



SINGLE-TENANT | Q1 2025

Office

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

northmarq.com

SINGLE-TENANT OFFICE

Market Fundamentals



Q1 2025 Investment Sales Volume	\$1.79B
Change from Last Quarter (Q4 '24)	-13.0%
Change from Last Year (Q1 '24)	-56.2%



Q1 2025 Overall Average Cap Rate	7.21%
Change from Last Quarter (Q4 '24)	+3 bps
Change from Last Year (Q1 '24)	+33 bps

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

Overview | Single-Tenant Office

The single-tenant office sector continued to grapple with significant challenges in first quarter 2025, as investor caution dampened transaction activity. Total sales volume fell to \$1.8 billion, marking a 13% decline from fourth quarter 2024 and a dramatic 56.2% decrease year-over-year. This ongoing contraction reflects persistent headwinds in tenant demand, rising vacancies and sluggish corporate leasing activity.

Cap rates within the sector edged higher for the tenth consecutive quarter, averaging 7.21% at the close of first quarter 2025. However, the pace of cap rate expansion has slowed dramatically. When comparing the three-basis point increase reported in the most recent quarter to a 30-point rise in the nine months preceding, trends suggest the greatest volatility is now behind us.

Buyer distribution data highlighted a surprising shift in the profile of active participants in the single-tenant office sector. Institutional investors dominated early 2025 acquisitions, making up 43% of total buyers. Predictions in late 2024 called for this buyer segment to reduce their exposure to office space this year. Instead, we've seen institutional investors involved in both large and small transactions across the country – from small dialysis facilities to corporate campus sale leasebacks. Private buyers, with 31% of the sector's market share, displayed strong engagement to start the year, while REITs were entirely absent, illustrating their heightened uncertainty and limited long-term confidence in the asset class.

Ongoing tenant downsizing and challenges in backfilling vacant spaces weigh heavily on investor sentiment. Many office properties are struggling to align lease terms with market demands, leading to extended periods of underperformance. To further complicate matters, billions in loans are set to mature in 2025, putting additional pressure on current owners.

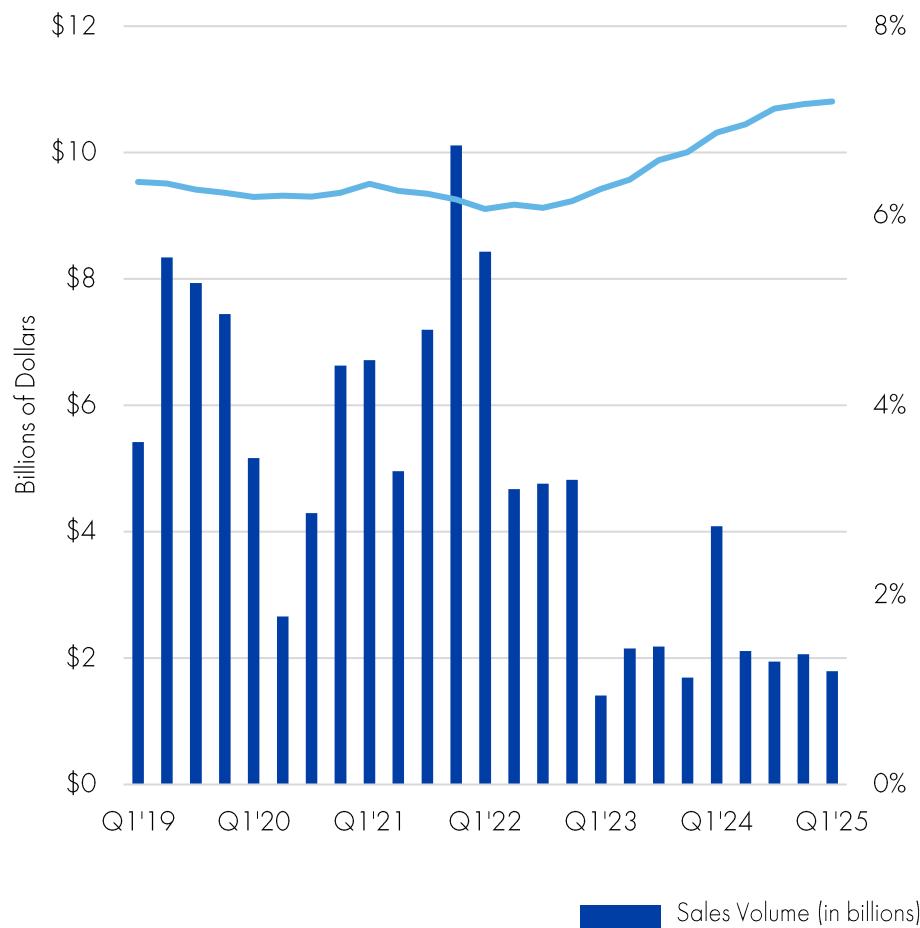
Looking forward, the net lease office sector will require creative repositioning strategies to regain investor interest and stabilize leasing fundamentals. However, with macroeconomic uncertainties and persistent financing hurdles, near-term activity is expected to remain muted.



