.33%	0.49	2.34
2018	4.78%	0.11	2.91%	0.58	1.87
2019	4.69%	-0.09	2.14%	-0.77	2.54
2020	4.76%	0.07	0.89%	-1.25	3.87
2021	4.59%	-0.17	1.44%	0.55	3.15
2022	4.39%	-0.19	2.95%	1.51	1.44
2023*	4.67%	0.27	3.96%	1.01	0.71

\*Annual Data for 2023 is based on 11 months through November 30, 2023

**Average: 2.38**

JAN 2015 - NOV 2023



# WALGREENS vs. 10-YEAR TREASURY

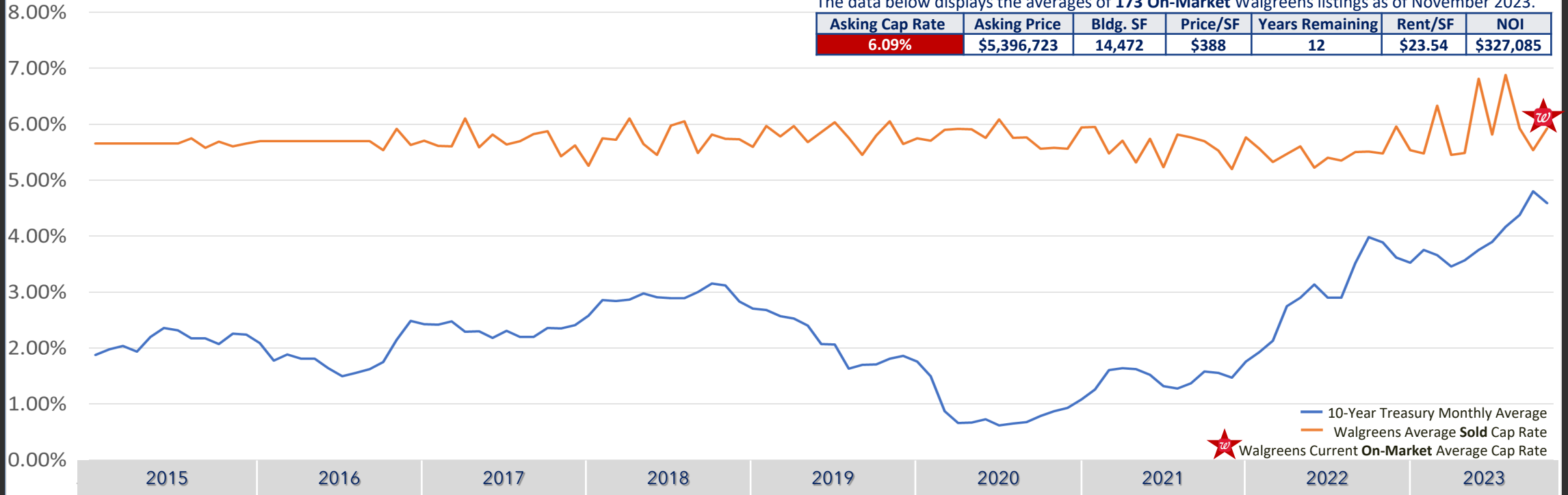


The data below considers **273 Sold** Walgreens comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.66%	\$6,542,189	14,469	\$454	14	\$25.63	\$369,397

The data below displays the averages of **173 On-Market** Walgreens listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
6.09%	\$5,396,723	14,472	\$388	12	\$23.54	\$327,085



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	5.66%	-	2.14%	-	3.52
2016	5.69%	0.04	1.84%	-0.30	3.85
2017	5.71%	0.01	2.33%	0.49	3.38
2018	5.73%	0.02	2.91%	0.58	2.82
2019	5.80%	0.07	2.14%	-0.77	3.66
2020	5.77%	-0.03	0.89%	-1.25	4.88
2021	5.61%	-0.16	1.44%	0.55	4.17
2022	5.51%	-0.10	2.95%	1.51	2.56
2023*	5.93%	0.41	3.96%	1.01	1.97

