



SINGLE-TENANT | Q4 2024

Retail

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

northmarq.com

SINGLE-TENANT RETAIL

Market Fundamentals



Q4 2024 Investment Sales Volume	\$2.44B
Change from Last Quarter (Q3 '24)	-5.5%
Change from Last Year (Q4 '23)	+5.4%



Q4 2024 Overall Average Cap Rate	6.81%
Change from Last Quarter (Q3 '24)	+9 bps
Change from Last Year (Q4 '23)	+69 bps

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

Overview | Single-Tenant Retail

2024 was a year of ups and downs for the single-tenant retail sector. After a promising start in first quarter, investor activity cooled off in subsequent quarters, resulting in a rather lackluster year. The sector posted just \$11.3 billion in 2024, falling short of matching the previous year's performance and resulting in the lowest annual sales volume recorded since 2012.

Net lease retail cap rates have been on the rise, climbing for seven consecutive quarters and jumping 69 basis points from the end of 2023 to the current average of 6.81%. While these increases are in line with broader market trends, they reflect a shift in the way investors are pricing risk. Higher borrowing costs, a dip in 1031 exchange activity and the recalibration of market expectations have all contributed to this upward movement in cap rates.

Private investors and REITs comprised 84% of all single-tenant retail buyers in 2024, while foreign capital has all but disappeared over the last 12 months. International investors dropped from 11% of the net lease retail buyer pool in 2023 to just 1% in 2024. While available net lease inventory levels remain inflated, a shortage of large retail portfolio options could be influencing international buyer activity.

Looking ahead to 2025, investors will remain focused on acquiring well-positioned, income-producing assets, particularly those leased by essential retailers, e-commerce-resistant tenants, and retail brands that demonstrate growth and stability. The market can expect to see more value-add opportunities as well. With some retailers exploring ways to optimize their footprints, scale back operations, or close their doors entirely, investors can seek out distressed assets or underperforming locations that could be repurposed into something more profitable. For example, a vacant department store in an established secondary market could become a prime candidate for redevelopment into a logistics facility.

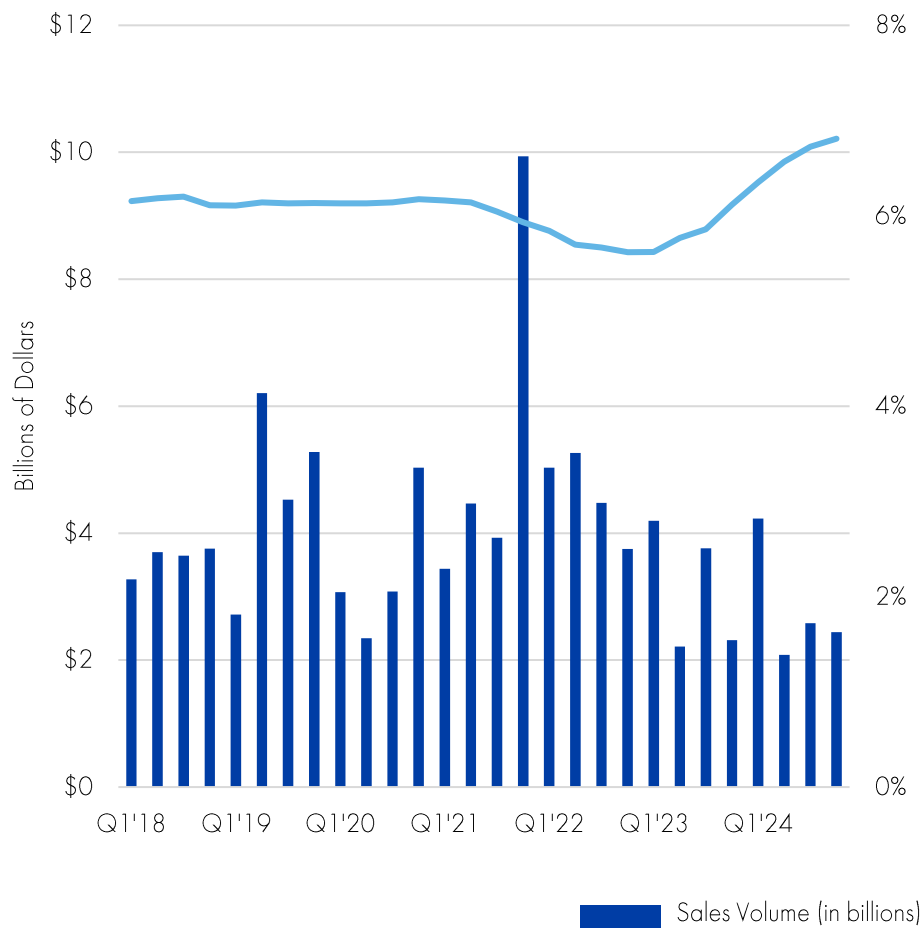
It's been a volatile year for net lease retail investors. The rise in cap rates and the squeeze from higher borrowing costs has put a strain on deals, making many buyers hesitate. But for those who are able to stay patient and adapt, opportunities may soon emerge as the market stabilizes and long-term growth resumes.



