



SINGLE-TENANT | Q1 2025

Overall Market

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

northmarq.com

SINGLE-TENANT OVERALL MARKET

Market Fundamentals



Q1 2025 Investment Sales Volume	\$9.42B
Change from Last Quarter (Q4 '24)	-30.5%
Change from Last Year (Q1 '24)	-26.7%



Q1 2025 Overall Average Cap Rate	6.91%
Change from Last Quarter (Q4 '24)	+6 bps
Change from Last Year (Q1 '24)	+41 bps

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

Overview | Single-Tenant Overall Market

The single-tenant net lease market faced headwinds in first quarter 2025, as transaction activity declined. Total sales volume for the period reached only \$9.4 billion, marking a 30% contraction from fourth quarter 2024. With one of the weakest starts to a year in recent history, investors continue to exercise caution as they navigate elevated borrowing costs and broader market uncertainty.

Overall single-tenant cap rates edged upward for the tenth consecutive quarter, averaging 6.91% at the end of first quarter. This figure represents a modest six-basis point increase from the prior reporting period and a larger 41 basis point rise year-over-year. The steady climb in cap rates reflects the recalibration of asset valuations to align with higher interest rates, which continues to impact investor pricing strategies.

Private investors maintained a dominant position in the net lease sector, comprising 46% of all buyers. Institutional investors, now representing 27% of the buyer pool, demonstrated a noticeable uptick in activity compared to full-year 2024 levels, especially in the industrial sector. Conversely, REITs reported sharply reduced activity, involved in just 4% of the quarter's acquisitions. Notably, REITs remained completely absent from the single-tenant office segment, underscoring persistent challenges within the sector.

Sector-level trends revealed varied performance. The industrial sector continued to lead in investor demand with \$4.6 billion in sales, although this volume was down more than 47% from fourth quarter 2024. Retail showed resilience recording \$3.05 billion in sales and marking a 9% increase quarter-over-quarter despite a 26.7% year-over-year decline. Office transactions, on the other hand, fell to \$1.8 billion – a staggering 56.2% decline from a year ago.

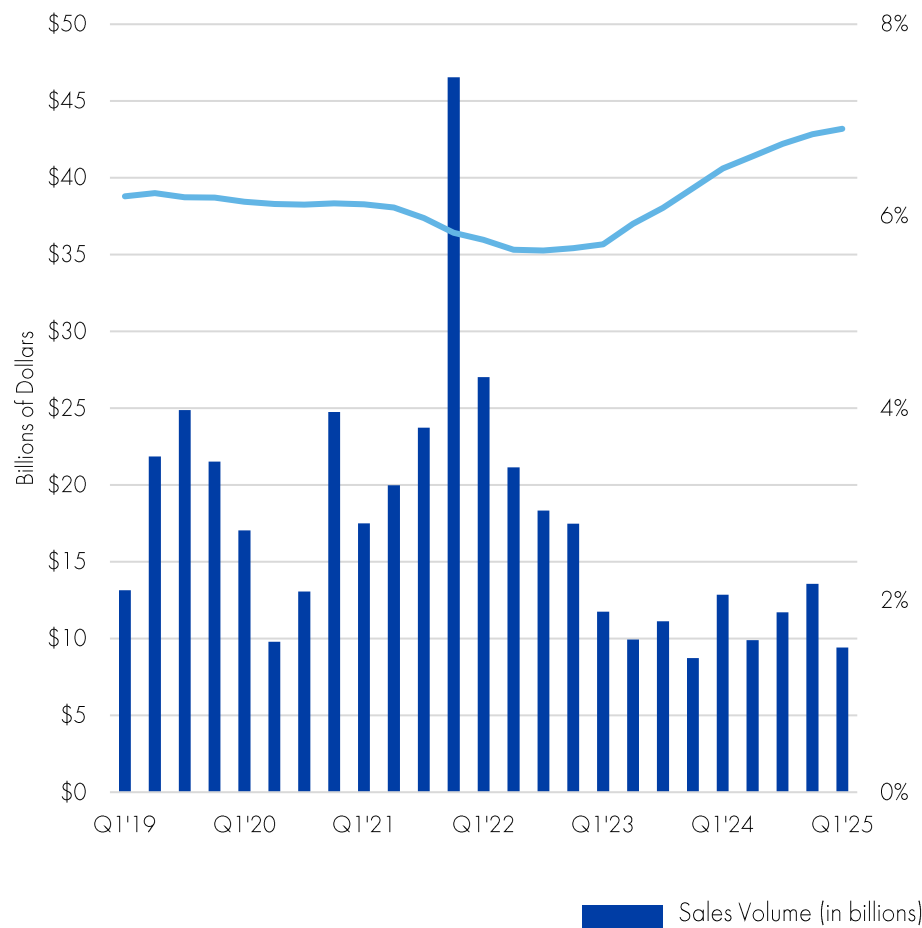
Looking ahead, cap rates are likely to expand further, and evolving buyer profiles will shape activity as investors assess risk-reward dynamics across the net lease landscape, especially as the impact of tariffs, projected interest rate cuts and other market dynamics become clearer.