\*Annual Data for 2023 is based on 11 months through November 30, 2023

**Average: 3.42**

JAN 2015 - NOV 2023



# CVS PHARMACY vs. 10-YEAR TREASURY



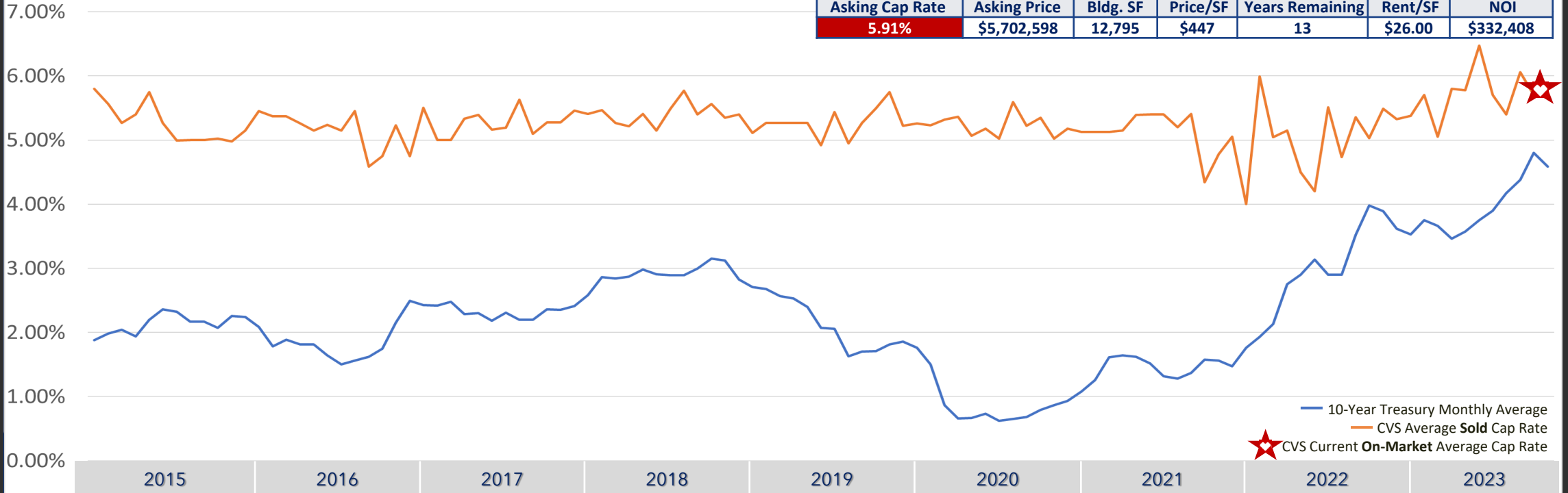
JAN 2015 - NOV 2023

The data below considers **209 Sold** CVS comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.24%	\$6,436,791	12,749	\$507	18	\$26.48	\$355,854

The data below displays the averages of **57 On-Market** CVS listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.91%	\$5,702,598	12,795	\$447	13	\$26.00	\$332,408



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	5.27%	-	2.14%	-	3.13
2016	5.15%	-0.12	1.84%	-0.30	3.31
2017	5.28%	0.13	2.33%	0.49	2.95
2018	5.41%	0.13	2.91%	0.58	2.50
2019	5.27%	-0.14	2.14%	-0.77	3.13
2020	5.23%	-0.04	0.89%	-1.25	4.34
2021	5.12%	-0.11	1.44%	0.55	3.68
2022	5.03%	-0.10	2.95%	1.51	2.08
2023*	5.70%	0.68	3.96%	1.01	1.74

