

## NATIONAL ASKING CAP RATES

Sector	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
Retail	6.47%	6.50%	+3
Office	7.67%	7.75%	+8
Industrial	7.10%	7.15%	+5
Overall	6.70%	6.73%	+3

## NUMBER OF PROPERTIES ON THE MARKET

Sector	Q2 2024 (Previous)	Q3 2024 (Current)	Percentage Change
Retail	3,677	3,975	8.1%
Office	657	675	2.7%
Industrial	517	525	1.6%
Overall	4,851	5,175	6.7%

## MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
Retail	34	31	-3
Office	70	65	-5
Industrial	34	34	0

***“Cap Rates in the single tenant net lease sector increased for the 10th consecutive quarter.”***

## Market Overview

Cap rates in the single tenant net lease sector increased for the 10th consecutive quarter within all three sectors in the third quarter of 2024. Single tenant cap rates increased to 6.50% (+3 bps) for retail, 7.75% (+8 bps) for office, and 7.15% (+5 bps) for industrial. The persistent upward trend in cap rates can be primarily attributed to sustained high interest rates. Additionally, there is a stagnant supply of net lease properties on the market resulting from limited transaction activity from both private and institutional buyers.

The supply of properties in the single tenant sector continued to rise in the third quarter, increasing by 6% compared to the previous quarter. The supply of net lease properties is expected to grow as tenant expansion plans continue and sellers add supply to the market for reasons including loan and/or lease maturities, tenant concentration issues, etc. The market continues to favor buyers as supply and demand dynamics play out, allowing investors to be more selective and demand higher yields. As developers begin to construct properties at higher yield on cost, the expectation is that cap rates will continue to expand aside from the most sought-after properties, tenants and markets.

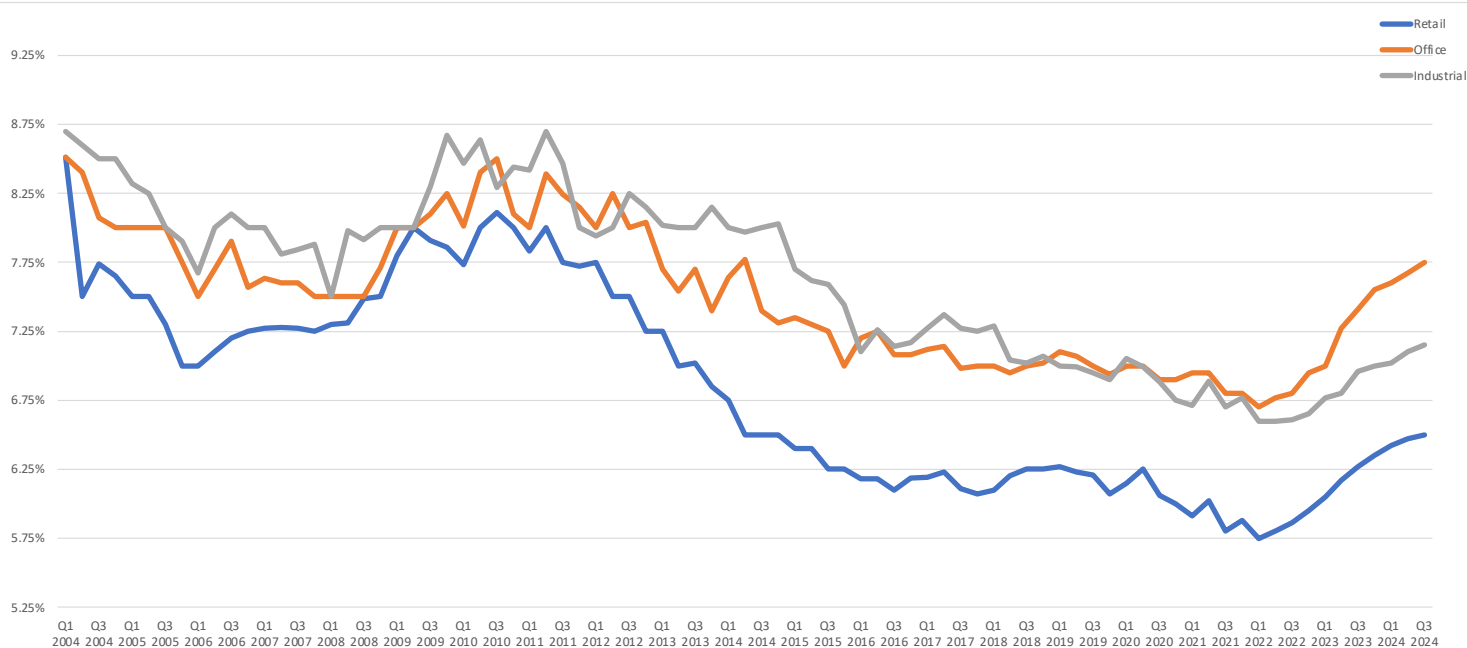
Current sellers of net lease properties, whether developers or owners, hope that the recent 50 basis point cut in the federal funds rate will increase transaction velocity and potentially improve pricing in their favor. However, most market participants remain cautious, and do not expect cap rates to compress in the near future unless there are continued rate cuts. Furthermore, it is expected that the 1031 market will need two or three quarters of increased activity in order to absorb supply in the net lease market. It is important to note that historically, interest rate moves do not immediately correlate to net lease cap rates as a lag exists.

