Net-Lease Investment Recovery Continues

▲ $9.6B
Q1 Investment Volume

▼ $774 M
Q1 Cross-Border Capital

▲ 7.0%
Average Cap Rate

▲ 4.3%
10-Year Treasury Yield*

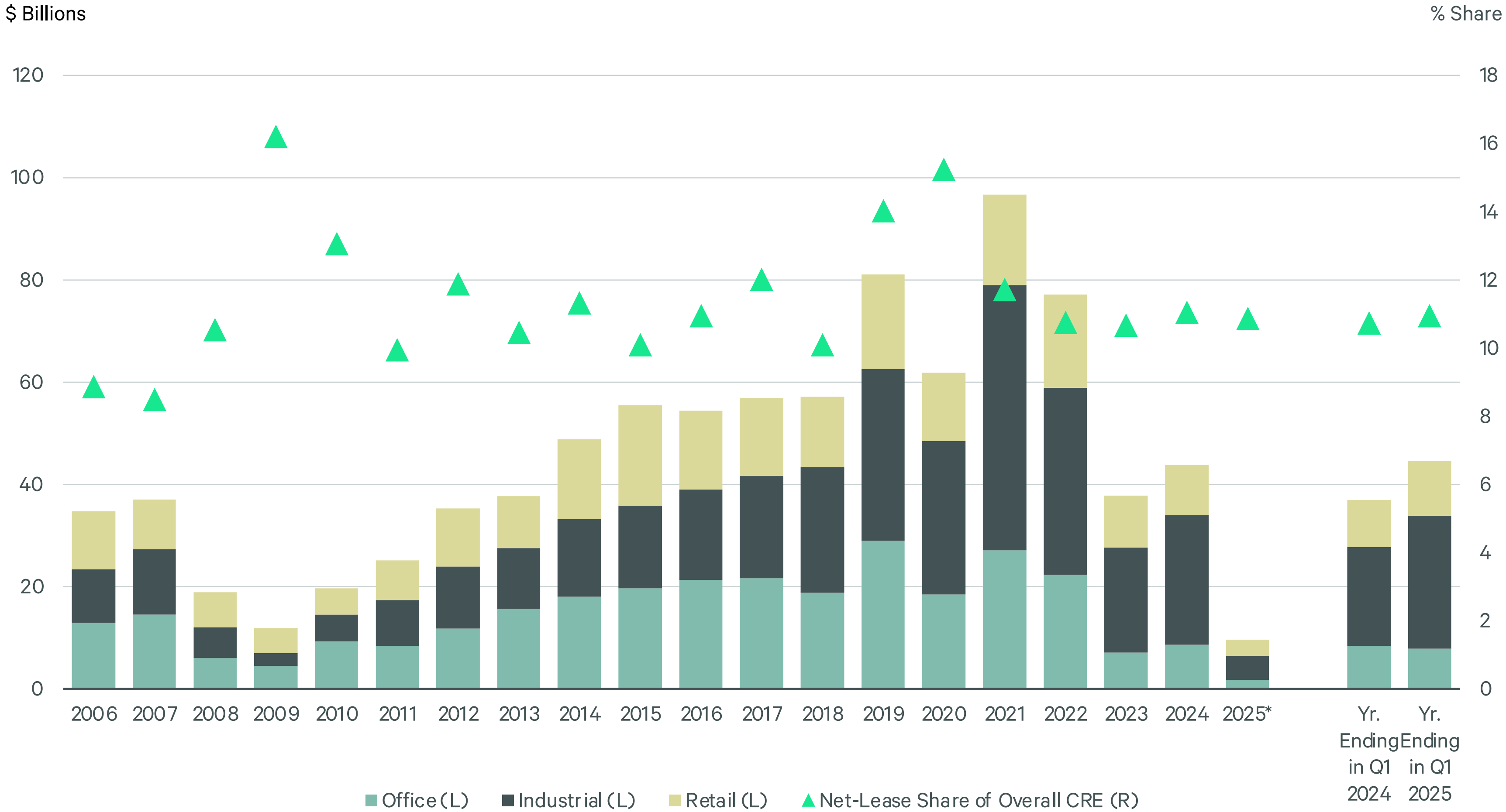
Note: Arrows indicate change from the same quarter in the previous year. *Quarterly average.

