

Marcus & Millichap

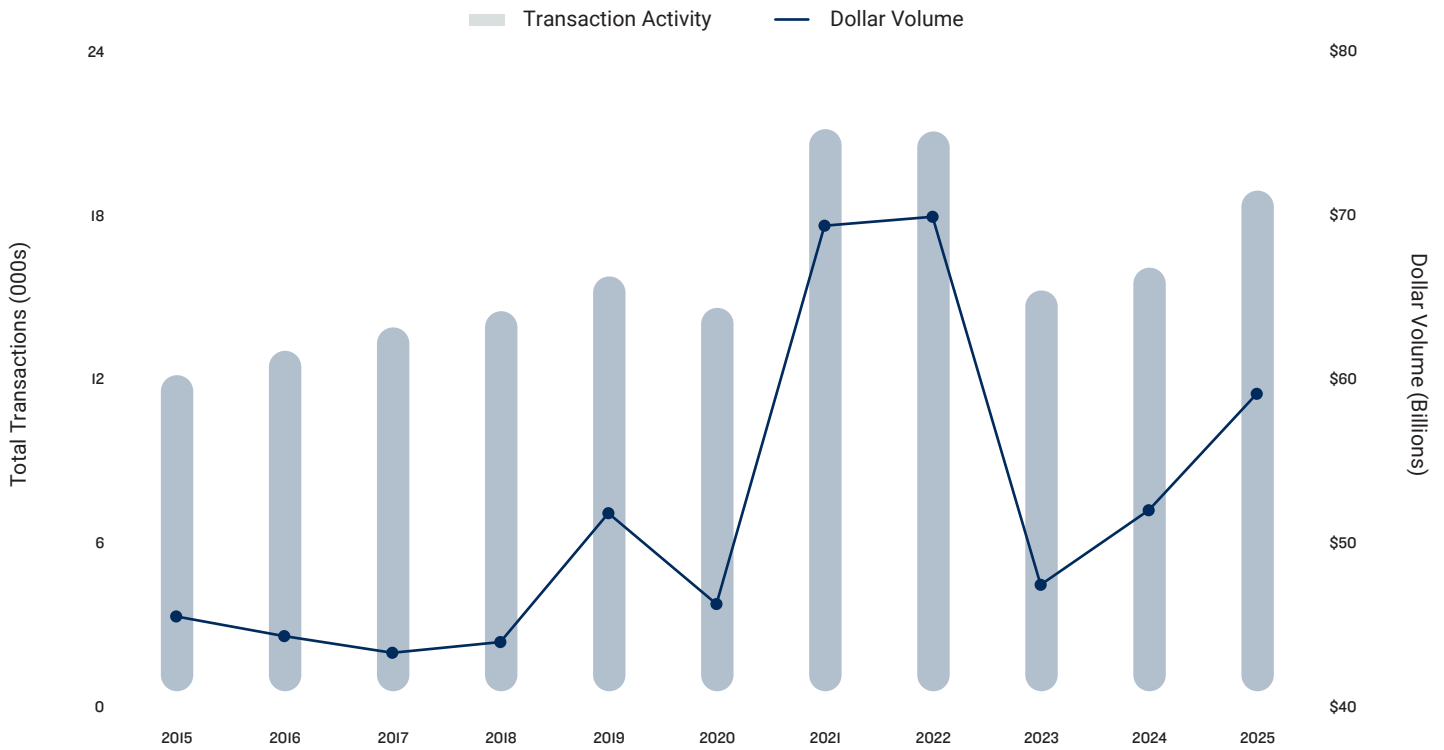
INVESTMENT REPORT

SINGLE-TENANT NET LEASE
RETAIL REPORT

2Q 2026



Single-Tenant Retail Sales Trends



↑ **18%**

increase in the number of STNL retail transactions 2025 vs. 2024

↑ **13%**

increase in dollar volume from the previous year

↓ **16%**

decrease in dollar volume since 2022, but still higher than any year before 2021

↓ **11%**

decrease in number of transactions in 2025 compared to the previous peak in 2021

↑ **44%**

increase in number of STNL retail transactions in 2025 compared to 2014-2019 annual average

Trading Jumps to Highest Level Outside Post-Pandemic Surge

Sales activity improved in 2025 after higher interest rates weighed on trades in 2023 and 2024. A larger increase in the transaction count over dollar volume indicates the average deal size decreased, meaning more, lower-priced assets changed hands.

