

HISTORIC BANK CAP RATES

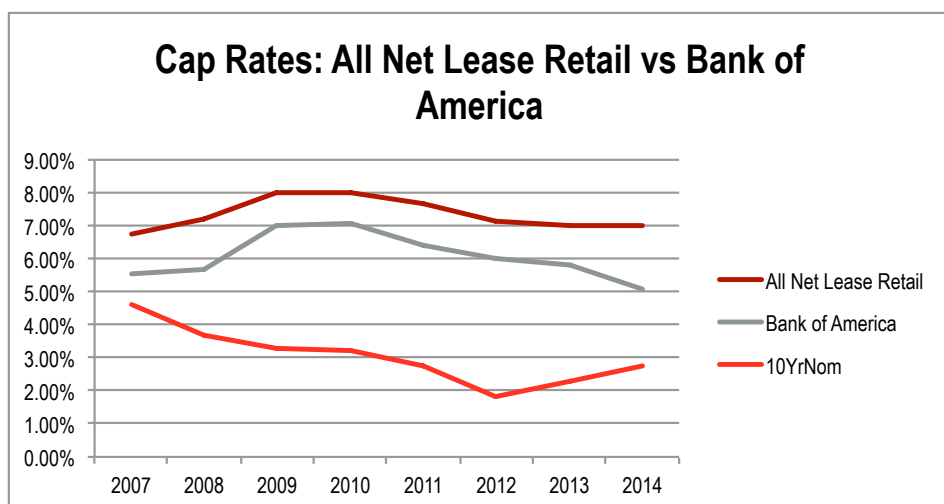
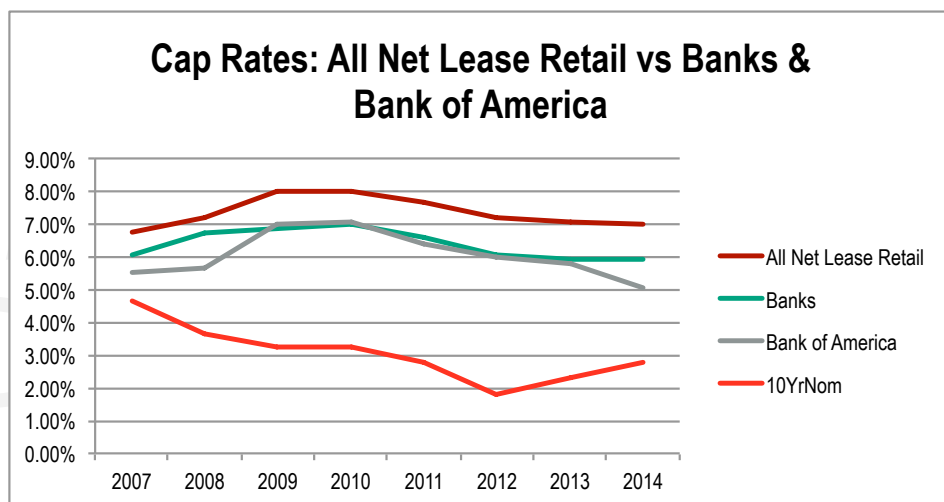
Cap rates for net lease banks and Bank of America specifically are at their lowest point in eight years. So far in 2014, net lease banks have averaged a cap rate of 5.93% while Bank of America averaged an even lower 5.06%. For comparison, in 2007 at the height of the previous real estate boom, banks averaged 6.08% and Bank of America 5.54%. A 15 and 48 basis point difference respectively.

