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Second-Half Review 2025

INVESTMENT INSIGHTS AND TRENDS

# Single-Tenant Net Lease Retail Market Performance

Accelerating success.

# Retail Overview

A steady but increasingly selective environment — shaped by cautious consumer spending, tariff pressures, elevated construction costs, and tighter capital markets — marked single-tenant net lease (STNL) retail's second half of 2025. Retail fundamentals remained resilient, with vacancy holding near 4.3% and new supply still constrained by high development and financing costs. Demand continued to favor well-located, high-quality assets, widening the performance gap between Class A and lower-quality properties. Limited speculative construction and a shortage of modern space also reinforced asset fundamentals. At the same time, leasing remained concentrated in service-oriented and convenience-driven categories such as restaurants, wellness, and discount retail. Smaller-format spaces dominated leasing as retailers prioritized efficient footprints that could align with evolving omnichannel strategies.

Sales volume increased to \$6.5 billion, up 14% from the first half of 2025. The median cap rate for sales dropped to 6.7%, down 10 basis points,

while the median price per square foot fell to \$294, 4.9% lower than in the first half-year. Deal activity increasingly reflected a preference for smaller-format retail assets because of necessity-oriented tenants and investors' continued focus on liquidity, operational efficiency, and long-term income durability within the STNL sector.

Stable fundamentals during the second half of 2025 were supported by disciplined underwriting and persistent demand for income-oriented assets. Investors continued to prioritize credit tenants, long lease durations, and durable rent streams, while higher-risk properties faced greater pricing pressure. Although transaction volumes remained muted, improving bid-ask alignment and stable cap rate expectations signaled gradually strengthening liquidity. With construction at near multi-year lows and retailer demand concentrated in smaller, high-performing formats, the STNL market entered 2026 with balanced fundamentals and a continued focus on income stability and disciplined capital deployment.

