

FIGURES | U.S. NET-LEASE INVESTMENT | Q3 2024

Net-Lease Investment Volume Increases



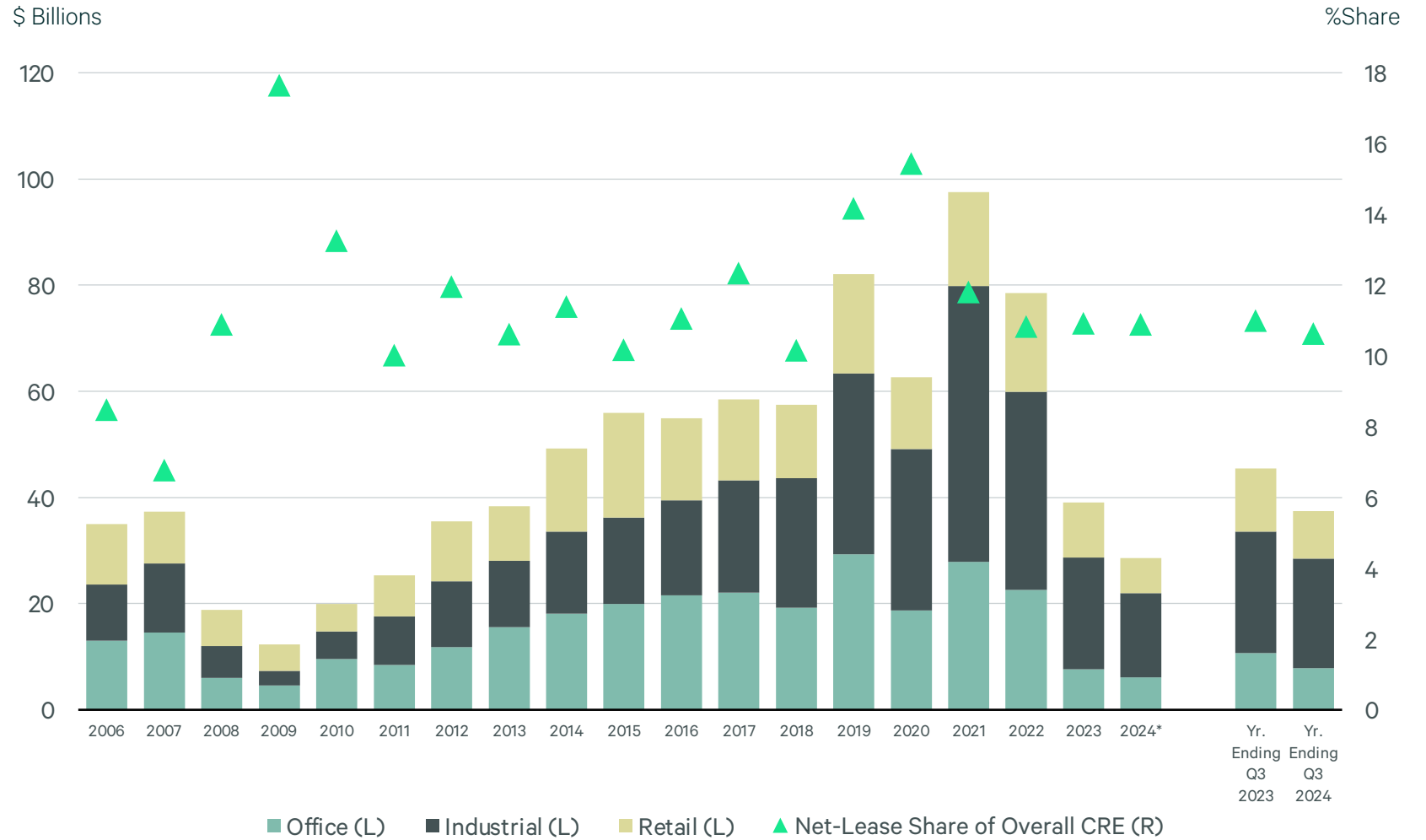
Note: Arrows indicate change from the same quarter in the previous year. *Quarterly average.

Executive Summary

- Net-lease investment volume increased by 5% quarter-over-quarter and 7% year-over-year in Q3 to \$10.4 billion. This comes after eight consecutive quarters of annual declines. Total commercial real estate investment volume fell by 5% quarter-over-quarter and 2% year-over-year to \$90.1 billion.
- For the year ending Q3 2024, net-lease investment volume decreased by 18% from the comparable period in 2023 to \$37.4 billion. Total commercial real estate volume over the same period fell by 15%.
- The industrial & logistics sector’s share of net-lease investment volume increased to 62% in Q3 from 52% a year earlier. The office sector’s share decreased to 16% from 20%, while the retail share fell to 23% from 28%.
- The average net-lease cap rate increased by 14 basis points (bps) quarter-over-quarter and 68 bps year-over-year to 6.7%. Much of the overall increase was attributable to a 90-bp rise in the retail net-lease cap rate in Q3.
- The average 10-year Treasury yield fell by 66 bps year-over-year to close Q3 at 3.7%. This resulted in a 134-bp increase in the spread between the 10-year yield and the average net-lease cap rate to 303 bps.
- CBRE expects a slower pace of Fed rate cuts next year and that the 10-year Treasury yield will stay above 4%, resulting in moderating investment activity over the near term. However, net-lease investment fundamentals are expected to remain relatively strong, highlighting the sector’s low-risk nature.

