

FIGURES | U.S. NET-LEASE INVESTMENT | Q4 2021

2021 Net-Lease Investment Volume Jumps 48%

▲ \$32.4B

Q4 Investment Volume

▲ \$4.5B

Q4 Cross-Border Capital

▼ 6.0%

Q4 Average Cap Rate

▲ 1.5%

10-Year Treasury Rate*

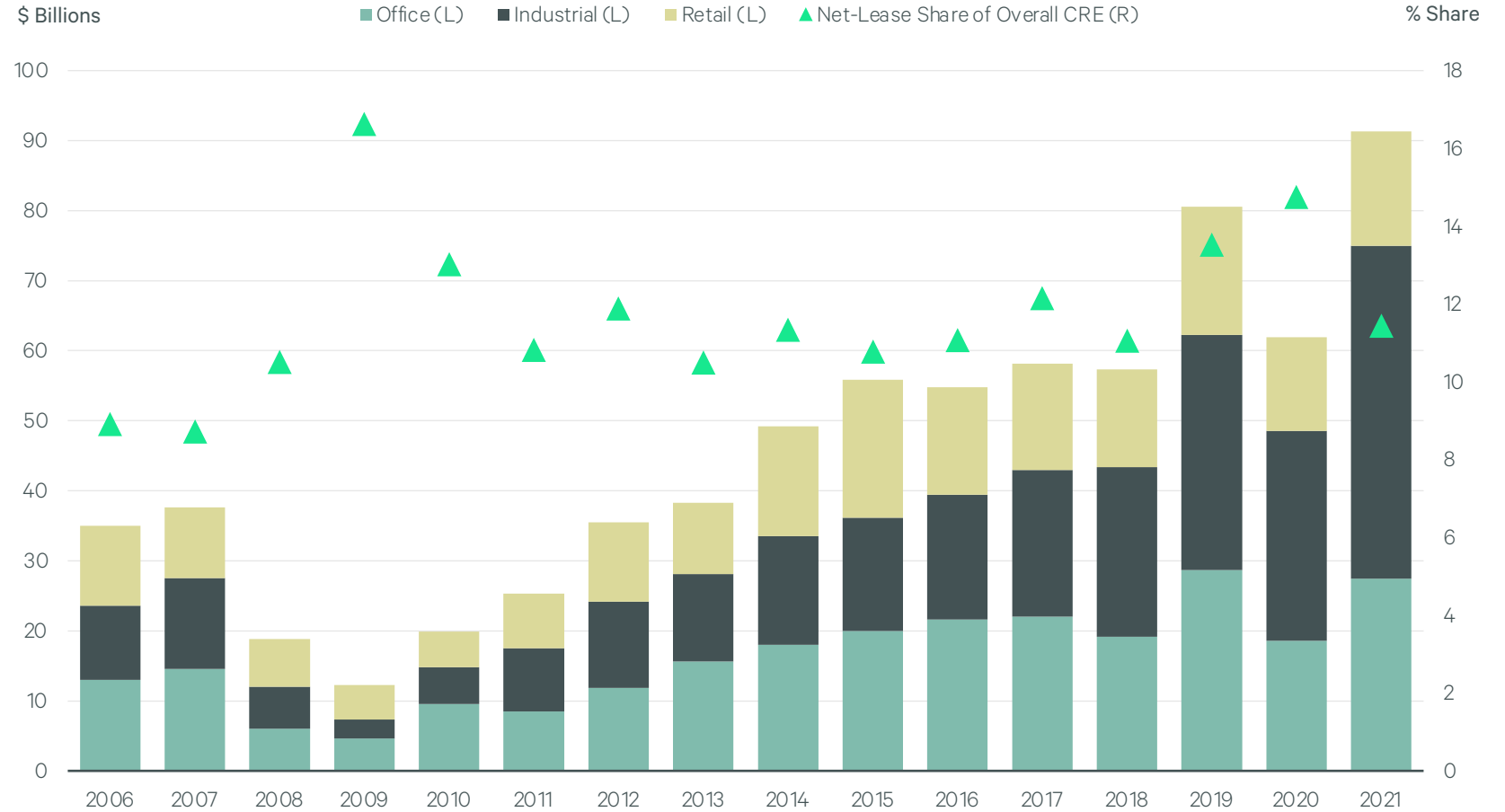
Note: Arrows indicate change from the same quarter in the previous year. *As of December 31, 2021.