## CHANGE COMPARED TO 1H 2025

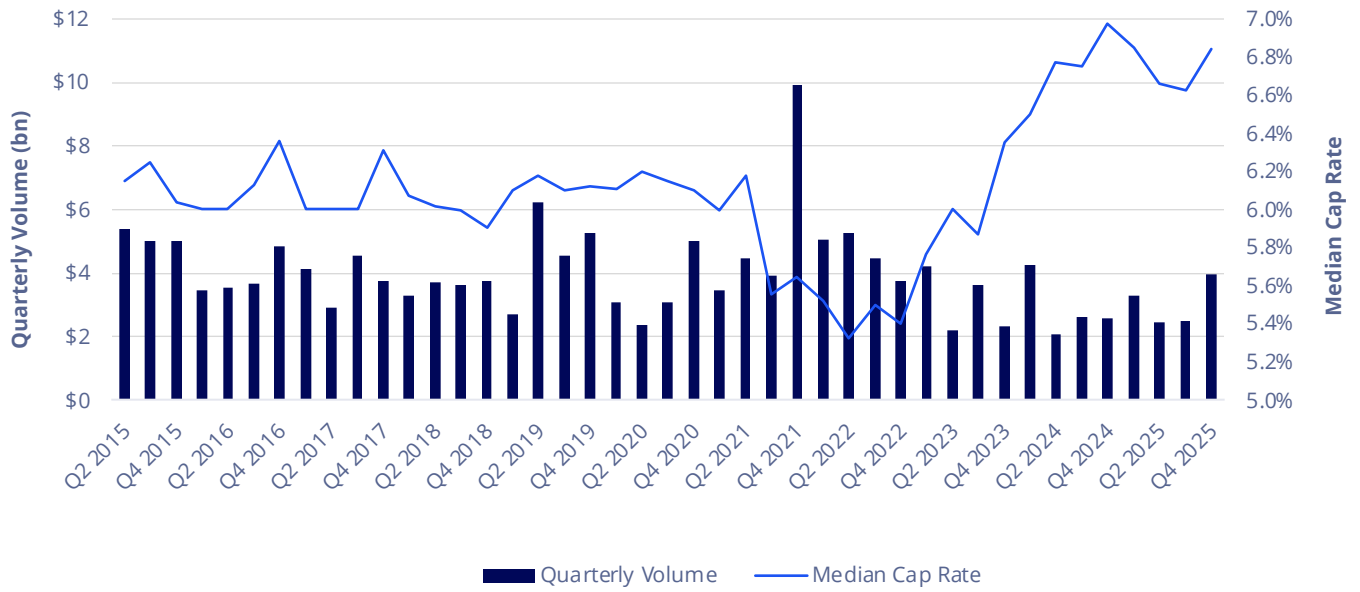
**\$6.5 B ↑**  
2H 2025 SALES VOLUME

**6.7% ↓**  
MEDIAN CAP RATE

**\$294/SF ↓**  
MEDIAN PRICE PER SF

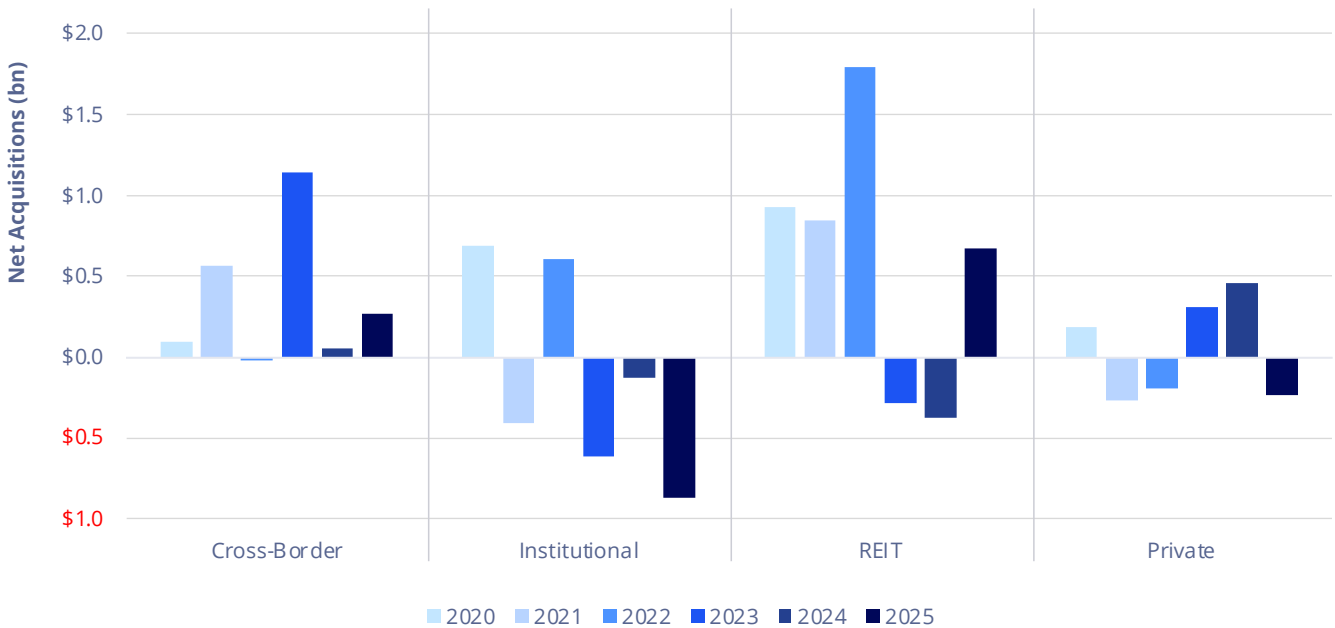


## Pricing and Cap Rates Over Time



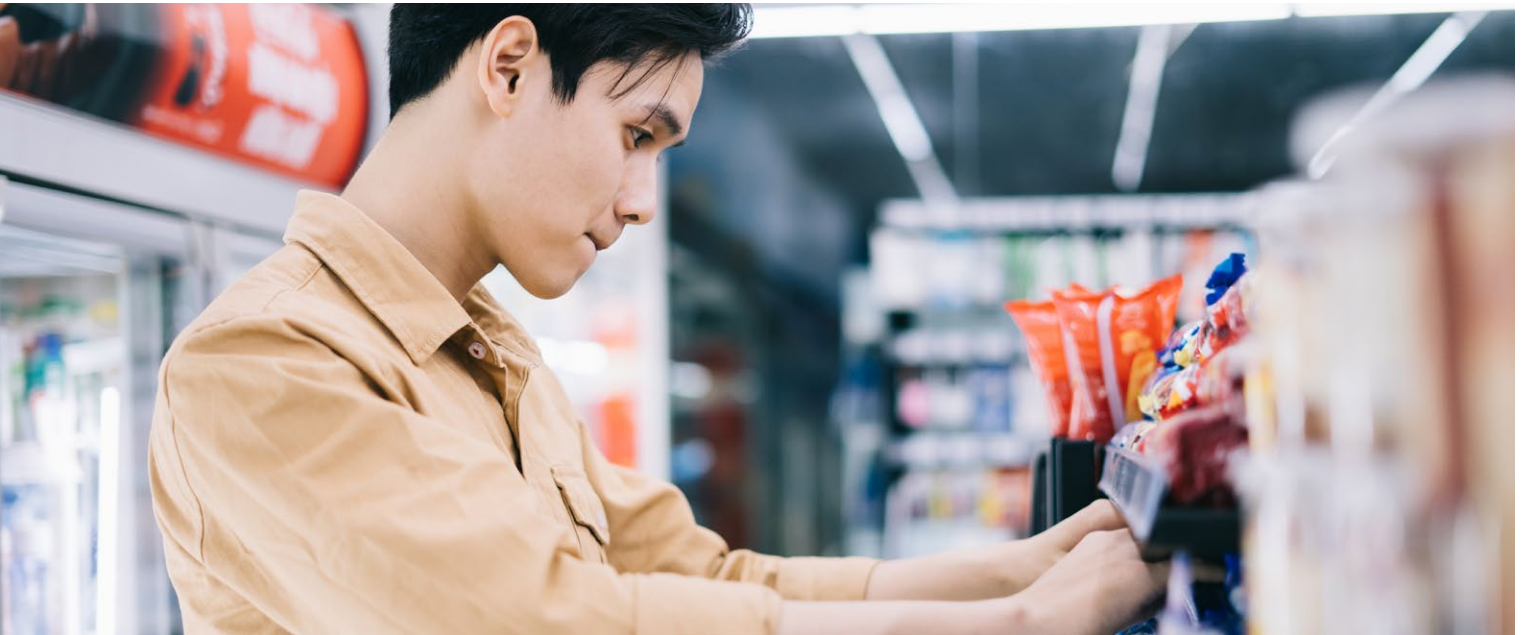
Sources: Colliers, MSCI

## Net Acquisitions by Capital Source



Sources: Colliers, MSCI

# Retail Category Breakdown



## CONVENIENCE STORES

### Key Statistics

- Convenience store investment accelerated in the second half of 2025 to 348 transactions and nearly \$1.5 billion in sales volume, after a surge in Q4 deal activity.
- Pricing momentum remained strong across the sector, with the median price per building square foot averaging roughly \$1,060 in the second half as investors continued to prioritize well-located, high-traffic assets.
- Foot traffic remained resilient, with visits increasing by 4.9% in the second half. While dwell time was nearly unchanged, the steady increase in visits underscores the continued strength of convenience retail as a high-frequency, necessity-driven destination.

### CHANGE COMPARED TO 1H 2025

**\$1.50 B ↑**

2H 2025 SALES VOLUME

**5.4% -**

MEDIAN CAP RATE

**\$1,059/SF ↑**

MEDIAN PRICE PER BUILDING SF

*Source: Colliers, CoStar Analytics, Placer.ai*

*\*Note: CoStar data represents sales with a transaction value of more than \$1 million.*



## DRUG STORES

### Key Statistics

- Transactions grew in the second half of 2025, totaling approximately \$661 million in sales volume, up 49% from the first half, as investors capitalized on repositioning opportunities amid widespread store closures across the sector.