\*Annual Data for 2023 is based on 11 months through November 30, 2023

Average: 2.98





# 7-ELEVEN vs. 10-YEAR TREASURY

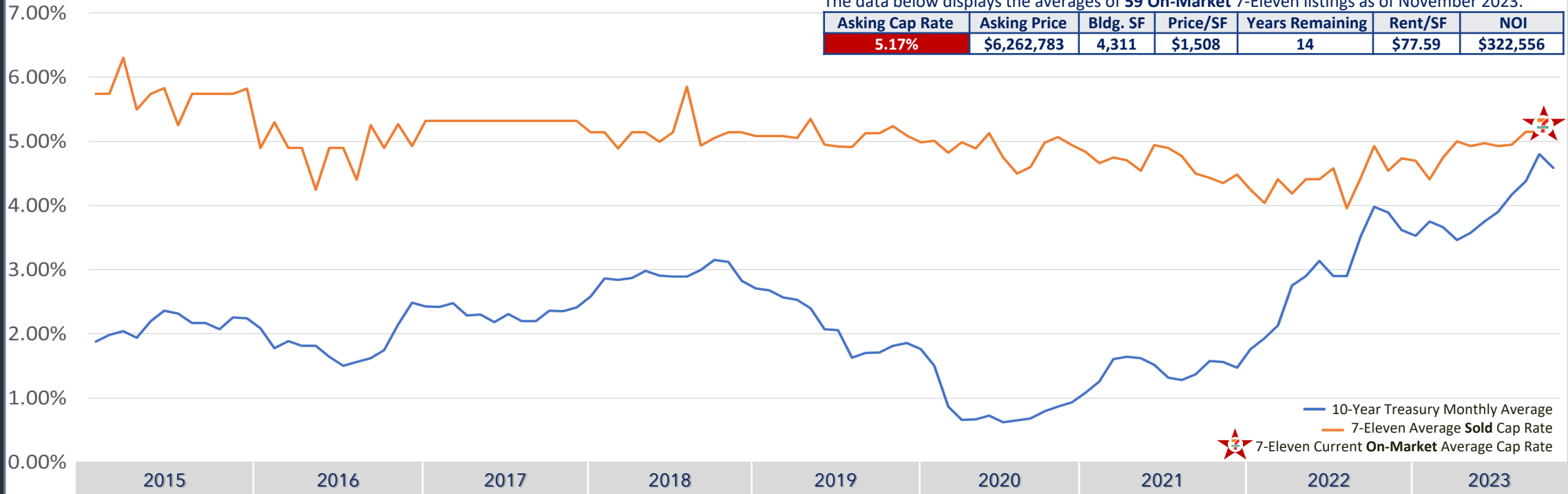


The data below considers **194 Sold** 7-Eleven comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
4.82%	\$5,315,828	3,713	\$1,461	14	\$70.13	\$253,988

The data below displays the averages of **59 On-Market** 7-Eleven listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.17%	\$6,262,783	4,311	\$1,508	14	\$77.59	\$322,556



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	5.74%	-	2.14%	-	3.60
2016	4.90%	-0.84	1.84%	-0.30	3.06
2017	5.32%	0.42	2.33%	0.49	2.99
2018	5.14%	-0.18	2.91%	0.58	2.23
2019	5.08%	-0.06	2.14%	-0.77	2.94
2020	4.89%	-0.20	0.89%	-1.25	3.99
2021	4.66%	-0.23	1.44%	0.55	3.21
2022	4.41%	-0.25	2.95%	1.51	1.46
2023*	4.93%	0.52	3.96%	1.01	0.97