Figure 1 Net-lease investment volume

- Q3 net-lease investment volume—using single-tenant asset sales as a proxy—increased by 7% year-over-year to \$10.4 billion, following eight consecutive quarters of year-over-year declines.
- For the year ending Q3 2024, net-lease investment volume decreased by 18% from 2023 to \$37.4 billion and accounted for 11% of total commercial investment volume.
- While elevated Treasury yields will be a short-term headwind for capital markets activity, we expect that the macroeconomic environment will remain favorable.



Note: 2024* is YTD value. Single-tenant asset investments used as a proxy for net-lease investment sales.
Source: CBRE Research, MSCI Real Assets, Q3 2024.

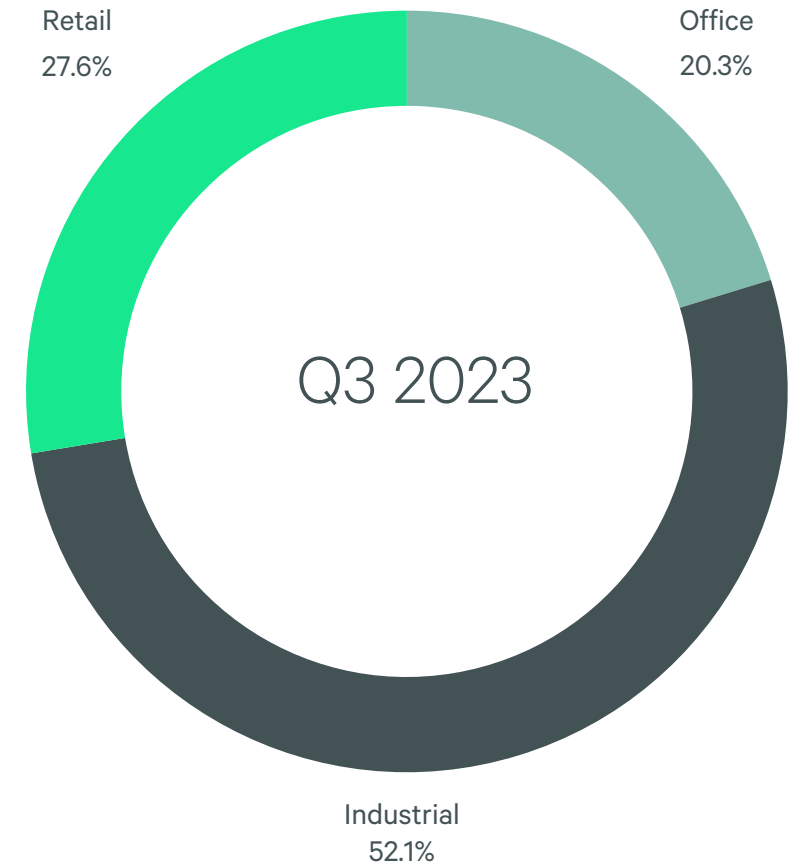
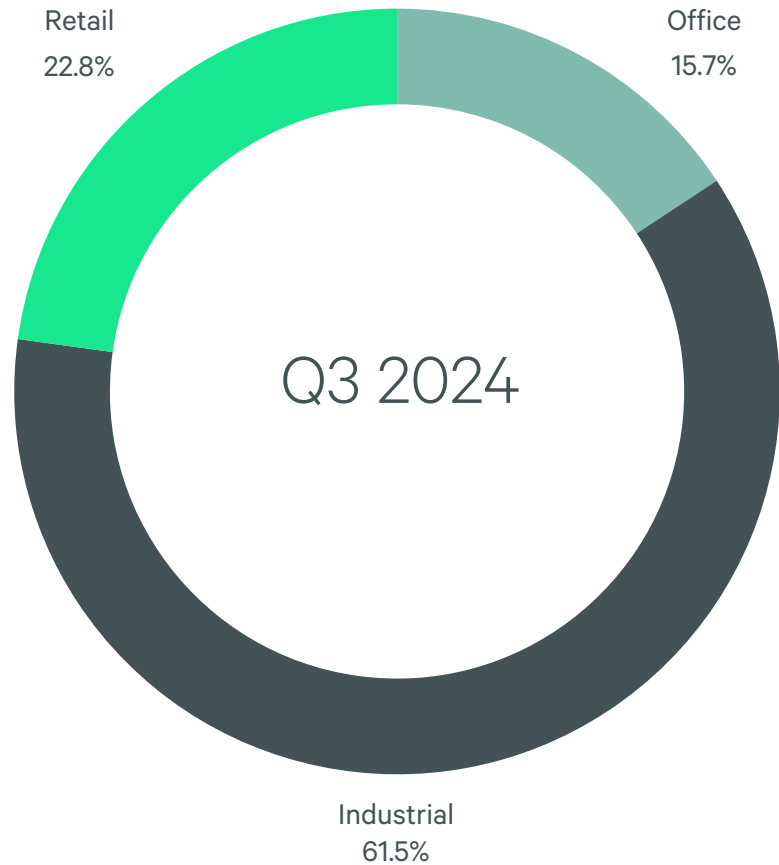
Figure 2
Net-lease investment volume by major property type