Executive Summary

- Q1 net-lease investment volume increased by 9% year-over-year in Q1 to $9.6 billion. Total commercial real estate investment volume increased by 14% year-over-year.
- For the year ending Q1 2025, net-lease investment volume increased by 21% year-over-year to $44.6 billion. Total commercial real estate volume over the same period increased by 18%.
- While office and industrial assets saw a typical seasonal drop in net lease investment between Q4 and Q1, retail net-lease investment increased 11% quarter-over-quarter to $3.1 billion.
- The industrial & logistics sector's share of net-lease investment volume increased to 49% in Q1 from 46% a year ago. The office sector's share decreased to 19% from 29%, while retail's share increased to 32% from 25%.
- The average net-lease cap rate increased by 7 basis points (bps) quarter-over-quarter and 48 bps year-over-year to 7.0%. However, a slowing rate of increases since Q2 2023, along with anecdotal evidence across recent transactions, indicates a broad trend of cap rate stabilization.
- The average 10-year Treasury yield fell by 11 bps quarter-over-quarter to close Q1 at 4.3%. Spreads between the average net-lease cap rate and 10-year Treasury yield increased to 269 bps in Q1 2025 from 251 bps in Q4 2024.
- CBRE expects the 10-year Treasury yield to remain above 4%, low enough to allow a continued recovery in investment activity. Net-lease investment fundamentals are expected to remain healthy, reflecting the sector's low-risk nature and resilience during periods of uncertainty.

Figure 1
Net-lease investment volume

- Q1 net-lease investment volume—using single-tenant asset sales as a proxy—increased by 9% year-over-year to $9.6 billion.
- For the year ending Q1 2025, net-lease investment volume increased by 21% year-over-year to $44.6 billion. Total commercial real estate volume over the same period increased by 18%.



*YTD value
Note: Single-tenant asset investments used as a proxy for net-lease investment sales.
Source: CBRE Research, MSCI Real Assets, Q1 2025.

Figure 2
Net-lease investment volume by major property type

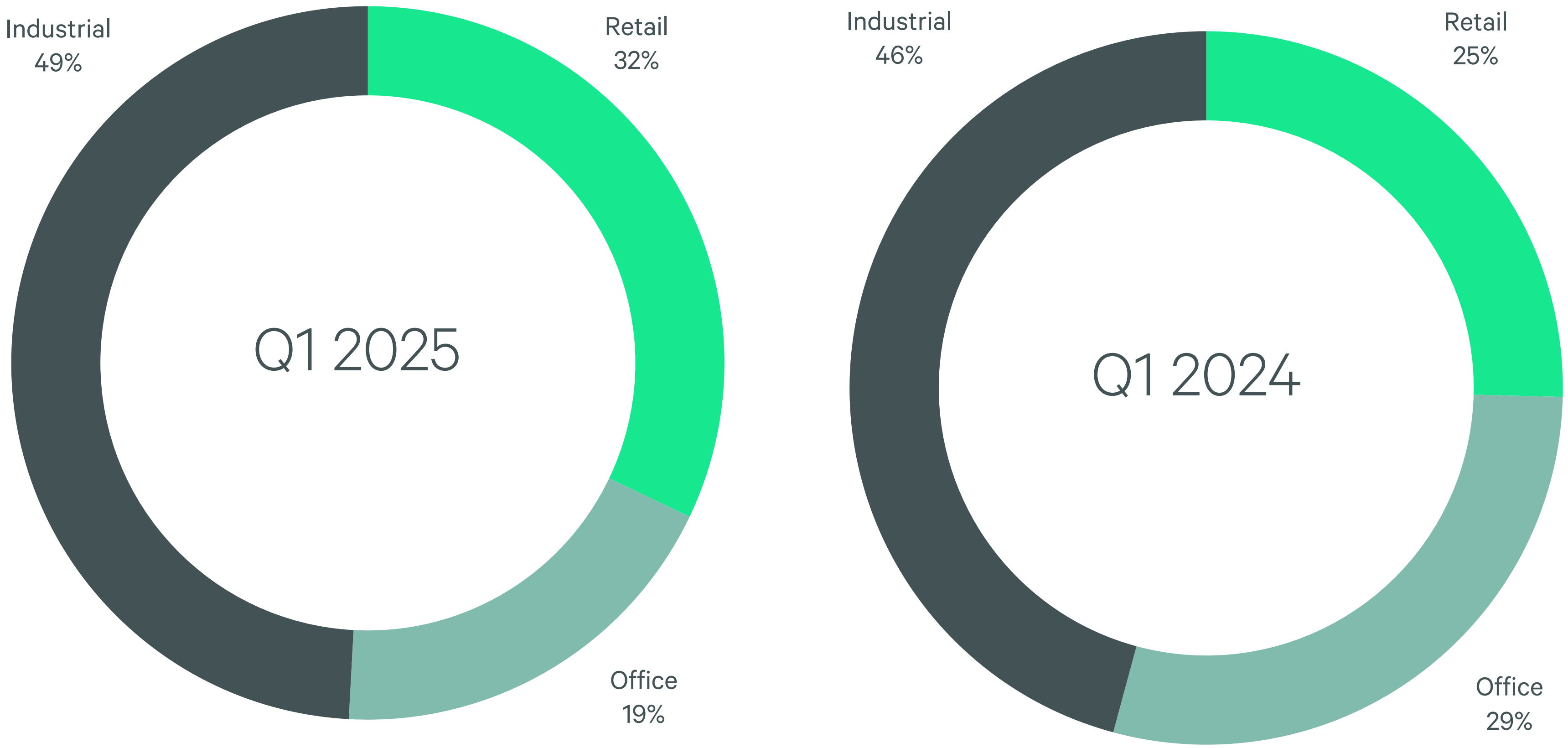
- Q1 net-lease investment volume rose by 38% year-over-year for retail and 16% for industrial assets but decreased by 30% for office assets.
- For the year ending Q1 2025, industrial & logistics net-lease investment increased by 35%, followed by retail at 15%. Office net-lease investment fell by 6%.