Last year was the third most active period on record for STNL retail trades, aided by Fed rate cuts, resilient property fundamentals, and more closely aligned investor expectations.

Sales \$1 million and greater
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

Individual and portfolio deals drive considerable gain in trading, but are offset by drop in entity-level deals.

MARKET DRIVERS Sales \$2.5M+

Quarterly (Billions)

	4Q 2024	4Q 2025	Y-O-Y Percent Change
Individual	\$5.09	\$6.21	22%
Portfolio	\$0.26	\$0.95	269%
Entity	\$0.002	\$0.000	-100%
Total	\$5.35	\$7.16	34%

Annual (Billions)

	2024	2025	Y-O-Y Percent Change
Individual	\$16.87	\$21.36	27%
Portfolio	\$1.79	\$2.54	42%
Entity	\$2.79	\$0.06	-98%
Total	\$21.45	\$23.96	12%

Sales \$2.5 million and greater

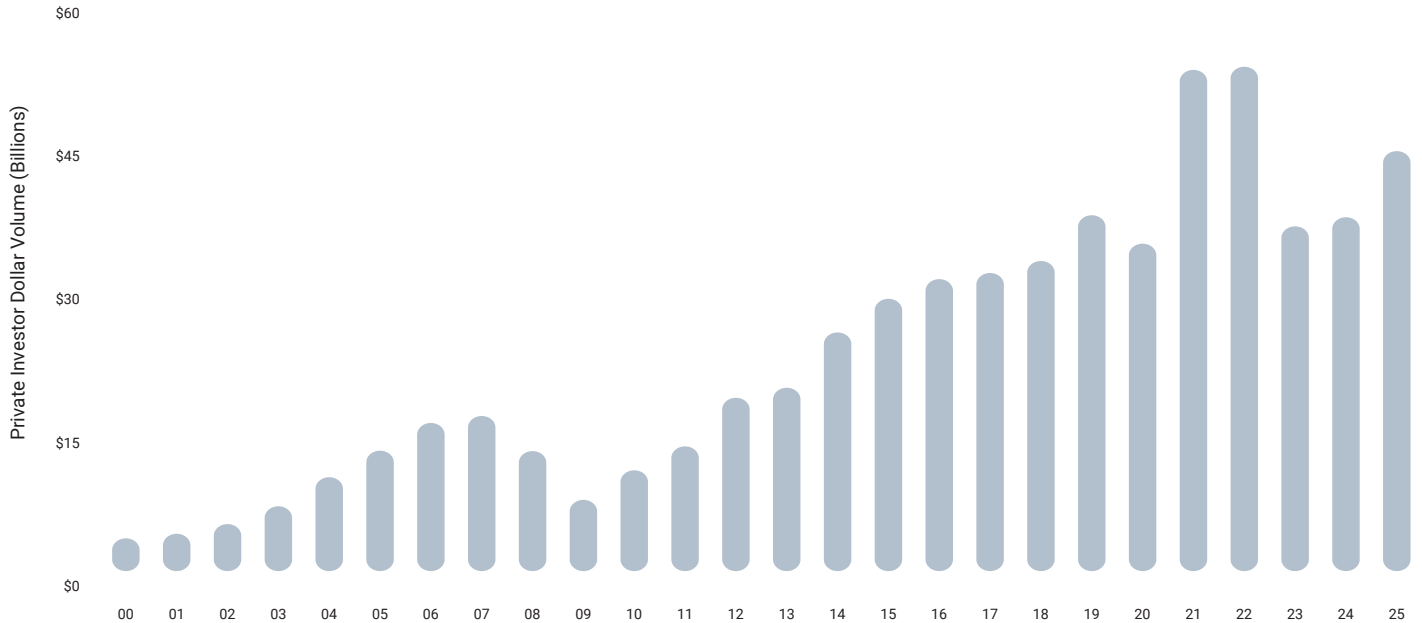
Excluding merger & acquisition activity, individual and portfolio sales up 28% Y-O-Y.

