Convenience Stores Emerge As Net Lease Darling

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By Lynn Pollack

Convenience stores are garnering big interest from both institutional and private investors looking for stable income opportunities in the net lease sector, according to a new analysis from B+E Net Lease.

Cap rates remain low for quality net lease C-store assets, analysts say, with an average on-market cap of 5% and a 2022 year-to-date sale cap of 5.26%. And quality matters: B+E says smaller and lesser-known operators with older buildings are "massively outperformed" by their Class-A counterparts.

"C-stores are garnering a positive perception from both private and institutional investors due to their strong tenant credits, strong profit margins, and large variety of concepts," B+E analysts note in the report. "This variety encourages customers to spend more time at the location and, in turn, spend more money."

In addition, C-stores have capitalized on a growing consumer demand for high-quality, made-to-order meals by including quick service restaurants within their walls.

"The excellent location and high traffic count of many c-stores allow them to be strong candidates for the inclusion of quick service restaurants within their footprint," according to the report. "This symbiotic relationship garners a higher level of store visits for both the c-store and the quick service restaurant."

The sector has also seen an increasing adoption of electric vehicle charging stations, particularly by Tesla's aggressively expanding Supercharger network.

Operators with the highest number of on-market listings are 7-Eleven, Shell, Circle K, and Wawa.