



Overall Market

SINGLE-TENANT OVERALL MARKET

Market Fundamentals



Q2 2024 Investment Sales Volume	\$8.78B
Change from Last Quarter (Q1 '24)	-26.3%
Change from Last Year (Q2 '23)	-17.4%



Q2 2024 Overall Average Cap Rate	6.57%
Change from Last Quarter (Q1 '24)	+8 bps
Change from Last Year (Q2 '23)	+63 bps

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

Overview | Single-Tenant Overall Market

At mid-year 2024, the overall single-tenant net lease market continued to struggle with reduced investment sales activity. Office volume was down approximately 43% from last quarter, and retail property transactions fell 56% in the last three months. The 17% boost in quarterly industrial activity was only enough to push the combined volume to \$8.8 billion, making it the second slowest quarter of sales activity in over ten years. At this time, and without an uptick in volume during the second half of 2024, it's likely the market will fall short of matching last year's stunted totals.

Even with one or two interest rate cuts this year, which are still far from guaranteed, the market will need time to react and adjust. Activity is not expected to balloon overnight, although transaction volume will almost certainly increase somewhat in response to more affordable debt. Rather, investment sales between now and year-end will primarily be driven by upcoming loan maturities, opportunistic acquisitions of distressed assets, 1031 exchange activity and other tax-motivated investment decisions. Elevated interest rates, coupled with the upcoming U.S. presidential election, have created a muddy, uncertain environment that many investors are simply waiting out if they have that luxury.

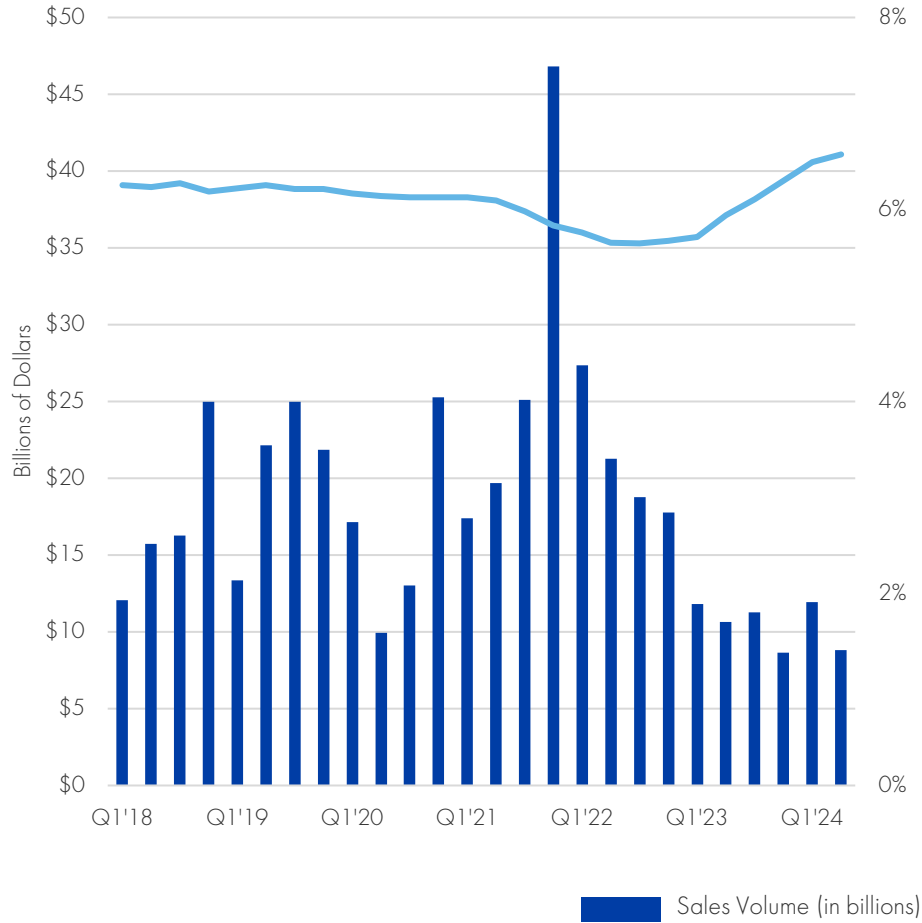
With today's shifting market conditions, property values have dropped. Average cap rates for the overall net lease market have been on an upward trajectory since bottoming out in third quarter 2022. In the last seven quarters, cap rates have increased 93 basis points to the current average of 6.57%. While the last three months saw a decline in average cap rates for the single-tenant office and industrial sectors, further reductions are not expected. Instead, cap rates across all net lease sectors may experience some fluctuation quarter to quarter, especially if transaction volume remains slow.



