



SINGLE-TENANT | Q3 2024

# Office

Commercial Real Estate | Debt + Equity | Investment Sales | Loan Servicing | Fund Management

[northmarq.com](https://northmarq.com)

## SINGLE-TENANT OFFICE

### Market Fundamentals



Q3 2024 Investment Sales Volume	<b>\$1.62B</b>
Change from Last Quarter (Q2 '24)	<b>-28.3%</b>
Change from Last Year (Q3 '23)	<b>-25.0%</b>



Q3 2024 Overall Average Cap Rate	<b>6.94%</b>
Change from Last Quarter (Q2 '24)	<b>+7 bps</b>
Change from Last Year (Q3 '23)	<b>+35 bps</b>

Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m

### Overview | Single-Tenant Office

After a comparatively strong start to the year, investment sales activity in the single-tenant office sector has returned to below average levels. Just \$1.6 billion in sales volume was recorded during third quarter 2024, making it the second slowest quarter on record in over a decade. However, due to first quarter's strong performance, the sector has already nearly surpassed last year's annual sales volume. While 2024 is still set to be a rather unimpressive year, the net lease office market should have no problem outperforming 2023, especially given the attractiveness of medical office and healthcare assets in today's marketplace.

Average cap rates have been on a steep trajectory since bottoming out in mid-2022. After eight consecutive quarters of increases, the average office cap rate now sits 86 basis points higher at 6.94%. Regionally, however, there remains a nearly 125-basis point spread, with West region office transactions trading at an average cap rate of 6.26% and the Southwest region reporting an average of 7.50%.

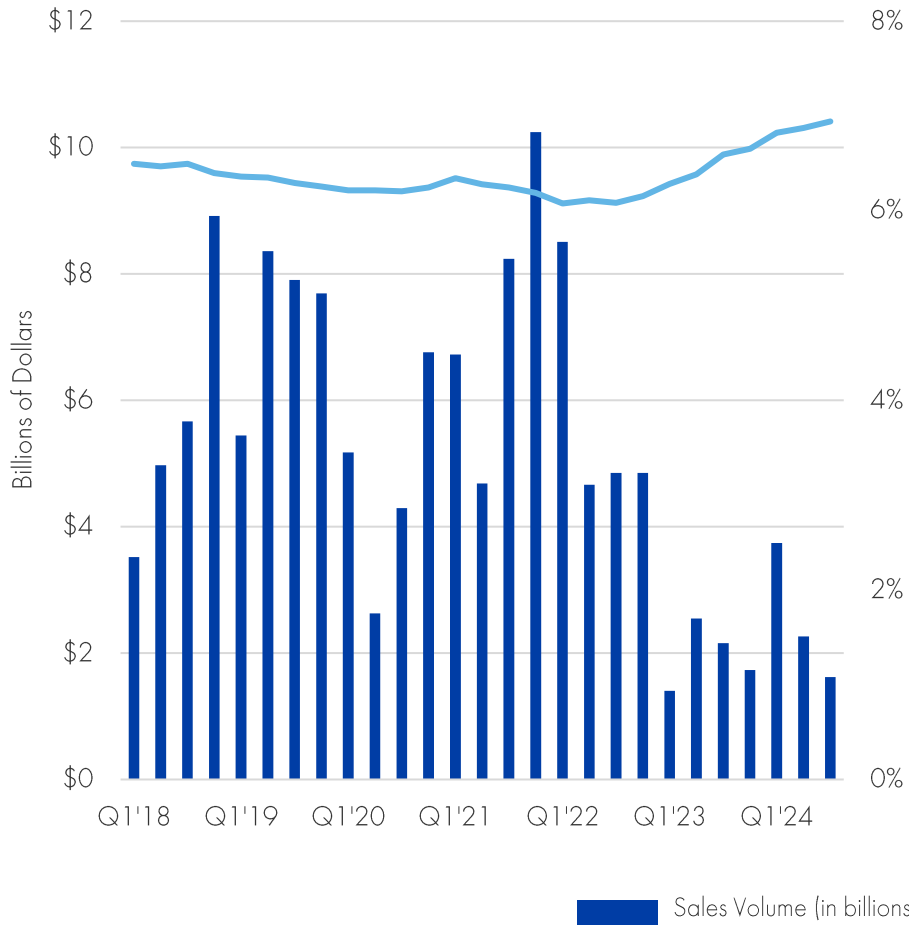
International buyers remain largely absent from the single-tenant office sector for the third straight year, while private investors, at 28%, represent the most active buyer group. Their market share has decreased substantially from previous years though, as REITs have stepped up activity. With nearly a quarter of the market share, REITs have been pursuing net lease office and healthcare properties at the highest rate seen since 2015.