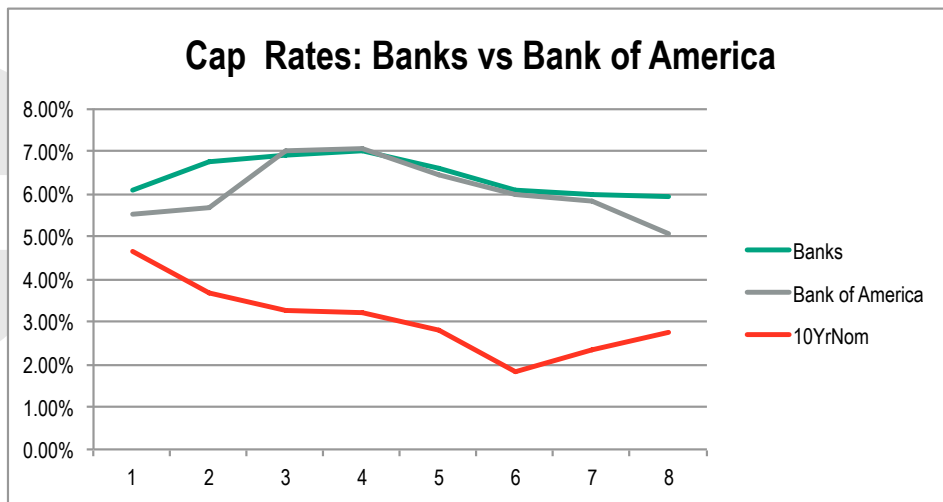
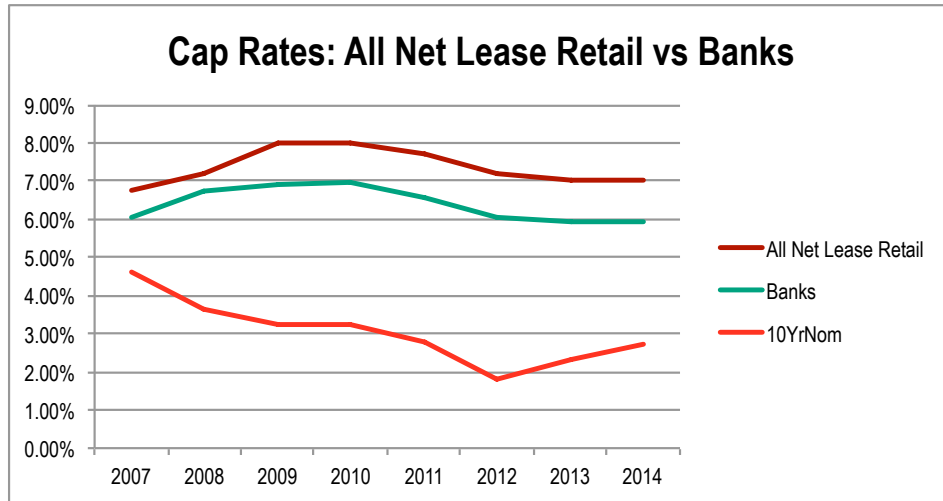
There are several reasons for the current market's historic cap rate lows. The past recession caused a halt in nearly all new construction. This resulted in a stagnant and dwindling pool of assets. Interest rates were also dropped to historic lows - making financing very achievable. Furthermore, a "flight to quality" ensured investors were looking for properties with strong fundamentals such as long lease term, prime location, and investment grade tenant. All these factors have driven a compression in cap rates for net lease properties and especially banks and Bank of America (Rated A- by S&P).

However, these trends are be-

ginning to abate. Interest rates remain low today but have incrementally increased from their sub 2% lows in 2012-2013. This upward trend is expected to continue in the future. Lack of construction has led to a dearth

of properties but the wheels of development are slowly getting underway again. As a result, cap rate compression is likely to soon level off.





	2007	2008	2009	2010	2011	2012	2013	2014
All Net Lease Retail	6.76%	7.19%	8%	8.03%	7.69%	7.18%	7.05%	7.03%
Banks	6.08%	6.75%	6.89%	6.98%	6.57%	6.07%	5.96%	5.93%
Bank of America	5.54%	5.68%	6.99%	7.08%	6.43%	6.00%	5.80%	5.06%
10YrNom	4.63%	3.66%	3.26%	3.22%	2.78%	1.80%	2.31%	2.75%

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