	Total (\$ Billions)				Total (\$ Billions)			
	Q3 2024	Q3 2023	Change (%)	Market Share (%)	Year Ending Q3 2024	Year Ending Q3 2023	Change (%)	Market Share (%)
All Types of Investments								
Office	1.6	2.0	-17.0	15.7	7.8	10.7	-26.5	21.0
Industrial	6.4	5.1	26.2	61.5	20.6	22.9	-10.0	55.2
Retail	2.4	2.7	-11.6	22.8	8.9	11.9	-24.9	23.9
Other	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Total	10.4	9.8	7.0	100.0	37.4	45.5	-17.8	100.0
Single-Asset Investments Only								
Office	1.4	1.7	-20.7	17.3	5.9	8.7	-31.9	20.2
Industrial	4.5	3.9	14.9	56.9	15.8	17.4	-9.3	54.1
Retail	2.1	2.3	-10.0	25.8	7.5	9.5	-21.4	25.7
Other	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Total	8.0	8.0	0.0	100.0	29.1	35.6	-18.0	100.0
Portfolio Investments Only								
Office	0.3	0.2	10.1	10.6	1.9	2.0	-3.2	23.6
Industrial	1.9	1.1	65.1	76.1	4.9	5.5	-12.3	58.9
Retail	0.3	0.4	-20.1	13.2	1.4	2.4	-39.1	17.5
Other	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Total	2.5	1.8	38.3	100.0	8.2	9.9	-16.8	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, Q3 2024.

Figure 3 Net-lease market share by major property type

- Industrial & logistics assets accounted for \$6.4 billion or 62% of total net-lease investment volume in Q3, up from 52% a year ago.
- The office sector’s share declined to 16% (\$1.6 billion) from 20% a year ago, while the retail sector’s share fell to 23% (\$2.4 billion) from 28%.
- On a year-over-year basis, Q3 net-lease investment volume rose by 26% for industrial assets but fell by 12% and 17% for retail and office assets, respectively.



Note: MSCI Real Assets only tracks properties and portfolios of \$2.5+ million. Therefore, the total net-lease investment volume is understated, especially since a sizable share of retail transactions are below \$2.5 million. Source: CBRE Research, MSCI Real Assets, Q3 2024.