Despite a low probability in cap rate compression, the expectation is that the recent federal funds rate cut will assist in spurring transactions. Lower borrowing costs may encourage some buyers who have been sitting on the sidelines to re-enter the market, increasing buyer demand. Investors will continue to monitor the Federal Reserve’s monetary policy and its impact on the capital markets. The potential for further rate cuts in 2024 could gradually improve the transaction velocity and pricing in the net landscape near the mid-point of 2025.

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Aug-24	Industrial	Shoals Technologies	Portland	TN	\$75,000,000	\$117	6.50%	10
Jul-24	Industrial	Unical Aviation	Litchfield Park	AZ	\$50,000,000	\$153	6.00%	7
Aug-24	Industrial	FedEx Ground	Humboldt	TN	\$43,900,000	\$130	6.10%	15
Aug-24	Medical	Terros Health	Tempe	AZ	\$6,158,000	\$289	6.45%	7
Aug-24	Industrial	The Garmon Corp	Temecula	CA	\$10,500,000	\$175	5.90%	7
Aug-24	Retail	7-Eleven	Lexington	NC	\$9,630,000	\$2,071	5.25%	15
Aug-24	Industrial	Quality Distributors	Phoenix	AZ	\$9,500,000	\$232	6.50%	4
Aug-24	Retail	Pick 'n Save	Burlington	WI	\$8,844,400	\$177	7.60%	5
Sep-24	Retail	Lowe's	Reynoldsburg	OH	\$8,607,000	\$69	6.40%	10
Sep-24	Retail	Academy Sports	Madison	TN	\$8,530,000	\$127	7.66%	3
Aug-24	Retail	CVS	Seaford	NY	\$8,000,000	\$565	6.25%	10
Aug-24	Retail	Chick-fil-A	Davie	FL	\$7,325,000	\$1,221	4.50%	15
Aug-24	Retail	Walgreens	Largo	FL	\$5,500,000	\$378	7.55%	5
Aug-24	Retail	The Learning Experience	Firestone	CO	\$5,450,000	\$545	6.85%	15
Jul-24	Retail	Tractor Supply Company	Willows	CA	\$5,300,000	\$278	6.50%	6
Jul-24	Retail	Food Lion	Greensboro	NC	\$5,200,000	\$134	6.75%	4
Aug-24	Retail	Wawa	Sarasota	FL	\$5,000,000	\$817	4.40%	20
Sep-24	Retail	Wawa	Fairhope	AL	\$4,560,000	\$745	5.00%	15

