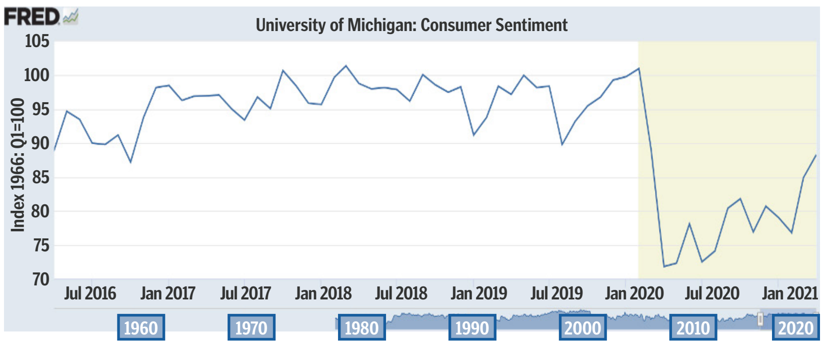
SRS NATIONAL NET LEASE GROUP

Q2/2021 REPORT

Retail

Market Trends Review & Forecast

As Covid-19 restrictions ease and the economy continues to open, retail sales have jumped. The National Retail Federation expected retail sales to jump between 10.5% and 13.5% to more than $4.44 trillion in U.S retail spending in 2021 compared to 2020. This forecast is nearly double their original growth forecast given in February 2021, which was between 6.5% and 8.2%. Much of the increased growth in retail spending is attributed to continued vaccine distribution, shoppers spending government stimulus checks and private sector ingenuity.



U.S. recessions are shaded; the most recent end date is undecided. *fred.stlouisfed.org*
Source: University of Michigan

Despite the overall retail sales growth projections, consumer sentiment dropped in May 2021 to 82.9. While this is an increase from one year ago, consumer sentiment dropped 5 points from April 2021. May's dip is largely attributed to the raising prospects of inflation. The University of Michigan reports inflation concerns are the most prevalent they have been over the last 50 years as inflation is expected to last longer than many government officials anticipate.

US Retail and Food Service increased by 24.4% YOY as of May 2021, which proves the resilience of the overall retail industry. This sharp rebound breaks down to retail trade sales recording an increase of 26.9% YOY, while clothing and clothing accessories stores were up 200.3%. Spending should continue to show strength during the second half of the year as high savings and growing employment income take over from the initial burst of spending fueled by stimulus checks. As we focus on the second half of 2021 and beyond, below are key indicators to note as the retail industry continues to rebound.

2021 KEY INDICATORS

QSR DIGITAL TRANSFORMATION

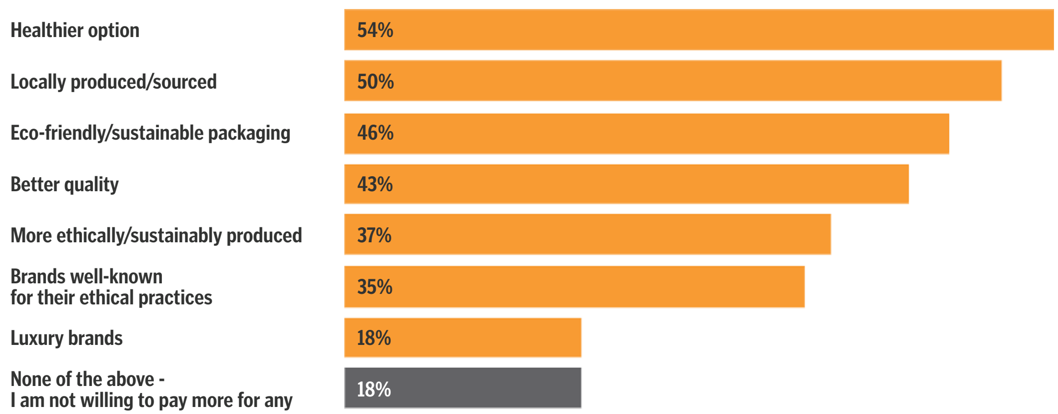
- Frequent Demand Menu Changes
- Detailed Expense Tracking
- Drive-Thru Services Accommodation
- Digital Kitchens

GROCERY STORES

- Digital Orders/Contactless Payment
- Ecommerce Grocery Landscape Transformation
- New Contactless Services/Smoothie Making Machines & Salad Robots

EXHIBIT 5: FOOD FEATURES COMSUMERS ARE WILLING TO PAY MORE FOR

Q: For the following product catefories, which attributes would you be willing to pay more for? (Grocery including general food and beverages.)



Base: Respondents who purchase said category (7,903)
Source: University of Michigan

NEW AMAZON PLATFORMS

- Amazon 4 Star
- Amazon Fresh
- Amazon Pop-Up
- Amazon Go/Go Grocery

EVOLVING CUSTOMER BEHAVIOR

- Live Streaming Shopping/ Social Commerce
- Ecommerce Sites & Contactless Payment

2021 Economic Review & Forecast

COVID 19 VACCINATION

315 million (52%) people in the U.S. have received their first dose (June, 2021)

STARTUPS GROWING

500,200 New Business Applications in May 2021 (up 69.7% YOY)

EVOLVING WORK FORCE ENVIRONMENT

Remote Work & Space Hybrid Conversions

LIQUID DEPOSITS

increased by 3.2% since December 2020

10-YEAR TREASURY NOTE

is expected to rise to **2.2% in 2021**, up from the current rate of 1.57%* This increase could create challenges for buyers to obtain ideal financing.

INFLATION

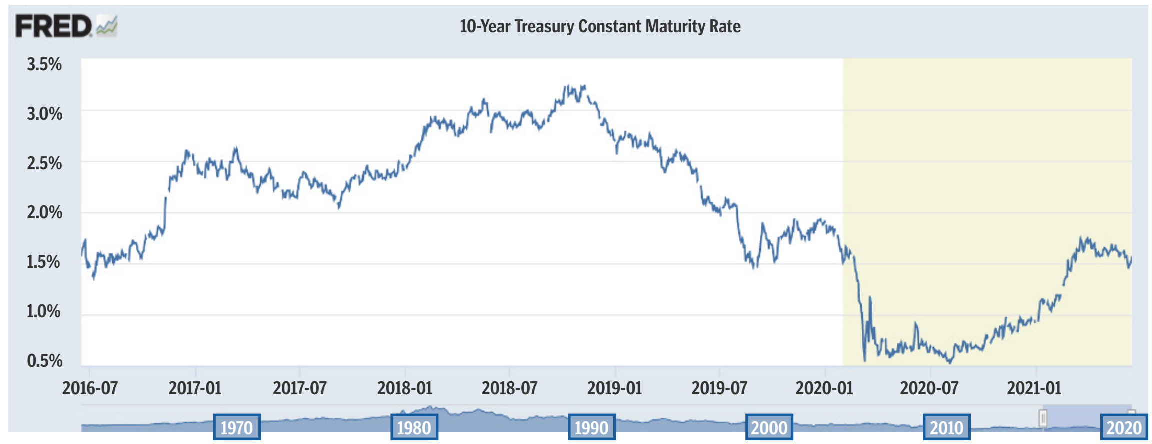
is expected to rise **3.4% in 2021**, up from 1.7% in 2020*