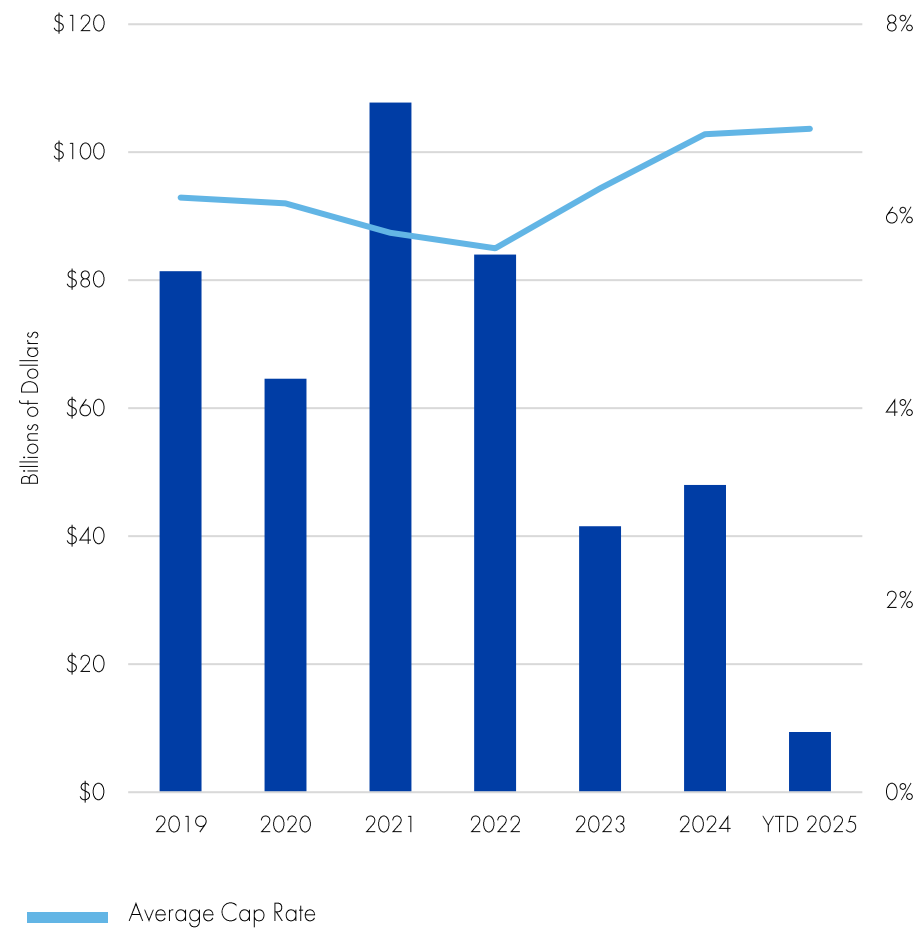
SINGLE-TENANT OVERALL MARKET

Investment Sales Volume & Average Cap Rates

Quarterly



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	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Office	\$4.09	\$2.11	\$1.94	\$2.06	\$1.79
Industrial	\$4.48	\$5.68	\$7.09	\$8.70	\$4.58
Retail	\$4.30	\$2.10	\$2.67	\$2.80	\$3.05
Total	\$12.86	\$9.89	\$11.70	\$13.56	\$9.42