\*Annual Data for 2023 is based on 11 months through November 30, 2023

**Average: 2.72**

JAN 2015 - NOV 2023







# AUTOZONE vs. 10-YEAR TREASURY

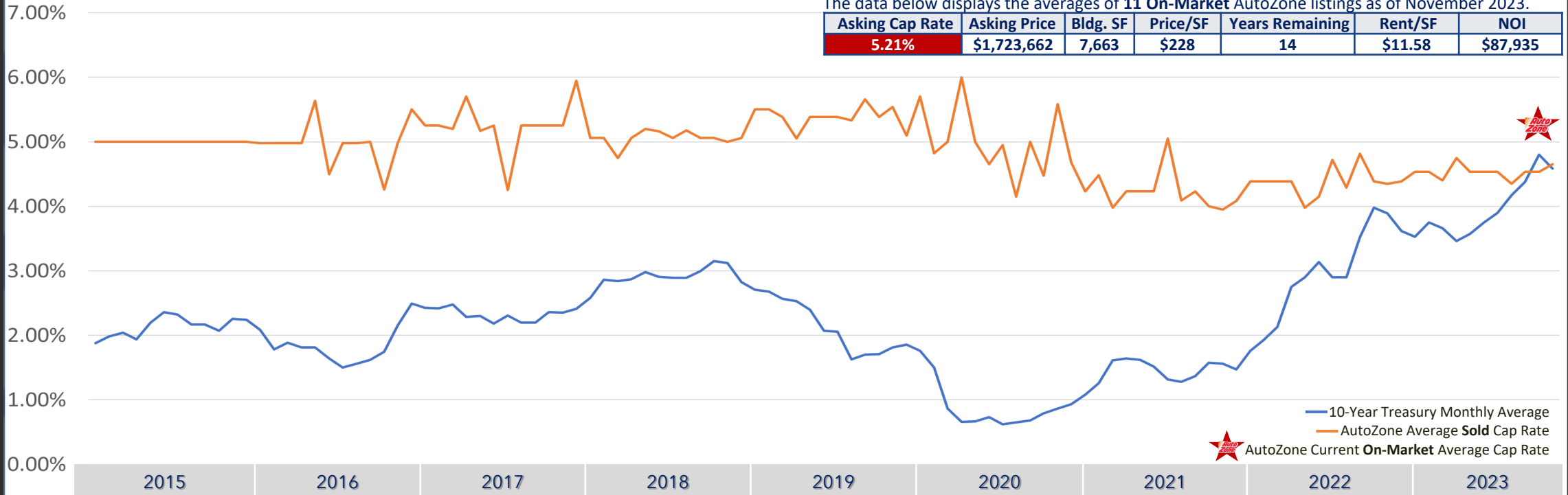


The data below considers **70 Sold** AutoZone comps between 2015 and November 2023 and listings.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
4.87%	\$1,804,946	7,116	\$256	14	\$12.49	\$87,837

The data below displays the averages of **11 On-Market** AutoZone listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.21%	\$1,723,662	7,663	\$228	14	\$11.58	\$87,935



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	5.00%	-	2.14%	-	2.86
2016	4.98%	-0.02	1.84%	-0.30	3.14
2017	5.25%	0.27	2.33%	0.49	2.93
2018	5.06%	-0.20	2.91%	0.58	2.15
2019	5.38%	0.33	2.14%	-0.77	3.24
2020	5.00%	-0.38	0.89%	-1.25	4.11
2021	4.23%	-0.77	1.44%	0.55	2.79
2022	4.38%	0.15	2.95%	1.51	1.43
2023*	4.54%	0.15	3.96%	1.01	0.58

\*Annual Data for 2023 is based on 11 months through November 30, 2023

Average: 2.58

JAN 2015 - NOV 2023



# CASUAL DINING vs. 10-YEAR TREASURY



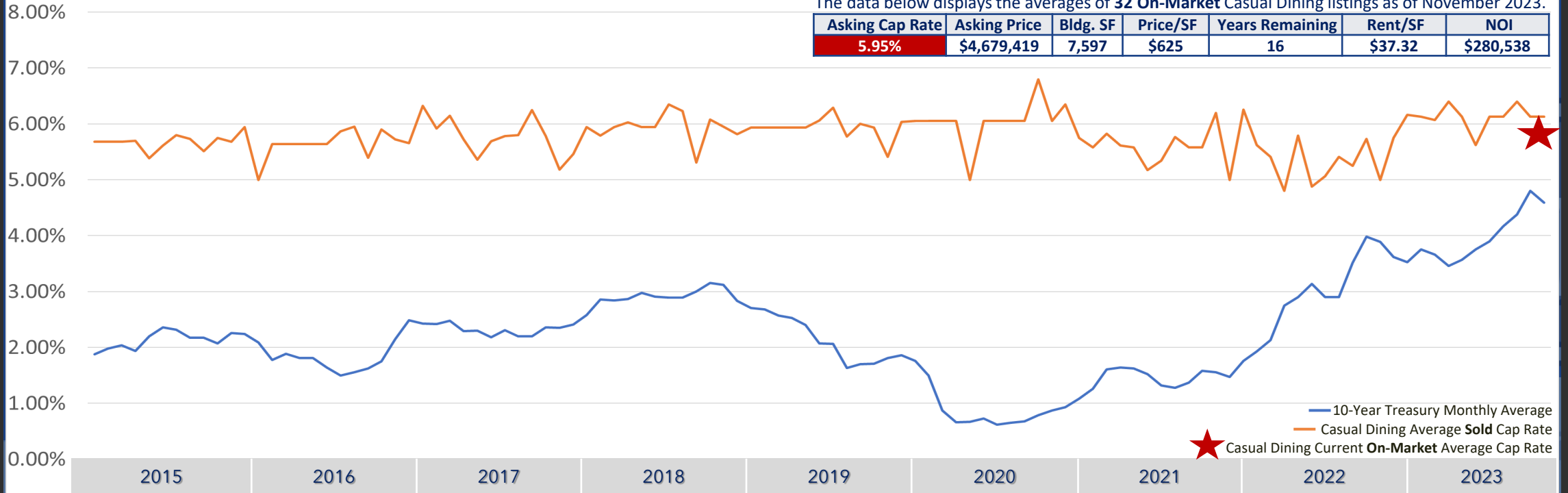
JAN 2015 - NOV 2023

The data below considers **141 Sold** Casual Dining comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.77%	\$4,143,811	7,577	\$554	17	\$31.90	\$239,005

The data below displays the averages of **32 On-Market** Casual Dining listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.95%	\$4,679,419	7,597	\$625	16	\$37.32	\$280,538