Executive Summary

- Net-lease investment volume increased by 31% year-over-year in Q4 2021 to \$32.4 billion. Total commercial real estate investment volume grew by 93% to \$322.3 billion.
- For full-year 2021, net-lease investment volume increased by 48% from 2020 to \$92.1 billion, while total commercial real estate volume increased by 90% to \$797.8 billion.
- The industrial sector’s share of total net-lease investment volume of the three major commercial property types increased to 58.4% in Q4 2021 from 53.8% in Q4 2020, while the office sector’s share increased to 27% from 25.8% and the retail sector’s share decreased to 14.5% from 20.4%.
- The average net-lease cap rate decreased by 10 basis points (bps) in Q4 to 6.0%.
- The U.S. 10-year Treasury yield closed 2021 at 1.5% and the spread between the average net-lease cap rate decreased to 452 bps. As of March 11, 2022, the spread was down to 402 bps.

Figure 1 U.S. Net-Lease Investment Volume

- Q4 2021 net-lease investment volume—using single-tenant asset transactions as a proxy—increased by 31% year-over-year to \$32.4 billion
- For full-year 2021, net-lease investment volume increased by 48% from 2020 to \$92.1 billion and accounted for 11.4% of total commercial real estate investment volume.
- While net-lease assets remained appealing to investors, the net-lease share of total commercial real estate investment fell to 11.4% in 2021, roughly in line with the five-year pre-pandemic average of 11.7%.



Note: Single-tenant asset investments used as a proxy for net-lease investment sales.
Source: CBRE Research, Real Capital Analytics, Q4 2021.

Figure 2
U.S. Net Lease Investment Volume by Property Type

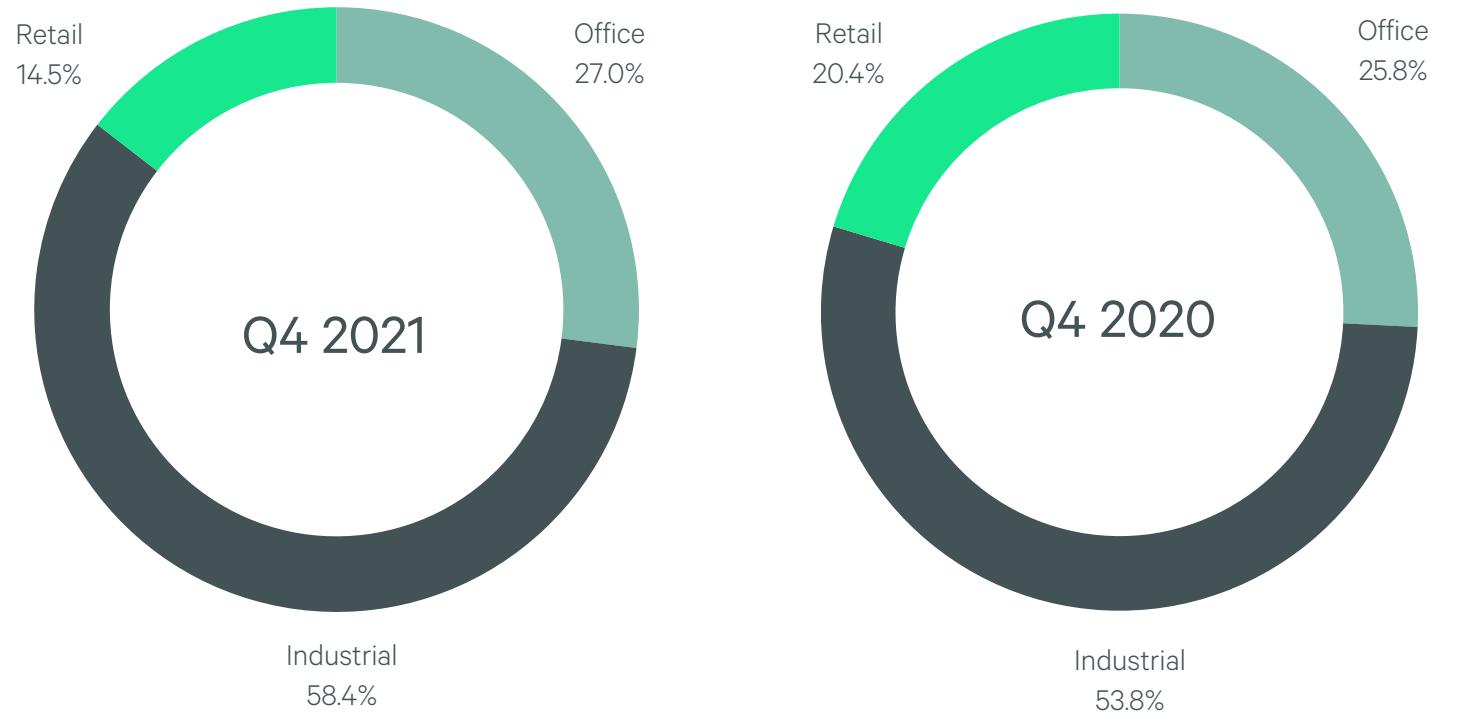
	Total (\$ Billions)			Market Share (%)
	Q4 2021	Q4 2020	Change (%)	
All Types of Investments				
Office	8.6	6.3	35.6	26.5
Industrial	18.6	13.2	40.4	57.3
Retail	4.6	5.0	-7.7	14.2
Other	0.6	0.2	270.8	2.0
Total	32.4	24.7	31.0	100.0
Single-Asset Investments Only				
Office	6.7	4.8	40.2	30.3
Industrial	11.0	8.6	29.1	50.0
Retail	4.3	3.6	17.7	19.4
Other	0.1	0.0	0.0	0.4
Total	22.1	17.0	30.3	100.0
Portfolio Investments Only				
Office	1.9	1.6	21.5	18.4
Industrial	7.5	4.7	61.2	73.0
Retail	0.3	1.4	-75.7	3.2
Other	0.5	0.2	218.0	5.3
Total	10.3	7.8	32.7	100.0