GDP

is expected to grow **6.6% in 2021**, up from -5.8% growth in 2020*

*Source: Kiplinger Forecast & Reuters

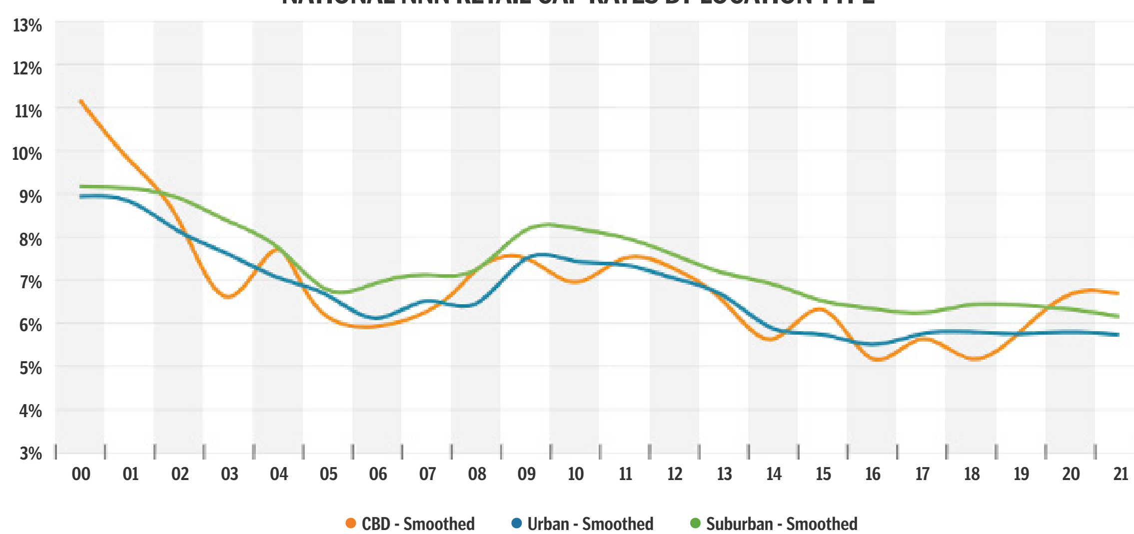
Although the yield on the 10-year Treasury fell as Fed announced they expect to increase interest rate by the end of 2023, yields are expected to increase due to the growing pressure of inflation. Democrats are in a position to pass a $2 trillion infrastructure spending bill, which would be expected to boost economic growth and continue to push up both inflation and interest rates. The 10-year Treasury rate is expected to rise to at least 2.2% by the end of this year.



U.S. recessions are shaded; the most recent end date is undecided. *fred.stlouisfed.org*

Source: Board of Governors of the Federal Reserve System (US)

NATIONAL NNN RETAIL CAP RATES BY LOCATION TYPE



Source: Costar *5/5/2021*

Average Summary Report - Cap Rates by Industry Sector

For this report, SRS reviewed Q2 2021 sales reported by Costar for the following sectors: Automotive, Bank, Big Box/Superstore, Casual Dining, C-Store/Gas, Dollar Stores, Educational (Childcare), Fast Casual, Grocery, General Retail, Medical STNL, Pharmacy, and QSR. In Q2 it's especially important to understand the impact the ongoing pandemic has had on the relationship between length of lease term and capitalization rates across all product types, as well as how the pandemic has affected buyer bias toward certain sectors. To do so, we compiled the following average summary reports for a number of data points throughout each mentioned sector. As can be expected, sectors classified as "essential business" with more capabilities to adapt to a changing marketplace have been less affected than others. *Note: this report captures data only for transactions which have reported a sale price and capitalization rate. The following data has been collected from sources deemed reliable; it may not include confidential and/or proprietary information of the marketplace.*

AUTOMOTIVE

Sales of new vehicles in the US remain healthy but are showing signs of a slowdown due a lack of new car inventory caused by a shortage of semiconductor chips. The chip shortage caused automakers to cut vehicle production, leading to a demand shift toward quality used cars in 2021. The shift toward used car supply has helped with overall sales as 4.5 million vehicles sold in Q2, a 52% increase compared to one year ago. The inflated cap rate of 6.03% can be attributed to higher price points within the sector, with the average $/sf increasing by more than 50% over the previous quarter.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$1,568,286	9 Years	7,517	$13	$215	6.53%
Q4/20	$1,567,433	9 Years	7,701	$13	$209	6.20%
Q1/21	$1,917,292	9 Years	7,925	$14	$247	5.81%
Q2/21	$2,747,924	11 Years	8,522	$23	$393	6.03%

BANK

As the bank industry recovers for the impact of Covid-19 and digital banking concepts grow, bank branches continue to pivot to new business models. Bank institutions that made strategic technology investments prior to COVID-19 have come out stronger. Banks continue to be a focus for investors given the strong credit of the tenants. The average cap rate for bank properties sold in Q2 inflated by 45 bps over the previous quarter - largely because average lease terms in the sector decreased by 4 years. The sector has held relatively steady in the high 5 to low 6% cap rate over the last 12 months.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$2,356,185	8 Years	4,510	$35	$589	6.17%
Q4/20	$2,946,412	8 Years	6,868	$35	$657	5.91%
Q1/21	$3,487,707	11 Years	4,300	$45	$894	5.40%
Q2/21	$2,842,740	7 Years	6,271	$29	$519	5.85%

BIG BOX/SUPERSTORE

The big box sector within net lease continues to see diminished activity due to the pressure of online consumer spending and evolving square footage and business restructure. Since the pandemic, we have not seen a quarter with more than 10 trades in this asset type. Diminished activity is expected to continue through the second half of 2021 as owners are tasked with trying to resolve big box space use options. Cap rates for Q2 recorded at 6.23%, while the average lease term dropped to 6 years from 8 years in Q1.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$15,051,400	11 Years	128,093	$9	$133	6.60%
Q4/20	$10,200,000	10 Years	120,000	$4	$85	4.91%
Q1/21	$8,562,597	8 Years	122,508	$5	$71	6.46%
Q2/21	$6,309,333	6 Years	79,594	$5	$84	6.23%

CASUAL DINING

The impact of COVID-19 has forever changed most casual dining restaurant business functions and as a result had a significant impact on investment sales for this sector during the pandemic. As restrictions have lifted, activity has started to resume to a new business model normalcy. Casual dining companies that were able to adapt to a fast-casual dining models have been able to have the best success. Cap rates compressed by 43bps from 6.67% in Q1 to 6.24% in Q2 as buyers have regained confidence in the product type within stronger geographic markets across the country.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$2,368,684	9 Years	5,845	$27	$425	6.44%
Q4/20	$2,315,780	10 Years	6,309	$27	$399	6.35%
Q1/21	$2,490,318	10 Years	5,977	$28	$432	6.67%
Q2/21	$2,930,173	10 Years	6,146	$31	$486	6.24%

