



SINGLE-TENANT | Q3 2024

Retail

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

northmarq.com

SINGLE-TENANT RETAIL

Market Fundamentals



Q3 2024 Investment Sales Volume	\$2.36B
Change from Last Quarter (Q2 '24)	+14.6%
Change from Last Year (Q3 '23)	-37.1%



Q3 2024 Overall Average Cap Rate	6.74%
Change from Last Quarter (Q2 '24)	+16 bps
Change from Last Year (Q3 '23)	+88 bps

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

Overview | Single-Tenant Retail

Over the last two years, the single-tenant net lease retail sector has experienced its ups and downs as it pertains to investment sales volume. In this time, the market has reported moments of both robust and sluggish activity in alternating quarters. Third quarter 2024, however, witnessed a continuation of second quarter's slump, with approximately \$2.4 billion in transactions recorded. While this represents a 14.6% jump over last quarter's totals, net lease retail sales volume remains depressed, and only \$8.6 billion has been logged year-to-date. At this point, the sector is not on track to meet 2023's annual transaction volume, which would make this year the slowest in over a decade.

Climbing sharply in recent quarters, the average net lease retail cap rate now sits at 6.74%. The market has seen a 62-basis point jump since the start of the year, and the average has increased 112 basis points from the low mark reached in first quarter 2023. Across the single-tenant market, the retail sector shows the widest range of cap rates across the U.S., with a 147-basis point spread. On the high end, the Midwest has seen average rates creep up to 7.48%, while the West region passed the 6.0%-mark just this quarter.

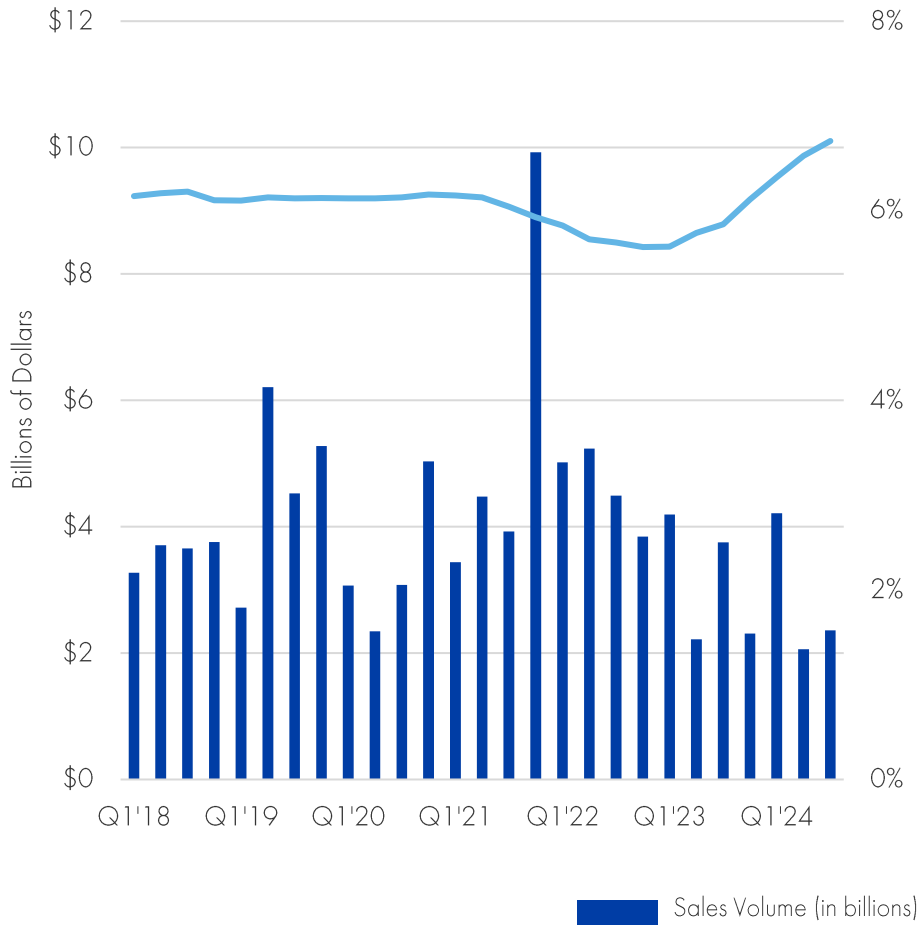
Unsurprisingly, private buyers continue to be the dominant investor group for net lease retail assets, representing 50% of buyers year-to-date. Their market share has declined from recent years though, as REITs have gradually become more active in the space. After nine months of activity, REITs now comprise 28% of retail buyers, compared to 19% in 2023 and just 15% the previous year. Institutional investors and foreign capital remain largely silent in the retail sector for now.