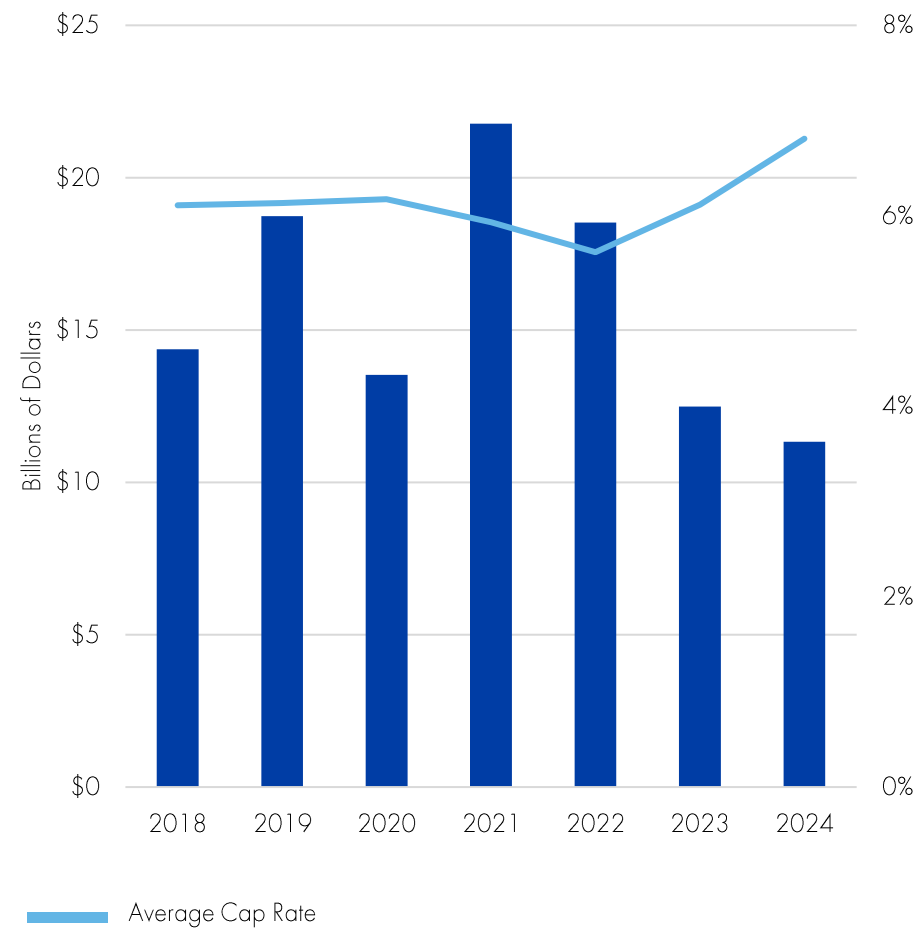
SINGLE-TENANT RETAIL

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	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Mid-Atlantic	\$165.22	\$196.46	\$128.07	\$75.24	\$151.03
Midwest	\$314.01	\$989.68	\$280.43	\$449.87	\$272.71
Northeast	\$285.62	\$274.38	\$186.54	\$329.79	\$455.85
Southeast	\$668.38	\$1,292.93	\$584.85	\$685.65	\$604.06
Southwest	\$366.65	\$902.57	\$348.55	\$436.76	\$378.96
West	\$516.24	\$575.17	\$552.48	\$606.07	\$579.55
Total	\$2,316.12	\$4,231.20	\$2,080.93	\$2,583.38	\$2,442.15

Annual

Type	2020	2021	2022	2023	2024
Mid-Atlantic	\$671.30	\$1,555.53	\$1,466.20	\$963.97	\$550.80
Midwest	\$2,363.64	\$4,369.96	\$3,484.08	\$1,950.76	\$1,992.69
Northeast	\$1,556.64	\$2,660.33	\$2,320.48	\$1,831.59	\$1,246.57
Southeast	\$2,975.50	\$5,273.81	\$4,891.99	\$3,597.58	\$3,167.49
Southwest	\$1,952.82	\$3,695.04	\$2,749.55	\$1,807.57	\$2,066.84
West	\$3,948.04	\$4,218.06	\$3,612.69	\$2,333.86	\$2,313.27
Total	\$13,524.77	\$21,772.73	\$18,524.99	\$12,485.32	\$11,337.66

