Big Box Retail Properties: Pitfalls of Valuation

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Overview of Big Box Retail Trends

Wal-Mart, K-Mart, Target Costco, Office Depot, Staples, Office Max Home Depot, Lowes, Hechinger, Dick's, Toys R Us, Best Buys, Circuit City -- These retailers are commonly called "big box" retail stores and they represent the current trend in retail development, either as stand alone properties or grouped together into a Power Center. Typically, these big box retail stores are in excess of 50,000 square feet and, in a Power Center, there could be three to five attached or on separate pads creating a retail destination location.

The level of interior finish of these types of retail stores ranges from showroom-level all the way down to discount warehouses and home improvement store-warehouses. Historically in the 1980s, these types of uses were initially constructed at around 25,000-30,000 square feet, then the trend of construction jumped to 50,000 square feet, and now, with market acceptance, most new big boxes are larger than 80,000 square feet and some are in excess of 150,000 square feet.

Valuation of these properties can present a series of difficulties for the assessor as well as for the finance-oriented appraiser. It is easy to fall into the *value-in-use* trap, especially when one sees the consumer acceptance and financial success of these new products, and the great amount of new construction ongoing in many markets.

The appraiser/assessor must be aware of the nuances of the marketplace and its resulting impact on the valuation. Each of the three approaches to value should be considered for each valuation project. However, there are certain characteristics of big box properties which would influence which approach should be given considerable weight.

The discussion which follows is not to be held as an "absolute"; but rather as guidelines for analysis. The local market, data availability, jurisdictional regulations and case law will have a great impact on the applicability of specific appraisal analyses and techniques.

In an attempt to demonstrate trends in the big box retail market, sales data were collected from personal experience and from surveys of appraisers, assessors, brokers and owners. This research yielded over a hundred sales examples. To be used in the accompanying discussion, however, sales had to meet certain criteria for completeness, accuracy and applicability.

These criteria were:

- Had to have been confirmed sale by the person submitting it
- Address had to have been provided
- Rent and capitalization rate had to be included in the data
- Sale Dates: 1994 through 1997
- Properties 25,000 sf or larger
- Located east of the Mississippi River

These criteria helped narrow hundreds of potential sales observations to a manageable group of 27 (Chart 1, shown at the end of this article). This research helped develop the conclusions, analyses, and discussion which follows.

Leased Big Box Retail Properties

Just because a retail store has Wal-Mart or K-Mart or PetsMart or Office Depot or Rite Aid or Walgreens or CVS or Home Depot or Hechinger (hereafter collectively referred to as "Big Box-Mart") on the exterior, it does not mean that the owner of the real estate is in any way connected with the occupant. The retailer could very well be a tenant in an investor-owned property. In many instances, the days of a large amount of real estate holdings by retail companies is over due to the advance of the real estate investment trust (REIT), the 1986 tax law changes, and the demise of syndicated partnerships, along with the collective memory of the effect that the early 1990s real estate recession had on ownership and bankruptcies.

At this point of this discussion it is irrelevant *how* the lease came into place. Whether the relationship between landlord and tenant (owner and occupant; investor and retailer -- these phrases/names are interchangeable) is based on a sale-leaseback transaction or a more typical third-party lease, the thread that the appraiser should look for is that the parties are not "related" (that the tenant is not a subsidiary to the landlord, or that there is some form of common ownership or management between tenant and landlord) and that the lease would survive transfer of the real estate (that is, a new investor/owner would expect and anticipate the existing lease to be enforceable upon sale of the property).

If the lease is marketable and the cash flow from the rental payments would be the motivating factor in an investor buying the property, then the appraiser should develop an income capitalization approach to value the property. Depending on jurisdictional requirements, the actual lease terms or market rents would be applied.[1]

Most big box retail leases are structured on a net basis; the tenant/occupant would be responsible for the payment (or reimbursement to the landlord) of all operating expenses such as utilities, real estate taxes, hazard insurance, management, ordinary repairs and maintenance. If the landlord incurs any expenses, generally it is structural repairs and replacements and any leasing commissions due.