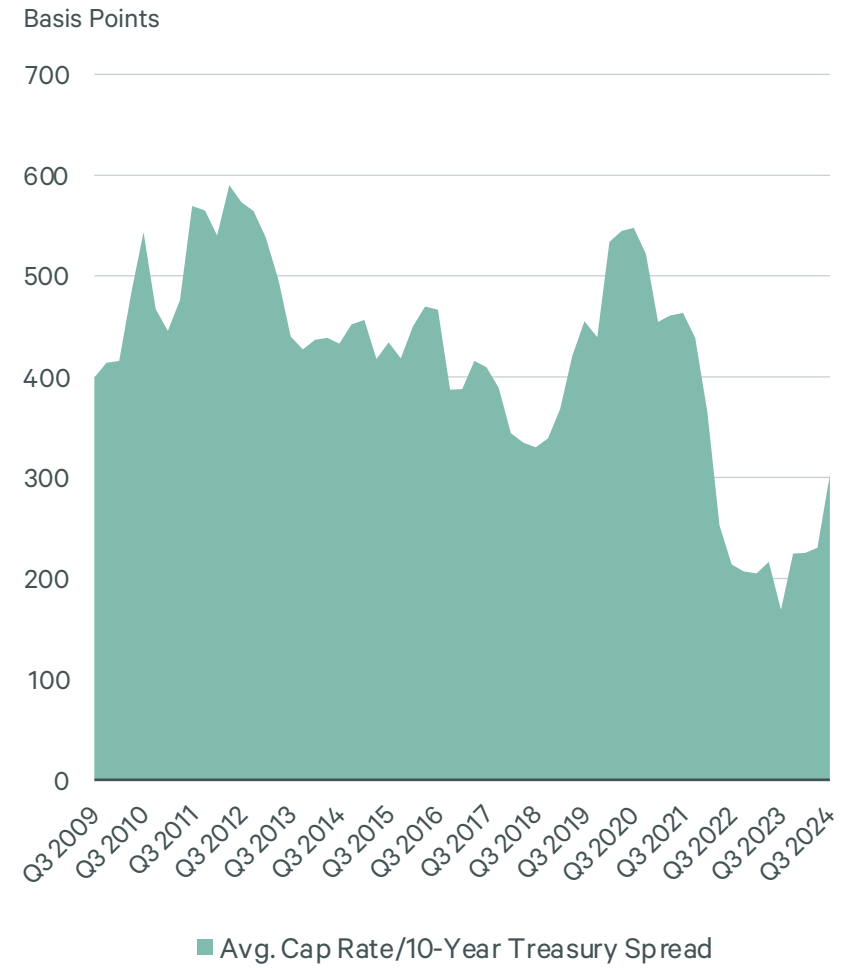
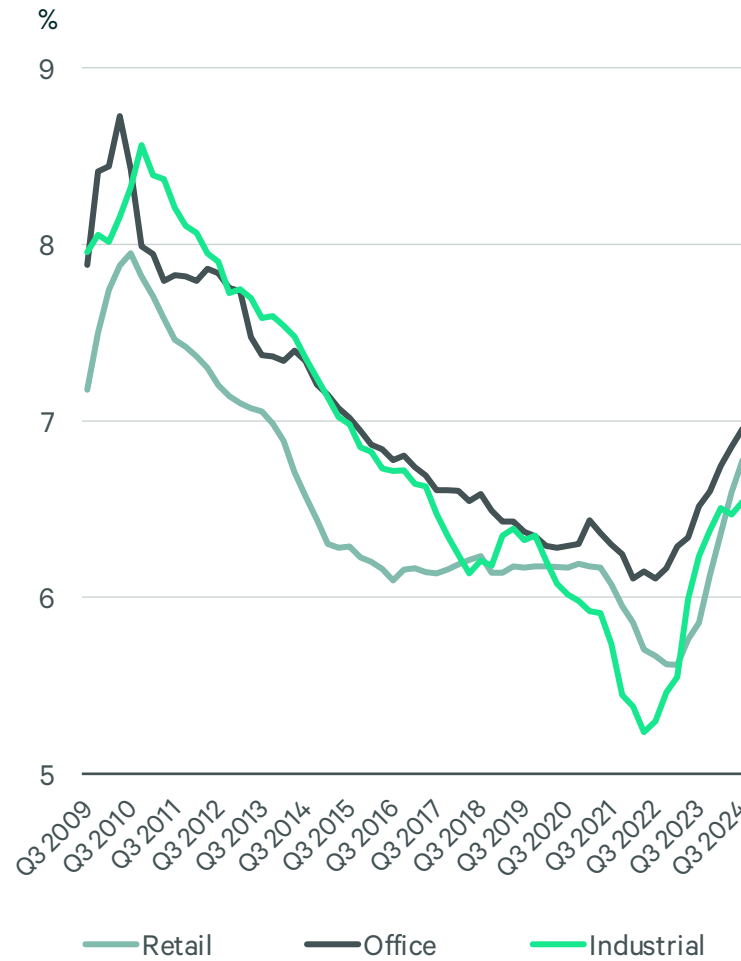
Figure 4
Top 20 markets for net-lease investment volume, Q3 2024

Rank	Market	Q3 2024 (\$ Millions)	Q3 2023 (\$ Millions)	Change (\$ Millions)	Change (%)	Yr. Ending Q3 2024 (\$ Millions)	Yr. Ending Q3 2023 (\$ Millions)	Change (\$ Millions)	Change (%)
1	Phoenix	576	246	330	133.9	1,299	881	417	47.4
2	Los Angeles	445	733	-288	-39.2	1,862	2,367	-505	-21.3
3	Dallas-Ft. Worth	434	472	-37	-7.9	1,238	2,053	-815	-39.7
4	San Jose	413	268	145	54.0	1,198	1,183	16	1.3
5	Chicago	383	220	163	74.3	1,185	2,021	-836	-41.4
6	Nashville	345	38	307	808.0	533	298	234	78.4
7	Houston	336	359	-24	-6.6	1,105	1,061	43	4.1
8	Seattle	312	148	165	111.5	769	411	358	87.3
9	Miami-Dade Co	307	88	219	247.9	800	445	355	79.7
10	Atlanta	282	265	18	6.7	1,134	1,102	32	2.9
11	Harrisburg	258	40	219	550.2	375	146	230	157.8
12	Orange County	257	184	72	39.3	637	648	-12	-1.8
13	N. New Jersey	250	432	-181	-42.0	761	1,676	-915	-54.6
14	Jacksonville	244	141	104	73.7	518	409	109	26.6
15	East Bay	237	84	153	-	855	743	111	-
16	San Antonio	201	41	160	392.7	452	317	135	42.7
17	Philadelphia	196	47	149	315.4	513	521	-8	-1.6
18	Savannah	171	204	-32	-15.9	207	228	-21	-9.1
19	Camden, NJ	168	50	119	238.2	202	139	63	45.4
20	Orlando	160	85	75	-	314	376	-62	-16.5

Source: CBRE Research, MSCI Real Assets, Q3 2024.