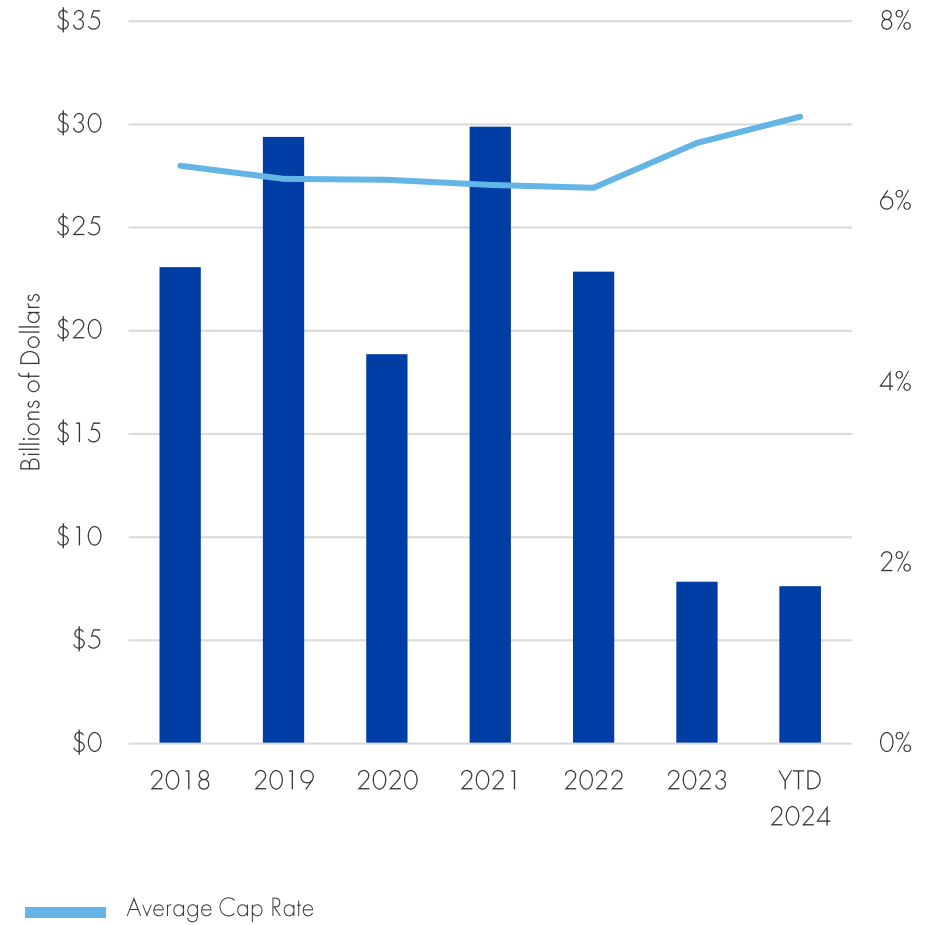
# SINGLE-TENANT OFFICE

## Investment Sales Volume & Average Cap Rates

**Q** Quarterly



**A** Annual



Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m

## SINGLE-TENANT OFFICE

### Quarterly & Annual Market Statistics

#### Investment Sales Volume (in millions)



##### Quarterly

Type	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Mid-Atlantic	\$119.37	\$64.88	\$183.24	\$103.80	\$24.40
Midwest	\$246.82	\$293.20	\$826.80	\$238.73	\$157.69
Northeast	\$133.83	\$395.68	\$461.25	\$75.00	\$35.31
Southeast	\$311.69	\$313.18	\$798.13	\$647.22	\$280.99
Southwest	\$908.78	\$287.51	\$575.45	\$404.31	\$267.54
West	\$439.07	\$379.80	\$895.78	\$792.48	\$853.59
<b>Total</b>	<b>\$2,159.57</b>	<b>\$1,734.25</b>	<b>\$3,740.65</b>	<b>\$2,261.54</b>	<b>\$1,619.52</b>

##### Annual

Type	2020	2021	2022	2023	YTD 2024
Mid-Atlantic	\$3,140.54	\$2,191.61	\$2,060.67	\$447.06	\$311.44
Midwest	\$2,226.27	\$2,806.60	\$2,601.54	\$1,170.27	\$1,223.21
Northeast	\$2,552.27	\$5,722.23	\$5,797.90	\$971.87	\$571.57
Southeast	\$2,382.71	\$4,022.30	\$3,284.86	\$963.82	\$1,726.34
Southwest	\$2,457.00	\$3,694.48	\$3,086.92	\$2,454.49	\$1,247.31
West	\$6,099.74	\$11,450.86	\$6,041.49	\$1,833.90	\$2,541.85
<b>Total</b>	<b>\$18,858.52</b>	<b>\$29,888.09</b>	<b>\$22,873.38</b>	<b>\$7,841.41</b>	<b>\$7,621.71</b>