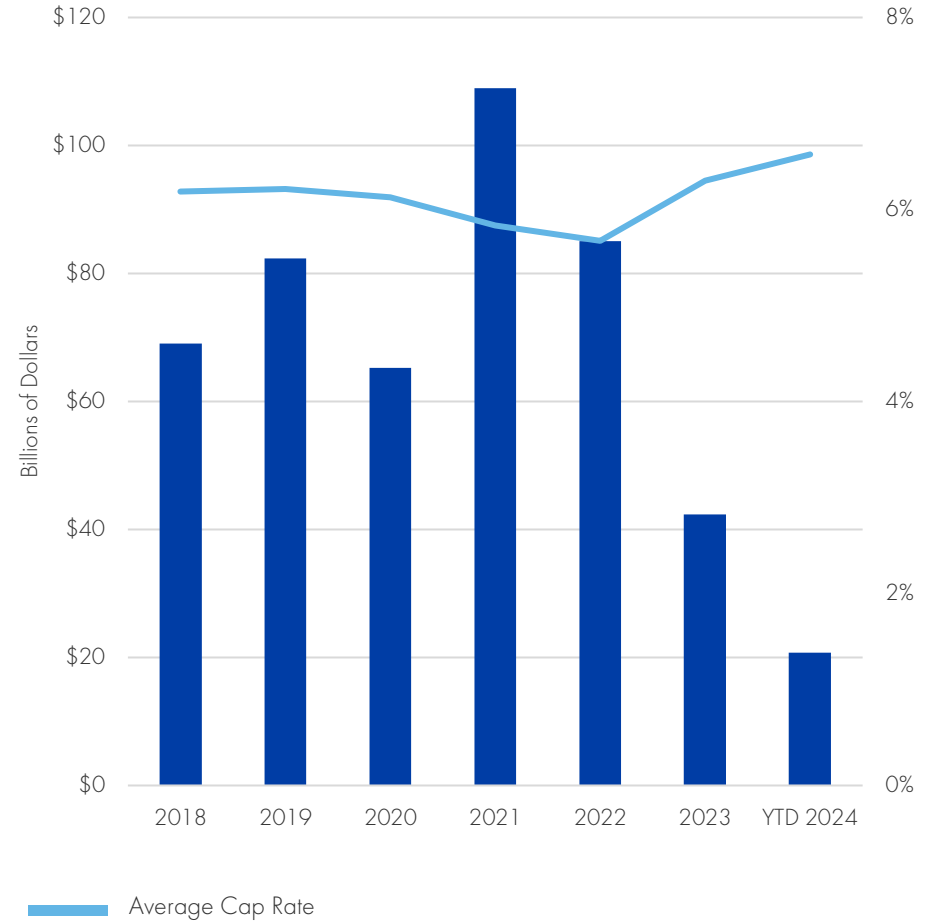
SINGLE-TENANT OVERALL MARKET

Investment Sales Volume & Average Cap Rates

Q Quarterly



A Annual



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

SINGLE-TENANT OVERALL MARKET

Quarterly & Annual Market Statistics By Property Type

Investment Sales Volume (in billions)



Quarterly

Type	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Office	\$2.54	\$2.16	\$1.73	\$3.54	\$2.02
Industrial	\$5.84	\$5.36	\$4.46	\$4.23	\$4.95
Retail	\$2.25	\$3.72	\$2.46	\$4.14	\$1.82
Total	\$10.63	\$11.25	\$8.64	\$11.91	\$8.78

Annual

Type	2020	2021	2022	2023	YTD 2024
Office	\$18.85	\$29.86	\$22.83	\$7.83	\$5.56
Industrial	\$32.90	\$57.29	\$43.64	\$21.84	\$9.17
Retail	\$13.51	\$21.75	\$18.58	\$12.62	\$5.96
Total	\$65.26	\$108.91	\$85.05	\$42.30	\$20.69