- Despite the increase, the average sale price declined slightly to roughly \$3.9 million in the second half, reflecting a shift toward smaller or more moderately priced assets.
- Foot traffic to U.S. drugstores and pharmacies remained steady throughout 2025, with approximately 2 billion visits in both halves of the year. Average dwell time also held constant at 14.5 minutes, highlighting the category's stable role as a routine healthcare and convenience destination.

#### CHANGE COMPARED TO 1H 2025

**\$661 M ↑**

2H 2025 SALES VOLUME

**7.5% ↓**

MEDIAN CAP RATE

**\$279/SF ↑**

MEDIAN PRICE PER BUILDING SF

Source: Colliers, CoStar Analytics, Placer.ai

\*Note: CoStar data represents sales with a transaction value of more than \$1 million.



## DOLLAR STORES & DISCOUNTERS

### Key Statistics

- Dollar store investments in the second half of the year of roughly \$757 million in sales volume reflected continued interest in the sector's necessity-driven retail model and stable tenant credit profiles.
- Pricing remained relatively stable, while yields held firm, as the median price per building square foot averaged about \$162 in the second half, down 3.6% from H1. However, cap rates, unchanged at around 7.2%, signaled consistent demand for dollar-store net-lease assets despite modest pricing adjustments.
- Foot traffic strengthened by 10% in the second half. Average dwell time also edged up to 17.7 minutes, indicating that consumers not only visited more frequently but also spent marginally more time in stores.

#### CHANGE COMPARED TO 1H 2025

**\$757 M ↑**  
2H 2025 SALES VOLUME

**7.2% ↑**  
MEDIAN CAP RATE

**\$162/SF ↓**  
MEDIAN PRICE PER  
BUILDING SF

Source: Colliers, CoStar Analytics, Placer.ai, & RetailStat  
\*Note: CoStar data represents sales with a transaction value of over \$1 million.