C-STORE/GAS

The c-store/gas station space remains to be a very active sector of net lease given the internet resistant foundation as well as being labeled as an essential business. Revenue for c-stores/gas stations is expected to grow at an annual rate of 2% until 2026. As more people return to work and school, the need for c-stores will increase. Cap rates are increasingly compressing, falling 12 bps from the previous quarter while average lease terms also fell by 1 year - typically these two varibles have an inverse correlation. This cap rate compression demostrates a flight of demand by net lease space buyers.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$3,554,925	13 Years	4,077	$45	$899	5.29%
Q4/20	$4,224,869	14 Years	3,954	$59	$1,128	5.15%
Q1/21	$3,466,716	14 Years	3,954	$46	$919	5.20%
Q2/21	$4,174,594	13 Years	3,933	$52	$1,072	5.08%

DOLLAR STORES

The discount dollar sector continues to be one of the most highly sought-after spaces as investors target growth opportunities given high volume of sale transactions being made in comparison to other retail sectors. Expect this sector to continue to outperform other sectors as flight to safety and recession resistance remains to be a target for investors. In Q2, cap rates compressed 37 bps to 6.60% while average term, rent, and price/sf remain relatively flat.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$1,398,275	11 Years	9,275	$10	$151	7.00%
Q4/20	$1,337,228	11 Years	9,160	$11	$151	7.03%
Q1/21	$1,381,912	10 Years	9,719	$10	$148	6.97%
Q2/21	$1,535,669	9 Years	9,129	$11	$169	6.60%

EDUCATIONAL

The demand on the educational sector has been changing and evolving due to the impact of COVID-19. While there has been a growing demand on homeschool companies, more net lease investors are seeking newly developed education space to perform higher yields as on-campus restrictions are lifted. As schools continue to open their campuses to students and parents return to work, cap rates for educational NNN properties compressed by 20 bps in Q2 with average lease terms recording at 9 years.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$3,494,222	9 Years	9,889	$25	$353	7.14%
Q4/20	$2,558,173	10 Years	8,595	$21	$296	7.33%
Q1/21	$4,076,387	14 Years	11,106	$25	$370	6.82%
Q2/21	$5,705,677	9 Years	2,015	$42	$42	6.62%

FAST CASUAL

This sector consists largely of credit-worthy brands like Panera Bread and Chipotle. These brands and others in the industry alike have been able to quickly adapt to customer demand by space remodeling, adding drive-thru to permitted spaces and provide in-app and delivery orders. While supply increased (8 in Q1 compared to 15 sales in Q2), cap rates for this sector compressed to 4.88% as major brands like Chipotle and Panera Bread have experienced tremendous growth over the past year and constitue over 70% of transctions in this quarter.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$2,254,258	12 Years	2,960	$45	$806	5.99%
Q4/20	$2,506,494	15 Years	3,594	$41	$764	5.39%
Q1/21	$2,402,444	14 Years	3,898	$36	$654	5.39%
Q2/21	$2,907,382	14 Years	3,004	$48	$1,010	4.88%

GENERAL RETAIL

General retail sectors include fitness, hardware, furniture, home goods, cellular stores and other retail types which do not fall under one of the other focused sectors. Average cap rates have stayed historically consistent in the mid 6% range, and recorded at 6.63% in Q2. The number of properties trading hands in this sector increased back to historical averages, demonstrating how investors are again looking at the net lease retail sector in general as an attractive, low or zero-management investment market with stable cash flow & sizable returns.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$2,363,848	8 Years	5,895	$34	$512	6.52%
Q4/20	$2,601,242	8 Years	4,392	$34	$615	5.62%
Q1/21	$1,996,018	8 Years	7,257	$16	$368	6.65%
Q2/21	$2,077,394	7 Years	6,142	$29	$452	6.63%

GROCERY

Given the essential nature of the grocery sector that provides a safe, recession resistant asset, investors continue to look at this sector as stable cash flow. Average cap rates increased by 49 bps to 6.04% during Q2 due to increased flight to higher priced markets, as most grocery stores are comprised of strong, high credit tenants – Whole Foods, Kroger, Albertsons, Sprouts, Aldi etc. This sector is expected to see secure activity through the second half of 2021 and into 2022.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$11,912,291	9 Years	45,375	$15	$270	6.19%
Q4/20	$11,125,167	14 Years	45,315	$16	$264	6.14%
Q1/21	$7,396,401	10 Years	35,972	$16	$291	5.58%
Q2/21	$10,364,047	7 Years	44,961	$12	$221	6.04%

MEDICAL STNL

Given the medical industry has been deemed as one of the most important sectors due to the correlation impact of COVID-19, single tenant net leased medical properties saw a slight compression in average cap rates, recording at 6.40% in Q2. Through the second half of 2021, cap rates are expected to hold steady as most sales transactions in this sector are trading hands in suburban markets. As sales transactions grow into metropolitan markets, we can then expect to see a compression in cap rates.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$4,630,824	8 Years	11,920	$24	$370	6.98%
Q4/20	$3,126,331	9 Years	7,603	$26	$387	6.97%
Q1/21	$2,530,935	9 Years	7,640	$24	$363	6.78%
Q2/21	$3,379,209	8 Years	9,741	$23	$388	6.40%

PHARMACY

Average cap rates for pharmacy net leased assets slightly increased by 9 bps in Q2 to 6.15%. As pharmacy stores are being looked at as another shopping alternative for consumers and pharmacists roles have changed given their accessibility to the public as health care professions, it is expected cap rates will remain relatively flat or slightly compressed through the second half of 2021 and into 2022. This sector is largely dominated by Walgreens transactions, and we expect to see the same over the coming months.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$5,048,283	12 Years	13,516	$23	$375	6.28%
Q4/20	$4,943,355	13 Years	13,556	$21	$370	6.06%
Q1/21	$5,089,840	10 Years	13,919	$21	$367	6.06%
Q2/21	$5,117,301	11 Years	13,948	$22	$369	6.15%