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

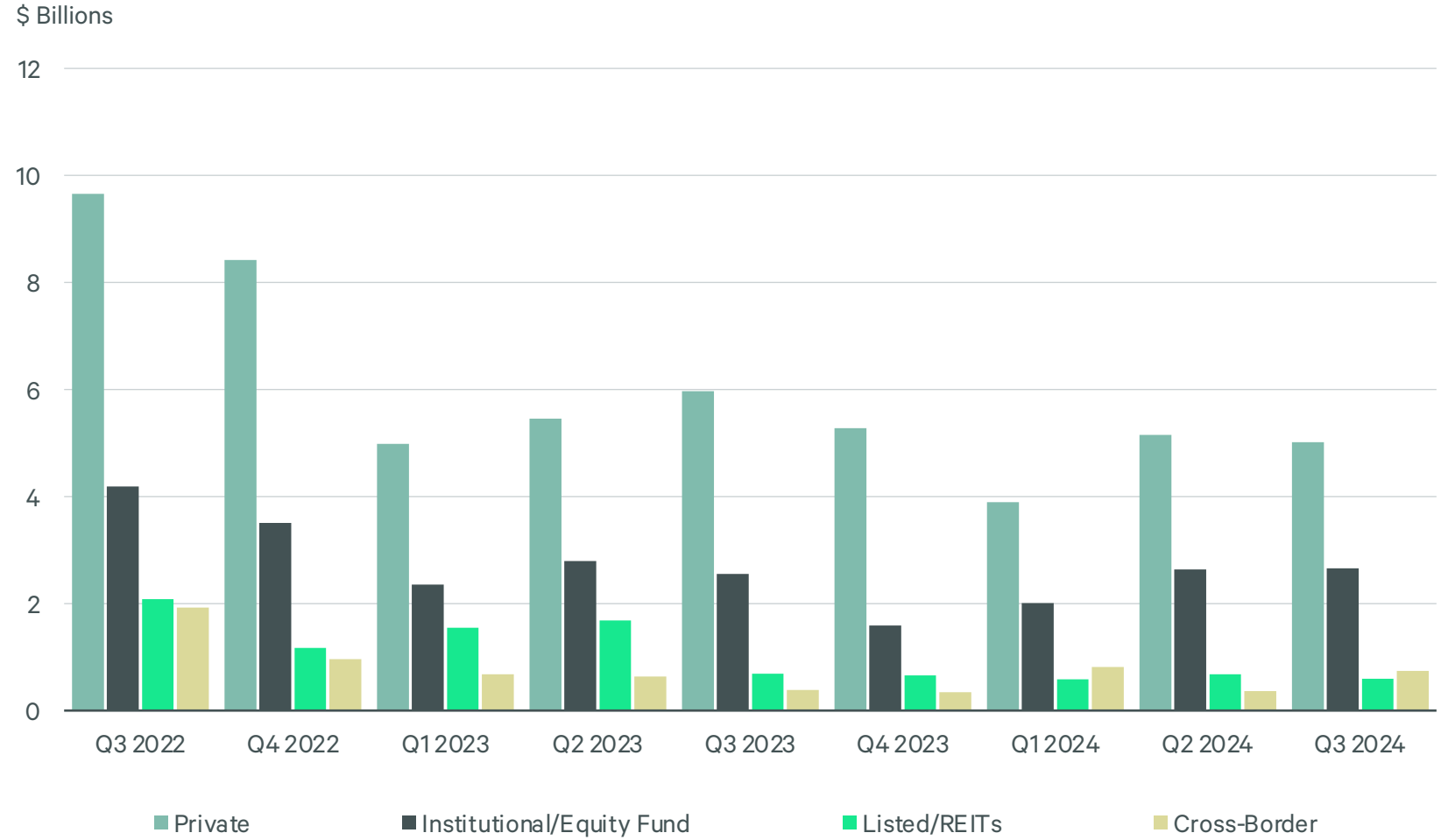
- The average net-lease cap rate increased by 14 bps quarter-over-quarter and 68 bps year-over-year to 6.7%, marking eight consecutive quarters of rising cap rates.
- The average 10-year Treasury yield closed Q3 at 3.7% from 4.4% a year ago, although it has climbed back above 4% in recent weeks. The spread between the average net-lease cap rate and 10-year Treasury yield rose to 303 bps, up from 169 bps a year ago.
- The average net-lease cap rate for retail assets in Q3 increased to 6.8% from 5.9% a year ago, while the average for office and industrial assets increased by 44 bps and 31 bps to 7.0% and 6.5%, respectively.



Source: CBRE Research, MSCI Real Assets, U.S. Department of the Treasury, Q3 2024.