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	5.68%	-	2.14%	-	3.54
2016	5.64%	-0.04	1.84%	-0.30	3.80
2017	5.79%	0.14	2.33%	0.49	3.46
2018	5.94%	0.16	2.91%	0.58	3.03
2019	5.93%	-0.01	2.14%	-0.77	3.79
2020	6.05%	0.12	0.89%	-1.25	5.16
2021	5.58%	-0.47	1.44%	0.55	4.14
2022	5.41%	-0.17	2.95%	1.51	2.46
2023*	6.13%	0.72	3.96%	1.01	2.17

**Average: 3.51**

\*Annual Data for 2023 is based on 11 months through November 30, 2023

# GROCERY vs. 10-YEAR TREASURY

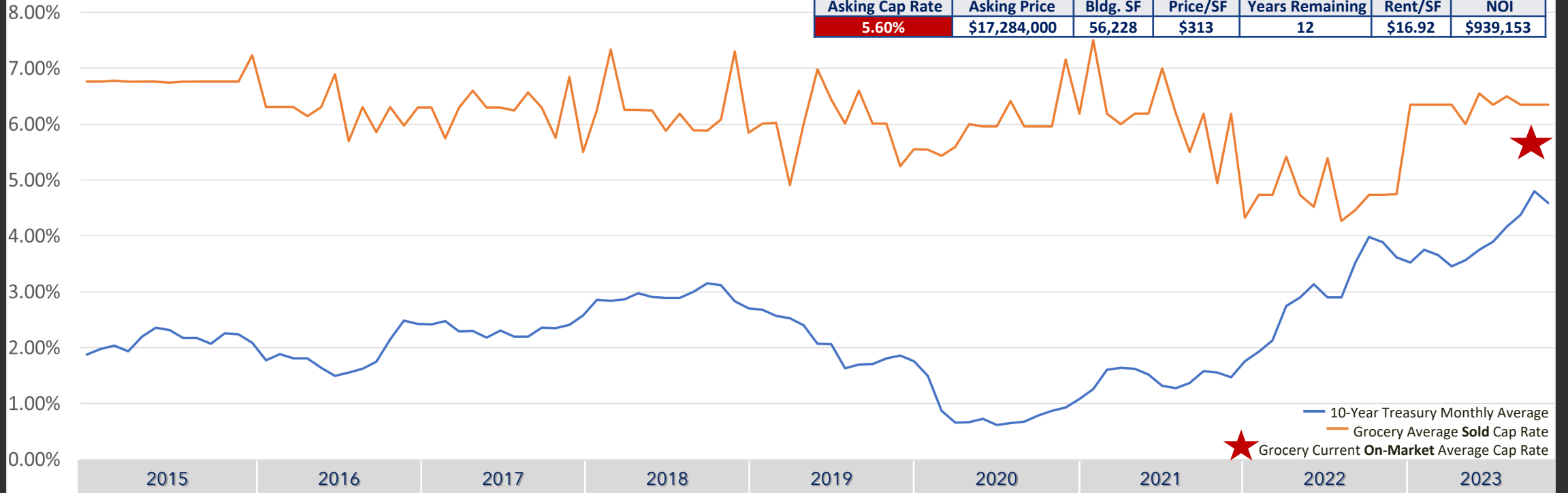


The data below considers **69 Sold** Grocery comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
6.00%	\$17,998,059	68,305	\$266	14	\$15.45	\$1,047,388

The data below displays the averages of **3 On-Market** Grocery listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.60%	\$17,284,000	56,228	\$313	12	\$16.92	\$939,153



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	6.77%	-	2.14%	-	4.63
2016	6.30%	-0.46	1.84%	-0.30	4.46
2017	6.30%	-0.01	2.33%	0.49	3.97
2018	6.26%	-0.04	2.91%	0.58	3.35
2019	6.01%	-0.25	2.14%	-0.77	3.86
2020	5.96%	-0.05	0.89%	-1.25	5.07
2021	6.19%	0.23	1.44%	0.55	4.75
2022	4.73%	-1.46	2.95%	1.51	1.78
2023*	6.35%	1.62	3.96%	1.01	2.39