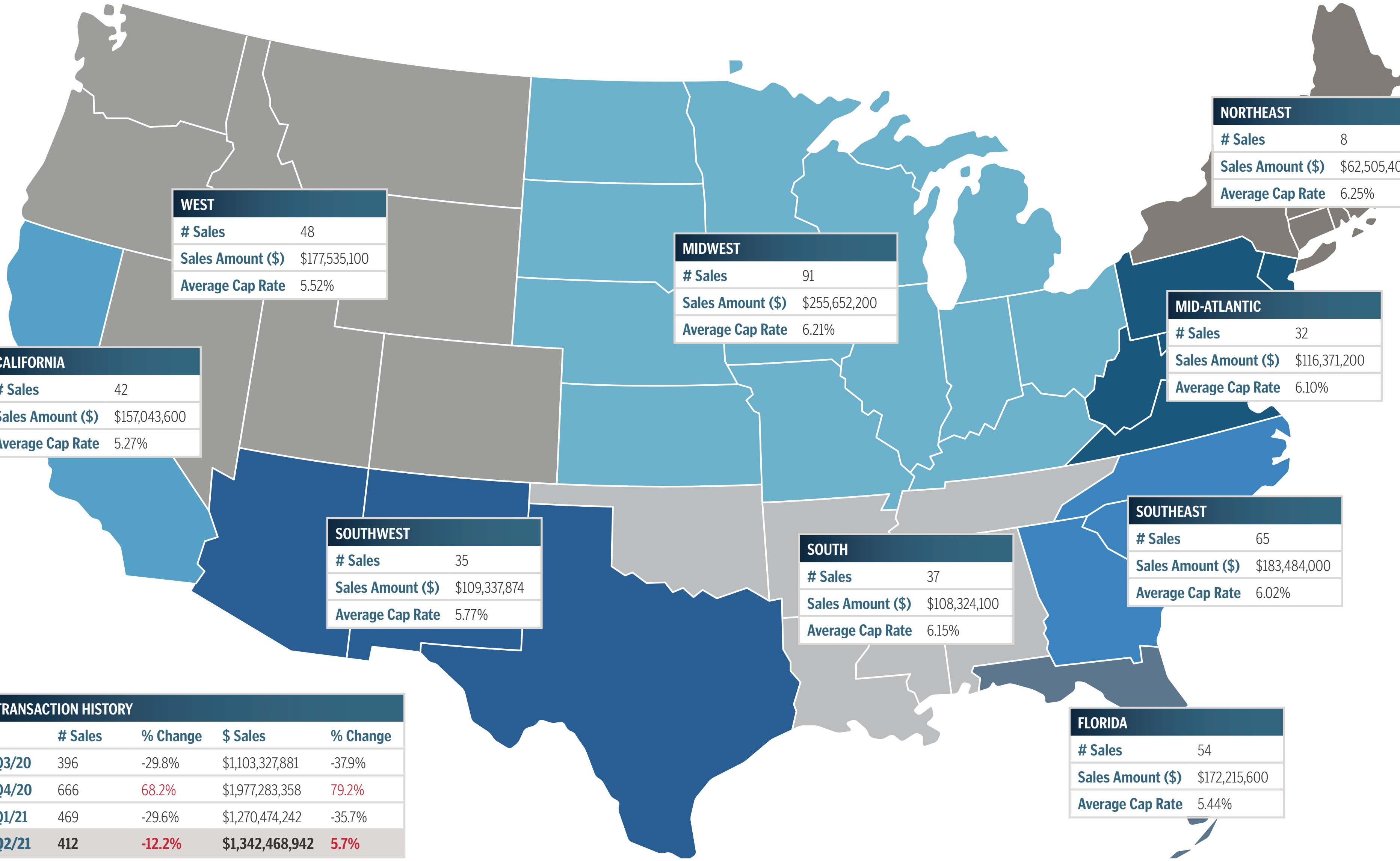
QSR

QSR remains a steady and highly sought after asset type given the sector's minimal need for adaption compared to other food service providers. Further, QSRs typically offer a lower price point and a higher percentage of absolute NNN lease types for investors compared to other sectors. Cap rates in Q2 compressed 20 bps compared to Q1. It is expected the QSR sector cap rates will remain relatively flat or slightly compressed through the second half of 2021.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$2,016,638	13 Years	2,796	$44	$824	5.62%
Q4/20	$2,011,874	15 Years	2,847	$42	$770	5.60%
Q1/21	$2,131,259	15 Years	2,837	$44	$820	5.57%
Q2/21	$2,135,125	15 Years	2,723	$45	$849	5.37%

For more information on the industrial market, visit srsre.com/media/blog or contact your SRS real estate professional.

YTD Market Sales Data - By Region



WEST	
# Sales	48
Sales Amount ($)	$177,535,100
Average Cap Rate	5.52%

MIDWEST	
# Sales	91
Sales Amount ($)	$255,652,200
Average Cap Rate	6.21%

NORTHEAST	
# Sales	8
Sales Amount ($)	$62,505,400
Average Cap Rate	6.25%

MID-ATLANTIC	
# Sales	32
Sales Amount ($)	$116,371,200
Average Cap Rate	6.10%

CALIFORNIA	
# Sales	42
Sales Amount ($)	$157,043,600
Average Cap Rate	5.27%

SOUTHWEST	
# Sales	35
Sales Amount ($)	$109,337,874
Average Cap Rate	5.77%

SOUTH	
# Sales	37
Sales Amount ($)	$108,324,100
Average Cap Rate	6.15%

SOUTHEAST	
# Sales	65
Sales Amount ($)	$183,484,000
Average Cap Rate	6.02%

FLORIDA	
# Sales	54
Sales Amount ($)	$172,215,600
Average Cap Rate	5.44%

TRANSACTION HISTORY

	# Sales	% Change	$ Sales	% Change
Q3/20	396	-29.8%	$1,103,327,881	-37.9%
Q4/20	666	68.2%	$1,977,283,358	79.2%
Q1/21	469	-29.6%	$1,270,474,242	-35.7%
Q2/21	**412**	**-12.2%**	**$1,342,468,942**	**5.7%**

** Market totals represent the study's sample sizes for select industries and are not indicative of all retail sales that occurred for all of 2020. Analysis has accounted for sales as reported to sources deemed reliable in the following sectors: Automotive, Bank, Casual Dining, C-Store, Dollar Stores, QSR, Medical, Pharmacy, Childcare, Fast Casual, Grocery, Big Box, and General Retail (Fitness, Hardware, Furniture, Cellular Stores, etc.). This may exclude confidential and/or proprietary information.*

SRS NATIONAL NET LEASE GROUP

Q2/2021 REPORT

Industrial

Market Trends Review

Despite the economic downturn caused by COVID-19, the industrial sector has been the most resilient real estate product. The industrial sector has been able to quickly adjust to economic conditions due to the growing increase of e-commerce and adaptable last mile demand. Year-over-year e-commerce growth recorded a 39.1% increase in Q1 2021. This steep increase in demand has put pressure on retailers, wholesalers, and third-party logistics (3PLs) to reach consumers in a tightened time-frame while keeping transportation & other corresponding overhead costs down. As demand for quality industrial space continues to be driven by e-commerce, cap rates are expected to continue to compress in the coming quarters.