Figure 6
Net-lease investment
by investor type

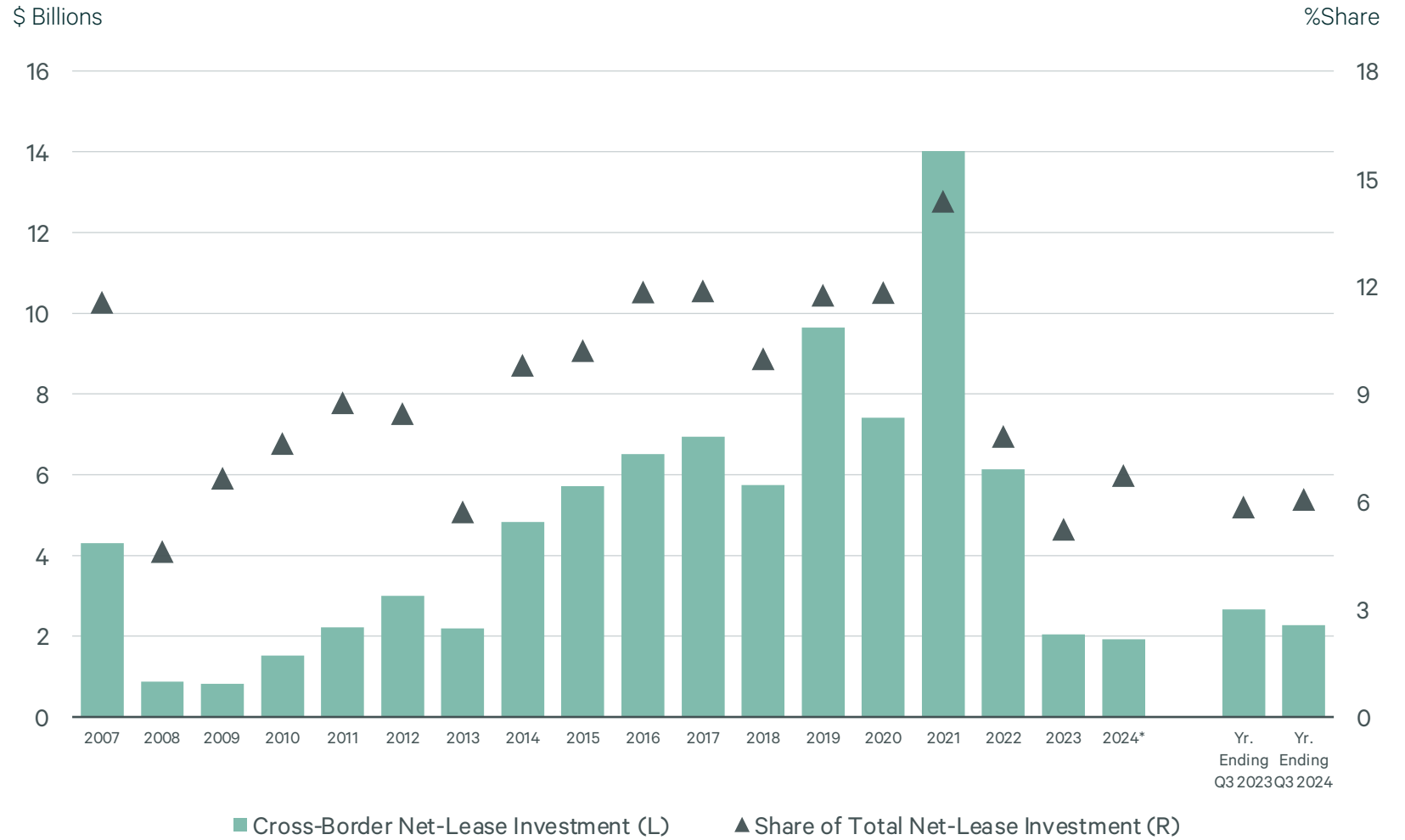
- Private investors remained the largest buyer group for net-lease assets. While total private capital volume fell by 16% year-over-year in Q3 to \$5.0 billion, it decreased by only 3% from Q2, indicating a degree of stabilization.
- Institutional investors and equity funds accounted for \$2.7 billion in Q3 net-lease investment volume, up by 1% quarter-over-quarter and 4% year-over-year.
- Net-lease investment by REITs fell by 14% from a year ago to \$592 million.
- Cross-border net-lease investment increased by 102% quarter-over-quarter and 95% year-over-year to \$743 million, largely driven by a tripling of industrial net-lease volume. The increase was propelled by two major deals: Brookfield’s acquisition of a \$354 million single-tenant industrial portfolio and the \$126 million sale of a DHL supply chain facility.



Note: Investor types reflect transactions reported to MSCI Real Assets and may not fully reflect market activity.
 Source: CBRE Research, MSCI Real Assets, Q3 2024.