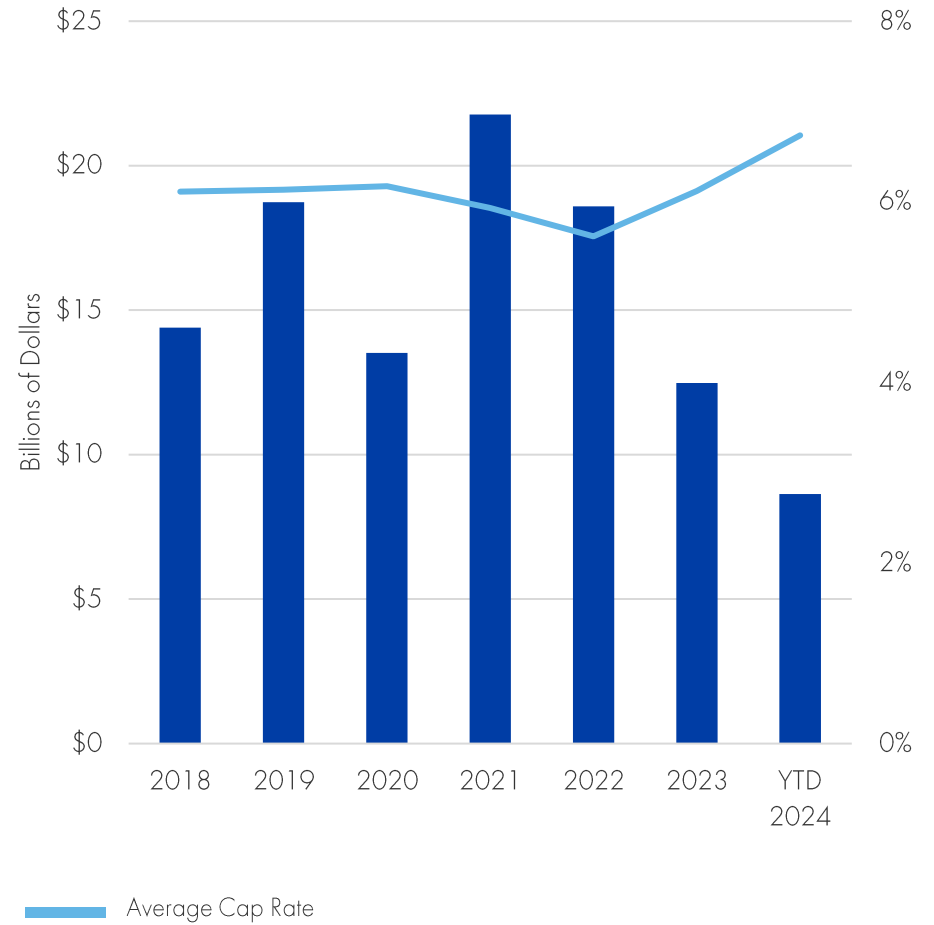
SINGLE-TENANT RETAIL

Investment Sales Volume & Average Cap Rates

Quarterly



Annual



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



SINGLE-TENANT RETAIL

Quarterly & Annual Market Statistics

Investment Sales Volume (in millions)



Quarterly

Type	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Mid-Atlantic	\$239.64	\$160.47	\$196.46	\$128.07	\$75.03
Midwest	\$405.00	\$314.01	\$989.36	\$280.43	\$415.51
Northeast	\$782.57	\$285.62	\$258.13	\$178.69	\$292.37
Southeast	\$1,262.11	\$668.05	\$1,292.93	\$580.32	\$635.84
Southwest	\$388.40	\$366.65	\$902.57	\$348.55	\$374.68
West	\$676.30	\$516.24	\$575.17	\$545.88	\$564.18
Total	\$3,754.03	\$2,311.04	\$4,214.63	\$2,061.95	\$2,357.62

Annual

Type	2020	2021	2022	2023	YTD 2024
Mid-Atlantic	\$671.30	\$1,555.53	\$1,556.62	\$959.22	\$399.56
Midwest	\$2,363.64	\$4,354.99	\$3,478.65	\$1,953.56	\$1,685.30
Northeast	\$1,556.64	\$2,660.33	\$2,320.48	\$1,828.96	\$729.19
Southeast	\$2,975.50	\$5,273.81	\$4,891.89	\$3,595.45	\$2,509.10
Southwest	\$1,952.82	\$3,688.65	\$2,728.19	\$1,805.21	\$1,625.81
West	\$3,948.04	\$4,232.31	\$3,612.69	\$2,333.86	\$1,685.24
Total	\$13,524.77	\$21,765.61	\$18,588.52	\$12,476.26	\$8,634.20