The key to an income capitalization approach valuation is identifying *and* supporting an appropriate capitalization rate. There are a multitude of sources for capitalization rate data, especially considering access to the Internet. The appraiser must consider the differences in the location between the subject and the comparable capitalization rate data. Searching the American Council of Life Insurance or Korpacz reports and applying those rates to a property in a dissimilar market is not good appraisal practice. A capitalization rate from a BigBox-Mart in a good suburban retail area with above average household income may not be applicable to a BigBox-Mart in a less populace area, or one which has a lower per-capita income.

Too many times appraisers have assumed that a BigBox-Mart is a BigBox-Mart is a BigBox-Mart. The thinking is "well, if those stores sold to an investor for a 9.0% capitalization rate, then this one must be also! After all, the property is occupied by the same company, and the are one of the better retailers around." In that instance, the appraiser is in danger of developing *investment value* (or use value), not market value. He/she is asking, in essence, "what would someone pay to invest in a BigBox-Mart store?" The appraiser MUST consider the *real estate* -- the location, the building condition, the access, the term of the lease, the per-capita and/or household income characteristics, etc.

[1] The subject of this paper is NOT how to value a property encumbered by a long-term lease, nor is it to be a commentary on the merits of a fee simple versus leased fee assessment. Local jurisdictional regulations, case law and assessment statute would dictate what type of income capitalization approach analysis to develop.

The valuation of a leased property could be accomplished using a direct capitalization approach, or a discounted cash flow analysis, depending on the specific terms of the lease, the remaining contractual period, and local valuation practice.

Sale-Leasebacks

A sale-leaseback is financing arrangement in which real property is sold by its owner-user, who simultaneously leases the property from the buyer for continued use. Under this arrangement, the seller receives cash from the transaction and the buyer is assured a tenant and thus a fixed return on the investment.[2] Translated: The owner of a property sells to an investor, but does not move out. Instead, the seller leases the property *back* from the investor and does not vacate the premises.

This is different from a "market" transaction on three basic levels. First, and most obvious, is that the seller and buyer are related parties. They have a financial relationship that goes beyond the sale of the real estate.

Second, the motivation of the seller is atypical from a market transaction. In a market transaction, the seller is changing locations due to an increase in size, or a change in business climate for the worse, or they have a need to get cash out of the property for another venture. In any event, their motivation is to move-on. In a sale-leaseback, the seller is not moving. Generally, their sole motivation in selling is to recoup their construction costs (i.e., that is, this is a financial transaction, not a sale-of-asset transaction).

The third difference is that a sale-leaseback transaction is not considered arms-length because it is not typically offered on the market.[3] There are other considerations which are reflected in the sales price besides real estate.

A sale-leaseback is a financing tool for the seller/occupant. They generally build the property using a construction loan or corporate line of revolving credit. When complete, the corporation seeks out an investor to buy the property and become the landlord. The retailer signs the sales agreement and lease agreement, thus obtaining full payback of its construction costs, something akin to 100% financing. Not only does it have the equivalent of a twenty-year mortgage, but the retailer benefits by being able to use these funds for the construction of a second store starting the process over again. In addition, the corporation's balance sheet is not cluttered by long-term debt or by undervalued, depreciating assets -- it has long term operating leases of fixed costs.

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[2] *The Dictionary of Real Estate Appraisal*, Third Edition, Page 318, Appraisal Institute, Chicago, Illinois, 1993.