Figure 7 Cross-border net-lease investment

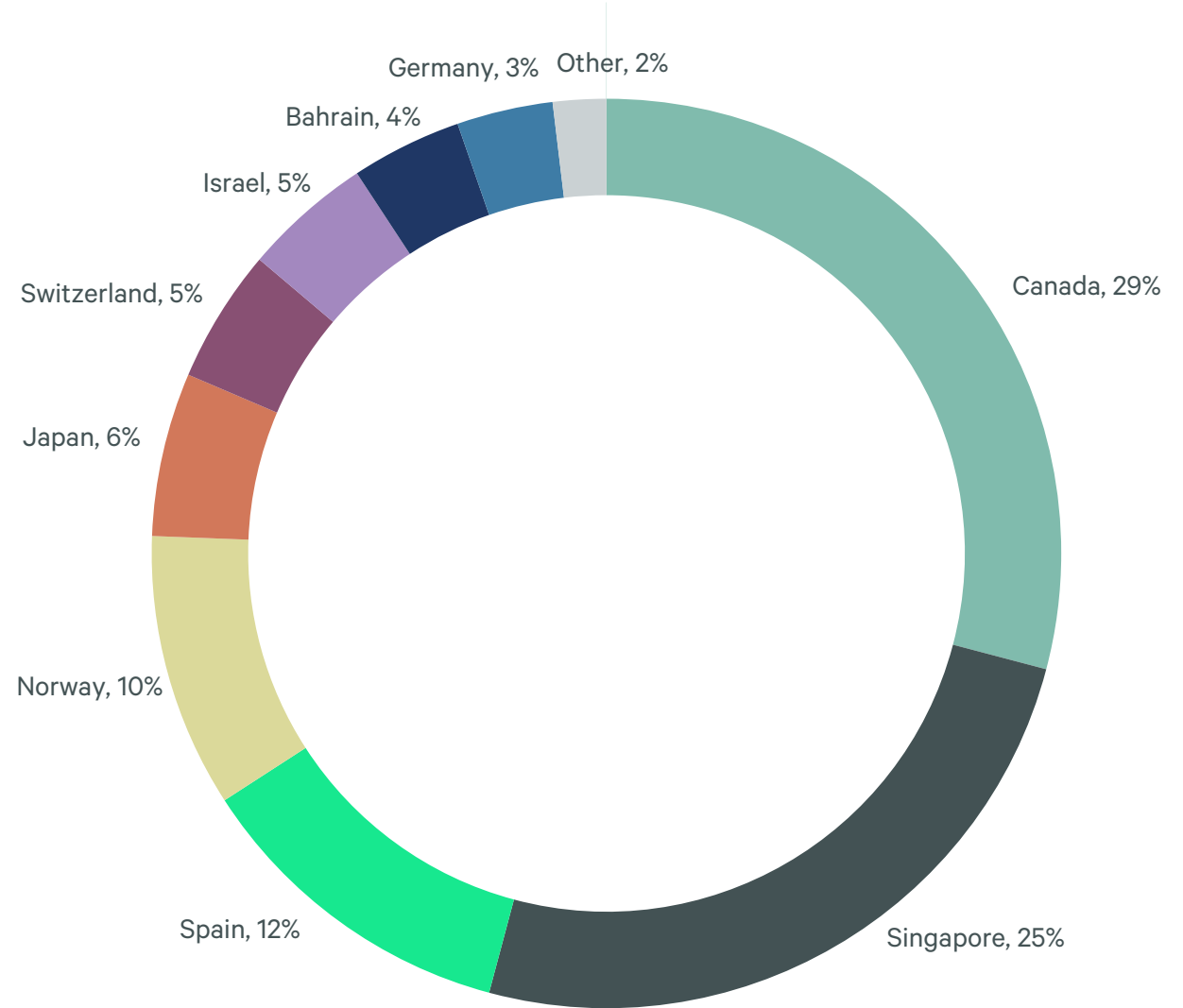
- International buyers accounted for 6.1% of total U.S. net-lease investment volume for the year ending Q3 2024, up from 5.9% over the same period in 2023.
- Despite the strong quarterly growth, cross-border net-lease investment fell by 15% to \$2.3 billion for the year-ending Q3 2024 compared with the same period in 2023.



*Year to date.
Source: CBRE Research, MSCI Real Assets, Q3 2024.

Figure 8
Cross-border net-lease investment
by country of origin, year ending
Q3 2024