	Total ($ Billions)				Total ($ Billions)			
	Q1 2025	Q1 2024	Change (%)	Market Share (%)	Year Ending Q1 2025	Year Ending Q1 2024	Change (%)	Market Share (%)
All Types of Investments								
Office	1.8	2.6	-29.7	18.7	7.9	8.4	-5.8	17.7
Industrial	4.7	4.1	16.2	49.0	26.0	19.3	34.7	58.3
Retail	3.1	2.2	38.2	32.3	10.7	9.3	15.4	23.9
Other	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Total	**9.6**	**8.8**	**8.6**	**100.0**	**44.6**	**37.0**	**20.7**	**100.0**
Single-Asset Investments Only								
Office	1.4	2.0	-30.3	18.7	6.1	6.5	-6.1	17.1
Industrial	3.8	3.1	22.8	49.8	20.0	14.4	38.9	56.5
Retail	2.4	1.6	47.1	31.6	9.3	7.7	21.2	26.3
Other	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Total	**7.6**	**6.8**	**12.6**	**100.0**	**35.4**	**28.6**	**24.0**	**100.0**
Portfolio Investments Only								
Office	0.4	0.5	-27.0	18.7	0.0	0.0	1.4	0.0
Industrial	0.9	1.0	-4.7	46.3	6.0	4.9	22.3	81.6
Retail	0.7	0.6	14.3	35.0	1.4	1.6	-13.2	18.4
Other	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Total	**2.0**	**2.1**	**-4.6**	**100.0**	**7.4**	**6.5**	**13.7**	**100.0**

Note: Some numbers may not total due to rounding. Single-tenant asset transactions used as a proxy for net-lease investment sales..
Source: CBRE Research, MSCI Real Assets, Q1 2025.

Figure 3
Net-lease market share by major property type

- Industrial & logistics assets accounted for $4.7 billion or 49% of total net-lease investment volume in Q1, up from 46% a year ago.
- The office sector's share declined to 19% ($1.8 billion) from 29% a year ago, while the retail sector's share increased to 32% ($3.1 billion) from 25%.



Note: MSCI Real Assets only tracks properties and portfolios of $2.5+ million. Therefore, the total net-leas investment volume is understated, especially since a sizable share of retail transactions are below $2.5 million.
Source: CBRE Research, MSCI Real Assets, Q1 2025.

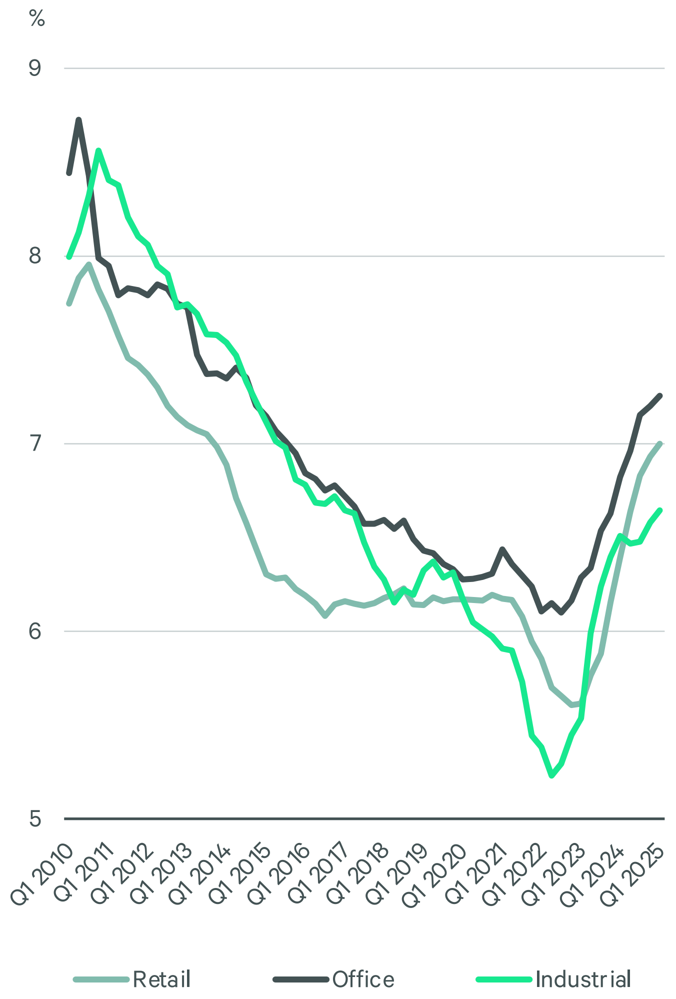
Figure 4
Top 20 markets for net-lease investment volume, Q1 2025