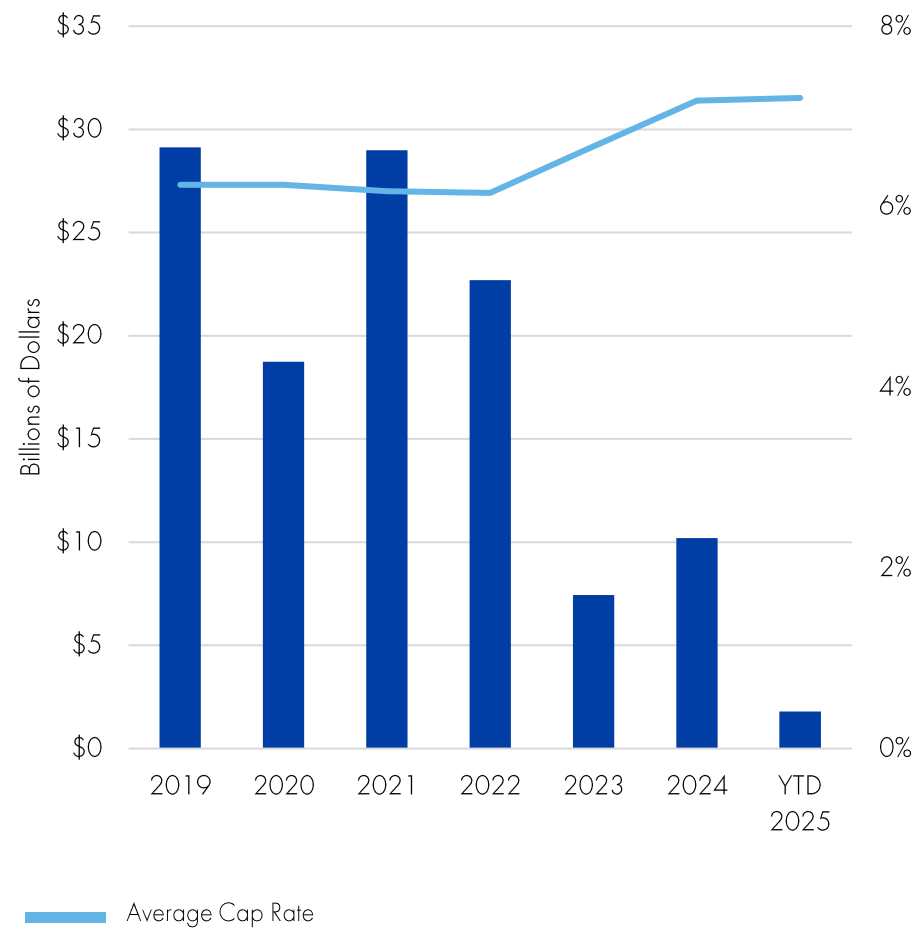
SINGLE-TENANT OFFICE

Investment Sales Volume & Average Cap Rates

 Quarterly



 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	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Mid-Atlantic	\$183.24	\$103.80	\$44.75	\$135.92	\$114.10
Midwest	\$833.65	\$225.55	\$174.21	\$167.09	\$87.46
Northeast	\$461.25	\$75.00	\$31.93	\$658.62	\$715.02
Southeast	\$799.71	\$650.90	\$318.06	\$376.45	\$133.99
Southwest	\$1,089.74	\$370.10	\$318.13	\$309.48	\$233.96
West	\$719.03	\$684.38	\$1,056.95	\$411.07	\$505.92
Total	\$4,086.62	\$2,109.74	\$1,944.04	\$2,058.62	\$1,790.45

Annual

Type	2021	2022	2023	2024	YTD 2025
Mid-Atlantic	\$2,101.03	\$1,981.49	\$450.31	\$467.71	\$114.10
Midwest	\$2,543.81	\$2,581.18	\$1,172.98	\$1,400.50	\$87.46
Northeast	\$5,643.35	\$5,797.90	\$717.45	\$1,226.81	\$715.02
Southeast	\$3,986.04	\$3,285.84	\$970.24	\$2,145.13	\$133.99
Southwest	\$3,251.46	\$2,998.19	\$2,371.70	\$2,087.44	\$233.96
West	\$11,460.71	\$6,043.58	\$1,749.27	\$2,871.43	\$505.92
Total	\$28,986.40	\$22,688.18	\$7,431.96	\$10,199.02	\$1,790.45