**NET LEASE CAP RATE TRENDS**





## Net Lease Sectors

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1. Auto Sector
2. Casual Dining
3. Dollar Stores
4. Drug Stores
5. Quick Service Restaurants (QSR)

## 1. Net Lease Auto Sector

### NATIONAL ASKING CAP RATES

	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
<b>Auto Sector</b>	6.35%	6.40%	+5

### MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
<b>Auto Parts</b>	6.35%	6.43%	+8
<b>Auto Service</b>	6.06%	6.10%	+4
<b>Collision</b>	6.55%	6.60%	+5

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
<b>16-20 Years</b>	5.40%	5.60%	6.43%
<b>11-15 Years</b>	5.93%	5.77%	6.50%
<b>6-10 Years</b>	7.10%	7.00%	6.80%
<b>5 Years &amp; Under</b>	7.50%	7.10%	7.75%



## 2. Net Lease Casual Dining Sector

### NATIONAL ASKING CAP RATES

Tenant	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
<b>All Corporate Casual Dining</b>	6.65%	6.68%	+3
<b>Applebee's</b>	7.25%	7.40%	+15
<b>Buffalo Wild Wings</b>	6.65%	6.65%	0
<b>Chili's</b>	5.75%	5.77%	+2
<b>IHOP</b>	7.25%	7.35%	+10
<b>Olive Garden</b>	5.80%	5.75%	-5
<b>Outback Steakhouse</b>	6.60%	6.65%	+5
<b>Texas Roadhouse (Ground Lease)</b>	5.25%	5.25%	0

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
<b>16-20 Years</b>	6.05%
<b>11-15 Years</b>	6.35%
<b>6-10 Years</b>	7.10%
<b>5 Years &amp; Under</b>	7.33%



### 3. Net Lease Dollar Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
Dollar General	6.75%	6.80%	+5
Family Dollar	7.80%	8.00%	+20
Dollar Tree	7.35%	7.43%	+8
Dollar Store Sector	7.08%	7.13%	+5



#### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.69%	NA	NA
9-11 Years	7.15%	7.65%	7.05%
6-8 Years	7.67%	7.81%	7.50%
3-5 Years	8.15%	8.90%	8.00%
Under 3 Years	9.10%	9.35%	8.75%

### 4. Net Lease Drug Store Sector

#### NATIONAL ASKING CAP RATES

Tenant	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
Walgreens	6.75%	7.00%	+25
CVS	6.20%	6.30%	+10
Rite Aid	9.00%	9.00%	0
Drug Store Sector	6.67%	6.84%	+17



#### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Walgreens	CVS	Rite Aid
20+ Years	NA	5.40%	NA
15-19 Years	6.40%	5.70%	NA
10-14 Years	6.75%	6.50%	8.00%
6-9 Years	7.50%	7.05%	8.50%
Under 5 Years	8.12%	8.00%	9.15%

## 5. Net Lease Quick Service Restaurant (QSR) Sector

### CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
All Corporate QSR	5.69%	5.71%	+2
Chick-fil-A (Ground Lease)	4.35%	4.35%	0
Chipotle	5.25%	5.30%	+5
McDonald's (Ground Lease)	4.35%	4.37%	+2
Panera Bread	5.55%	5.65%	+10
Raising Cane's	5.00%	5.03%	+3
Starbucks	6.27%	6.35%	+8

### FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q2 2024 (Previous)	Q3 2024 (Current)	Basis Point Change
All Franchisee QSR	6.60%	6.63%	+3
Burger King	6.10%	6.17%	+7
Dunkin'	5.65%	5.75%	+10
KFC	6.23%	6.25%	+2
Taco Bell	5.40%	5.45%	+5
Wendy's	5.53%	5.50%	-3

### MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	5.10%	5.75%
15-19 Years	5.35%	6.15%
10-14 Years	5.87%	6.70%
Under 10 Years	6.70%	7.30%



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