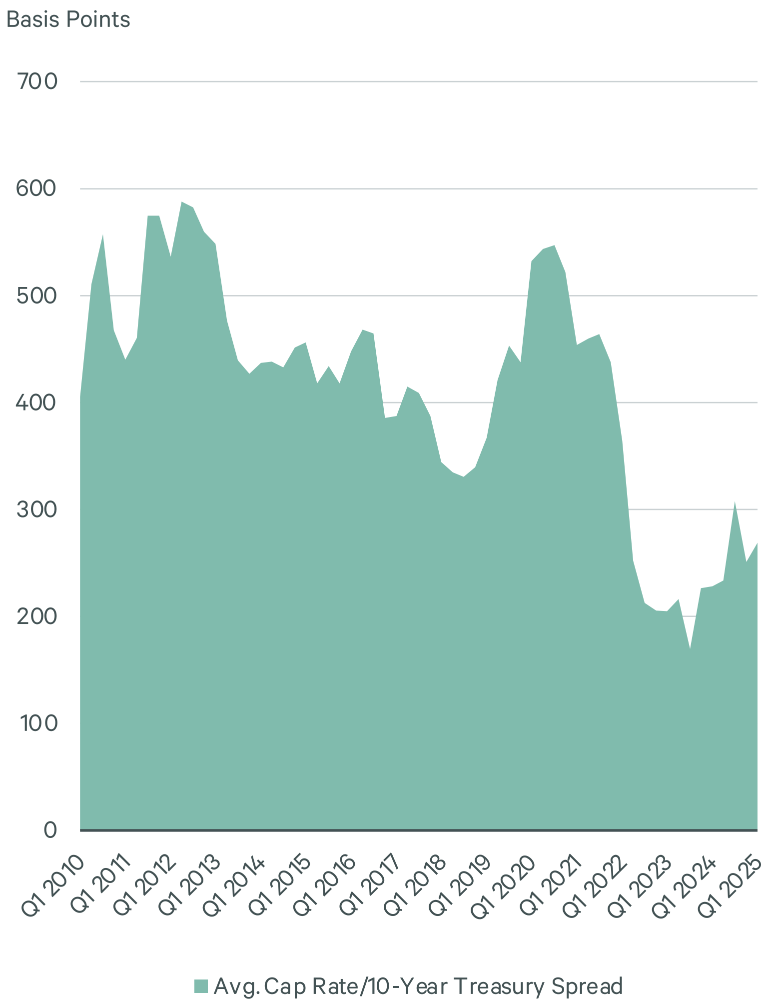
Rank	Market	Q1 2025 ($ Millions)	Q1 2024 ($ Millions)	Change ($ Millions)	Change (%)	Yr. Ending Q1 2025 ($ Millions)	Yr. Ending Q1 2024 ($ Millions)	Change ($ Millions)	Change (%)
1	Boston	716	292	424	145.3	1,479	1,174	305	26.0
2	Manhattan	557	143	414	289.0	924	374	550	146.9
3	Dallas-Ft. Worth	541	224	316	141.1	1,687	1,493	194	13.0
4	San Jose	333	206	127	61.7	1,264	836	428	51.2
5	Inland Empire	309	288	20	7.0	1,335	1,307	28	2.2
6	Seattle	273	94	179	189.2	1,161	391	771	197.4
7	Chicago	272	285	-14	-4.7	1,234	1,248	-14	-1.1
8	Phoenix	270	139	131	94.3	1,821	840	982	116.9
9	Atlanta	236	308	-72	-23.3	1,381	1,087	294	27.0
10	Los Angeles	224	552	-329	-59.5	1,893	1,968	-75	-3.8
11	Houston	214	276	-61	-22.3	895	1,220	-325	-26.6
12	Minneapolis	207	142	66	46.3	746	473	273	57.8
13	Savannah	179	3	176	7,046.5	500	227	273	120.7
14	Jacksonville	174	18	155	858.0	741	321	420	131.0
15	Indianapolis	162	13	149	-	432	171	261	-
16	Orange County	117	143	-26	-17.9	543	728	-185	-25.4
17	Northern Virgina	107	38	69	181.9	355	275	80	29.2
18	Cleveland	105	9	96	1,125.2	178	88	90	102.2
19	Tampa	102	176	-74	-42.2	495	446	49	10.9
20	Salt Lake City	99	41	58	-	393	215	178	82.5

Source: CBRE Research, MSCI Real Assets, Q1 2025.