[3] *Kroger Co. V. Hamilton Cty. Bd. Of Rev.*, Supreme Court of Ohio, August 18, 1993

Generally, a sale-leaseback is structured around the construction costs of a property. A simple example is:

> Retail Store Owner A is building a 50,000 square foot free-standing property in a high traffic, above-average household family income, major suburban market. Prior to construction, or simultaneous with construction, Owner A seeks out Net Lease Investor B. Investor B could be an individual, a consortium of investors, a pension fund, an insurance company, or a REIT. Owner A says to Investor B that it will or has spent $5,000,000 building this property and wants to gain its cash back so it can build another. Owner A and Investor B structure a lease, generally for twenty years, offering Investor B a lease paying a 10.5% return on its $5,000,000 investment. Solving for the lease amount, Owner A (now Tenant A) pays Investor B approximately $50,000 per month, or $600,000 per year. This "lease" is financially similar to a fully amortizing mortgage and equates to almost $12.00 per square foot on a net rental basis.

The question for the appraiser/assessor is how to value a property with a lease put into place as part of a sale-leaseback transaction. The answer depends on local statute, assessment regulations and local practice. As will be shown below, part of the higher rent in sale-leaseback transactions is due to fully amortizing the interior leasehold improvements. The contributory value of these improvements is not fully recognized by buyers or "market" tenants. As such, in jurisdictions which value fee simple interests, not contract lease terms, the imputed market rent should be significantly *lower* than contract rent and the contributory leasehold value of the interior and exterior improvements is only very minimal.

Owner-Occupied Properties

In most jurisdictions, the underlying assessment case law or statute requires the valuation for ad valorem tax purposes to reflect *value in exchange (transfer)*, not *value in use*. This is the basic underpinning of the definition of market value. The appraiser/assessor must assume a sale of the property as of a current date.

If BigBox-Mart owns and occupies Store A (that is, no lease and no investor -- the retail occupant is the fee simple owner), who are the potential purchasers of the property? First, given the basic concept of market value, the appraiser has to assume that BigBox-Mart, the occupant/owner, moves out. This could be due to having a larger store nearby, or that this store has failed, or for whatever reason. The potential purchasers would either be another big box retailer, or an investor hoping that they would be able to attract a retailer to lease the property.

In a sales comparison approach, the best comparables then would be other owner-occupant sales, i.e., owner-to-owner transactions or sales of vacant properties to investors. Sales of properties with leases already in place are *not* comparable since the economics of the transaction and the motivations of the buyer and seller are very dissimilar to the situation of the subject property.

An income capitalization approach *could* be developed for an owner-occupied retail building, but the economics of vacancy and tenant improvements must be addressed. For an income capitalization approach to be applicable, the appraiser must assume that an investor would purchase the property based on a hypothetical rental stream. However, since the property is vacant (the owner has moved out), the appraiser *must* account for an absorption period to achieve occupancy by a tenant.[4] Depending on the location of the subject property, the economic condition of the area, the size of the subject, the "name" on the building, the process of finding a suitable tenant might take upwards of two to three years.

As an example, a leading national retailer reports that their average lease-up time to re-tenant a building is over three-and-one-half years; some buildings *never* achieve lease-up.[5] This same retailer reports that their *average* marketing time for sold properties is slightly over 24 months. However, they have quite a few properties in their inventory that have been available for seven to eight years without success![6] The following examples demonstrate the technique which should be developed to reflect the lease-up period and valuation impact for owner-occupied big box retail properties:

	If Improvements Are Included In Rent		If Leasehold Improvements Excluded[7]
Rental Income			
Rent per Sq. Foot	$ 12.00		$ 6.00
Building Size (sf)	50,000		50,000
Total Income	$ 600,000		$ 300,000
Operating Expenses[8]	$ 0		$ 0
Net Operating Income	$ 600,000		$ 300,000
Capitalization Rate	10.5%		9.5%
Capitalized Value	$ 5,710,000		$ 3,160,000
Lease-up Period	24 months		24 months
Rental Loss	$ 1,200,000		$ 600,000
Indicated Market Value	$ 4,510,000		$ 2,560,000

[4] Consideration for lengthy vacancy or absorption period should be developed in either a fee simple or leased fee analysis.
[5] Confidential conversation with a representative of the retailer's real estate department.
[6] Based on observations in the Maryland and Pennsylvania markets, these marketing parameters are typical for big box properties.
[7] See Market Data Analysis which follows.
[8] Assuming an absolute net lease -- no expenses to the ownership.

