



SINGLE-TENANT | Q4 2024

Office

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

northmarq.com

SINGLE-TENANT OFFICE

Market Fundamentals



Q4 2024 Investment Sales Volume	\$2.58B
Change from Last Quarter (Q3 '24)	+36.4%
Change from Last Year (Q4 '23)	+47.1%



Q4 2024 Overall Average Cap Rate	7.09%
Change from Last Quarter (Q3 '24)	+7 bps
Change from Last Year (Q4 '23)	+44 bps

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

Overview | Single-Tenant Office

The single-tenant office sector ended 2024 on a high note, with investment sales activity gaining momentum in the final months and fourth quarter volume nearing \$2.6 billion. While quarterly performance was not quite as strong as at the start of the year, these results contributed to a full-year total of approximately \$10.2 billion, outperforming 2023 by roughly 30%. Still, single-tenant office volume remains quite depressed compared to recent years.

Average cap rates in the office sector continued their upward climb, recording a modest seven-basis point increase during fourth quarter. Now, at an average of 7.09%, cap rates have risen 44 basis points since year-end 2023. Cap rate growth has been more aggressive among older properties and those located in secondary or tertiary markets, whereas prime assets located in high-demand metro areas have held steadier valuations.

Private investors, with 30% market share, were the largest buyer group in the net lease office sector during 2024. However, this marks a notable decline from 2023 when half of all office buyers were private investors. REITs, on the other hand, have reported more than doubling their market share year-over-year, capturing 26% of market share in 2024 – the highest activity rate reported for this buyer group since 2015.

The single-tenant office market's performance in 2024 highlights the broader tensions facing the office sector. While stabilized assets with strong credit tenants continue to attract attention, we've seen a general reduction in demand for traditional office space influenced strongly by ongoing changes in the workplace environment. However, medical office and healthcare assets have shown growing appeal due to an aging population and ongoing healthcare reform that create long-term demand for medical facilities. Continued interest in these types of properties has helped mitigate some of the softness elsewhere in the sector.

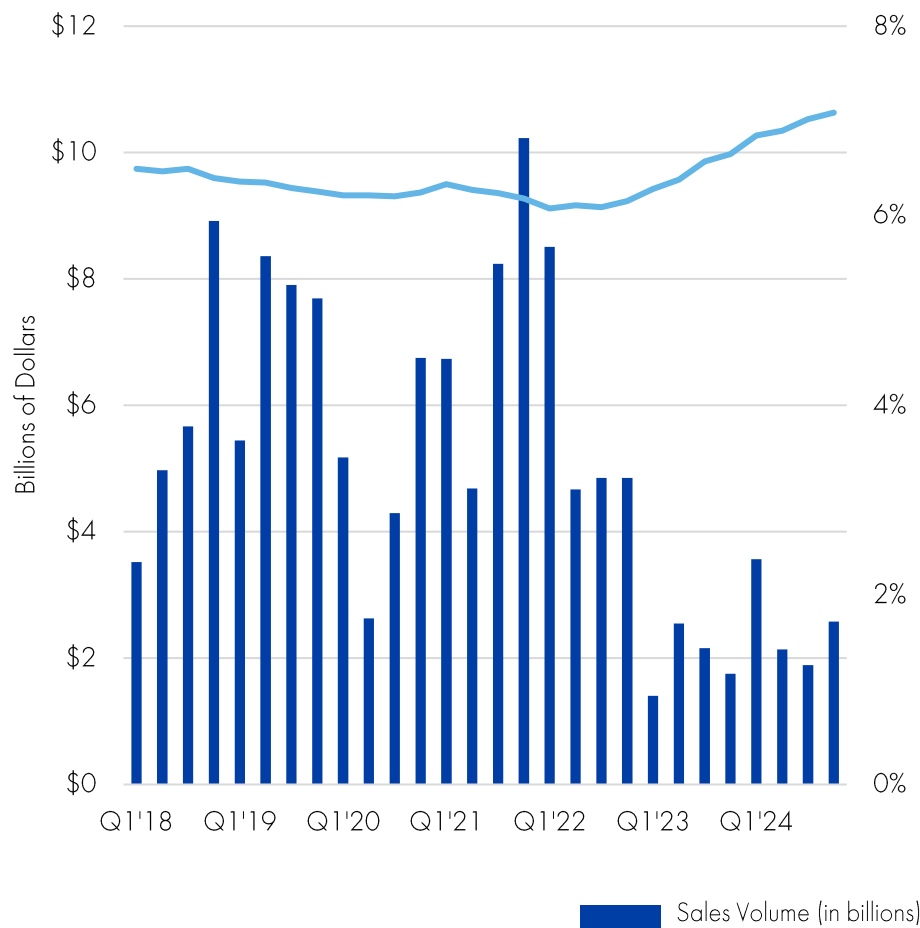
Another trend to watch in 2025 is the performance of government-leased and owned assets. Return-to-office mandates may drive increased demand for office space, but this could be offset by a potential wave of GSA property sales or lease cancelations, adding further turbulence to the office sector in the months and years ahead.