Average Cap Rates



Quarterly

Type	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Mid-Atlantic	5.92%	6.19%	6.39%	6.52%	6.89%
Midwest	6.66%	7.04%	7.26%	7.43%	7.54%
Northeast	6.03%	6.20%	6.50%	6.70%	6.50%
Southeast	6.20%	6.36%	6.49%	6.61%	6.67%
Southwest	6.21%	6.58%	6.61%	6.77%	6.90%
West	5.53%	5.67%	5.90%	6.02%	6.17%
Total	6.12%	6.35%	6.57%	6.72%	6.81%

Annual

Type	2020	2021	2022	2023	2024
Mid-Atlantic	6.52%	6.26%	6.04%	5.92%	6.89%
Midwest	6.66%	6.25%	6.07%	6.66%	7.54%
Northeast	6.08%	5.67%	5.40%	6.03%	6.50%
Southeast	6.23%	5.93%	5.59%	6.20%	6.67%
Southwest	6.06%	5.81%	5.56%	6.21%	6.90%
West	5.75%	5.65%	5.23%	5.53%	6.17%
Total	6.17%	5.93%	5.62%	6.12%	6.81%



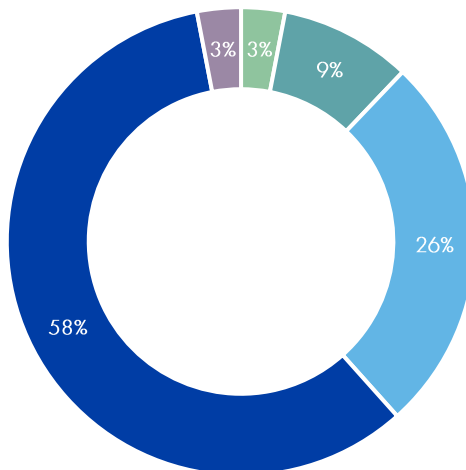
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Buyer Distribution

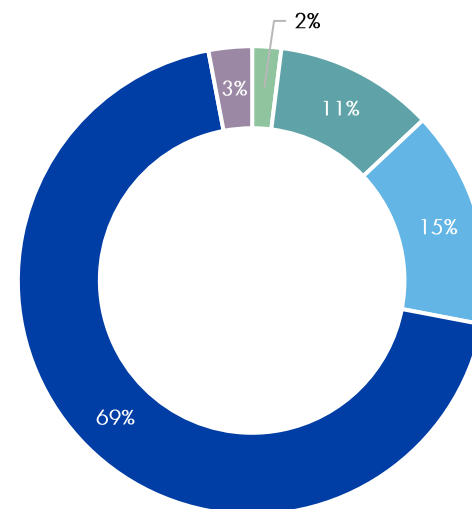
Annual



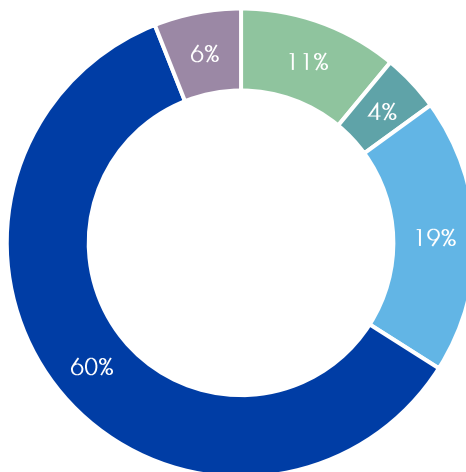
2021



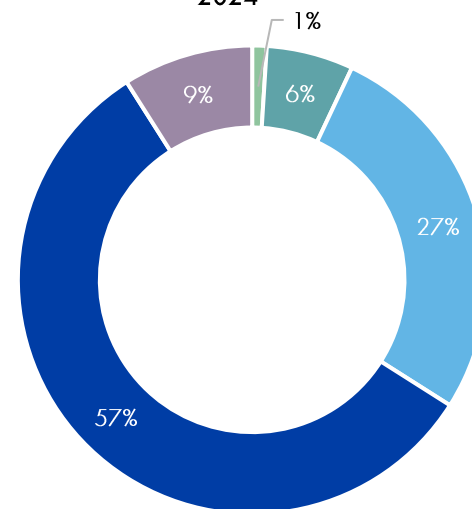
2022



2023



2024





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