Average Cap Rates



Quarterly

Type	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Mid-Atlantic	7.35%	7.07%	6.65%	6.80%	7.46%
Midwest	7.08%	7.62%	7.67%	7.76%	7.96%
Northeast	7.19%	6.95%	6.71%	6.92%	6.88%
Southeast	6.91%	6.94%	7.21%	7.21%	7.08%
Southwest	7.14%	7.20%	7.46%	7.23%	7.08%
West	6.19%	6.34%	6.66%	6.77%	6.86%
Total	6.88%	6.96%	7.13%	7.18%	7.21%

Annual

Type	2021	2022	2023	2024	YTD 2025
Mid-Atlantic	6.54%	6.45%	7.52%	6.80%	7.46%
Midwest	6.84%	6.77%	6.79%	7.76%	7.96%
Northeast	5.86%	6.00%	7.27%	6.92%	6.88%
Southeast	6.00%	6.17%	6.69%	7.21%	7.08%
Southwest	6.18%	6.07%	6.45%	7.23%	7.08%
West	5.88%	5.65%	6.17%	6.77%	6.86%
Total	6.17%	6.15%	6.67%	7.18%	7.21%

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



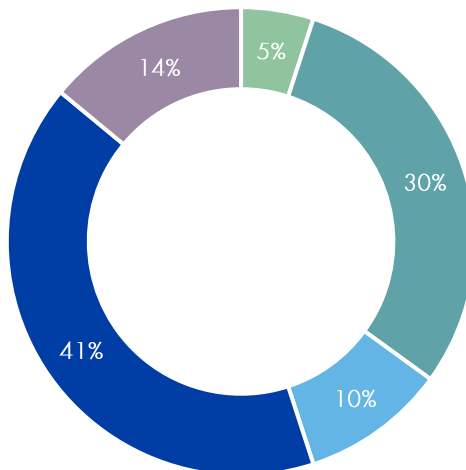
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Buyer Distribution

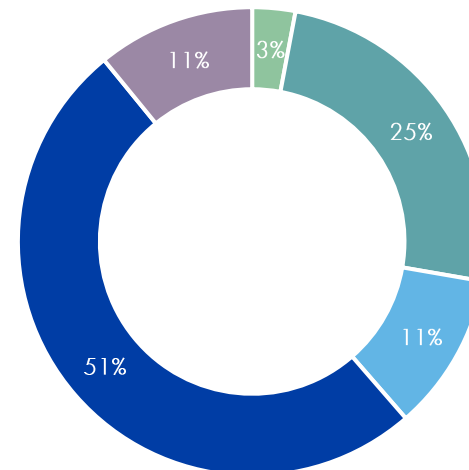
Annual



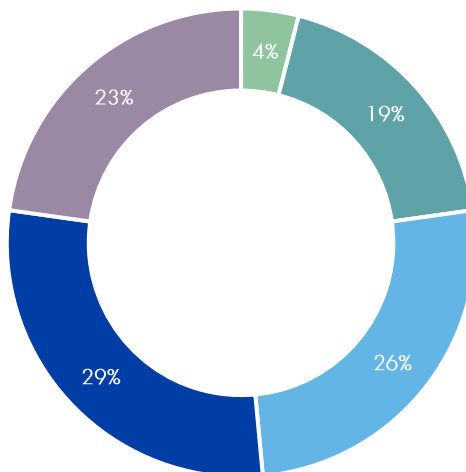
2022



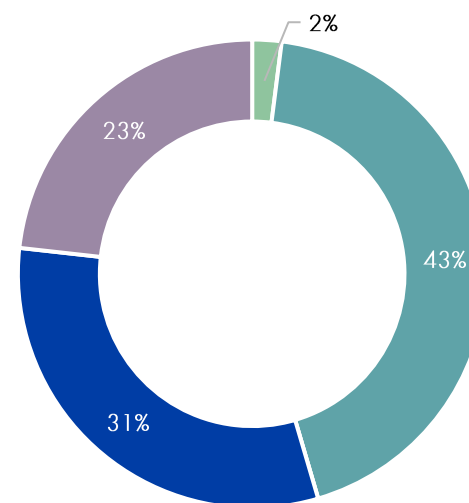
2023



2024



YTD 2025





LANIE BECK

Senior Director, Content & Marketing Research

lbeck@northmarq.com

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

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