Full impact of private investors understated here by exclusion of sub-\$2.5 million trades.

Fewer entity-level mergers and acquisitions led to an overall small shift in total dollar volume.

PRIVATE INVESTOR ACTIVITY

SINGLE-TENANT RETAIL PRIVATE BUYER DOLLAR VOLUME



Sales \$1 million and greater
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics



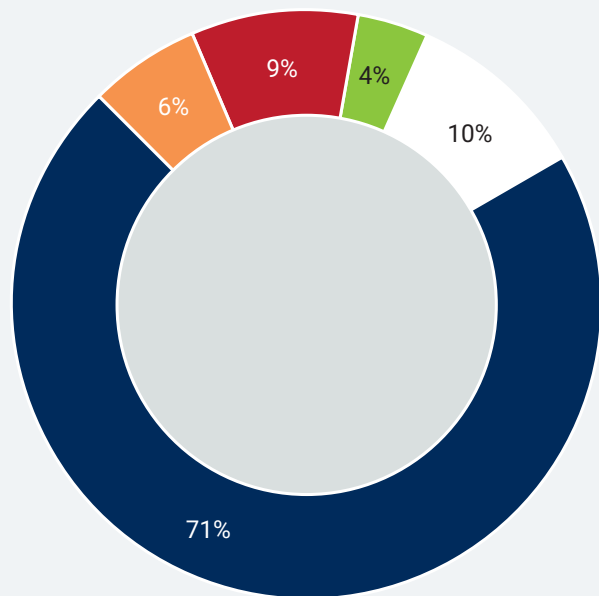
Private investor dollar volume increased over the course of 2025 compared with 2023 or 2024.

↓ 18% below the 2022 peak, still surpassing any year prior to 2021

Includes sales \$2.5 million and greater; percent of dollar volume
Includes retail space usually occupied by a single tenant and/or under 30,000 square feet.
Sources: Marcus & Millichap Research Services; Real Capital Analytics

BUYER COMPOSITION BY DOLLAR VOLUME

Full Year 2025



- REITs
- Institutions
- Cross Border
- Foreign Buyers
- Private Investors

ASSET TYPE PERFORMANCE

2025 vs. 2024

Individual Asset
Investment:

↑
27%

Portfolio-Level
Investment:

↑
42%

Entity-level
Investment:

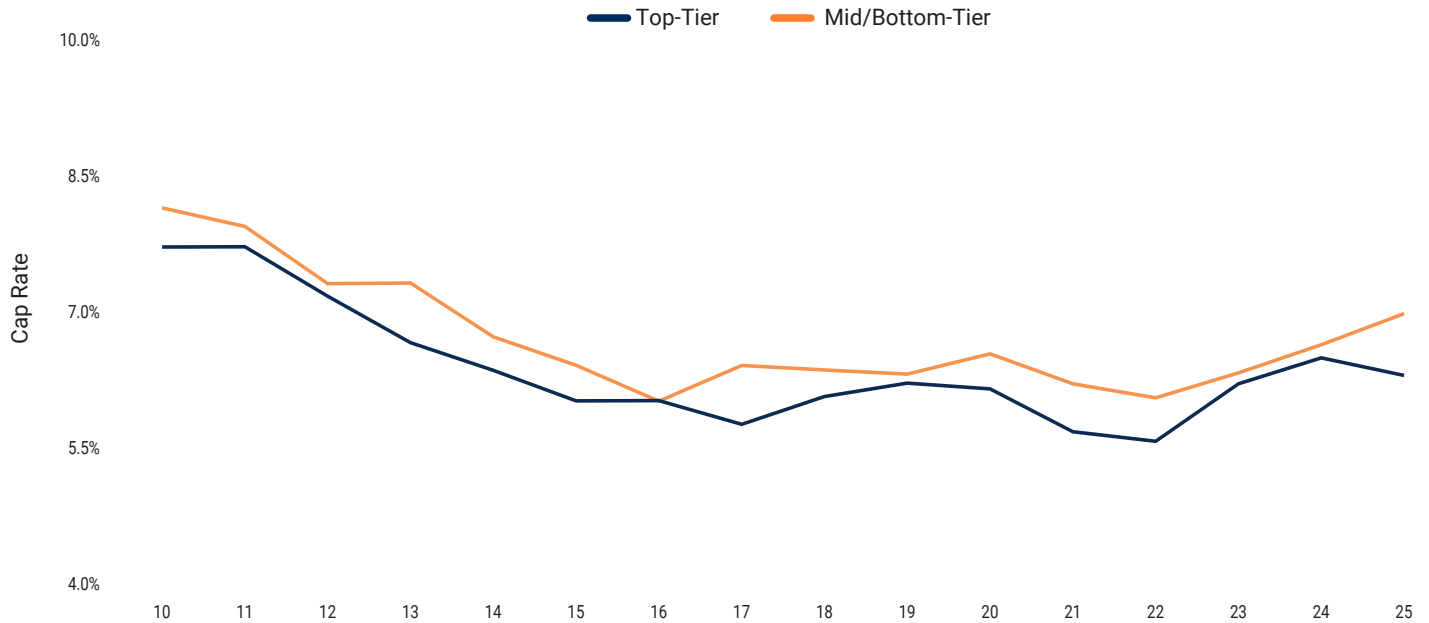
↓
98%

largely due to the 2024 Realty
Income–Spirit Merger



CAP RATE TRENDS

SINGLE-TENANT RETAIL CAP RATE BY CREDIT RATING



Sales \$1 million and greater
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; CoStar Group, INC.; RetailStat

Cap Rate Trends Diverge by Tenant Credit Quality in 2025

While STNL cap rates have been generally rising since 2022, the mean cap rate for assets with top-tier tenants dipped last year.

This may be a fluctuation or the start of a trend.

Since 2022:

Mid/Bottom-tier cap rates have increased 90 basis points on average.

The mean top-tier cap rate is up 80 basis points, down 20 basis points from the 2024 average.

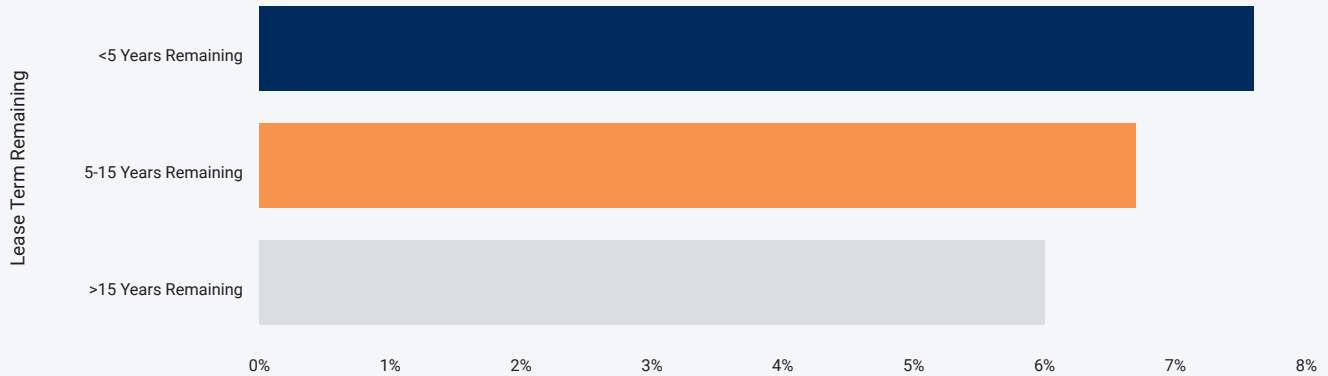


Interpretation:

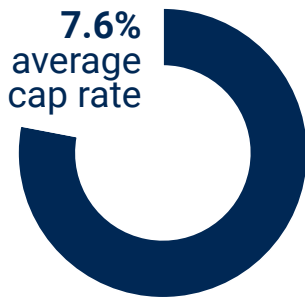
The market is placing heavy emphasis on top-tier credit-grade tenants, resulting in downward pressure to the mean cap rate, in contrast to the overall market average.