	Total (\$ Billions)			Market Share (%)
	Yr. Ending Q4 2021	Yr. Ending Q4 2020	Change (%)	
All Types of Investments				
	27.4	18.6	47.7	29.8
	47.6	30.0	58.7	51.7
	16.3	13.4	22.3	17.7
	0.7	0.3	169.3	0.8
Total	92.1	62.2	48.1	100.0
Single-Asset Investments Only				
	18.8	14.4	30.4	29.0
	32.0	20.2	58.3	49.3
	14.0	10.7	30.8	21.5
	0.18	0.05	298.3	0.3
Total	64.9	45.3	43.2	100.0
Portfolio Investments Only				
	8.6	4.2	107.4	31.8
	15.6	9.8	59.7	57.5
	2.4	2.7	-11.4	8.7
	0.5	0.2	143.3	2.0
Total	27.2	16.9	61.3	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, Real Capital Analytics, Q4 2021.

Figure 3 U.S. Net-Lease Market Share by Property Type

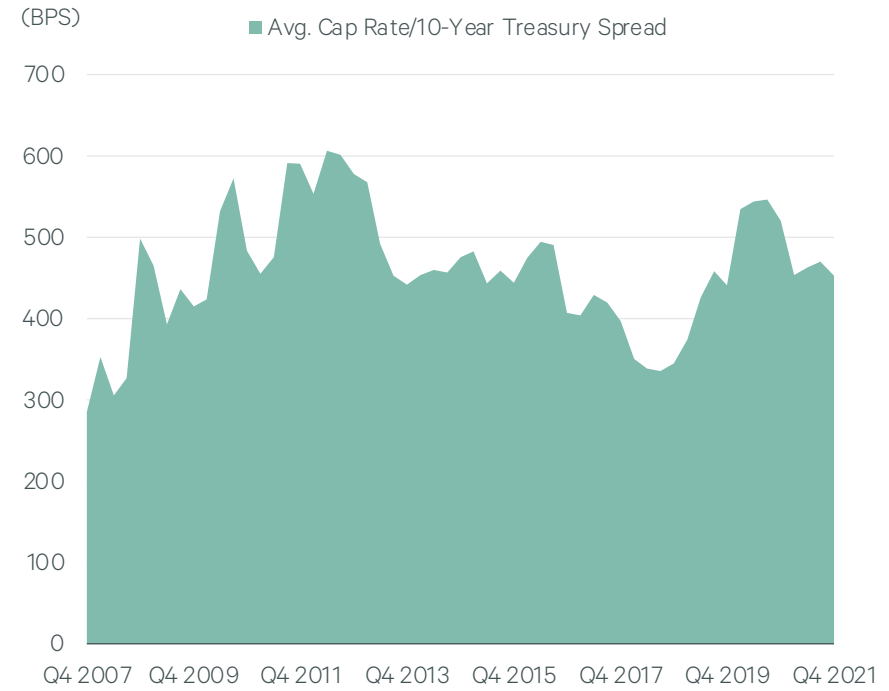
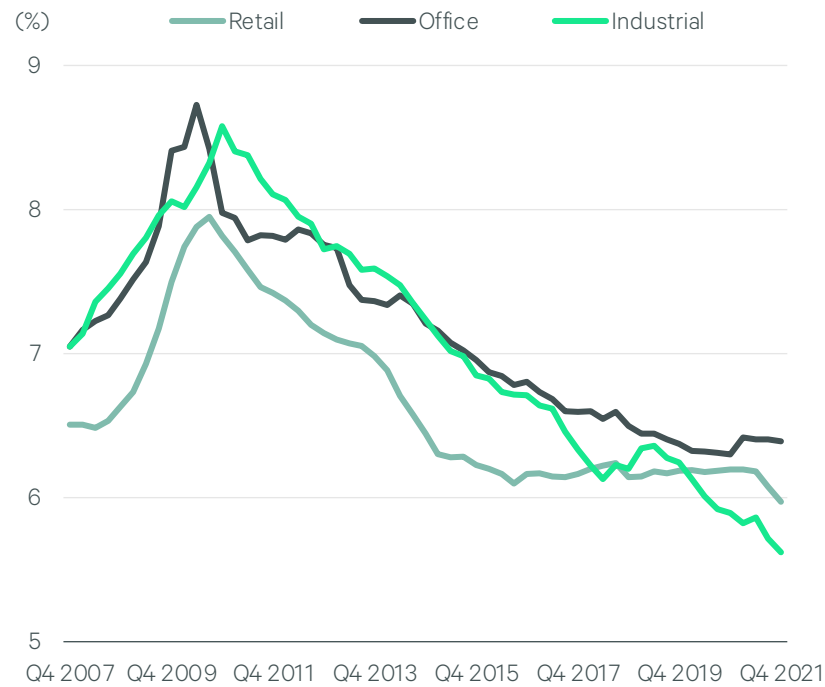
- The industrial sector continued to lead the three major property types with a 58.4% share (\$18.6 billion) of their total net-lease investment volume in Q4, up from 53.8% in Q4 2020.
- The office sector’s Q4 share increased to 27% (\$8.6 billion) from 25.8% a year ago.
- The retail sector’s share fell to 14.5% (\$4.6 billion) from 20.4% in Q4 2020



Note: Real Capital Analytics only tracks properties and portfolios of \$25+ million. Therefore, the total net-lease acquisitions volume is understated, especially since a sizable share of retail transactions are below \$2.5 million. Excludes entity-level transactions and other property types. Does not include "other" for illustrative purposes.
Source: CBRE Research, Real Capital Analytics, Q4 2021.