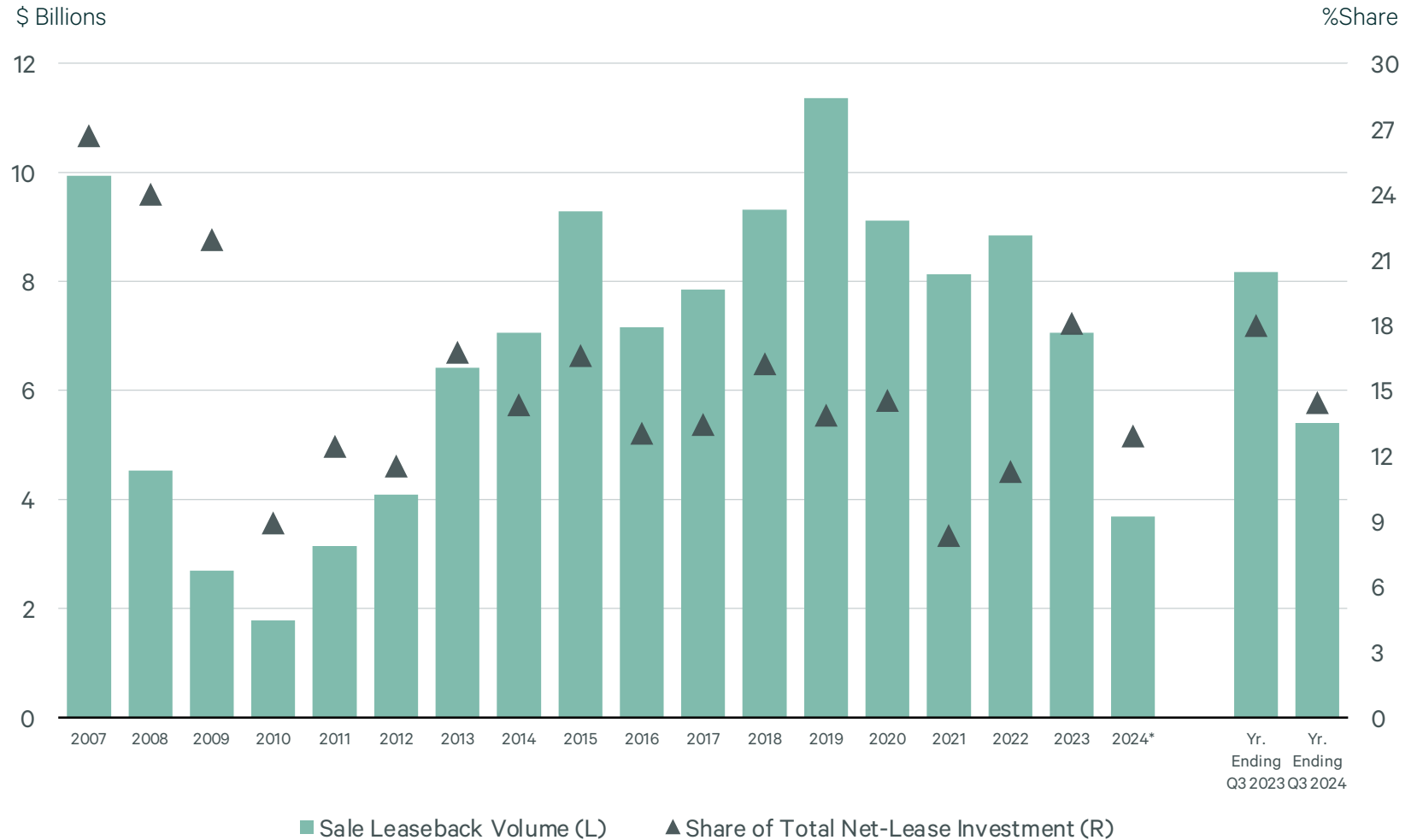
- Canada, Singapore, Spain, Norway and Japan were the top five countries of origin for international investment in U.S. net-lease properties for the year ending Q3 2024. Together, they accounted for 81% of total cross-border investment volume.
- Singapore and Canada accounted for 54% of all cross-border net-lease volume over the past four quarters.



Source: CBRE Research, MSCI Real Assets, Q3 2024.

Figure 9 Sale/leaseback net-lease investment volume

- Sale/leaseback net-lease investment volume fell by 34% to \$5.4 billion for the year ending Q3 2024.
- Sale/leasebacks accounted for 14% of all net-lease transactions for the year ending Q3 2024, down from 18% in Q3 2023. This decline reflects a soft M&A environment and less need for companies to raise capital and increase liquidity amid a strong economy and improving capital markets conditions.
- While the risk of elevated Treasury yields will likely weigh on capital markets activity, CBRE expects that net-lease investment volume will be relatively resilient due to attractive risk-adjusted returns and less inherent risk associated with these investments.



Note: *2024 is YTD value. Investor types reflect transactions reported to MSCI Real Assets and may not fully reflect market activity.
Source: CBRE Research, MSCI Real Assets, Q3 2024

Contacts

Richard Barkham, Ph.D., MRICS

Global Chief Economist
& Head of Americas Research
+1 617 912 5215
richard.barkham@cbre.com

Darin Mellott

Vice President
Capital Markets Research
+1 801 869 8014
darin.mellott@cbre.com

Jaeyoung Kim

Senior Research Analyst
+1 212 984 8398
jaeyoung.kim1@cbre.com

Travis Deese

Associate Director
Multifamily Research
+1 404 441 4239
travis.deese@cbre.com

Will Pike

Managing Director
Net Lease Properties
+1 404 923 1381
will.pike@cbre.com

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