Average Cap Rates



Quarterly

Type	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Office	6.39%	6.63%	6.70%	6.82%	6.75%
Industrial	5.99%	6.21%	6.35%	6.51%	6.46%
Retail	5.79%	5.89%	6.16%	6.38%	6.57%
Total	5.94%	6.10%	6.30%	6.49%	6.57%

Annual

Type	2020	2021	2022	2023	YTD 2024
Office	6.24%	6.19%	6.16%	6.70%	6.75%
Industrial	5.96%	5.45%	5.41%	6.35%	6.46%
Retail	6.17%	5.93%	5.61%	6.16%	6.57%
Total	6.13%	5.83%	5.67%	6.30%	6.57%



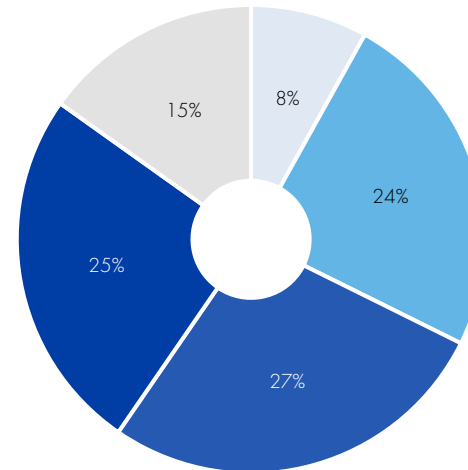
SINGLE-TENANT OVERALL MARKET

Buyer Distribution Quarterly, by Property Type

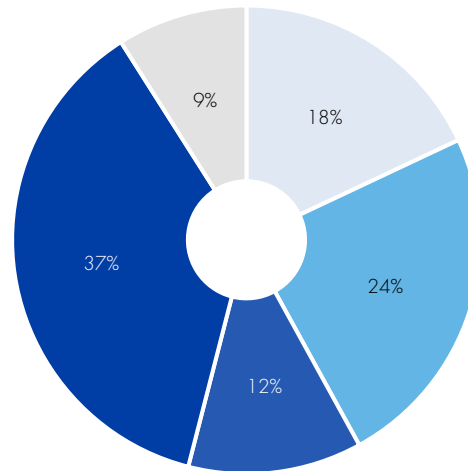
YTD as of Q2 2024

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