\*Annual Data for 2023 is based on 11 months through November 30, 2023

**Average: 3.81**

# BIG BOX vs. 10-YEAR TREASURY

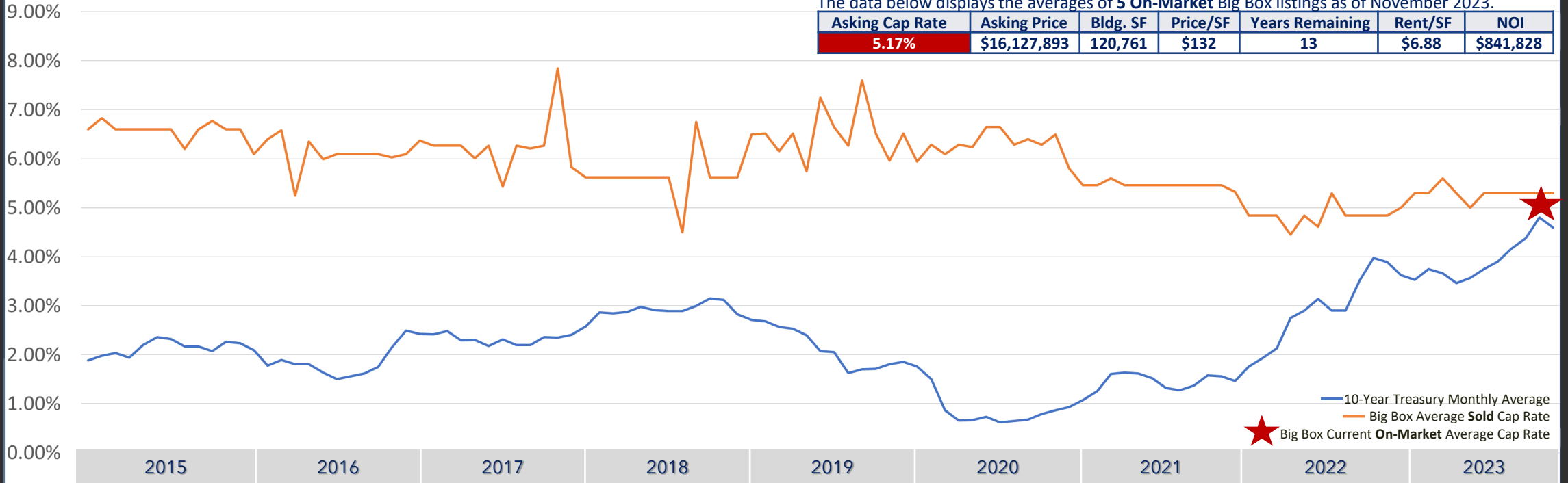


The data below considers **62 Sold** Big Box comps between 2015 and November 2023.

Sale Cap Rate	Sale Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
6.06%	\$17,829,352	130,912	\$145	12	\$8.71	\$1,068,930

The data below displays the averages of **5 On-Market** Big Box listings as of November 2023.

Asking Cap Rate	Asking Price	Bldg. SF	Price/SF	Years Remaining	Rent/SF	NOI
5.17%	\$16,127,893	120,761	\$132	13	\$6.88	\$841,828



CAP Rates usually trail approx. 6 months behind treasury.

Year	Average Cap Rate	Change YoY	Average 10-Year Treasury Rate	Change YoY	Spread (BPS)
2015	6.60%	-	2.14%	-	4.46
2016	6.10%	-0.50	1.84%	-0.30	4.26
2017	6.28%	0.17	2.33%	0.49	3.95
2018	5.63%	-0.65	2.91%	0.58	2.72
2019	6.51%	0.89	2.14%	-0.77	4.37
2020	6.29%	-0.23	0.89%	-1.25	5.39
2021	5.46%	-0.82	1.44%	0.55	4.02
2022	4.84%	-0.62	2.95%	1.51	1.89
2023*	5.30%	0.46	3.96%	1.01	1.34

\*Annual Data for 2023 is based on 11 months through November 30, 2023

**Average: 3.60**

# CAP RATES: WHERE HAVE THEY BEEN? WHERE ARE THEY GOING? Updated: December 2023



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## SERVICES PROVIDED:

**SINGLE TENANT**

**MULTI-TENANT DISPOSITION**

**1031 EXCHANGE**

**JV EQUITY SOLUTIONS**

**FINANCING**

**BUYER REPRESENTATION**

**SALE-LEASEBACK ADVISORY**

**DEMOGRAPHIC STUDIES**

**TENANT ANALYSIS**

**FRE SPECIALIZES**  
**In Net Lease Assets Nationwide**

**THIRTY+ YEARS**  
**Of Experience**

**\$1.6 BILLION**  
**Closed Transactions**

**820+**  
**Completed Transactions**

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