Figure 5
Cap rates & spreads between 10-year Treasury yield

- The average net-lease cap rate increased by 7 bps quarter-over-quarter and 48 bps year-over-year to 7.0%. A slowing rate of increases since Q2 2023, along with anecdotal evidence across recent transactions, indicates a broad trend of cap rate stabilization.
- The average 10-year Treasury yield closed Q1 at 4.3% versus 4.2% a year ago. The spread between the average net-lease cap rate and 10-year Treasury increased to 268 bps from 228 bps a year ago.
- The average net-lease cap rate for retail assets in Q1 increased to 7.0% from 6.4% a year ago, while the average for office and industrial assets increased by 43 bps and 14 bps to 7.3% and 6.6%, respectively.

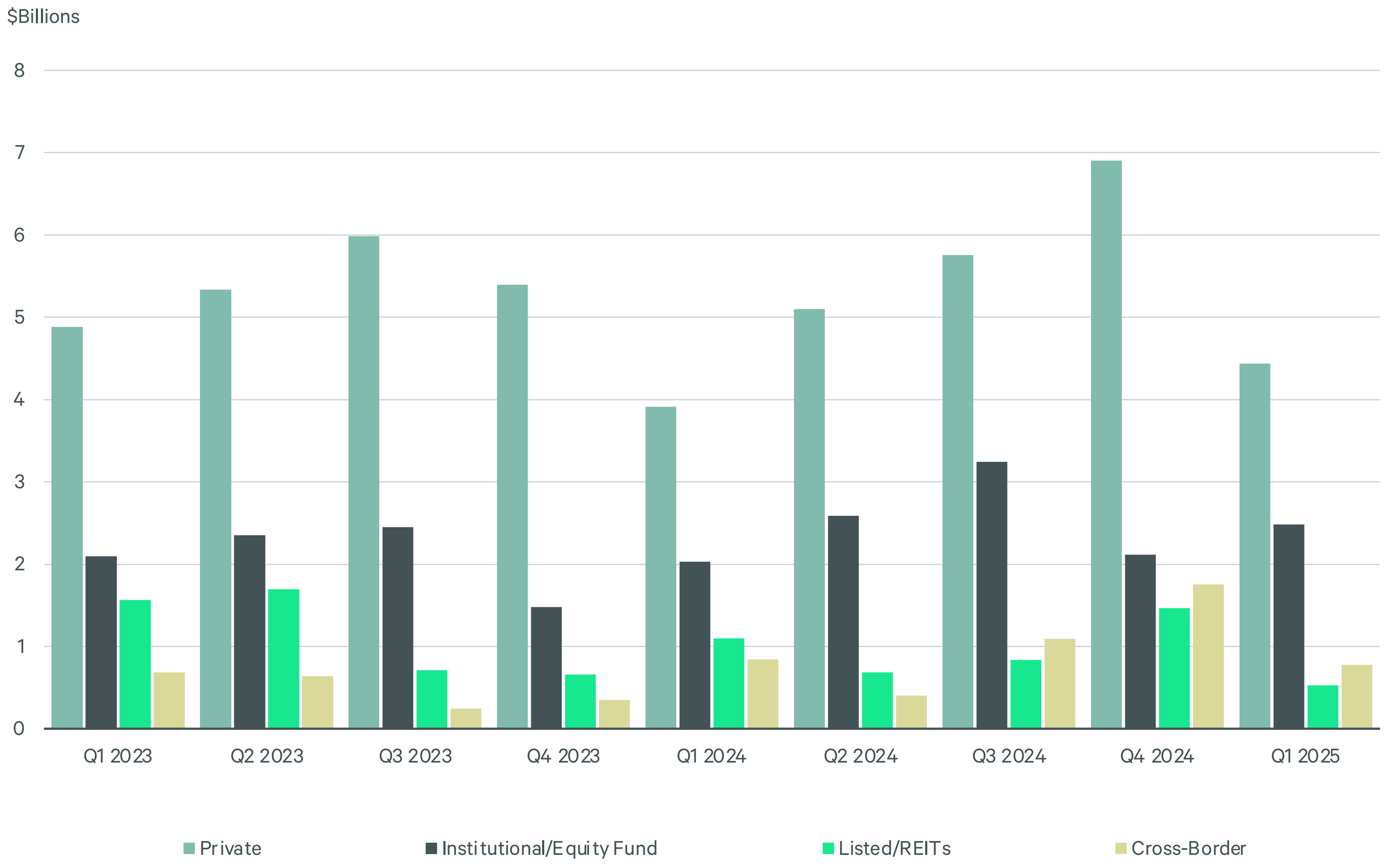




Source: CBRE Research, MSCI Real Assets, U.S. Department of the Treasury, Q1 2025.