QUARTER ADJUSTED	RETAIL SALES (MILLIONS OF DOLLARS)		E-COMMERCE AS A PERCENT OF TOTAL	PERCENTAGE CHANGE FROM PRIOR QUARTER		PERCENTAGE CHANGE FROM SAME QUARTER A YEAR AGO	
	TOTAL	E-COMMERCE		TOTAL	E-COMMERCE	TOTAL	E-COMMERCE
Q1/2021	$1,581,424	$215,035	13.6%	7.8%	7.7%	16.8%	39.1%
Q4/2020	$1,467,425	$199,665	13.6%	0.6%	-0.9%	7.0%	32.0%
Q3/2020	$1,458,670	$201,382	13.8%	12.1%	-1.2%	7.0%	36.1%
Q2/2020	$1,301,259	$203,796	15.7%	-3.9%	31.8%	-3.6%	43.8%
Q1/2020	$1,354,477	$154,575	11.4%	-1.2%	2.2%	2.0%	14.0%

Source: U.S Census Bureau, May 18, 2021

2021 KEY INDICATORS

Manufacturers Industry - Focus on agility and supply chain resilience.

Aerospace and Defense Industry - The defense sector is expected to remain stable through the end of 2021, however due to global supply chain disruptions, some defense programs could face cost increases and schedule delays.

Oil & Gas Industry – Oil demand is expected to recover strongly in 2021 but remain lower than it was at pre-COVID-19 levels. Industry revenue is not anticipated to reach 2019 levels until 2026, expecting slowed growth due to an increased focus toward alternative energy.

Engineering & Construction – Adapting to the ongoing impacts of Covid-19 by digital transformation and an overall adjustment in cost efficiency following extreme growth in price of lumber and steel.

Industrial Sector – Boston, San Diego and the San Francisco Bay are the target markets for Lab/R&D market fundamentals as biotechnology continues to be the driving force.

Landlords – Seeking to decrease management responsibilities across the board, cap rates are expected to remain relatively steady as growing net leased product comes online in the coming months.

Source: Deloitte & IBIS World

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GDP

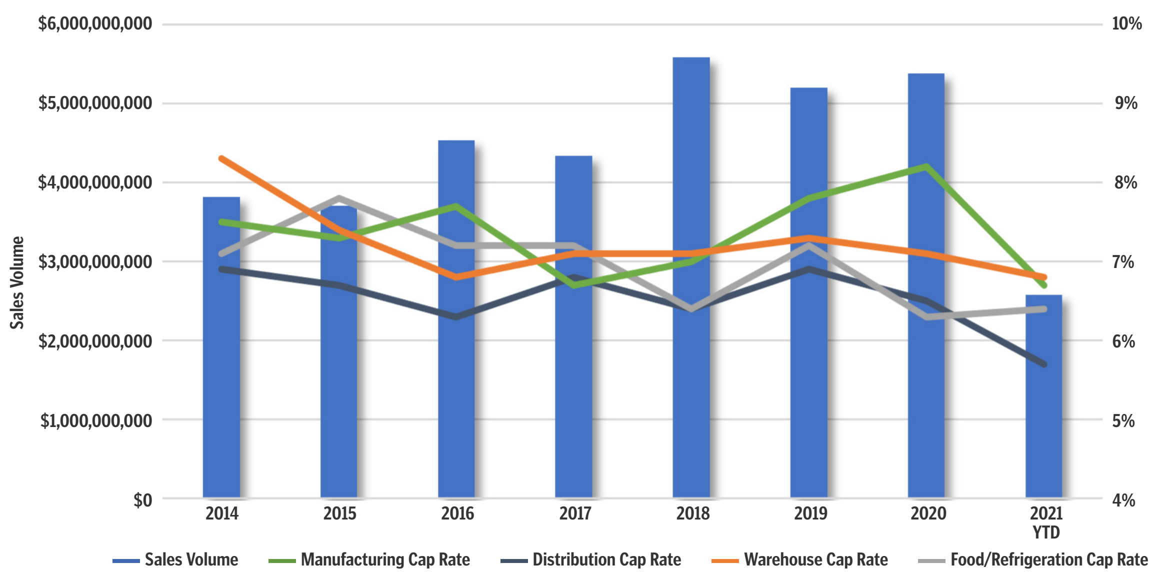
is expected to grow **6.6% in 2021**, up from -5.8% growth in 2020*

Source: Kiplinger Forecast & Reuters

AMAZON TRENDS

- Amazon cargo plane fleet; purchased 11 planes in Jan 2021; 200+ planes within the next decade
- Amazon operating cash flow increased 69% to $67.2 billion trailing twelve months (TTM) ending March 2021, compared with $39.7 billion TTM ending March 21, 2020
- Second HQ under construction in Arlington, VA costing $2.5 billion with plans to hire 1,900 new employees

INDUSTRIAL SINGLE-TENANT NNN SALES VOLUME & CAP RATE



Source: Costar

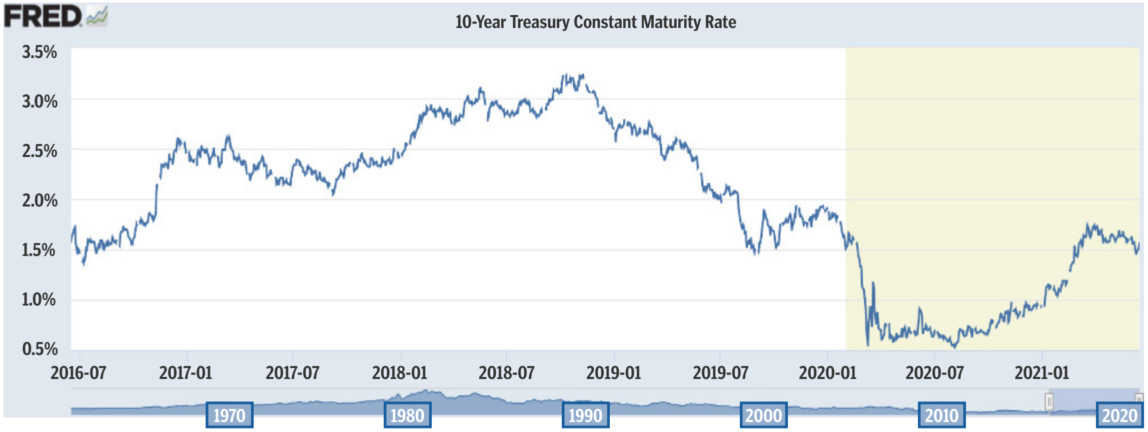
INDUSTRIAL INVENTORY

As the economy recovers and e-commerce continues to grow, industrial real estate surrounding airports and port logistics will be the most attractive industrial inventory. Warehouse areas around established hubs such as Memphis, TN; Louisville, KY; Chicago, IL; Miami, FL; and growing hubs such as Phoenix, AZ; Portland, OR; and Houston, TX are becoming increasingly attractive because of the slower-than-normal movement of containers facing the Los Angeles and Long Beach, CA ports, which have historically been two of the busiest ports in the country.