Annual

Type	2021	2022	2023	2024	YTD 2025
Office	\$28.99	\$22.69	\$7.43	\$10.20	\$1.79
Industrial	\$57.05	\$43.12	\$21.86	\$25.96	\$4.58
Retail	\$21.73	\$18.20	\$12.28	\$11.87	\$3.05
Total	\$107.77	\$84.01	\$41.57	\$48.02	\$9.42

Average Cap Rates



Quarterly

Type	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Office	6.88%	6.96%	7.13%	7.18%	7.21%
Industrial	6.50%	6.44%	6.43%	6.52%	6.56%
Retail	6.38%	6.62%	6.79%	6.89%	6.96%
Total	6.50%	6.62%	6.75%	6.85%	6.91%

Annual

Type	2021	2022	2023	2024	YTD 2025
Office	6.17%	6.15%	6.67%	7.18%	7.21%
Industrial	5.45%	5.43%	6.38%	6.52%	6.56%
Retail	5.93%	5.60%	6.15%	6.89%	6.96%
Total	5.83%	5.67%	6.29%	6.85%	6.91%

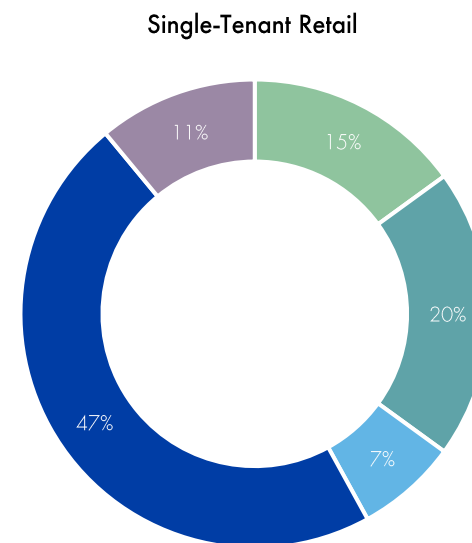
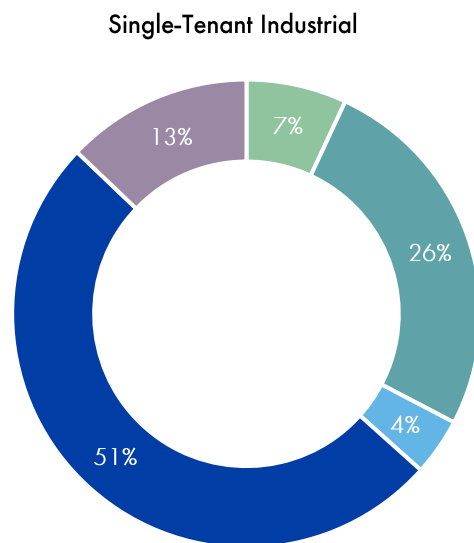
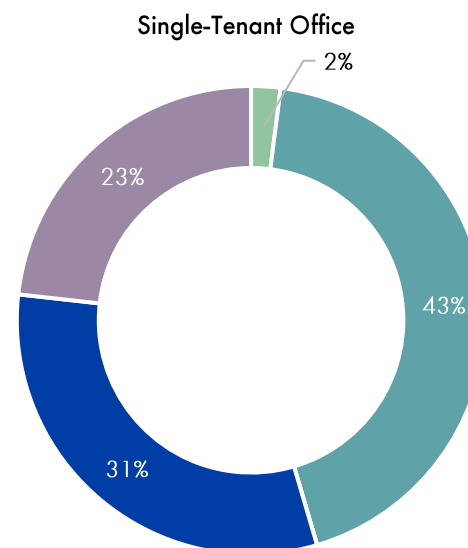