Figure 4 Cap Rates & Spreads Between 10-Year Treasury Rate

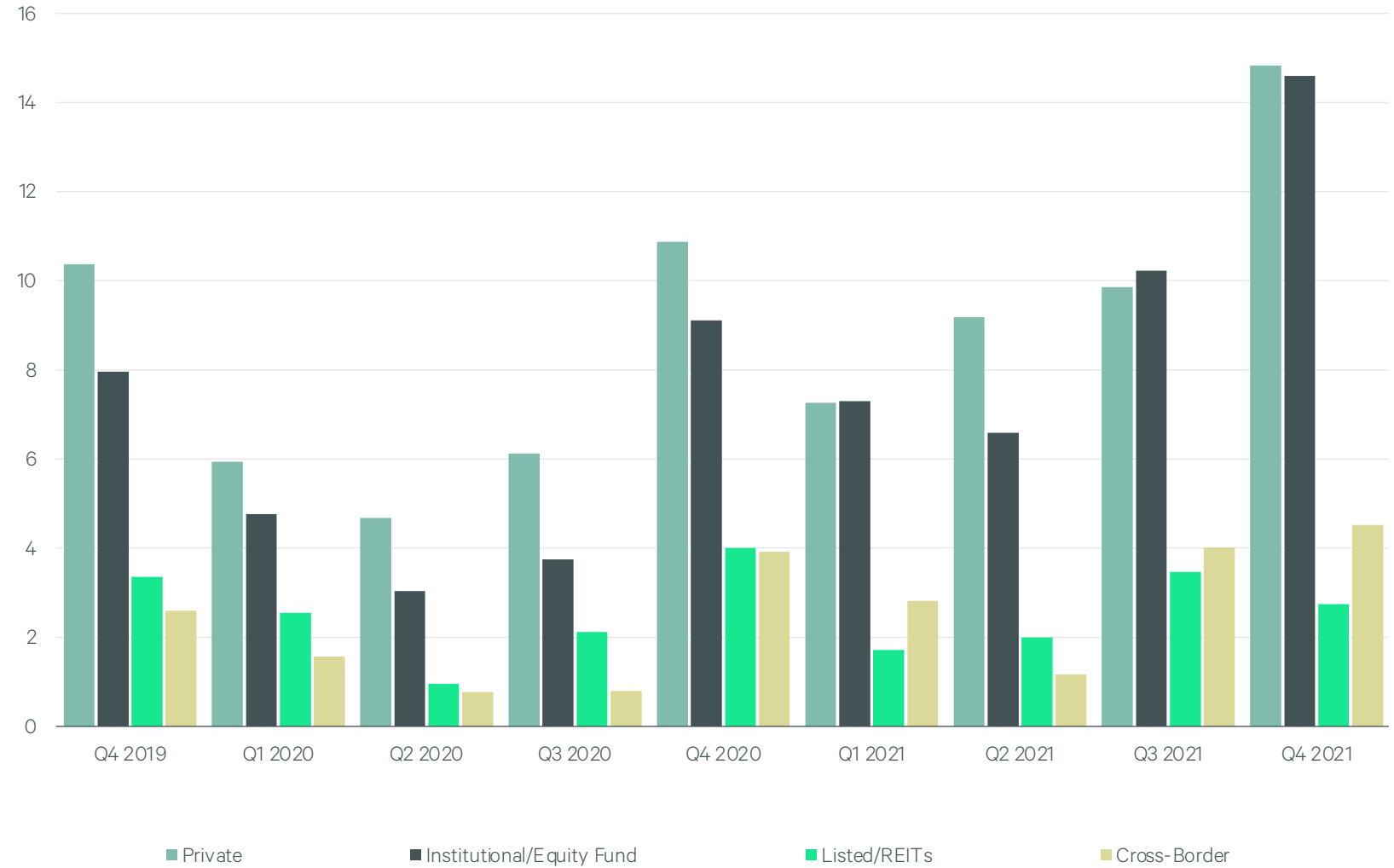
- The average net-lease cap rate decreased by 10 bps to 6.0% in Q4.
- The U.S. 10-year Treasury yield increased to 1.5% at year’s end from 1.4% at the end of Q3. Consequently, the spread between the average net-lease cap rate and the 10-year Treasury rate compressed to 452 basis points. As of March 11, 2022, the spread was down to 402 bps.
- Net-lease office cap rates remained steady at 6.4% in Q4 2021. Net-lease retail and industrial cap rates both fell by 10 bps to 6.0% and 5.6%, respectively.



Source: CBRE Research, Real Capital Analytics, U.S. Department of the Treasury, Q4 2021.