NATIONAL INDUSTRIAL EMPLOYMENT

	MANUFACTURING	CONSTRUCTION	TRADE, TRANSPORTATION & UTILITIES
12 Month Employment Change	2.66%	3.33%	5.18%
12 Month Actual Employment Change	319	239	1344

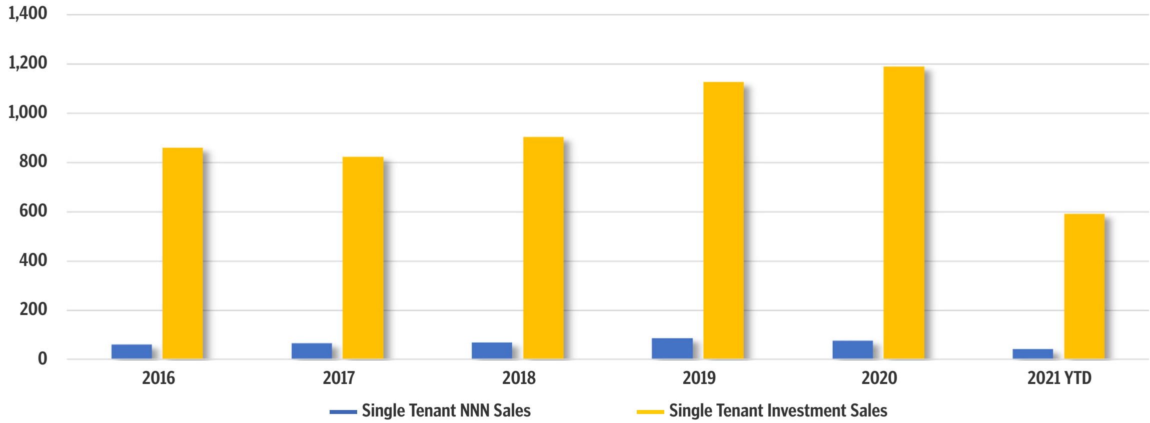
Source: BLS; Jun 2021



U.S. recessions are shaded; the most recent end date is undecided.
Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org
Source: Costar

Note: SRS cannot predict adjustments in the marketplace resulting from pending or future legislation, and we will continue to monitor any potential tax reform over the coming months/years.

NUMBER OF NATIONAL INDUSTRIAL INVESTMENT SALES



Source: Costar

Average Summary Report - Cap Rates by Industry Sector

For this report, SRS reviewed Q2 2021 sales reported by Costar for the following sectors: Distribution, Food Processing/Cold Storage, Manufacturing and Warehouse. In Q2, it's especially important to understand the impact of the ongoing pandemic has had on the relationship between length of lease term and capitalization rates across all product types, as well as how the pandemic has affected buyer bias toward certain sectors. To do so, we compiled the following average summary reports for several data points throughout each mentioned sector. *Note: this report captures data only for transactions which have reported a sale price and capitalization rate. The following data has been collected from sources deemed reliable; it may not include confidential and/or proprietary information of the marketplace.

DISTRIBUTION

Given current economic conditions, distribution centers have been deemed as an essential industrial sector. As we move into the second half of 2021, we will see greater demand in sales activity for distribution centers as consumers drive activity through e-commerce sales. Future technology will continue to impact distribution centers as businesses continue to improve delivery efficiencies with the help of technological advancement. During Q2, two single tenant distribution transactions took place with the largest being Rite-Aid's distribution portfolio facility located in Lancaster and Woodland, California. Q2 cap rates recorded at 4.55% while price per square foot increased to $136.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$29,758,750	10 Years	160,144	$12	$245	5.88%
Q4/20	$19,551,250	9 Years	159,849	$8	$118	6.53%
Q1/21	$49,755,163	8 Years	480,095	$6	$127	5.72%
Q2/21	$154,750,000	15 Years	1,233,200	$6	$136	4.55%

FOOD PROCESSING/COLD STORAGE

Improving economic conditions will likely enable consumers to purchase a greater variety of food products from grocery retail channels giving refrigerated storage and food processing companies a boost from demand. In addition, growing demand for pharmaceutical goods from outbound countries will likely cause US pharmaceutical companies to rely on refrigerated storage facilities to store their goods before they are exported. Product in this sector is limited, which results in a wider variable range per quarter. There were no closings in this sector during Q2, and only one transaction in Q1 with a recorded cap rate of 7.27%. Cap rates recorded in the 6% range in the two previous quarters.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$26,594,125	13 Years	202,664	$8	$121	6.15%
Q4/20	$12,650,000	9 Years	79,082	$8	$199	6.87%
Q1/21	$34,366,353	20 Years	345,782	$7	$99	7.27%
Q2/21	N/A	N/A	N/A	N/A	N/A	N/A

MANUFACTURING

In Deloitte's 2021 manufacturing industry outlook report, they project manufacturing GDP to grow 3.5% in 2021 in comparison to -6.3% for 2020. 2020 did experience a significant dip in manufacturing employment levels due to forced shutdowns and suppressed orders due to COVID-19. As of June 2021, year-over-year manufacturing jobs increased by 2.6% and are expected to continue to grow into 2022. Cap rates for manufacturing product compressed by 76 bps from Q1, closing out Q2 at 6.48%. This product type is expected to see sale prices fall back to historical price ranges in the coming quarters.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$11,298,282	10 Years	107,163	$9	$142	6.82%
Q4/20	$22,067,857	13 Years	218,543	$7	$113	7.37%
Q1/21	$5,157,273	8 Years	58,398	$8	$127	7.24%
Q2/21	$7,715,000	9 Years	50,100	$8	$146	6.48%

WAREHOUSE

As e-commerce continues to grow and evolve, the warehouse market will shift with demand. Rapid advances in technology and rising customer expectations is transforming warehouses from a physical primarily serving infrastructure as long-term storage facilities to order fulfillment centers. With Amazon leading this sector, this trend will strengthen and grow as e-commerce and 3PL companies evolve their business models. Cap rates for warehouse product have held steady in the 6.5% range over the past two quarters.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$9,267,076	8 Years	123,680	$9	$124	6.84%
Q4/20	$15,708,609	10 Years	109,217	$10	$167	6.98%
Q1/21	$5,957,419	7 Years	59,616	$9	$140	6.58%
Q2/21	$3,239,600	6 Years	41,922	$8	$136	6.52%

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Q2/2021 REPORT

Medical/Office Building

Market Trends Review

Because of the changing medical environment caused by the COVID-19 pandemic, medical office product has become a targets asset class by private and institutional investors. The changing environment of the medical industry has place strain on workforce, infrastructure, and supply chain foundations. Historically, investment grade medical product such as hospitals have typically generated low cap rates due to demand from both private and 1031 exchange investors. Recently, new medical brands have emerged, and private investors are seeing opportunities with non-investment grade urgent care groups, specialized and emergency care facilities producing higher yields.

2021 KEY INDICATORS

Urgent Care Center Industry - expected to grow by 3% in 2021, which follows an annual average growth rate of 3.1% since 2016.

Virtual Visits - While consumers are keen on them, they are not completely satisfied with their interactions with the doctor or clinician.