The reality of these types of properties is that there *is* a large loss in value due to the length of time it takes to sell these properties. This loss should be included in any market value determination by the assessor, regardless of fee simple or leased fee analysis.

Why is there such a large loss in value? Why does it take so long to sell or lease a big box retail property? Part of the answer is retail demographics. Many areas are saturated with retail facilities and the population's income cannot support another large user.

Part of the answer is retail image. Much of the growth in big box retail has been in new construction, not in-fill. Many retailers want their "image" in the construction of the building, i.e., their corporate colors, their "street view" (when you drive past a Circuit City or Wal-Mart or Best Buy or Home Depot, the image of the building is generally the same coast-to-coast), or the freshness of a new building. In many instances around the country, a ten-year old big box property is razed for the development of a new building with a new image rather than use or rehabilitate the older corporate image. For example, if K-Mart wants to buy a used Wal-Mart location, it must change the exterior from blue to red. This expense is very high. In fact, in many instances, retailers choose to demolish the building and start again rather than spend the costly dollars to rehabilitate another firm's corporate image.

The other issue of renovation of a used store is the layout of the interior improvements. In most cases, the interior layout of the previous owner does not correspond to the retail methodology or image of the new owner. The new owner not only sees the old fixtures and finish as worthless, but they have to expend significant dollars to demolish and remove them. That is why most owner-occupant properties sell for amounts equating with shell values. The interior improvements, signage, and exterior image are worth less to a new buyer (i.e., the market). As such, in any valuation of an owner-occupied property, the appraiser/assessor must account for the low contributory value of any existing improvements as well as any potential vacancy issues in each of the approaches to value.

The valuation trap most appraisers and assessors fall into when valuing an owner-occupied store is to assume that the replacement cost or reconstruction costs are a fairly good indicator of value. Or, that if the current occupant is doing a good business, that the property has a high value. As will be shown in the following section, this is not true. If the local assessment requirement follows the definition of market value as *value in exchange* not value in use, then the current occupancy must be ignored and data sought to demonstrate what a market purchaser would pay for the property.

Collection of Market Data and Its Analysis

As mentioned, to demonstrate trends in the big box retail market, sales data were collected from personal experience and from surveys of appraisers, assessors, brokers and owners. To be used in the accompanying chart, the sale had to meet certain criteria for completeness, accuracy and applicability, as shown on Chart 1 (shown in detail at the end of this article). [9]

There is a consistency in each data category in terms of sales price per square foot of building area, rental rates and capitalization rates. The ranges are summarized below:

	# of Sales	Sale Price per SF			Rental Rate			Capitalization Rate		
	in Survey	High	Low	Average	High	Low	Average	High	Low	Average
Owner-User to Owner-User	6	$ 52.30	$ 26.10	$ 36.40						
Investor to Investor	12	$ 81.10	$ 51.40	$ 64.20	$ 8.62	$ 4.40	$ 6.10	10.6%	8.6%	9.4%
Sale-Leasebacks	9	$ 164.90	$ 78.10	$ 115.00	$ 14.00	$ 8.58	$ 11.80	11.8%	9.5%	10.5%

The data indicates that there are significant trends in the big box retail market when viewed by category. Significantly, if the appraiser or assessor misapplies the sale data, the result could be the over or undervalue of these types of properties.[10] The data show a mix of different types of big box retailers, i.e., warehouse-types with minimal finish as well as fully finished showroom properties. There are differing levels of finish among various retail types, generally focused on interior improvements such as exposed concrete block interior walls versus painted drywall. Some retail stores have drop, acoustical tiled ceilings, too, as well as recessed lighting, good floor finishes and lots of partitioning.