Figure 5 U.S. Net-Lease Investment by Investor Type

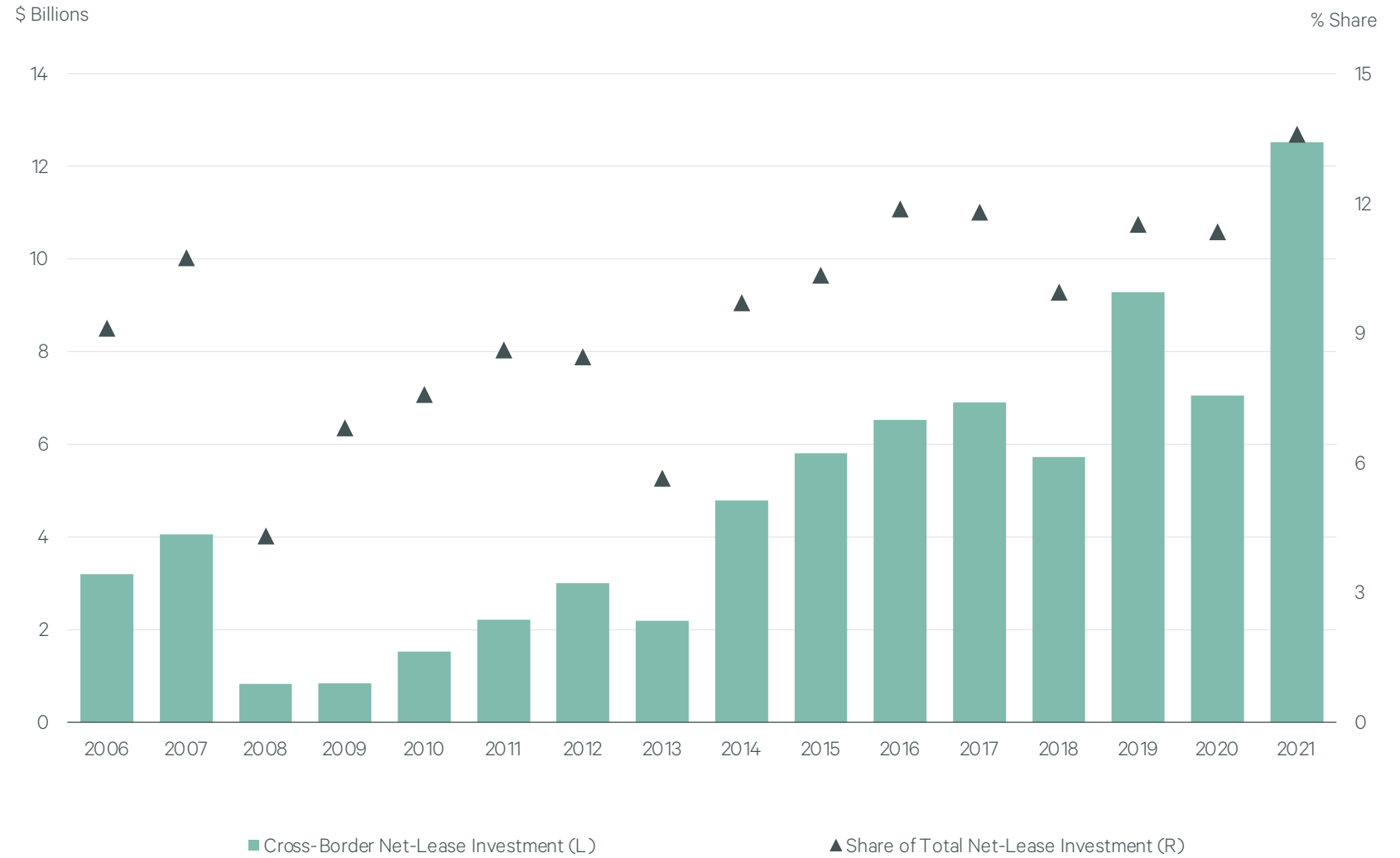
- Net-lease investment volume by REITs grew by 69% year-over-year in Q4 to \$2.7 billion.
- Institutional and equity funds accounted for \$14.6 billion in Q4 volume, a 160% year-over-year increase.
- Private investors' volume grew by 136% year-over-year in Q4 to \$14.8 billion, while investment by international buyers increased by 115% to \$4.5 billion.