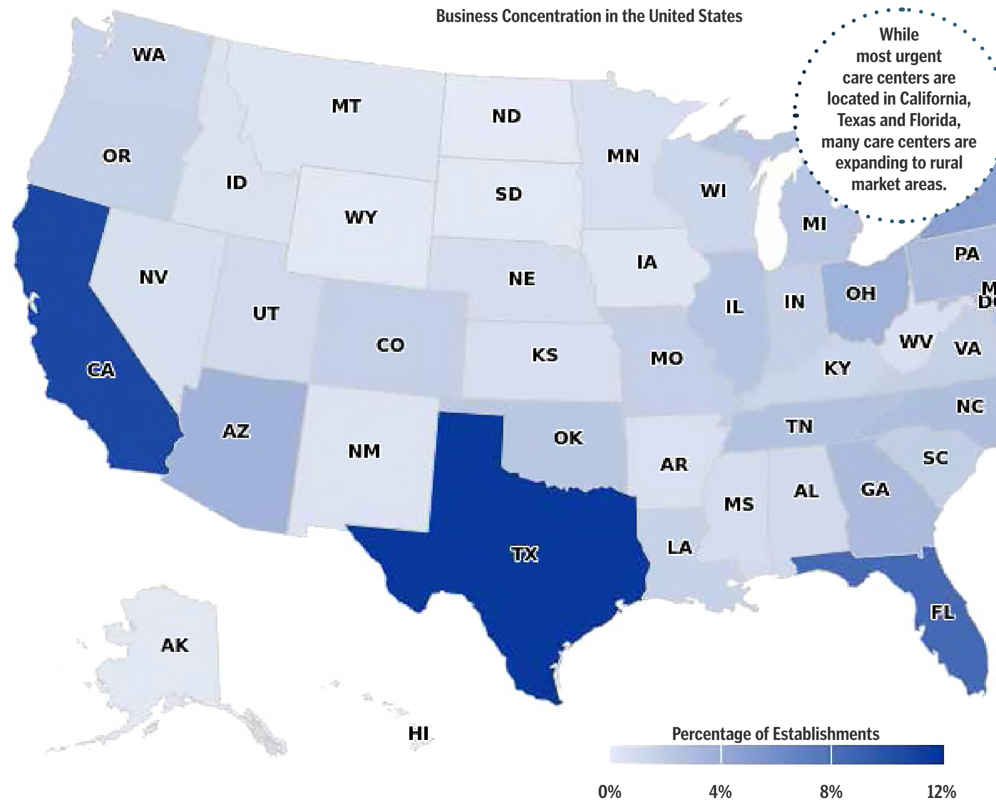
Physicians - practicing family medicine accounts for 38.1% of the industry revenue.

Alliances - are expected to arise between health care incumbents and technology giants.

COVID-19 - Due to the implications of the pandemic, the medical industry is likely to see a surge of pent-up demand in the second half of 2021 from patients that delayed their healthcare needs.

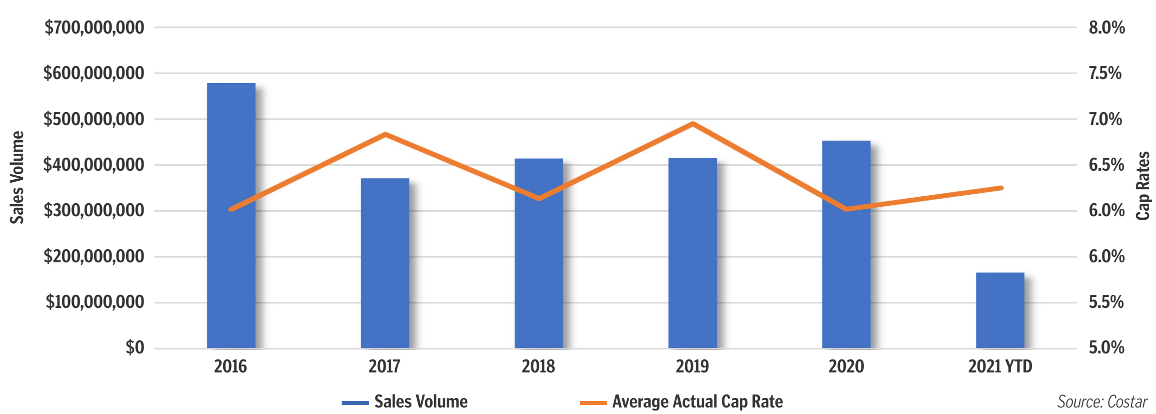
Source: Deloitte & IBIS World

CONCENTRATION OF URGENT CARE CENTERS IN THE UNITED STATES



Urgent Care Centers
Source: IBISWorld

MEDICAL OFFICE SINGLE-TENANT NNN SALES VOLUME & CAP RATES



2021 Economic Review & Forecast

COVID 19 VACCINATION
315 million people in the U.S. have received their first dose (June, 2021)

URGENT CARE CENTERS
Revenue is forecasted to grow at an annual increase of 5.9% until 2026

HEALTH CARE SPENDING
is expected to grow at a CAGR of 4% over 2021-2024

10-YEAR TREASURY NOTE
is expected to rise to near **2.2% in 2021**, up from the current rate of 1.57%*

INFLATION
is expected to rise **2.7% in 2021**, up from 1.7% in 2020*

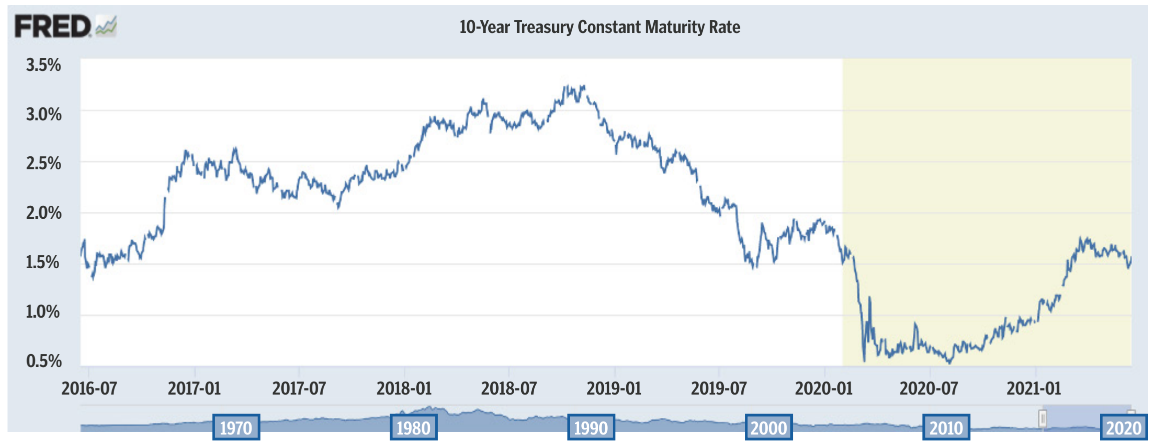
GDP
is expected to grow **6.6% in 2021**, up from -5.8% growth in 2020*