IMPACT OF LEASE TERM ON CAP RATES

SINGLE-TENANT RETAIL CAP RATE BY LEASE TERM REMAINING

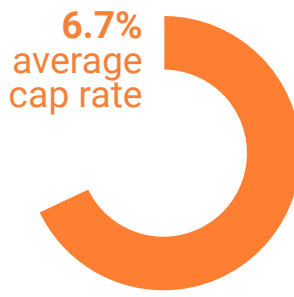


<5 Years Remaining



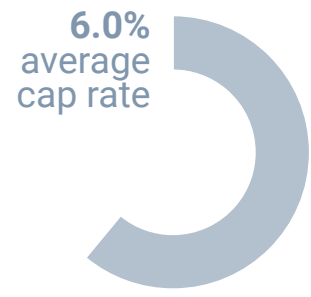
- 100 bps above the overall mean, reflecting how less certainty on long-term cash flow can affect risk perceptions

5-15 Years Remaining



- Closely aligned with the overall market average

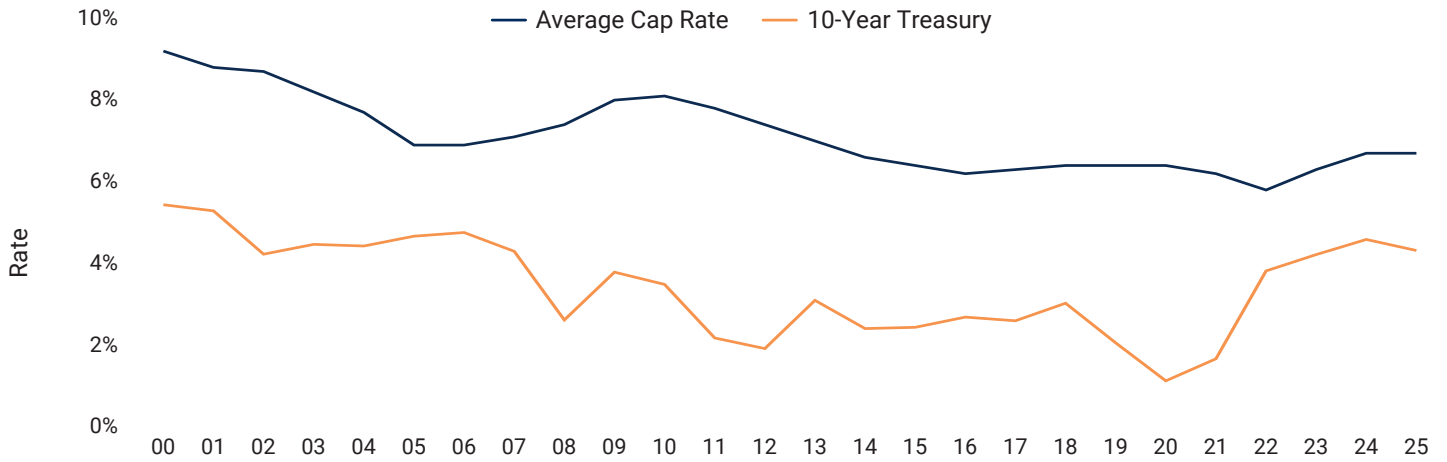
>15 Years Remaining



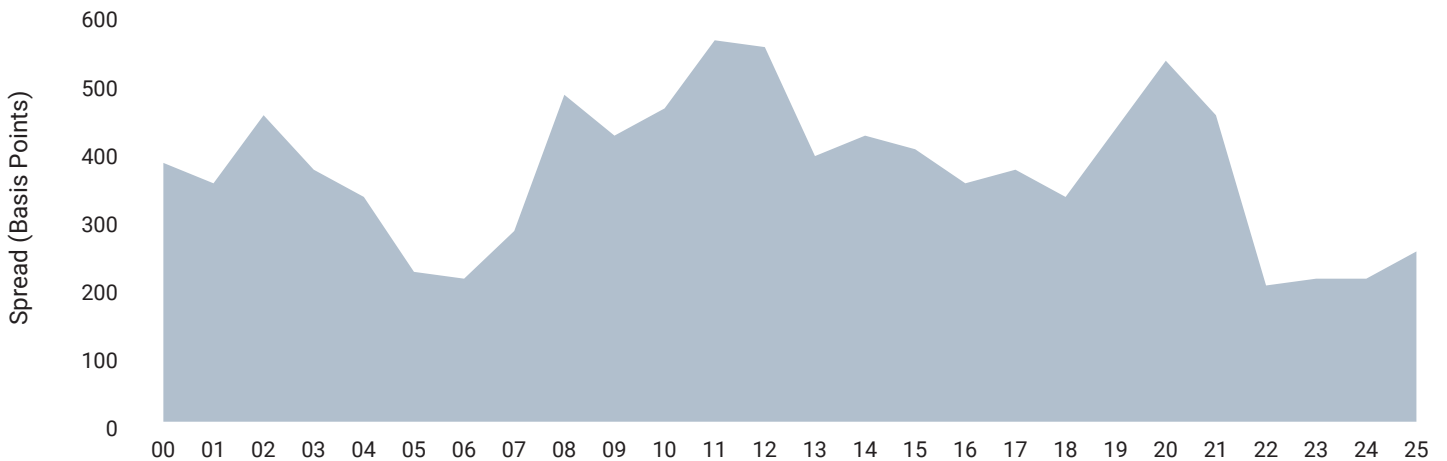
- Lower cap rate reflects value placed by investors on longer lease term and the associated cash flow

HISTORICAL SPREAD PERSPECTIVE

SINGLE-TENANT AVERAGE CAP RATE VS. TREASURY



CAP RATE TO TREASURY SPREAD



As of Dec. 2025, the average spread between STNL retail cap rates and the 10-year Treasury was **250 basis points**.



Since 2000, the average spread is **370 basis points**. Recent geopolitical pressures on bond yields may result in the margin narrowing again.



Interpretation:

A wider margin over the risk-free rate grants investors more flexibility in finding financing, but can also reflect caution around STNL risk factors.

Includes sales \$1.0 million and greater
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics; Federal Reserve