Source: CBRE Research, Real Capital Analytics, Q4 2021.

Figure 6 Cross-Border Investment

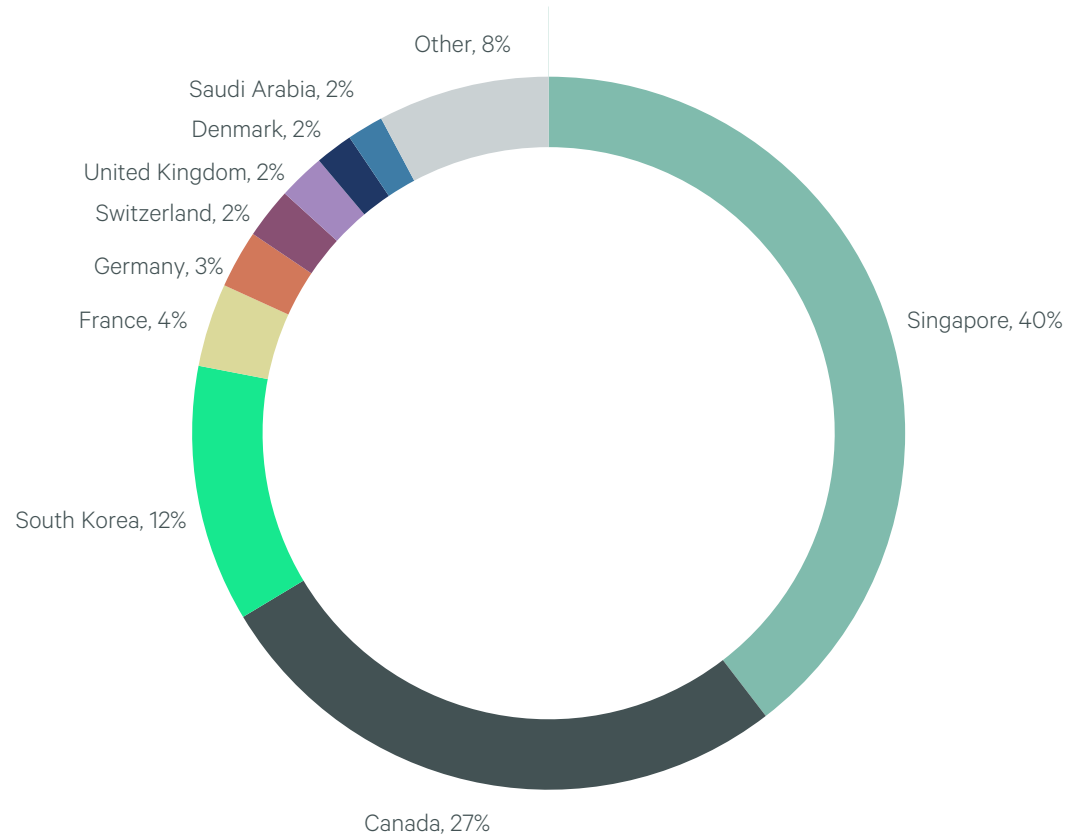
- International buyers accounted for 13.6% of total U.S. net-lease investment volume in 2021, above the pre-pandemic five-year average of 11.1%.
- International investment in U.S. net-lease properties totaled \$12.5 billion for full-year 2021, up by 77.5% from 2020.



Source: CBRE Research, Real Capital Analytics, Q2 2021.

