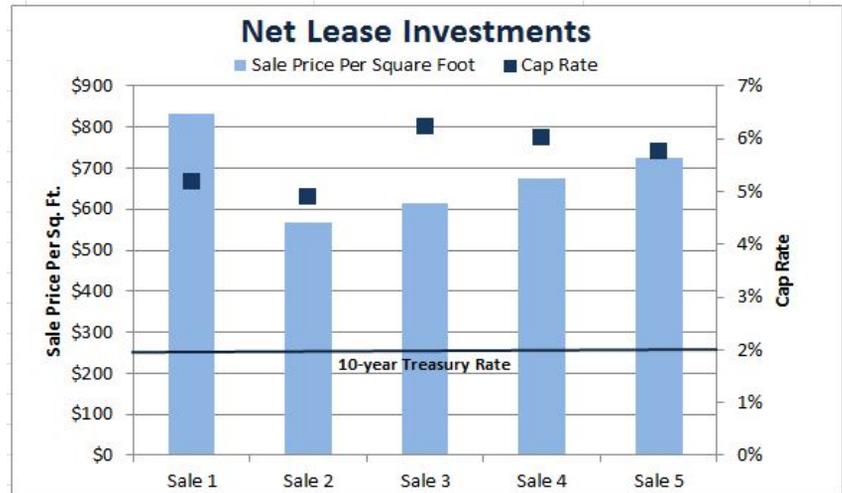




MARKET SNAPSHOT

Cell phones, texting, twitter, instagram... we have become a society of convenience and instant gratification, whether we want to admitted it or not. We are all trying to gain information quickly and want to do so without much thought. Not good for real estate you say? This month we will look at the net leased, real estate investments in Southwest Florida which are taking advantage of these trends. There are several retail or restaurant components that have always reaped the benefits of convenience such drug store chains (CVS, Walgreens) and gas/convenient store (7-11, Wawa). However, this month we are focusing on multi-tenant retail centers leased to national tenants on a long term basis.

We have analyzed five net leased investments in 2015 which are of interest. Why? Does a sale price range of \$567.90 to \$833.33 per square foot catch your attention? Okay, how about capitalization rates from 4.91% to 6.23%? Sounds pretty nice if you are on the selling end, but why buy on these terms? Since the Great Recession, investors have flocked to predictable cash flows and low risk, quality investments. Investors are looking for a stable, long term return while limiting the vacancy/collection issues with investment grade companies. In Lee County, these sales are all occurring on prime corners or in front of significant developments such as the Gulf Coast



Town Center. The list of tenants will tell you who they are catering to: Starbucks, Dunkin Donuts, Bank United, Jimmy Johns, mattress stores, Tijuana Flats, South Beach Tan, and T-Mobile. All of these properties have long term tenants (5+ years) with options to renew their leases and are convenience oriented. Buying a mattress has always been thought of as a destination oriented purchase, but these companies have hastily joined the convenience trend.

In addition to these leases, ground lease sales to national, credit tenants are also skyrocketing as evidenced by three land lease sales at Gulf Coast Town Center with Pollo Tropical, Panera Bread and Chilis as the national tenants. These three deals

along with nine other sales over the past few years indicated capitalization rates of 4.06% to 6.78% with a mean of 5.42% in the net, ground lease sector. Once again, long term stability is projected by investors with these investments.

Look for these net leased investment sales to continue. However, as the fear of rising interest rates loom, don't expect any further compression on cap rates. Locally, we are primarily seeing all cash transactions, which in theory would not be as sensitive to rising interest rates. However, as interest rates rise, the availability of alternative, safe investments will put upward pressure on capitalization rates and in turn a lower value on the asset. These investments have and will always maintain a spread between the capitalization rates and the 10 year treasury.

Outside the numbers, do we really need another mattress store? Only time will tell if these stores can compete.



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