Figure 6
Net-lease investment by investor type

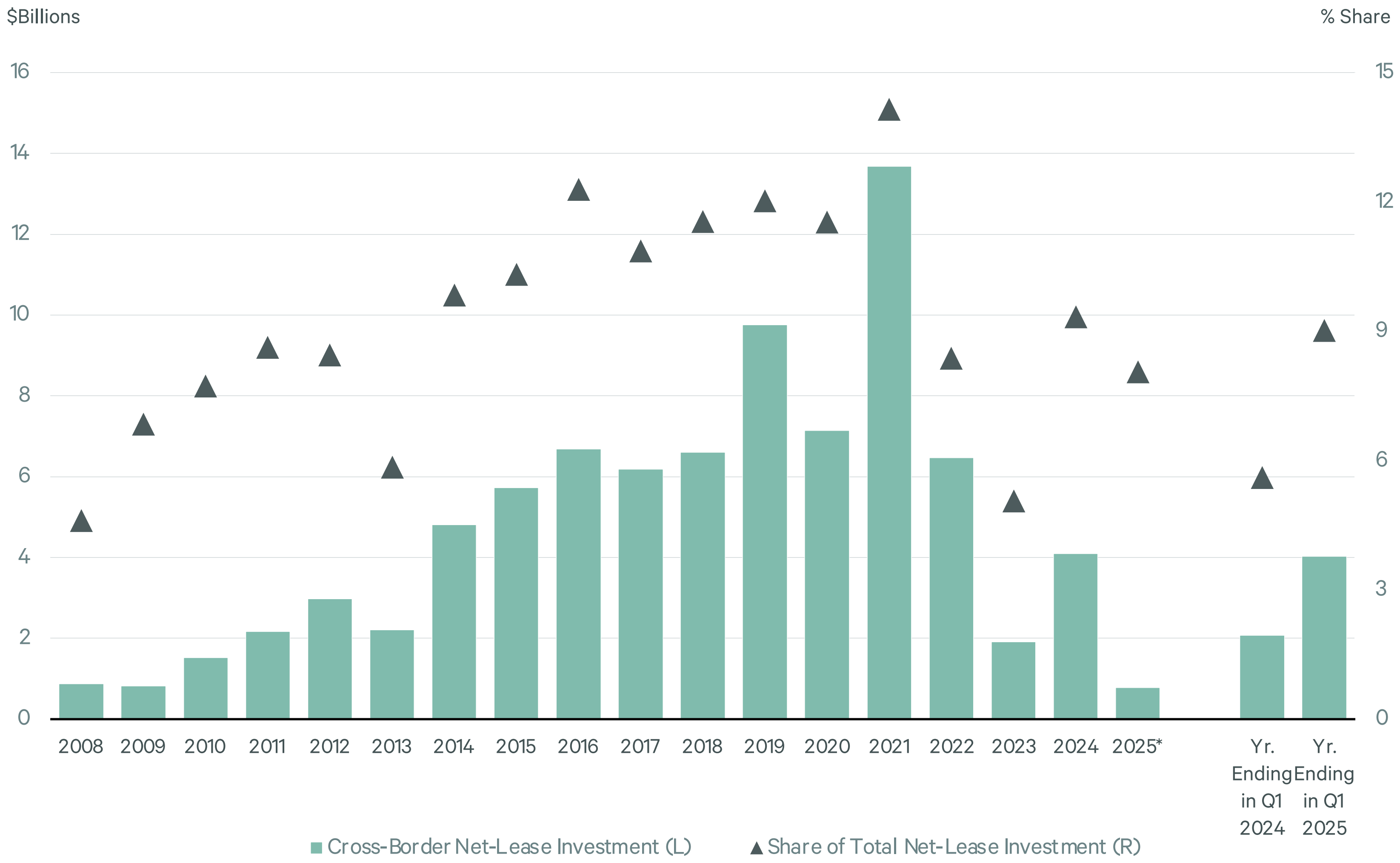
- Private investors remained the largest buyer group for net-lease investment. Total private capital volume increased by 13% year-over-year in Q1 to $4.4 billion.
- Institutional investors and equity funds accounted for $2.5 billion in Q1 net-lease investment volume, up by 17% quarter-over-quarter and 22% year-over-year. For the year ending Q1 2025, institutional investment volume was up 26% from the same period in 2024.
- Net-lease investment by REITs fell 16% from a year ago to $529 million.
- Cross-border net-lease investment fell 8% year-over-year to $774 million.



Note: Investor types reflect transactions reported to MSCI Real Assets and may not fully reflect market activity.
Source: CBRE Research, MSCI Real Assets, Q1 2025.

Figure 7
Cross-border net-lease investment

- International buyers accounted for 8% of total U.S. net-lease investment volume in Q1 2025, down from 13% in Q4 2024 and 10% in Q1 2024. Foreign net-lease investment volume fell by 8% year-over-year.
- However, for the year ending Q1 2025, foreign net-lease investment volume increased by 94.1% from the year ending Q1 2024. International buyers represented 9% of total U.S. net-lease investment volume over the past year.