#### Average Cap Rates



##### Quarterly

Type	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Mid-Atlantic	7.77%	7.65%	7.46%	7.14%	6.73%
Midwest	6.68%	6.67%	6.91%	7.34%	7.35%
Northeast	7.13%	7.27%	7.19%	6.95%	6.64%
Southeast	6.46%	6.64%	6.92%	6.91%	7.14%
Southwest	6.38%	6.52%	7.14%	7.22%	7.50%
West	6.05%	6.17%	6.10%	6.25%	6.26%
<b>Total</b>	<b>6.59%</b>	<b>6.65%</b>	<b>6.82%</b>	<b>6.87%</b>	<b>6.94%</b>

##### Annual

Type	2020	2021	2022	2023	YTD 2024
Mid-Atlantic	6.84%	6.56%	6.45%	7.65%	6.73%
Midwest	6.82%	6.82%	6.74%	6.67%	7.35%
Northeast	5.91%	5.86%	6.11%	7.27%	6.64%
Southeast	6.35%	6.00%	6.14%	6.64%	7.14%
Southwest	6.20%	6.18%	6.04%	6.52%	7.50%
West	5.74%	5.93%	5.65%	6.17%	6.26%
<b>Total</b>	<b>6.24%</b>	<b>6.19%</b>	<b>6.15%</b>	<b>6.65%</b>	<b>6.94%</b>

Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m; totals may not equal the sum of individual property types due to rounding



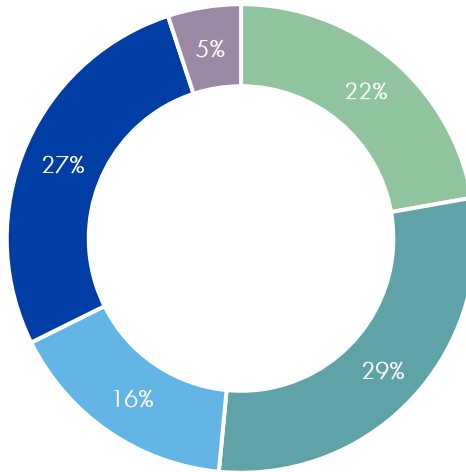
# SINGLE-TENANT OFFICE

## Buyer Distribution

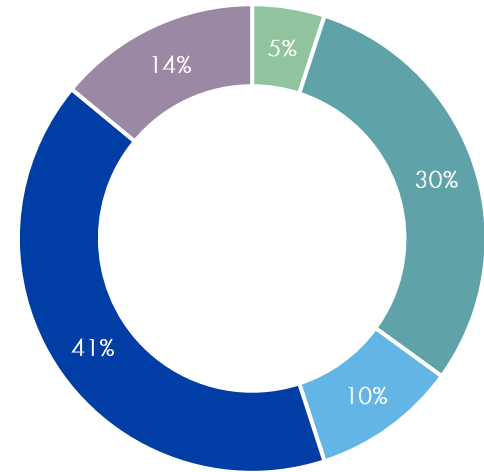
### Annual

- International Buyer
- Domestic Institutional
- Domestic Public REIT
- Domestic Private Buyer
- Domestic User/Other

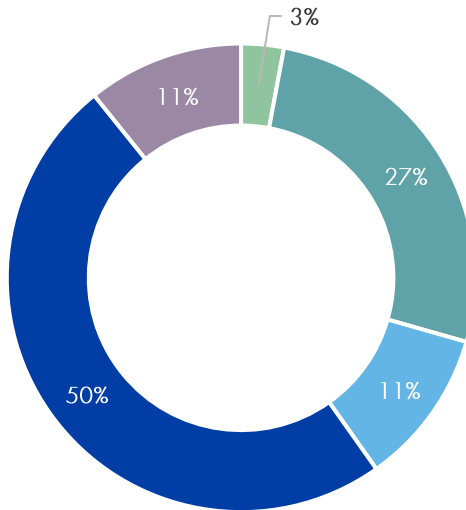
2021



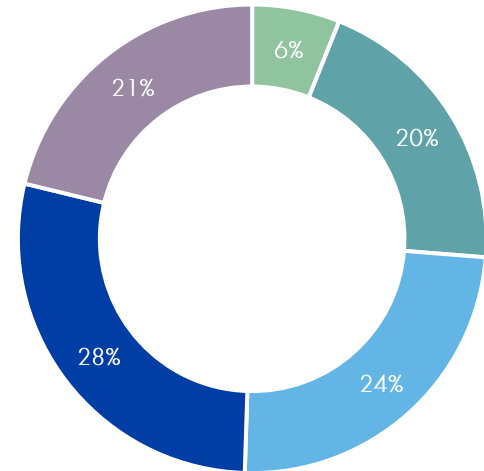
2022



2023



YTD 2024



Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m; graphs may not total 100 percent due to rounding





## LANIE BECK

*Senior Director, Content & Marketing Research*

[lbeck@northmarq.com](mailto:lbeck@northmarq.com)

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