For an "apples-to-apples" comparison among a single property type, one can look at the data for just the home improvement stores (Chart 2 at the end of this article). These typically have very minimal finish, consistent among any location. The overall trend in rental rates, capitalization rates and sales price per square foot hold as in Chart 1. Some items of note include:

[9] Due to time and expense limitations, all of these sales have *not* been independently confirmed by the authors of this article. It would be impossible. Many of the sales were listed by more than one participant in the survey. If there were discrepancies in the data, an attempt was made to resolve the difference. All of the data presented is believed to be accurate, however the authors do not take responsibility for any errors, omissions or inaccuracies. It is recommended that anyone choosing to use this data independently confirm the information presented.

[10] An interesting aside to this research and analysis is that this type of thought process should also be applied to owner-occupied vs. investor office buildings and industrial properties as well. In many markets, the dichotomy in pricing and capitalization rates should apply to those property types as well.

- The sales of owner-user properties to another owner-user (the first six sales listed) indicate a significantly lower sale price per square foot than either of the two investor-related categories. This is due, in part, to the reasons presented above regarding extended marketing period and lack of value attributed to interior improvements by the market.

- The owner-to-owner sales are mostly older properties. Age and obsolescence should be considered important in the valuation of any big box retail property. The data indicate that, as a big box property ages, obsolescence and depreciation are two very big factors in the minds of the market. However, note the second sale, the transaction from Costco to Home Depot, was a new property, so age alone is not the determinant of lower pricing.

- The data indicate a significant difference in sales criteria for investor-to-investor transactions versus sale-leaseback transactions. For *market* transactions (investor-to-investor), sales prices per square foot are lower, rental rates are lower, and the overall capitalization rates are lower than similar sale-leaseback properties. As mentioned, the sale-leaseback transactions are usually based on rental terms related to financing 100% of the original construction costs and should not be considered arms-length, market transactions.

There is another interesting feature noted by the data and found when researching this project. In a sale-leaseback transaction, the occupant, prior to selling to an investor, has built the entire property -- land, shell, interior improvements. When it sells to the investor, the retailer generally achieves reimbursement for all these expenses, as noted in the $100+ per square foot sales prices.

In an investor-to-investor transaction, the original investor generally took responsibility for land development and shell completion. The retailer/tenant/occupant had contracted with the investor, and the shell was completed to the retailer's specifications. Any additional improvements, such as exterior signage/image, interior showroom partitioning, drywall, or ceiling finishes were generally completed by the tenant, i.e., leasehold or tenant improvements.

Many jurisdictions treat leasehold improvements separately from the main, building improvement. Some do not value leasehold improvements at all. Some account for leasehold improvements by applying a personal property tax. Others account for these by valuing fee simple and not distinguishing between the two. The assessor must be aware of his/her local statute, case law and regulations so as to apply the proper factors.[11]

[11] See Footnote 1.

However, in those jurisdictions which do value leasehold improvements in the assessment process (either in the fee simple value or as personal property), the accompanying sales data should be reviewed to fully understand the market's perception of the very minimal contributory value of such improvements. Consider the big box retail store that has a high degree of fit and finish. If sold (remembering the definition of market value as value in exchange, not value in use), what use would those improvements have for another retailer? Little or none. As shown by the owner-to-owner transactions, the price per square foot is low *because* those improvements have little value; the buyers are purchasing the shell and location. They will install their own improvements as they see fit. When they do, those improvements have little leasehold value because the *next* purchaser would have little use for them as well.

