

NATIONAL ASKING CAP RATES

Sector	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
Retail	6.52%	6.56%	+4
Office	7.78%	7.80%	+2
Industrial	7.23%	7.23%	0
Overall	6.76%	6.78%	+2

NUMBER OF PROPERTIES ON THE MARKET

Sector	Q4 2024 (Previous)	Q1 2025 (Current)	Percentage Change
Retail	3,929	4,192	6.7%
Office	650	654	0.6%
Industrial	565	575	1.8%
Overall	5,144	5,421	5.4%

MEDIAN NATIONAL ASKING VS. CLOSED CAP RATE SPREAD

Sector	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
Retail	31	32	+1
Office	60	65	+5
Industrial	30	30	0

“Cap Rates in the single tenant net lease sector increased consecutively every quarter for the past three years”

Market Overview

Cap rates in the single tenant net lease sector continued their upward momentum in the first quarter of 2025, marking the 12th consecutive quarter of increases for the overall net lease sector. Single tenant cap rates increased to 6.56% (+4 bps) for retail, 7.80% (+2 bps) for office, and remained at 7.23% (unchanged) for industrial. Overall cap rates rose to 6.78%, representing a modest two basis point increase from the previous quarter. The persistent upward trend in net lease cap rates, which now spans three years, is reflective of sustained high borrowing costs and inflationary pressures. The aforementioned points were reinforced by the Federal Reserve’s decision to hold the federal funds rate steady during its March meeting.

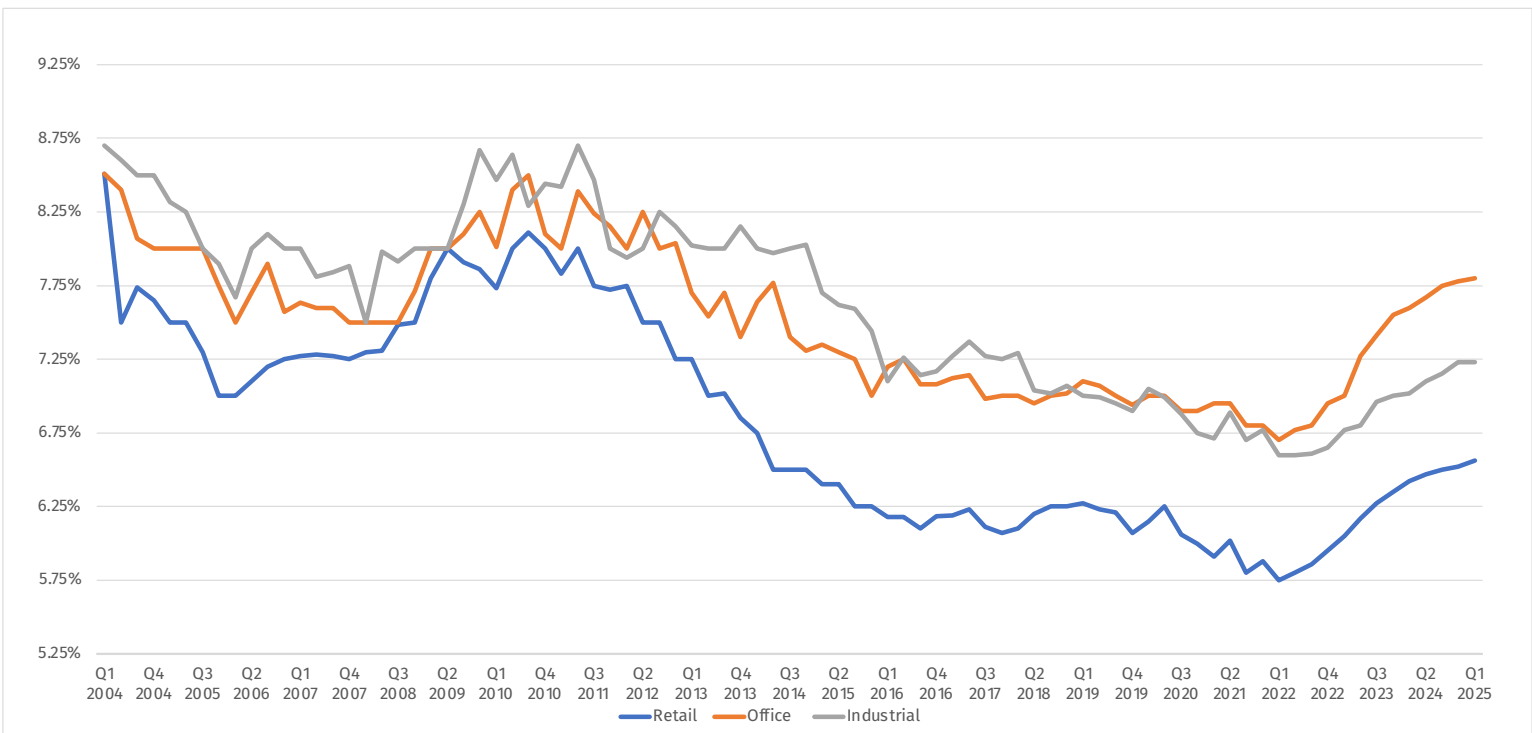
Property supply in the single tenant sector increased by more than 5% when compared to the prior quarter. Over the past two years supply has surged nearly 30%, a consequence of lessened transaction velocity and a pricing gap between buyers and sellers. Of all the net lease sub-sectors, the drug store sector is experiencing the slowest transaction volume and a glut of supply. Recent news regarding private equity company Sycamore Partners acquisition of Walgreens further compounded the issue. Uncertainty over Sycamore’s long-term strategy has deepened the sub-sector’s supply and slowed deal flow. Accordingly, cap rates in the drug store sector increased by 44 basis points quarter over quarter with limited transactions.

