

NATIONAL ASKING CAP RATES

Sector	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
Retail	6.50%	6.52%	+2
Office	7.75%	7.78%	+3
Industrial	7.15%	7.23%	+8
Overall	6.73%	6.76%	+3

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q3 2024 (Previous)	Q4 2024 (Current)	Percentage Change
Retail	3,975	3,929	-1.2%
Office	675	650	-3.7%
Industrial	525	565	+7.6%
Overall	5,175	5,144	-0.6%

MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
Retail	31	31	0
Office	65	60	-5
Industrial	34	30	-4

“Cap rates in the single tenant net lease sector increased for the 11th consecutive quarter”

Market Overview

Cap rates in the single tenant net lease sector continued their upward trajectory in the fourth quarter of 2024, marking the eleventh consecutive quarter of increases across all three sectors. Single tenant cap rates increased to 6.52% (+2 bps) for retail, 7.78% (+3 bps) for office, and 7.23% (+8 bps) for industrial. Sustained high interest rates and commentary from the Federal Reserve following the December meeting continues to negatively impact the market. Overall cap rates rose to 6.76%, representing a three basis point increase from the previous quarter.

While transaction velocity in 2024 remains significantly off the peak of 2021, the fourth quarter experienced an uptick in investor activity. The spread between asking and closed cap rates remained flat or decreased for net lease properties. The bid-ask spread compression indicates a gradual alignment between buyer and seller expectations, something that was not experienced in early 2024. If transaction velocity continues, the supply backlog of net leased assets will decrease.

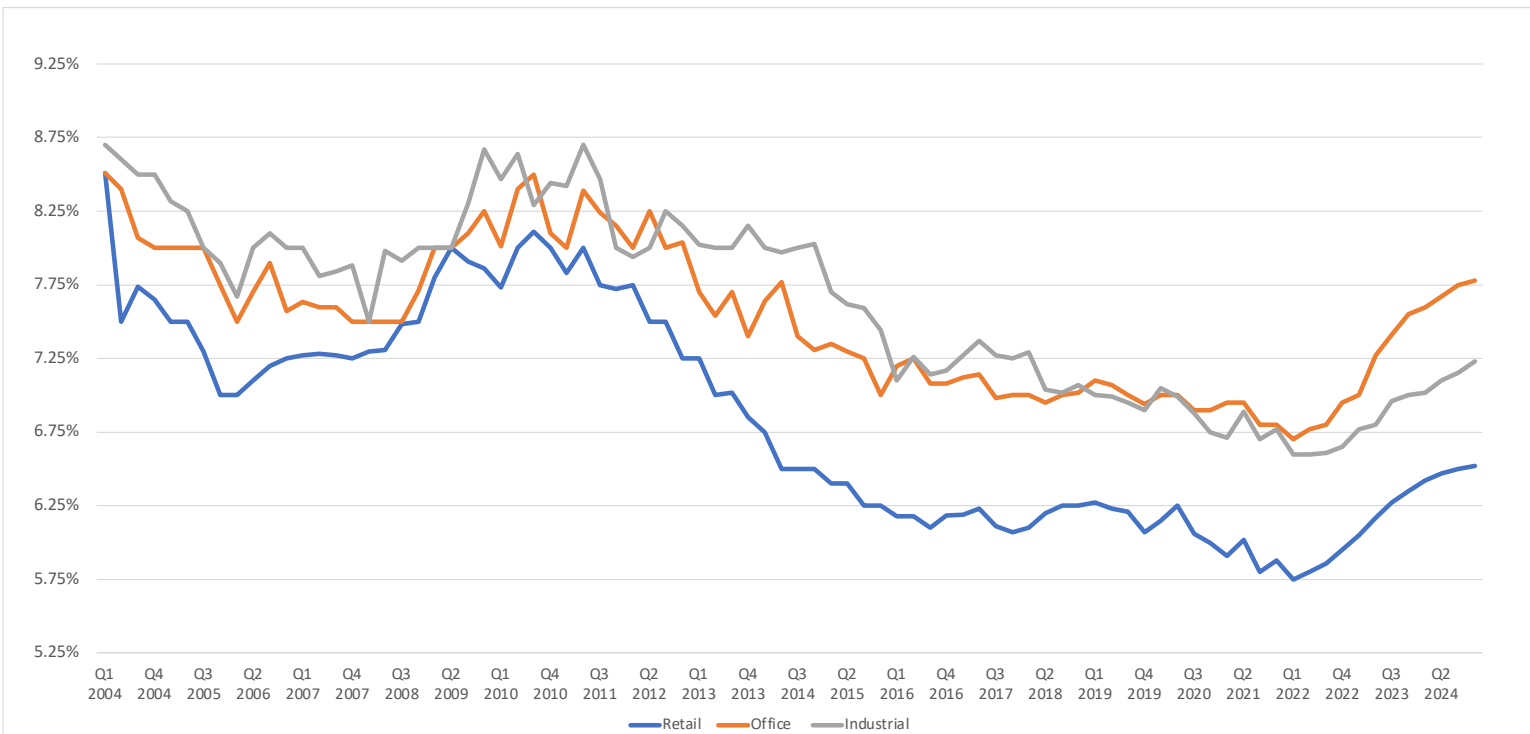
The majority of retail sub-sectors remained relatively consistent on a cap rate level with minimal fluctuations quarter over quarter. However, the drug store sector continues to experience immense upward pressure on cap rates. In 2024, the drug store sector experienced the emergence of Rite Aid from bankruptcy, CVS exploring “strategic options” and the potential of Walgreens being taken private by private equity and store closures. As a result, the net lease drug store sector experienced a 23 basis point increase in the fourth quarter and an 8.5% increase in supply.