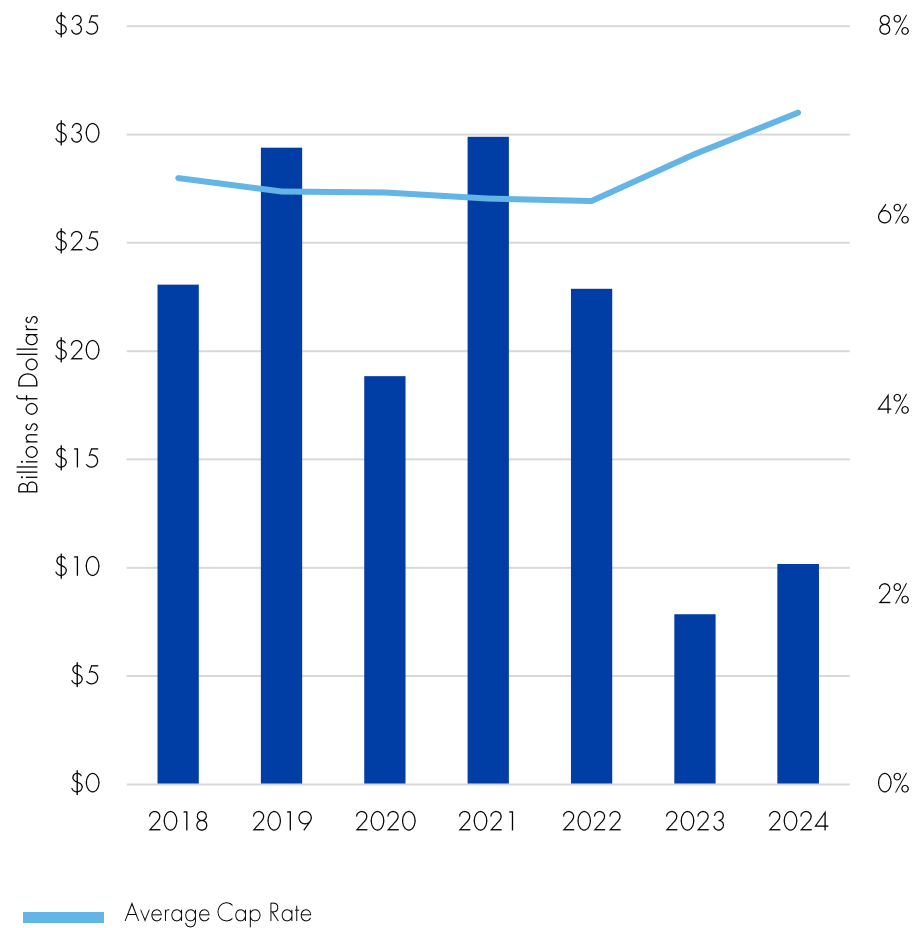
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Investment Sales Volume & Average Cap Rates

Quarterly



Annual



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



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Quarterly & Annual Market Statistics

Investment Sales Volume (in millions)



Quarterly

Type	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Mid-Atlantic	\$64.88	\$183.24	\$103.80	\$30.60	\$133.06
Midwest	\$293.20	\$826.80	\$223.18	\$170.96	\$141.65
Northeast	\$395.68	\$461.25	\$75.00	\$30.03	\$656.53
Southeast	\$313.18	\$798.13	\$647.22	\$289.83	\$358.78
Southwest	\$306.65	\$575.45	\$404.31	\$316.30	\$851.32
West	\$379.80	\$719.03	\$684.38	\$1,053.65	\$438.60
Total	\$1,753.39	\$3,563.90	\$2,137.89	\$1,891.37	\$2,579.95

Annual

Type	2020	2021	2022	2023	2024
Mid-Atlantic	\$3,140.54	\$2,191.61	\$2,060.67	\$450.31	\$450.69
Midwest	\$2,226.27	\$2,806.60	\$2,601.54	\$1,170.27	\$1,362.59
Northeast	\$2,552.27	\$5,722.23	\$5,797.90	\$971.87	\$1,222.82
Southeast	\$2,382.71	\$4,022.30	\$3,284.86	\$962.84	\$2,093.96
Southwest	\$2,446.00	\$3,694.48	\$3,091.77	\$2,473.63	\$2,147.38
West	\$6,099.74	\$11,450.86	\$6,041.49	\$1,833.90	\$2,895.66
Total	\$18,847.52	\$29,888.09	\$22,878.23	\$7,862.82	\$10,173.11