Average Cap Rates



Quarterly

Type	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Mid-Atlantic	6.03%	5.92%	6.19%	6.39%	6.52%
Midwest	6.42%	6.66%	7.04%	7.26%	7.48%
Northeast	5.73%	6.03%	6.21%	6.49%	6.69%
Southeast	5.82%	6.20%	6.36%	6.51%	6.62%
Southwest	5.79%	6.21%	6.58%	6.61%	6.78%
West	5.38%	5.53%	5.67%	5.90%	6.01%
Total	5.86%	6.12%	6.35%	6.58%	6.74%

Annual

Type	2020	2021	2022	2023	YTD 2024
Mid-Atlantic	6.52%	6.26%	6.04%	5.92%	6.52%
Midwest	6.66%	6.25%	6.07%	6.66%	7.48%
Northeast	6.08%	5.67%	5.40%	6.03%	6.69%
Southeast	6.23%	5.93%	5.59%	6.20%	6.62%
Southwest	6.06%	5.81%	5.56%	6.21%	6.78%
West	5.75%	5.65%	5.23%	5.53%	6.01%
Total	6.17%	5.93%	5.62%	6.12%	6.74%

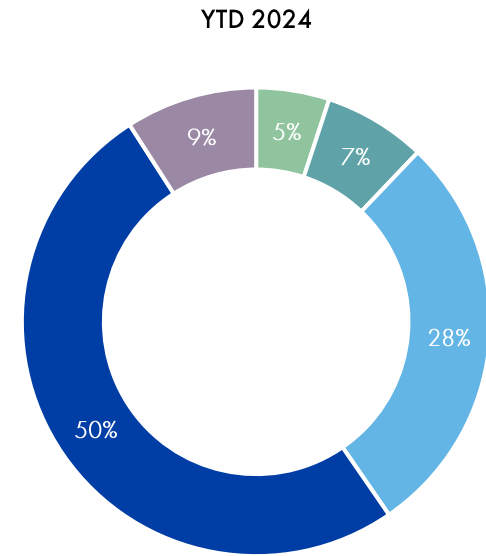
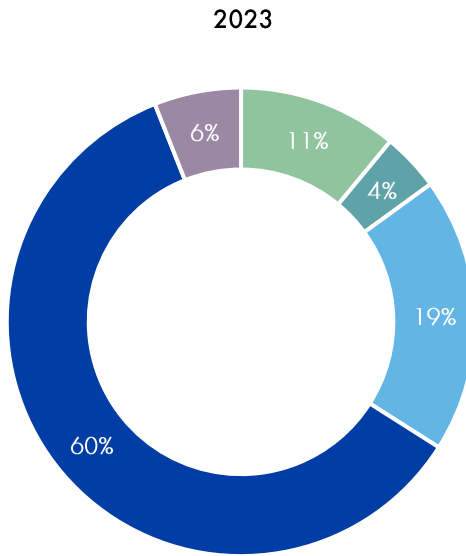
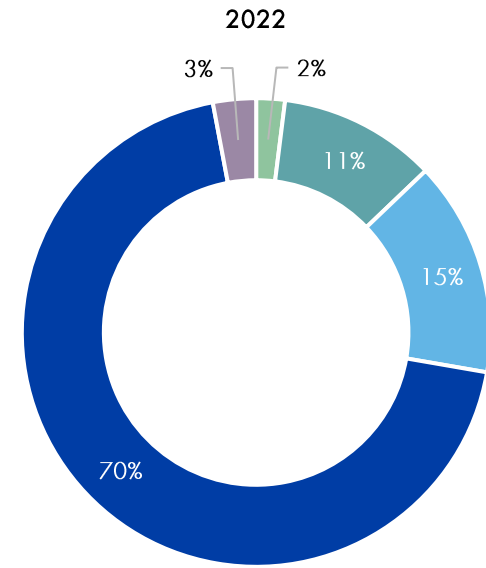
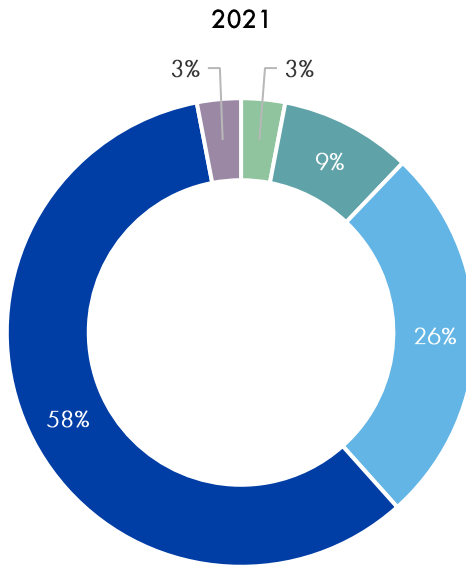


SINGLE-TENANT RETAIL

Buyer Distribution

Annual

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



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





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