The net lease market continues to adjust to the higher rate interest rate environment experienced over the past year. Investors will be carefully monitoring the capital markets, especially following the commentary from the December Federal Reserve meeting. If short-term rates continue to decline, the expectation is for investors to get off the sidelines and into longer term duration assets including net lease.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Oct-24	Industrial	Amazon	Fort Wayne	IN	\$15,655,000	\$104	5.91%	7
Nov-24	Retail	CVS	Ridgewood	NY	\$15,478,000	\$1,148	6.65%	13
Nov-24	Retail	Lowe's Home Improvement	Odessa	FL	\$14,340,000	\$104	5.00%	20
Dec-24	Retail	Publix	Maryville	TN	\$13,350,000	\$240	5.68%	18
Nov-24	Industrial	Brady Industries	La Grange Park	IL	\$10,500,000	\$67	7.85%	4
Nov-24	Retail	Academy Sports + Outdoors	Cartersville	GA	\$8,907,000	\$124	8.25%	4
Nov-24	Retail	Kroger	Bloomington	IN	\$8,450,000	\$156	6.00%	7
Nov-24	Retail	Cheesecake Factory	Pittsburgh	PA	\$8,000,000	\$636	6.99%	11
Dec-24	Industrial	FedEx	Champaign	IL	\$7,220,000	\$47	7.58%	2
Nov-24	Retail	Caliber Collision	Brighton	CO	\$6,375,000	\$396	6.34%	14
Dec-24	Retail	7-Eleven	Salisbury	MD	\$6,172,000	\$1,235	5.25%	18
Oct-24	Retail	CVS	Miami	FL	\$5,900,000	\$473	7.19%	4
Nov-24	Retail	CVS	Midland	MI	\$5,700,000	\$419	6.92%	16
Dec-24	Retail	Wells Fargo	Reistertown	MD	\$5,625,000	\$1,244	7.65%	4
Nov-24	Retail	Wawa	Laurel	MD	\$5,143,000	\$918	5.25%	19

NET LEASE CAP RATE TRENDS





Net Lease Sectors

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

	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
Auto Sector	6.40%	6.40%	0

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
Auto Parts	6.43%	6.44%	+1
Auto Service	6.10%	6.15%	+5
Collision	6.60%	6.68%	+8

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
16-20 Years	5.40%	5.70%	6.50%
11-15 Years	5.95%	5.85%	6.65%
6-10 Years	7.10%	7.00%	6.90%
5 Years & Under	7.55%	7.15%	7.85%



2. Net Lease Casual Dining Sector

NATIONAL ASKING CAP RATES

Tenant	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
All Corporate Casual Dining	6.68%	6.62%	-6
Buffalo Wild Wings	7.40%	7.40%	0
Applebee's	6.65%	6.70%	+5
Chili's	5.77%	5.90%	+13
IHOP	7.35%	7.25%	-10
Olive Garden	5.75%	5.85%	+10
Outback Steakhouse	6.65%	6.65%	0
Red Lobster	5.25%	5.30%	+5
Texas Roadhouse (Ground Lease)	5.17%	5.30%	+13

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
16-20 Years	6.05%
11-15 Years	6.40%
6-10 Years	7.15%
5 Years & Under	7.28%



3. Net Lease Dollar Store Sector

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Tenant	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
Dollar General	6.80%	6.90%	+10
Family Dollar	8.00%	8.05%	+5
Dollar Tree	7.43%	7.50%	+7
Dollar Store Sector	7.13%	7.21%	+8



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.75%	N/A	N/A
9-11 Years	7.15%	7.80%	7.15%
6-8 Years	7.70%	8.00%	7.60%
3-5 Years	8.25%	8.80%	8.05%
Under 3 Years	9.00%	9.25%	8.75%

4. Net Lease Drug Store Sector

NATIONAL ASKING CAP RATES

Tenant	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
Walgreens	7.00%	7.25%	+25
CVS	6.30%	6.45%	+15
Rite Aid	9.00%	9.00%	0
Drug Store Sector	6.84%	7.07%	+23



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Walgreens	CVS	Rite Aid
20+ Years	N/A	5.50%	N/A
15-19 Years	6.50%	5.90%	N/A
10-14 Years	6.90%	6.60%	7.75%
6-9 Years	7.90%	7.17%	8.75%
Under 5 Years	8.25%	8.10%	9.25%

5. Net Lease Quick Service Restaurant (QSR) Sector

CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
All Corporate QSR	5.71%	5.75%	+4
Chick-fil-A (Ground Lease)	4.35%	4.40%	+5
Chipotle	5.30%	5.40%	+10
McDonald's (Ground Lease)	4.37%	4.40%	+3
Panera Bread	5.65%	5.70%	+5
Raising Cane's	5.03%	5.00%	-3
Starbucks	6.35%	6.35%	0

FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q3 2024 (Previous)	Q4 2024 (Current)	Basis Point Change
All Franchisee QSR	6.63%	6.60%	-3
Burger King	6.17%	6.15%	-2
Dunkin'	5.75%	5.80%	+5
KFC	6.25%	6.20%	-5
Taco Bell	5.45%	5.45%	0
Wendy's	5.50%	5.45%	-5

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	5.10%	5.77%
15-19 Years	5.40%	6.15%
10-14 Years	5.90%	6.75%
Under 10 Years	6.75%	7.40%



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