The assessor/appraiser should be seeking market value. If the market only recognizes minimal or no value of the leasehold improvements, then they should be treated accordingly in the tax assessment of that property.[12]

Section 1031 Exchanges

The appraiser/assessor must be aware of the applicability of these types of properties to Section 1031 exchange opportunities. A Section 1031 exchange, in simple terms, is a trade of real estate and/or other consideration, such as cash, between two or more investors to accrue tax benefits. The name, Section 1031 exchange, relates to the IRS Tax Code section which permits and governs such transactions. The 1031 exchange could involve one or more parcels from each investor being traded for other properties. As with sale-leasebacks, there are benefits and considerations beyond just real estate in making these transactions.

On the Internet, there are several web sites devoted to listing/advertising net leased properties such as big box retail locations especially to entice participants into Section 1031 exchanges. The capitalization rates and sales prices are extremely aggressive; generally in the 8% to 9% range. This is because most of these properties are being advertised for application for Section 1031 exchanges -- their valuations are typically inflated to account for the other benefits of this type of transaction, beyond real estate value. This information should be used by the appraiser/assessor very, very carefully, if at all. Its applicability to local real estate market value estimation may only be very minimal.

[12] Fee simple valuation does not mean to imply including in the value items which do not contribute to the market's perception of value. If the property is located in a fee simple jurisdiction, items of leasehold interest should only be valued for assessment purposes to the extent of that contribution. The definition of market value includes the phrase "the most probable price" which a buyer would pay, not the "highest price".

Conclusions

A common problem in the valuation of big box retail properties (and with all net leased properties) by the appraisal and assessment communities is the misapplication of sales and rental data. If the subject property is leased, and the intent of the valuation is to estimate market value, then the appraiser/assessor should apply the correct components to the subject's valuation. In jurisdictions where long-term leases are considered in the valuation, the actual lease should be evaluated and a capitalization rate derived from investor-to-investor sales should be applied. In jurisdictions where fee simple value is necessitated (that is, actual contract terms are ignored), then comparable rents from investor-to-investor leases must be applied giving adequate consideration to the obsolescence and deprecation of interior and specialized exterior improvements of properties of this kind. Application of leases from sale-leaseback transactions are not appropriate in estimating market value.

Owner-occupied stores present another challenge to the appraiser/assessor. Even if the current occupant is successful and enjoys a good business at that location, the definition of market value implies a sale of the property. It is inappropriate and incorrect valuation methodology to assume either full, immediate lease-up or the property to a tenant, or assume that a tenant's market rent will include compensation for existing leasehold improvements. As such, the appraiser/assessor must seek out either sales of other retail owner-to-retail owner transactions, or in an income capitalization approach to valuation, must consider the effects of the long marketing and absorption period on the property's assessment.

In addition, any valuation which considers leasehold improvements must fully recognize the high levels of obsolescence and depreciation of these components. An accurate reflection of market value cannot be achieved without such considerations.

Big Box Retail Sales

CHART 1

Owner-User to Owner-User

City	State	Sales Price	Bldg Size	$ per SF	Sale Date	Year Built	Seller	Buyer
Lancaster	PA	$ 1,150,000	35,280	$ 32.60	Jun-97	1979	Carter Manor Associates	Goodwill Industries, Inc.
Portsmouth	NH	$ 6,500,000	124,278	$ 52.30	Mar-97	1997	Costco	Home Depot
Harrisburg	PA	$ 1,100,000	35,310	$ 31.20	Oct-96	1984	Lowes Home Centers	Ullman Family Ptrnshp
Hall	GA	$ 2,000,000	49,125	$ 40.70	Aug-95	1985	Lowe's Home Centers	Dayton Hudson (Target)
Washington	DC	$ 7,000,000	198,451	$ 35.30	Jun-95	1940	The Life Insurance Company	Hechinger Company
Nashville	TN	$ 2,770,000	106,278	$ 26.10	Feb-95	1985	Wal-Mart Stores, Inc.	WNAB Channel 58 Nashville, Inc.