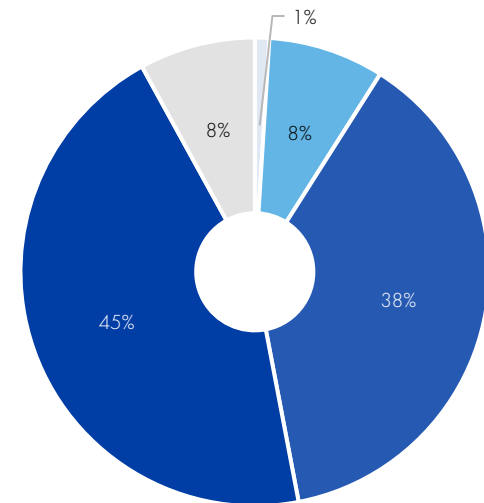
Single-Tenant Office



Single-Tenant Industrial



Single-Tenant Retail



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



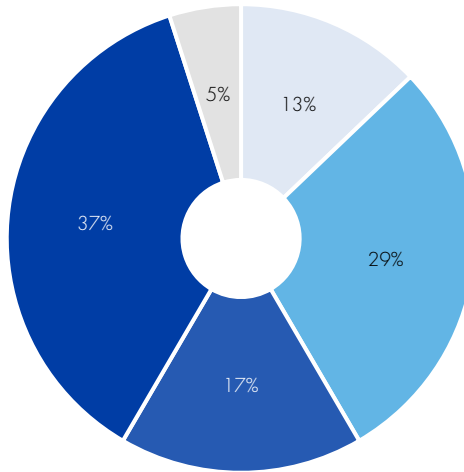
SINGLE-TENANT OVERALL MARKET

Buyer Distribution Annual, Overall Market

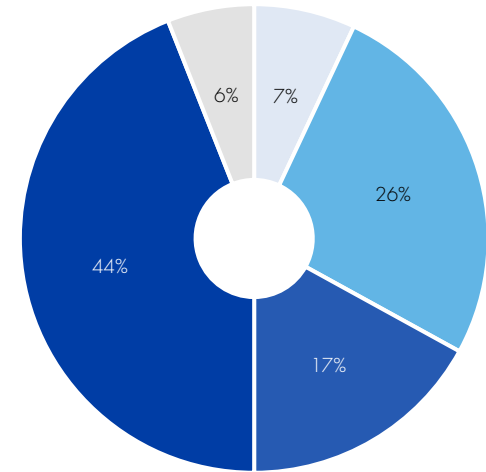
Annual

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

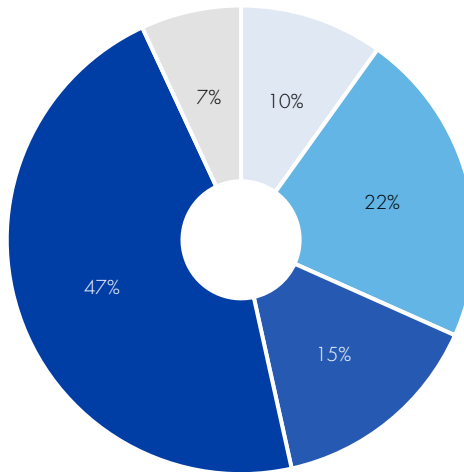
2021



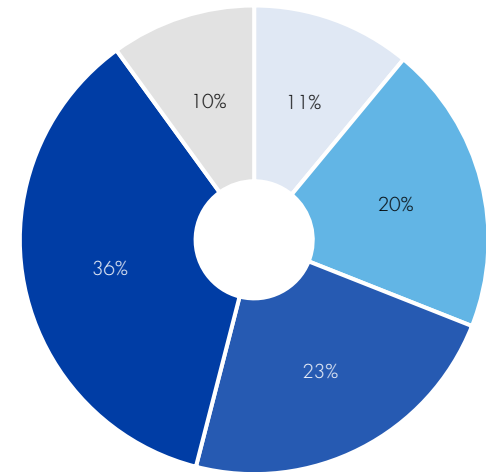
2022



2023



YTD 2024

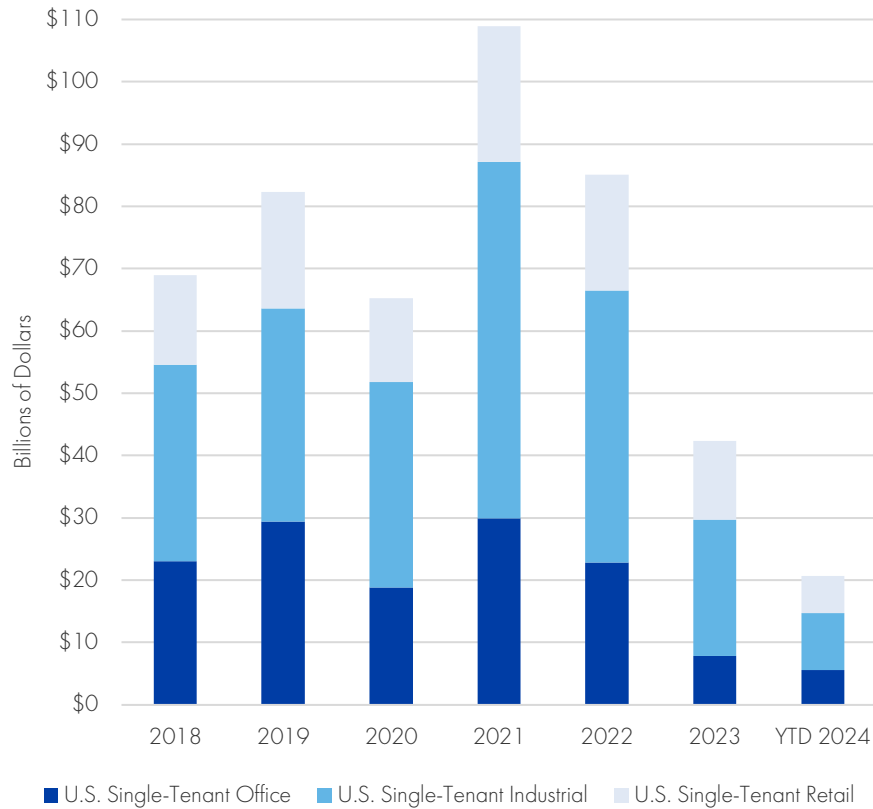


Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m; graphs may not total 100 percent due to rounding