Source: Kiplinger Forecast & Reuters

NATIONAL INDUSTRIAL EMPLOYMENT

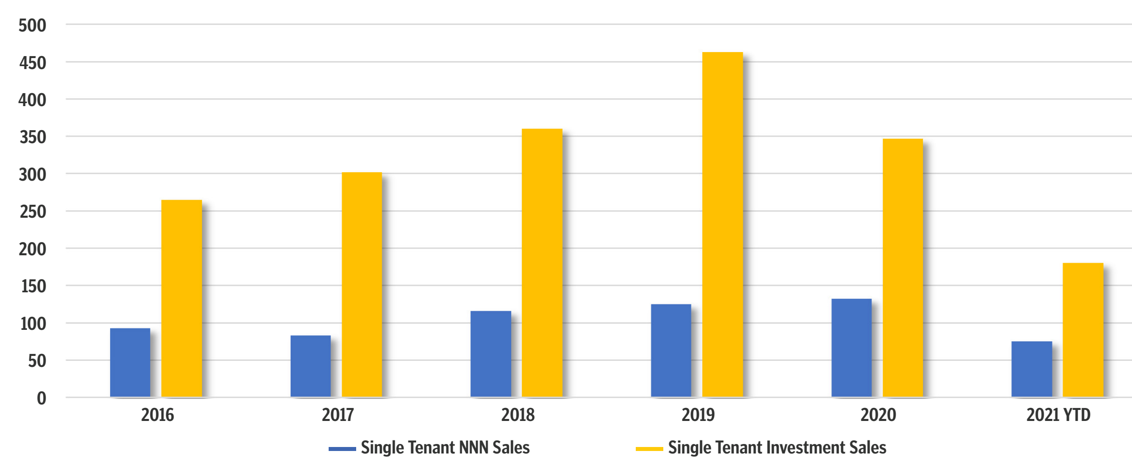
MARCH 2021	HOSPITALS	NURSING & RESIDENTIAL CARE FACILITIES	SOCIAL ASSISTANCE
12 Month Employment Change	-1.22%	-4.94%	7.72%
12 Month Actual Employment Change	62	-157	291

Source: BLS; June 2021



U.S. recessions are shaded; the most recent end date is undecided. *fred.stlouisfed.org*
Source: Board of Governors of the Federal Reserve System (US)

NUMBER OF NATIONAL MOB INVESTMENT SALES



Source: Costar

Average Summary Report - Cap Rates by Industry Sector

For this report, SRS reviewed Q2 2021 sales reported by Costar for the following sectors: dialysis, urgent care, general doctor and other medical (physical therapy, treatment centers, spinal care, and radiology). In Q2, it is especially important to understand the economic impact of the ongoing pandemic has had on the relationship between length of lease term and capitalization rates across all product types, as well as how the pandemic has affected buyer bias toward certain sectors. To do so, we compiled the following average summary reports for several data points throughout each mentioned sector. *Note: this report captures data only for transactions which have reported a sale price and capitalization rate. The following data has been collected from sources deemed reliable; it may not include confidential and/or proprietary information of the marketplace.

DIALYSIS

It is estimated the dialysis industry revenue will increase at an annual rate of 1.2% to total $29.4 billion through 2025. The United States is expected to continue to dominate the dialysis market due to a shortage of kidney donors, high consumers awareness, well-established healthcare infrastructures and advancements in medical technology. Combined with an aging population, growing federal funding and technology investment, dialysis centers are expected to expand their patient capacities. Q2, cap rates decrease to 6.37%, a decrease of 76 bps from last quarter as PSF increased 27% to $28.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$3,094,857	11 Years	7,680	$20	$380	6.62%
Q4/20	$4,749,167	10 Years	4,749	$24	$421	6.80%
Q1/21	$1,628,986	7 Years	5,008	$22	$316	7.13%
Q2/21	$3,872,238	9 Years	8,410	$28	$441	6.37%

URGENT CARE

The urgent care industry contains approximately 10,000 locations in the United States resulting in a 20 billion plus market. Consumers are drawn to urgent cares given the broad range of healthcare services that offer walk-in visits, expanded hours including weekends, limited wait times and a lower cost alternative compared to hospitals. The urgent care industry is expected to grow by 3% in 2021, which follows an annual average growth rate of 3.1% since 2016. Cap rates increased by 11 bps in Q2 while overall sales volume increase by 25%.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$1,750,000	8 Years	4,777	$27	$325	8.13%
Q4/20	$1,380,379	11 Years	4,210	$24	$354	6.86%
Q1/21	$1,829,498	14 Years	4,016	$28	$501	6.75%
Q2/21	$2,283,556	8 Years	3,984	$32	$478	6.86%

GENERAL DOCTOR

General physician medical office is the gatekeeper of healthcare in the medical industry. Although the primary care doctor industry is overcoming the lingering challenges of COVID-19, the industry is expected to grow 3.6% in 2021. Family medicine practice accounts for 38.1% of the medical industry revenue. Another underlining factor for this sector is federal funding for Medicare and Medicaid. As federal funding increases, patient medical care will also increase. Cap rates in this sector compressed by 21 bps in Q2 to 6.29%.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$8,007,096	10 Years	18,378	$33	$506	6.50%
Q4/20	$2,962,862	7 Years	10,028	$27	$404	6.72%
Q1/21	$2,218,833	9 Years	6,371	$20	$344	6.50%
Q2/21	$3,963,956	9 Years	12,016	$20	$393	6.29%

DENTAL CARE

Similar to all other medical practices, the dental industry is also overcoming the lingering challenges of COVID-19 and drop in consumer demand. Recovery in the dental industry is expected to be slow, the industry is expected to benefit from the rising level of consumer disposable income and a recovering rate of dental care insurance as well as employment gains. The dental industry is expected to grow 8.4% in 2021, which follows an annual average growth rate of 1% since 2016. Historical cap rates in this sector show to be in the low 7%-high 6% range with cap rates recording at 7.45% in Q2.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$1,262,500	4 Years	4,049	$20	$385	6.90%
Q4/20	$2,456,429	10 Years	6,061	$23	$425	7.23%
Q1/21	$2,259,000	10 Years	7,508	$20	$309	6.63%
Q2/21	$1,288,590	5 Years	3,800	$25	$339	7.45%

OTHER MEDICAL

Other medical sector includes physical therapy, treatment centers, spinal care, radiology, and other medical practices which do not fall under one of the other focused sectors. As this sector has a wide range of medical specialty sectors, cap rates range from high 5%-6% as geographic location and specific brand financials can weigh in on price ranges. In Q2, average cap rates compressed by 25 bps recording at 5.97%.

	SALE PRICE	LEASE TERM REMAINING	BUILDING SF	RENT SF/YEAR	PRICE SF	CAP RATE
Q3/20	$2,810,000	2 Years	9,800	$20	$286	6.10%
Q4/20	$3,897,500	13 Years	11,283	$18	$334	6.87%
Q1/21	$2,925,000	12 Years	9,228	$22	$354	6.22%
Q2/21	$1,448,750	7 Years	3,670	$23	$408	5.97%

For more information on the industrial market, visit srsre.com/media/blog or contact your SRS real estate professional.

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