The net lease market continues to adjust to the higher rate environment experienced in recent years. Transaction volume increased in the fourth quarter and the expectation is that there will be a slight uptick in volume in 2025. Investors will be carefully monitoring the capital markets following the Fed’s decision to hold rates steady following their March meeting. If short term rates continue to drop in the near term and uncertainty remains in the overall financial markets, net lease activity is expected to increase but nowhere near pricing or transactions volume in peak times (2020-2021).

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Jan-25	Industrial	Bernards Inc	Greensboro	NC	\$24,600,000	\$82	6.92%	5
Mar-25	Retail	Tesla	Dublin	OH	\$17,800,000	\$190	6.50%	9
Jan-25	Retail	Kroger	Zionsville	IN	\$17,600,000	\$260	6.07%	13
Feb-25	Office	St. Lukes University Health	East Stroudsburg	PA	\$12,650,000	\$316	6.64%	13
Jan-25	Retail	BJ's Wholesale Club	Bangor	ME	\$12,460,350	\$136	6.50%	10
Jan-25	Industrial	BTX Corp	Elk Grove Village	IL	\$8,600,000	\$96	7.66%	8
Feb-25	Industrial	Frito Lay	Salinas	CA	\$8,361,000	\$729	6.35%	9
Jan-25	Retail	Sprouts Farmers Market	Kenneth City	FL	\$7,900,000	\$340	6.03%	14
Jan-25	Retail	The Home Depot	Dothan	AL	\$7,675,000	\$60	5.89%	5
Jan-25	Retail	Raising Cane's	Riverside	CA	\$6,842,000	\$2,094	4.75%	15
Feb-25	Retail	The Learning Experience	Cincinnati	OH	\$6,500,000	\$671	6.77%	15
Feb-25	Retail	7-Eleven	Miami	FL	\$6,175,000	\$1,811	5.25%	10
Feb-25	Retail	Wawa	Flanders	NJ	\$5,887,850	\$1,243	5.05%	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

	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
Auto Sector	6.40%	6.50%	+10

MEDIAN ASKING CAP RATES BY PROPERTY TYPE

Sector	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
Auto Parts	6.44%	6.50%	+6
Auto Service	6.15%	6.18%	+3
Collision	6.68%	6.70%	+2

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Auto Parts	Auto Service	Collision
16-20 Years	5.50%	5.75%	6.60%
11-15 Years	6.05%	6.00%	6.75%
6-10 Years	7.10%	7.07%	7.02%
5 Years & Under	7.75%	7.25%	8.00%



2. Net Lease Casual Dining Sector

NATIONAL ASKING CAP RATES

Tenant	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
All Corporate Casual Dining	6.62%	6.65%	+3
Buffalo Wild Wings	7.40%	7.50%	+10
Applebee's	6.70%	6.75%	+5
Chili's	5.90%	6.00%	+10
IHOP	7.25%	7.25%	0
Olive Garden	5.85%	5.90%	+5
Outback Steakhouse	6.65%	6.68%	+3
Red Lobster	5.30%	5.30%	0
Texas Roadhouse (Ground Lease)	5.17%	5.30%	+13

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Cap Rate
16-20 Years	6.10%
11-15 Years	6.40%
6-10 Years	7.10%
5 Years & Under	7.40%



3. Net Lease Dollar Store Sector

NATIONAL ASKING CAP RATES

Tenant	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
Dollar General	6.90%	7.00%	+10
Family Dollar	8.05%	8.20%	+15
Dollar Tree	7.50%	7.50%	0
Dollar Store Sector	7.21%	7.32%	+11



MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Dollar General	Family Dollar	Dollar Tree
12-15 Years	6.90%	NA	N/A
9-11 Years	7.20%	8.00%	7.15%
6-8 Years	7.80%	8.20%	7.65%
3-5 Years	8.25%	8.85%	8.00%
Under 3 Years	9.00%	9.25%	8.80%

4. Net Lease Drug Store Sector

NATIONAL ASKING CAP RATES

Tenant	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
Walgreens	7.25%	7.50%	+25
CVS	6.45%	6.50%	+5
Rite Aid	9.00%	9.00%	0
Drug Store Sector	7.07%	7.51%	+44



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	6.75%	6.00%	N/A
10-14 Years	7.10%	6.75%	8.00%
6-9 Years	8.15%	7.20%	8.70%
Under 5 Years	8.50%	8.15%	9.25%

5. Net Lease Quick Service Restaurant (QSR) Sector

CORPORATE NATIONAL ASKING CAP RATES

Tenant	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
All Corporate QSR	5.75%	5.82%	+7
Chick-fil-A (Ground Lease)	4.40%	4.45%	+5
Chipotle	5.40%	5.50%	+10
McDonald's (Ground Lease)	4.40%	4.40%	0
Panera Bread	5.70%	5.70%	0
Raising Cane's	5.00%	5.05%	+5
Starbucks	6.35%	6.37%	+2

FRANCHISEE NATIONAL ASKING CAP RATES

Tenant	Q4 2024 (Previous)	Q1 2025 (Current)	Basis Point Change
All Franchisee QSR	6.60%	6.63%	+3
Burger King	6.15%	6.20%	+5
Dunkin'	5.80%	5.90%	+10
KFC	6.20%	6.20%	0
Taco Bell	5.45%	5.50%	+5
Wendy's	5.45%	5.52%	+7

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Years Remaining	Corporate QSR	Franchisee QSR
20+ Years	5.10%	5.80%
15-19 Years	5.50%	6.15%
10-14 Years	5.90%	6.70%
Under 10 Years	6.80%	7.42%



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