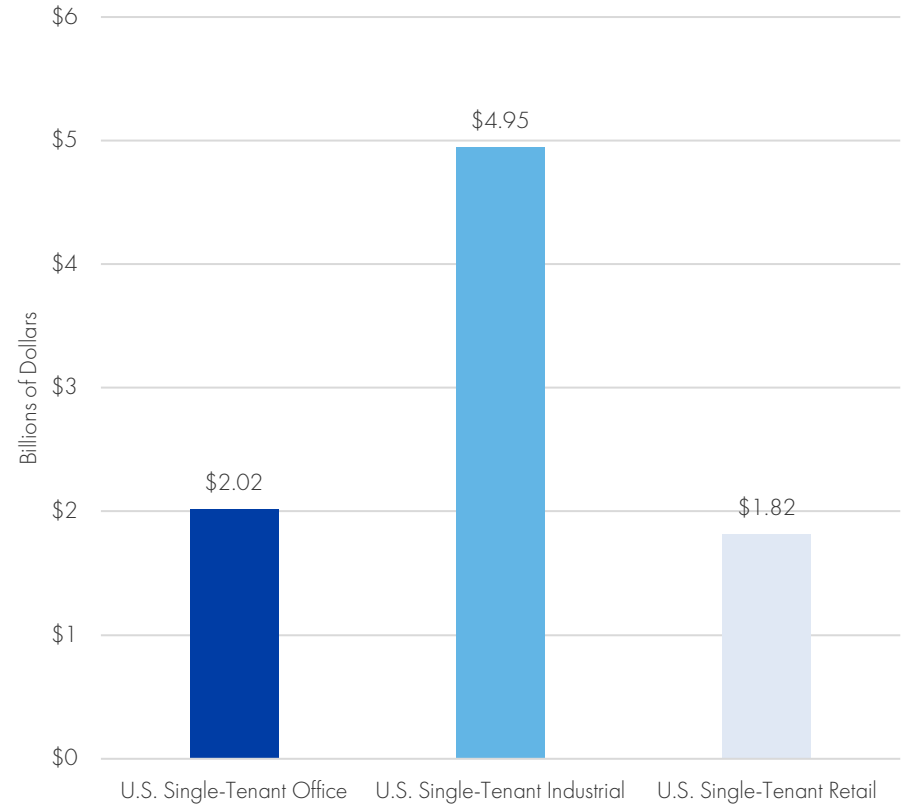
SINGLE-TENANT OVERALL MARKET

Investment Sales Volume By Property Type

Annual



Q2 2024



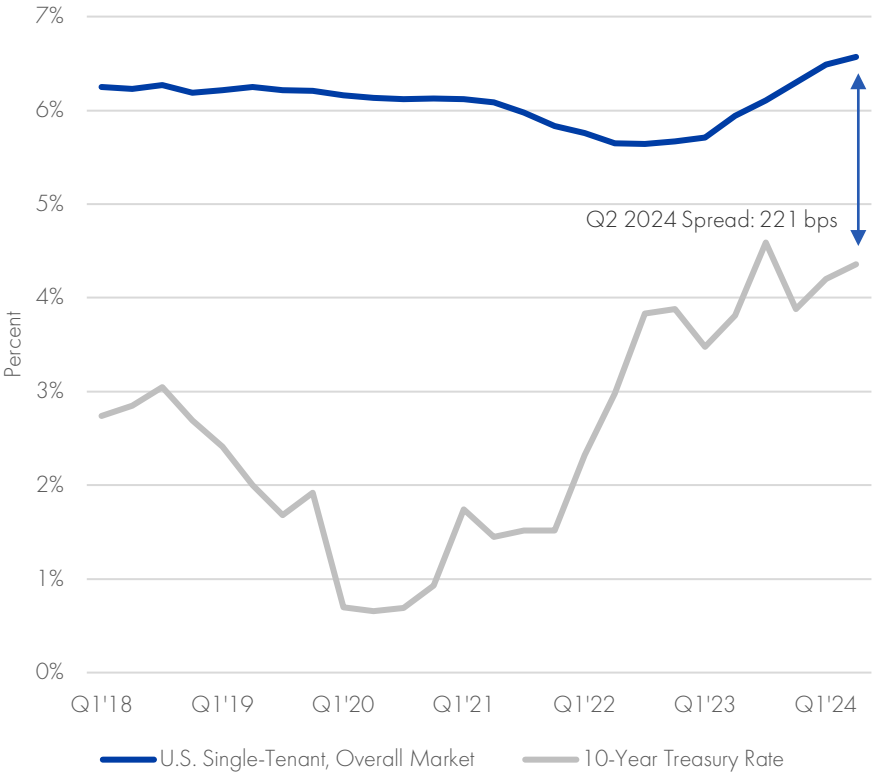
Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m