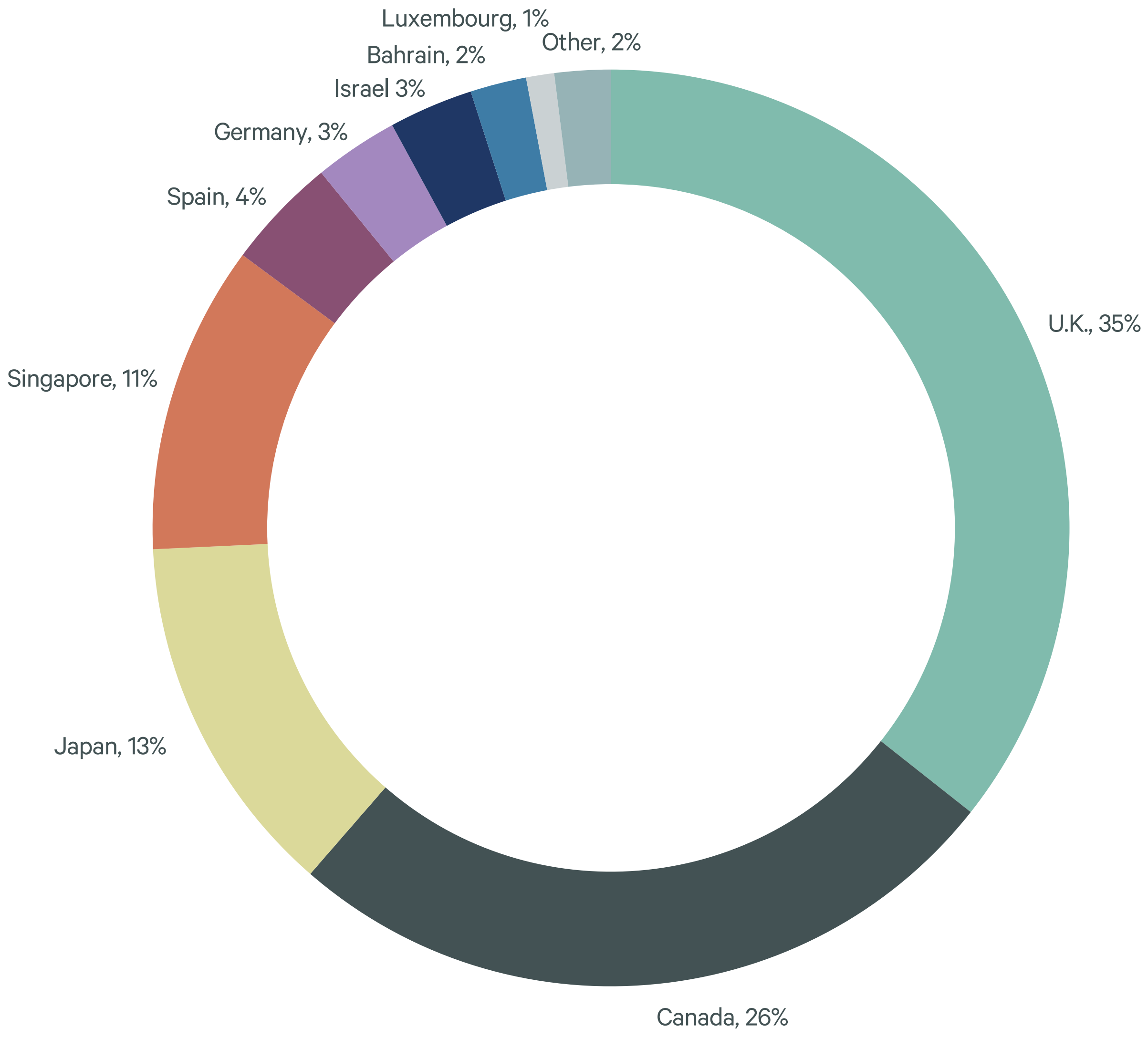


*YTD value
Source: CBRE Research, MSCI Real Assets, Q1 2025.

Figure 8
Cross-border net-lease investment by country of origin, year ending Q1 2025

– The U.K., Canada, Japan, Singapore and Spain were the top five countries of origin for international investment in U.S. net-lease properties for the year ending Q1 2025. Together, they accounted for 90% of total cross-border investment volume.