SINGLE-TENANT OVERALL MARKET

Buyer Distribution

Quarterly, by Property Type

YTD as of Q1 2025



SINGLE-TENANT OVERALL MARKET

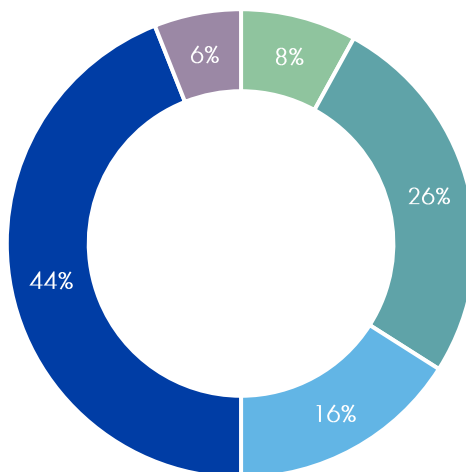
Buyer Distribution

Annual, Overall Market

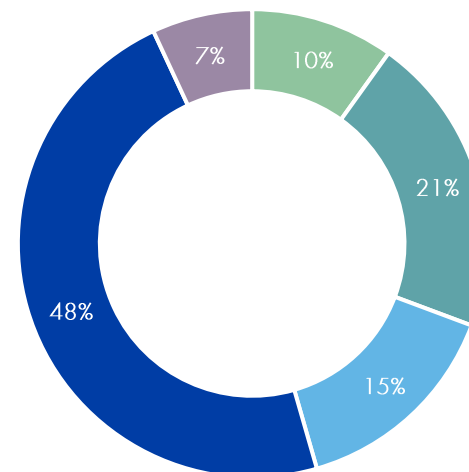
Annual

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