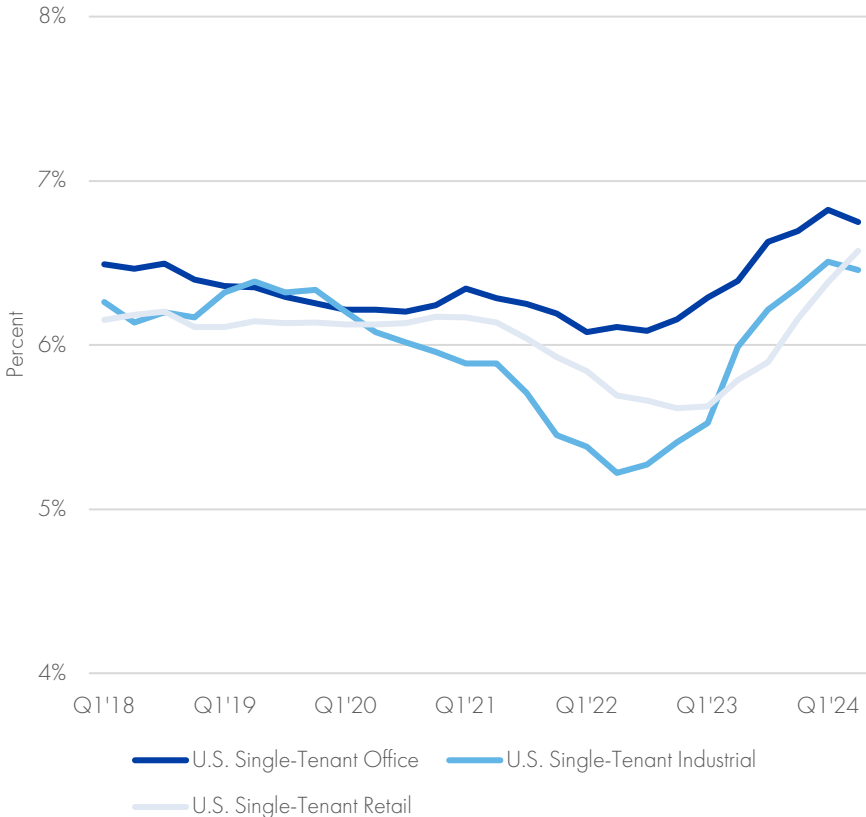
SINGLE-TENANT OVERALL MARKET

Average Cap Rates

Overall Average Cap Rate vs. 10-Year Treasury, with Current Spread



Average Cap Rates, by Property Type



Source: Northmarq, Real Capital Analytics, U.S. Federal Reserve; analysis includes sales greater than \$2.5m; 10-year treasury graph includes quarter-end values and may not illustrate actual daily high or low points





LANIE BECK

Senior Director, Content & Marketing Research

lbeck@northmarq.com

northmarq.com/trends-insights/research-library/marketsnapshot

©2024 Northmarq. All rights reserved. No part of this publication may be reproduced by any means without prior written permission of Northmarq. The information contained in this publication has been compiled from sources believed to be reliable. Northmarq accepts no liability or responsibility for the accuracy or completeness of the information contained herein and no reliance should be placed on the information contained in this publication.