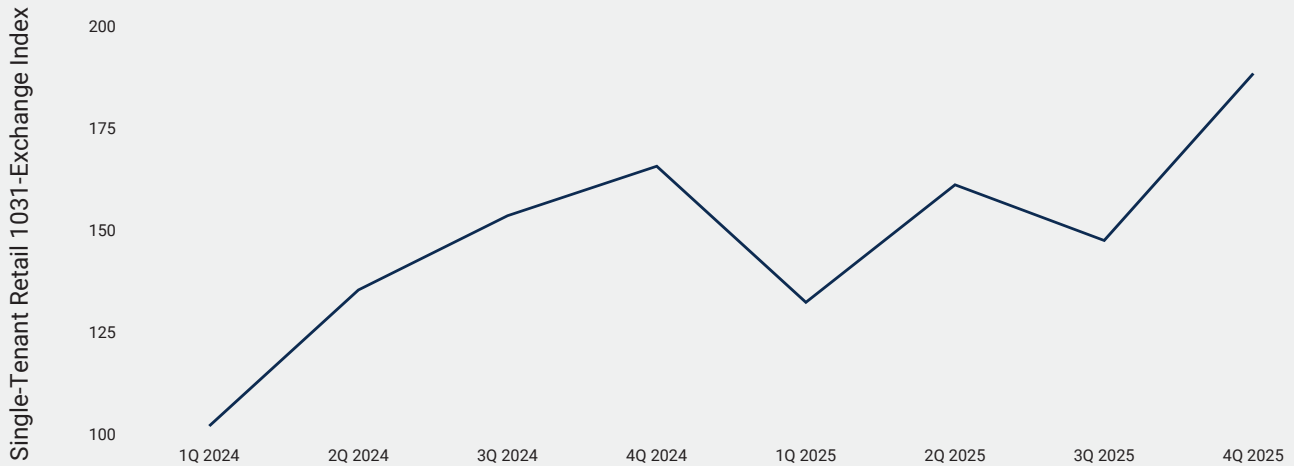


TAKEAWAY

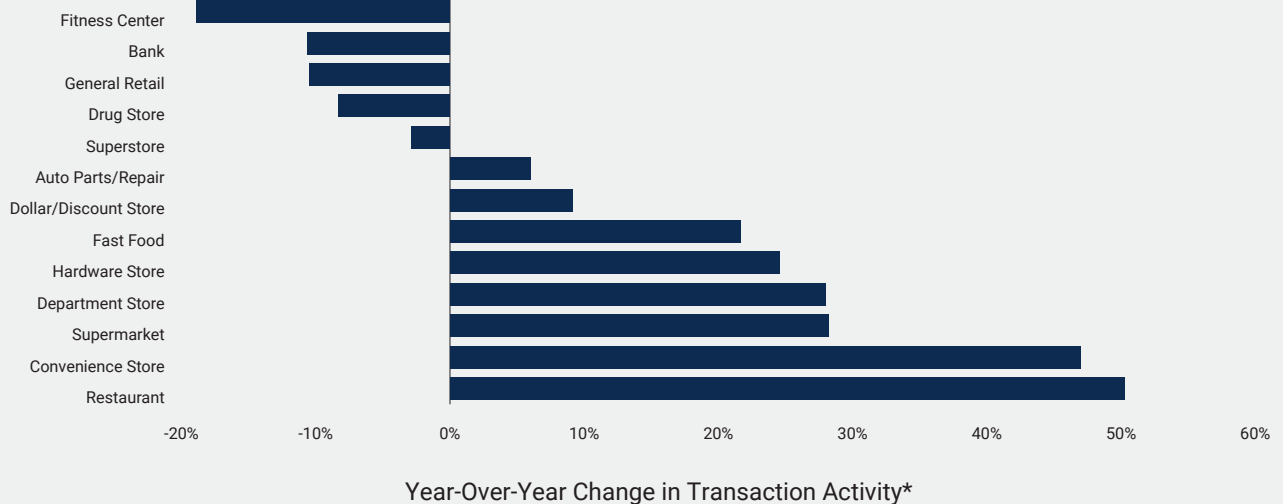
Evolving climate of uncertainty has begun to boost the appeal of real assets with reliable income streams. Properties with built-in rent escalators may be favored as inflation risk remains.

TRANSACTION TRENDS

Buyers Increasingly Utilizing 1031 Exchanges



Change in Transaction Activity



Buyers utilized 1031 Exchanges in the last quarter of 2025 at the highest level since

Before 2024, reflecting appeal of capital gains tax deferral on investment decisions.

Store types that recorded increased sales last year align with resilient consumer spending on concepts that offer

Convenience, Necessities, and Socialization.

Interpretation:



Tax deferral and the ability to target specific retailer profiles continue to serve as **key draws for the STNL sector.**

* Trailing 12-months through 3Q 2025
Includes sales \$1.0 million and greater
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics; Federal Reserve

CONCLUSION

After higher interest rates tempered investment activity in 2023, the number of transactions of single-tenant retail properties has increased, reaching the third-highest count on record, dating back to 2000. Private buyers have led this momentum.

Improved transaction activity has contributed to a slight increase in the average sale price to \$337 per square foot. Even so, the mean cap rate continued to rise last year, up 10 basis points to 6.6 percent, reflecting the still high underlying cost of capital.

Assets with longer lease terms or higher-credit-quality tenants continue to provide material benefits to investors, evidenced by the clear premium in sales terms that result in a lower cap rate.



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