Figure 7 Full-Year 2021 Cross-Border Net-Lease Investment by Country of Origin

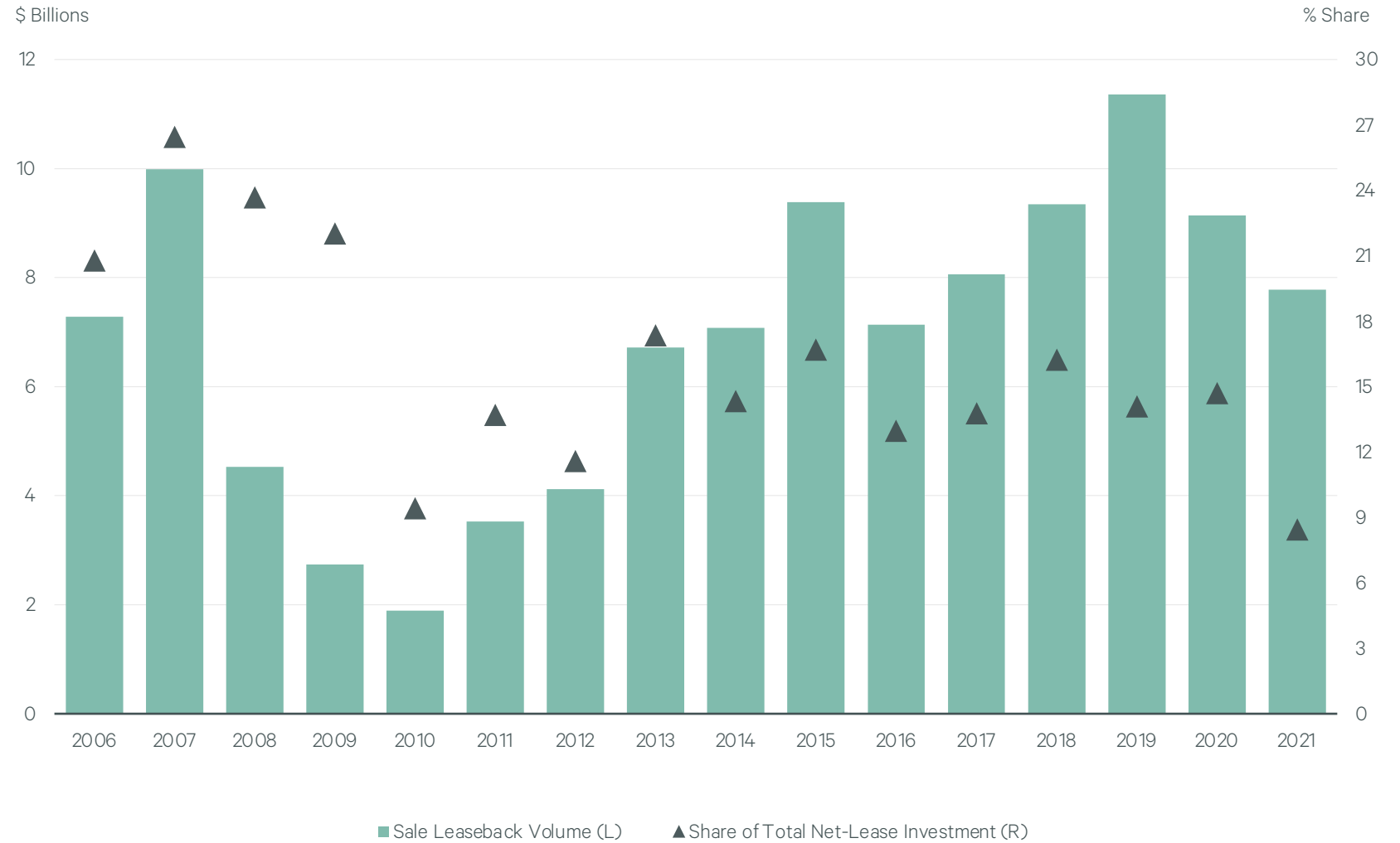
- Singapore, Canada, South Korea, France and Germany were the top five countries of origin for international investment in U.S. net-lease properties in 2021, accounting for a combined 84% of total cross-border investment volume.
- Singapore and Canada accounted for two-thirds of all cross-border net-lease volume last year.



Source: CBRE Research, Real Capital Analytics, Q4 2021.

Figure 8 Sale/Leaseback Net-Lease Investment Volume

- Sale/leaseback net-lease investment volume decreased by 14.9% in 2021 to \$7.8 billion. This occurred as the economic recovery broadened, lessening the need for companies to raise capital and increase liquidity.
- Sale/leasebacks accounted for 8.4% of all net-lease transactions in 2021, down from the five-year pre-pandemic average of 14.8%.



Source: CBRE Research, Real Capital Analytics, Q4 2021.

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