Investor to Investor

City	State	Sales Price	Bldg Size	$ per SF	Sale Date	Year Built	Seller	Buyer	Occupant	Rent	Reported Cap Rate
Richmond	VA	$ 8,883,095	141,284	$ 62.90	Feb-97	1996	Bultler Real Estate, Inc.	John H.O. Lagatta (Bldg); Olds Props (land)	Garden Ridge	$ 6.64	10.6%
Ontario	NY	$ 3,900,000	68,160	$ 57.20	Mar-96	1995	Geneva Holding Assoc.	Offering	BJ's Warehouse	$ 5.85	9.4%
Jefferson City	TN	$ 8,600,000	146,401	$ 58.70	Nov-95	1994	Baron Corporation	Kentucky Teachers Retirement	Wal-Mart	$ 5.35	8.8%
Dalton	GA	$ 13,750,000	201,788	$ 68.10	Oct-95	1994	Bright-Meyers	Howrd Warren, et al	Wal-Mart	$ 6.06	8.6%
Elk Grove	IL	$ 15,250,000	187,927	$ 81.10	Oct-95	1995	KBS Retail LP	Elk Grove SK LP	KMart	$ 8.62	10.0%
Nashville	TN	$ 4,450,000	70,133	$ 63.50	Oct-95	1986/95	Piedmont Nashville LP	Bertram L. Miner	Media Play	$ 6.75	10.1%
Nashville	TN	$ 4,184,390	72,000	$ 58.10	Oct-95	1986/95	Piedmont Nashville LP	Moses Lerner	Media Play	$ 5.60	9.3%
Marion	IN	$ 5,600,000	85,000	$ 65.90	Sep-95	1995	Valley Drive LLC	Kentucky Teachers Retirement	Lowes Home Center	$ 4.40	9.5%
Lafayette	IN	$ 7,600,000	125,357	$ 60.60	Apr-95	1994	Creasy Lane LLC	Kentucky Teachers Retirement	Lowes Home Center	$ 5.75	9.1%
Orangeburg	SC	$ 6,587,492	128,249	$ 51.40	Oct-94	1994	LC of Orangeburg, Inc.	Laurence W. Tisch	Wal-Mart	$ 4.85	9.0%
	IN	$ 12,600,000	169,417	$ 74.40	Sep-94	1993	Evansville Star Assoc.	Evansville United LP	Super KMart	$ 7.60	9.8%
Anderson	SC	$ 8,605,309	126,249	$ 68.20	Mar-94	1994	Northtowne Assoc.	Preston R. Tisch	Wal-Mart	$ 5.80	8.4%

Owner-User to Investor (Sale Leaseback)

City	State	Sales Price	Bldg Size	$ per SF	Sale Date	Year Built	Seller	Buyer	Occupant	Rent	Reported Cap Rate
Baltimore	MD	$ 6,463,000	59,800	$ 108.10	Aug-96	1995	Dick's Sporting Goods	Commercial Net Lease Realty	Dick's	$ 12.30	10.5%
Cincinnati	OH	$ 4,800,000	33,089	$ 145.10	Apr-96	1995	Circuit City Stores	The Staubach Companies	Circuit City	$ 14.00	10.0%
Manassas	VA	$ 5,600,000	33,962	$ 164.90	Apr-96	1996	Circuit City Stores	The Staubach Companies	Circuit City	$ 13.00	10.0%
Cuyahoga Falls	OH	$ 4,800,000	41,960	$ 114.40	Jan-96	1995	Circuit City Stores	Cardinal Capital Partnership	Circuit City	$ 10.50	9.5%
Fairfax	VA	$ 5,475,000	55,560	$ 98.50	Dec-95	1995	Waccamaw	Commercial Net Lease Realty	Waccamaw	$ 10.52	10.5%
Brentwood	TN	$ 4,848,649	47,193	$ 102.70	Nov-95	1995	Circuit City Stores	Principal Mutual Insurance Co	Circuit City	$ 13.00	11.8%
Fairfax	VA	$ 8,600,000	85,882	$ 100.10	Aug-94	1994	Hechinger Company	Wilmington Trust	Hechinger	$ 11.00	11.0%
Marlo Heights	MD	$ 8,500,000	108,794	$ 78.10	Aug-94	1994	Hechinger Company	Wilmington Trust Company	Hechinger	$ 8.58	11.0%
Baltimore	MD	$ 3,142,000	25,525	$ 123.10	Jun-94	1993	Office Depot, Inc.	Office MD-1, Inc.	Office Depot	$ 12.90	10.5%

criteria:

* had to have been confirmed sale
* address had to be included
* rent, cap rate had to be included
* Sale Dates: 1994 to current
* 25,000 sf or larger
* east of the Mississippi

Home Improvement Sales

CHART 2

Owner-User to Owner-User

City	State	Sales Price	Bldg Size	$ per SF	Sale Date	Year Built	Seller	Buyer
Portsmouth	NH	$ 6,500,000	124,278	$ 52.30	Mar-97	1997	Costco	Home Depot
Harrisburg	PA	$ 1,100,000	35,310	$ 31.20	Oct-96	1984	Lowes Home Centers	Ullman Family Partnership
Hall	GA	$ 2,000,000	49,125	$ 40.70	Aug-95	1985	Lowes Home Centers	Dayton Hudson (Target)
Washington	DC	$ 7,000,000	198,451	$ 35.30	Jun-95	1940	The Life Insurance Co.	Hechinger Company

Investor to Investor

City	State	Sales Price	Bldg Size	$ per SF	Sale Date	Year Built	Seller	Buyer	Occupant	Rent	Reported Cap Rate
Richmond	VA	$ 8,883,095	141,284	$ 62.90	Feb-97	1996	Butler Real Estate, Inc.	J. H.O. Lagatta-Bldg; Olds Props-land	Garden Ridge	$ 6.64	10.6%
Ontario	NY	$ 3,900,000	68,160	$ 57.20	Mar-96	1995	Geneva Holding Assoc.	Offering	BJ's Warehouse	$ 5.85	9.4%
Marion	IN	$ 5,600,000	85,000	$ 65.90	Sep-95	1995	Valley Drive LLC	Kentucky Teachers Retirement	Lowes	$ 4.40	9.5%
Lafayette	IN	$ 7,600,000	125,357	$ 60.60	Apr-95	1994	Creasy Lane LLC	Kentucky Teachers Retirement	Lowes	$ 5.75	9.1%
Orangeburg	SC	$ 6,587,492	128,249	$ 51.40	Oct-94	1994	LC of Orangeburg, Inc.	Laurence W. Tisch	Wal-Mart	$ 4.85	9.0%
Evansville	IN	$ 12,600,000	169,417	$ 74.40	Sep-94	1993	Evansville Star Assoc.	Evansville United LP	Super K-Mart	$ 7.60	9.8%
Anderson	SC	$ 8,605,309	126,249	$ 68.20	Mar-94	1994	Northtowne Assoc.	Preston R. Tisch	Wal-Mart	$ 5.80	8.4%

Sale-Leasebacks (Owner-User to Investor)

City	State	Sales Price	Bldg Size	$ per SF	Sale Date	Year Built	Seller	Buyer	Occupant	Rent	Reported Cap Rate
Fairfax	VA	$ 8,600,000	85,882	$ 100.10	Aug-94	1994	Hechinger Company	Wilmington Trust	Hechinger	$ 11.00	11.0%
Marlo Heights	MD	$ 8,500,000	108,794	$ 78.10	Aug-94	1994	Hechinger Company	Wilmington Trust Company	Hechinger	$ 8.58	11.0%

Criteria:

* Home improvement and/or warehouse-type properties
* Had to have been confirmed sale by provider
* Address had to be provided
* Rent amount and cap rate had to be included
* Sale Dates: 1994 through 1997
* 25,000 sf or larger
* East of the Mississippi