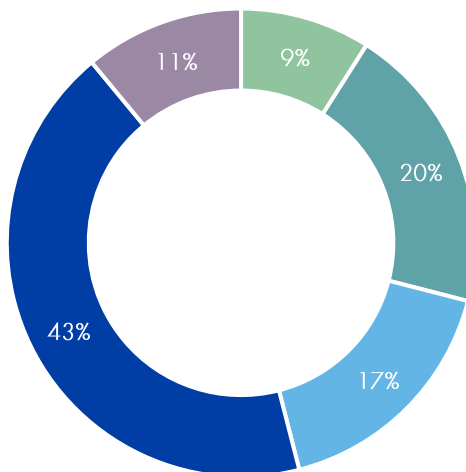
2022



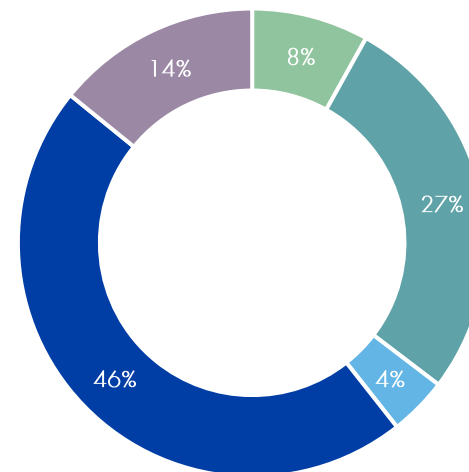
2023



2024



YTD 2025

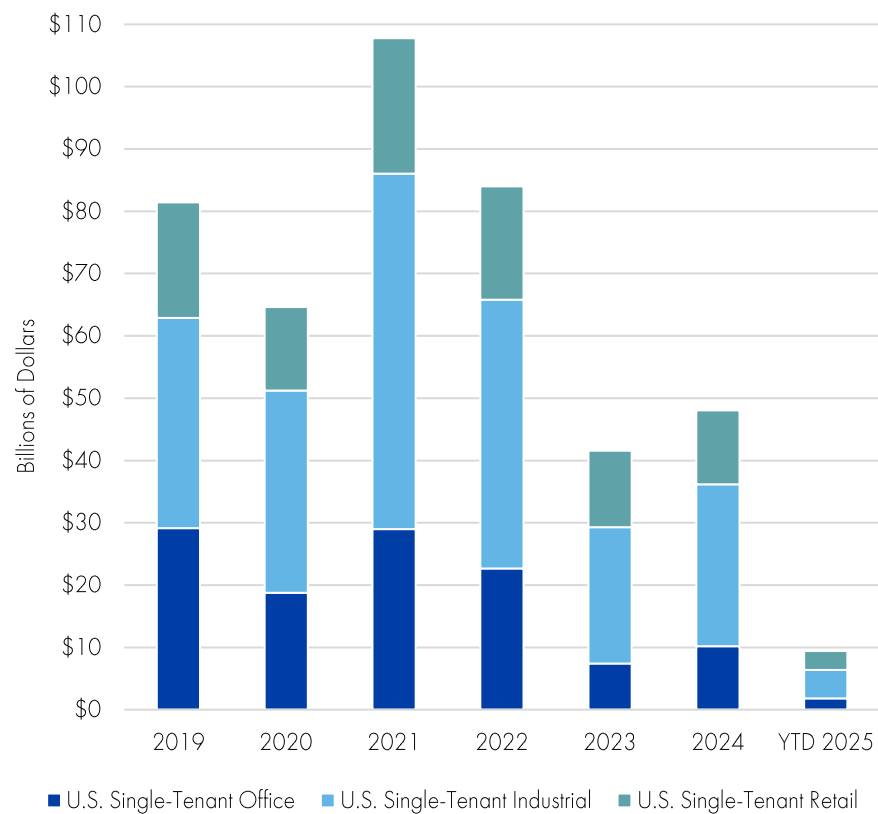


SINGLE-TENANT OVERALL MARKET

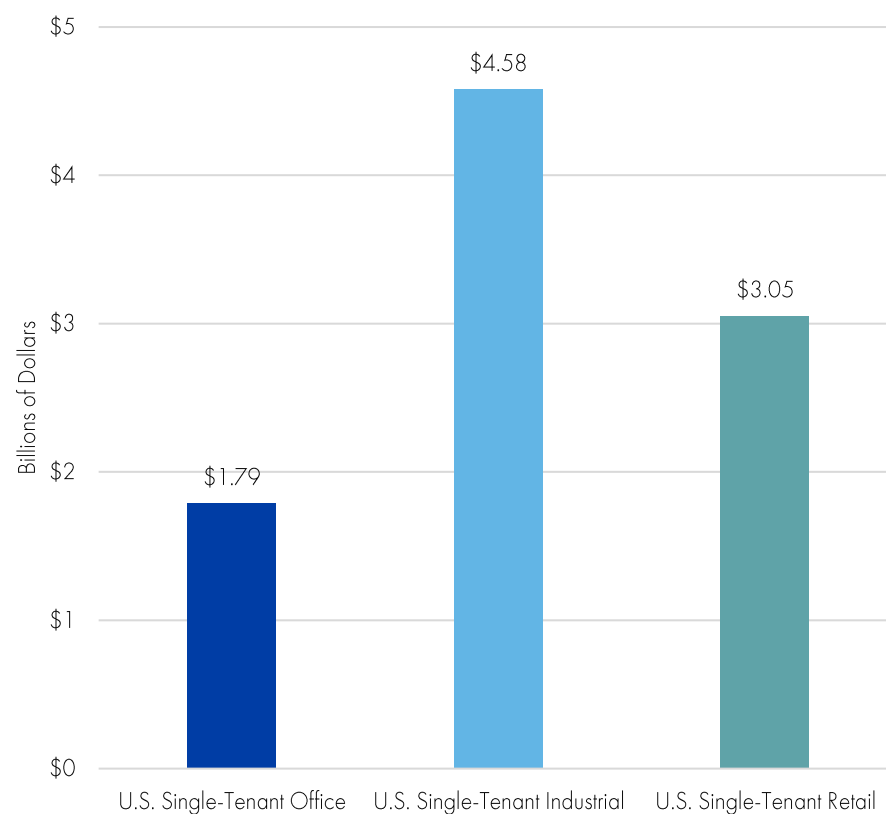
Investment Sales Volume

By Property Type