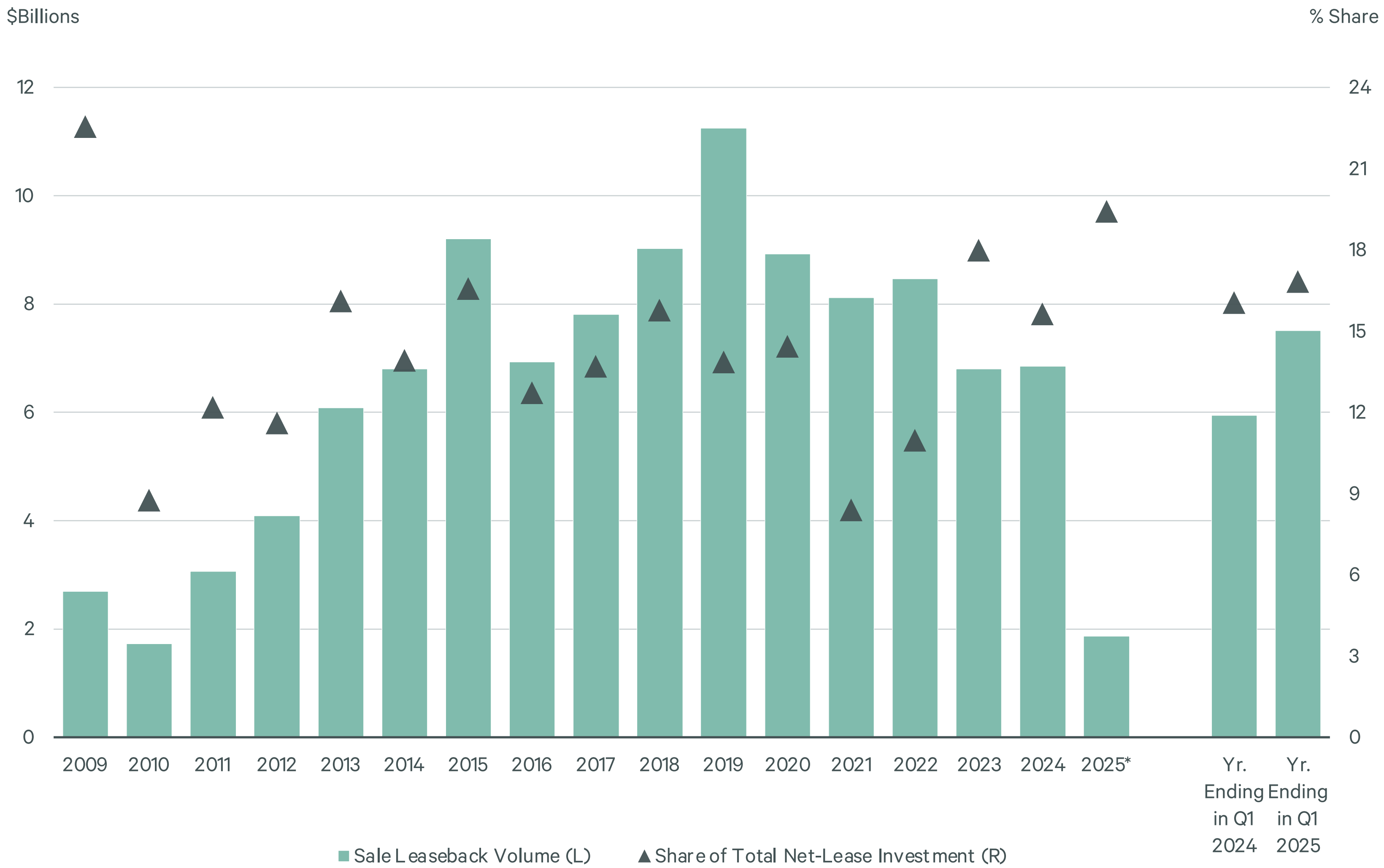
– The U.K. and Canada accounted for 62% of all cross-border net-lease volume over the past year.



Source: CBRE Research, MSCI Real Assets, Q1 2025.

Figure 9
Sale/leaseback net-lease investment volume

- Sale/leaseback net-lease investment volume increased by 54% year-over-year in Q1 to $1.8 billion. For the year ending Q1 2025, volume jumped by 26% to $7.5 billion.
- Sale/leasebacks accounted for 19% of all net-lease transactions in Q1 2025, up from 14% a year ago.
- Treasury yields modestly above 4% should support continued recovery in investment sales activity. However, CBRE expects that demand for sale/leasebacks will likely increase as owners actively explore alternative options for capital raising and accessing liquidity.
- A higher cost of capital and broader economic uncertainty will underpin demand for sale/leasebacks by businesses. Investors will also remain attracted to the stability of long-term lease structures and steady cash flow opportunities that net-lease investments provide.



*YTD value
Source: CBRE Research, MSCI Real Assets, Q1 2025

Contacts

Henry Chin, Ph.D
Global Head of Research
henry.chin@cbre.com

Darin Mellott
Vice President
Capital Markets Research
darin.mellott@cbre.com

Travis Deese
Director
Multifamily Research
Travis.Deese@cbre.com

Jaeyoung Kim
Senior Research Analyst
Capital Markets Research
jaeyoung.kim1@cbre.com

Will Pike
President of U.S. Industrial & Logistics
Capital Markets/ Managing Director
Net Lease Properties
will.pike@cbre.com

Chris Bosworth
Vice Chairman / Managing Director
Net Lease Properties
chris.bosworth@cbre.com