Average Cap Rates



Quarterly

Type	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Mid-Atlantic	7.51%	7.35%	7.07%	6.73%	6.83%
Midwest	6.67%	6.91%	7.34%	7.38%	7.47%
Northeast	7.27%	7.19%	6.95%	6.51%	6.49%
Southeast	6.64%	6.92%	6.91%	7.14%	7.19%
Southwest	6.51%	7.14%	7.22%	7.50%	7.37%
West	6.17%	6.19%	6.34%	6.57%	6.66%
Total	6.65%	6.85%	6.90%	7.02%	7.09%

Annual

Type	2020	2021	2022	2023	2024
Mid-Atlantic	6.84%	6.54%	6.45%	7.51%	6.83%
Midwest	6.82%	6.82%	6.74%	6.67%	7.47%
Northeast	5.91%	5.86%	6.11%	7.27%	6.49%
Southeast	6.35%	6.00%	6.15%	6.64%	7.19%
Southwest	6.20%	6.18%	6.04%	6.51%	7.37%
West	5.74%	5.91%	5.65%	6.17%	6.66%
Total	6.24%	6.18%	6.16%	6.65%	7.09%

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



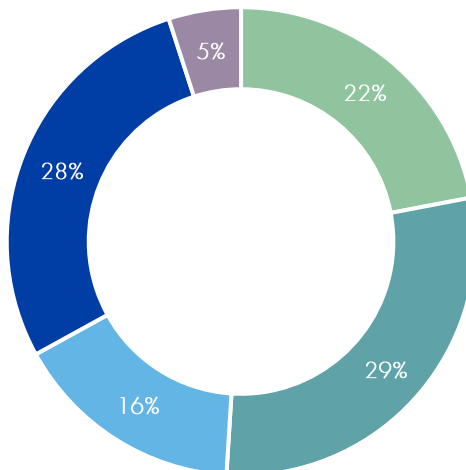
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Buyer Distribution

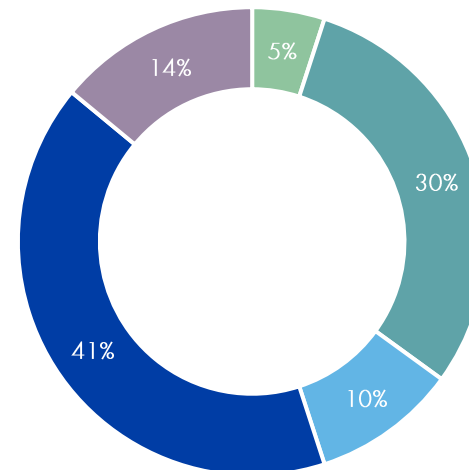
Annual



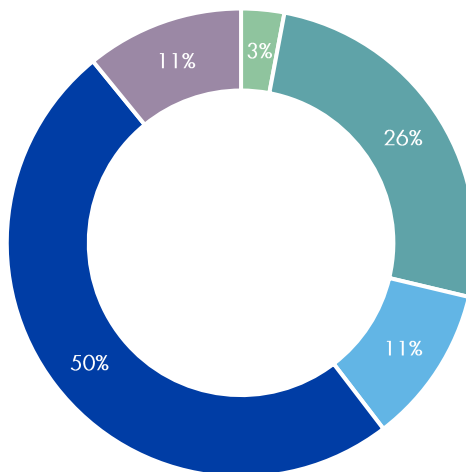
2021



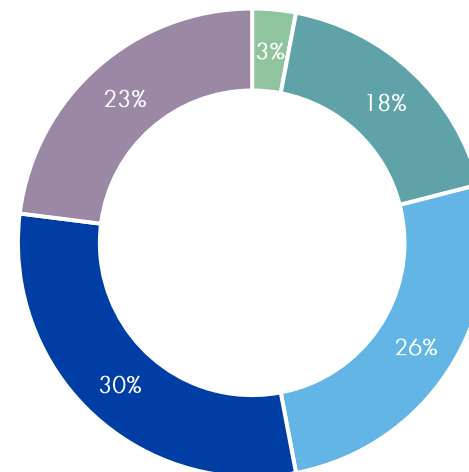
2022



2023



2024





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