 **Annual**



 **Q1 2025**

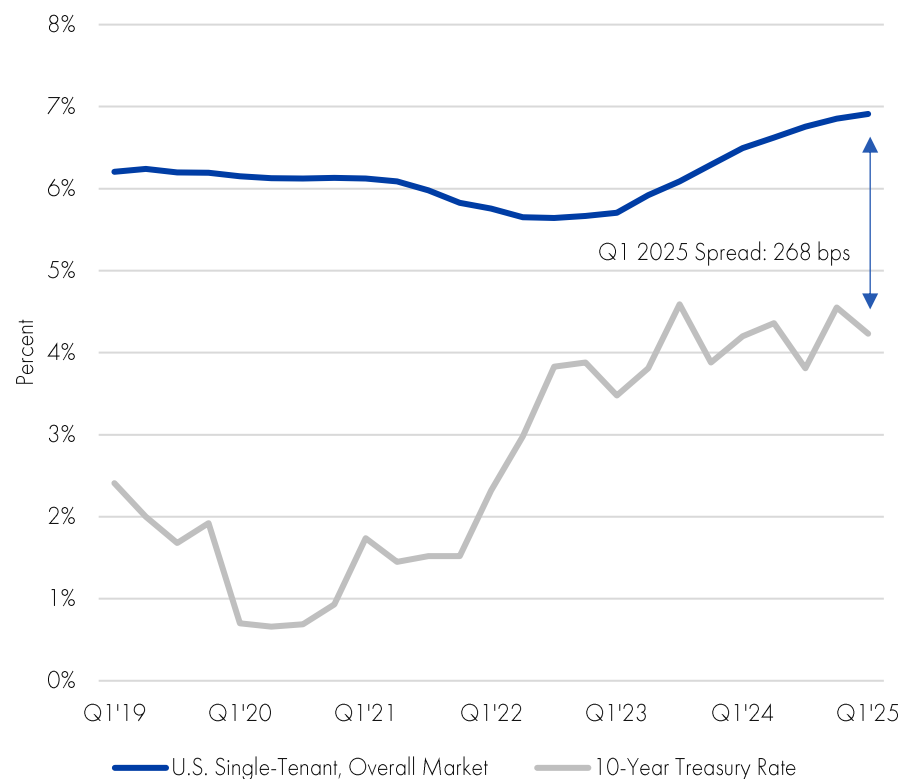


Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m

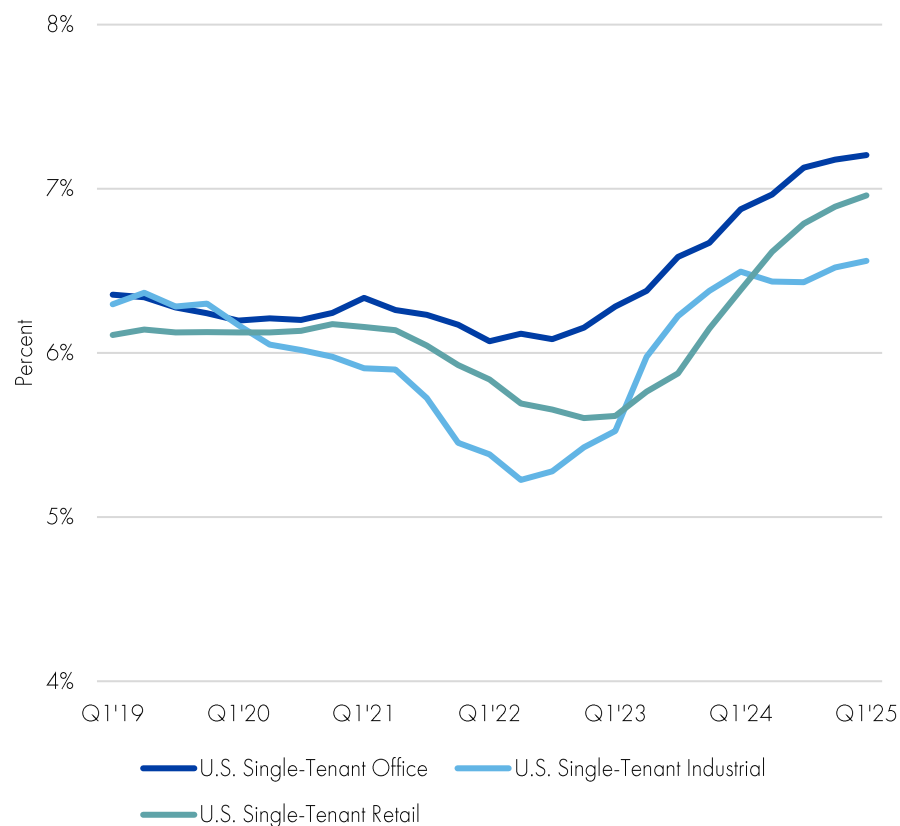
SINGLE-TENANT OVERALL MARKET

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





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