## FULL-SERVICE RESTAURANTS

### Key Statistics

- Full-service restaurant investment strengthened in the second half of 2025, totaling roughly \$1.38 billion in sales volume, up 28.9%. Despite the increase, an average slightly lower sale price suggested a shift toward smaller or lower-priced assets.
- Pricing softened, while yields expanded modestly, as the median price per building square foot declined by 2.4%. At the same time, median cap rates rose by 10 basis points, reflecting modest repricing as investors continue to favor well-located properties that benefit from strong experiential demand and consistent consumer traffic.
- Stable foot traffic throughout 2025 totaled about 3.2 billion visits recorded in both the first and second halves of the year. Average dwell time dipped slightly in the second half, suggesting a similar number of diners who spent slightly less time per visit.

#### CHANGE COMPARED TO 1H 2025

**\$1.38 B ↑**

2H 2025 SALES VOLUME

**6.6% ↑**

MEDIAN CAP RATE

**\$447/SF ↓**

MEDIAN PRICE PER  
BUILDING SF

*Source: Colliers, CoStar Analytics, Placer.ai*

*\*Note: CoStar data represents sales with a transaction value of more than \$1 million*



## QUICK SERVICE RESTAURANTS

### Key Statistics

- Quick-service restaurant (QSR) investment grew rapidly in the second half of 2025, with 24% higher transaction volume and 25% higher sales volume. The growth reflects strong investor appetite for QSR assets with drive-through convenience and consistent consumer demand.
- Pricing remained relatively stable, with the sales price rising an average 6.9%, to \$2.65 million. Meanwhile, the median price per building square foot softened slightly, while cap rates widened from about 5.5% to 5.7%, reflecting modest repricing in a higher-interest-rate environment.
- Foot traffic to QSR locations increased by 3.3%, indicating continued consumer demand for convenience. Average dwell time edged slightly lower, highlighting the category's efficiency-driven, quick-turn service model.

#### CHANGE COMPARED TO 1H 2025

**\$1.47 B ↑**

2H 2025 SALES VOLUME

**5.7% ↑**

MEDIAN CAP RATE

**\$835/SF ↑**

MEDIAN PRICE PER BUILDING SF

*Source: Colliers, CoStar Analytics, Placer.ai, & RetailStat*

*\*Note: CoStar data represents sales with a transaction value of over \$1 million.*

# Economic Outlook

## ECONOMIC GROWTH AND POLICY EXPECTATIONS

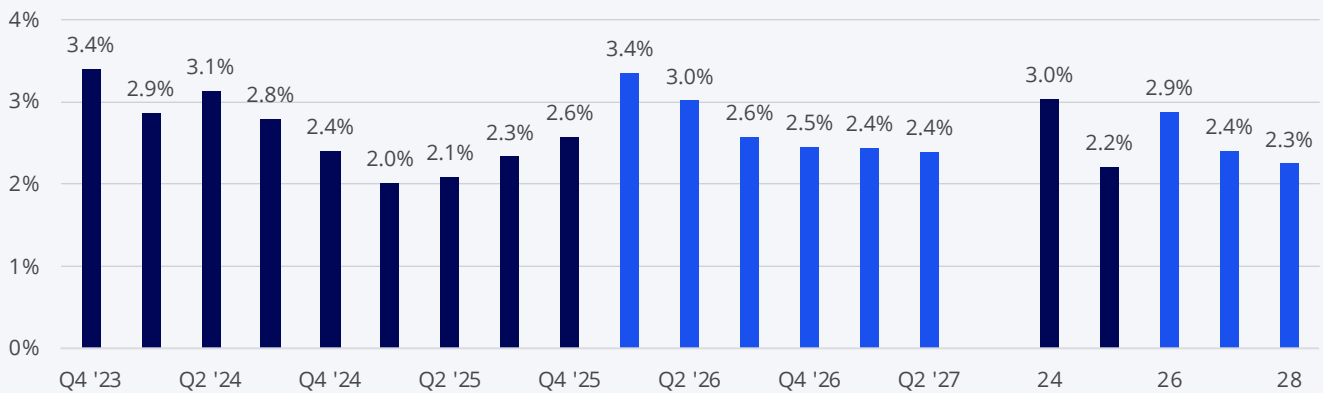
The Federal Reserve remained firmly cautious throughout 2025, continuing to emphasize inflation control despite lingering price pressures and elevated policy uncertainty. Inflation modestly above target limited the Fed’s flexibility and pushed expectations for policy easing further into the future.

However, financial markets are increasingly pricing in a gradual easing cycle in 2026, expecting that the federal funds rate will move lower during the year. Oxford Economics forecasts the fed funds rate will reach approximately 3.125% by year-end-2026 and has raised its 2026 U.S. real GDP growth forecast to 2.5% — based on stronger consumer spending, improved real disposable income, and solid productivity gains. At the same time, the disconnect

between headline GDP growth and labor market conditions is expected to become more visible, increasing the risk of a jobless recovery.

Consumer spending is expected to remain a key source of support in 2026, driven primarily by higher income households, tax cuts, rising household wealth, and declining interest rates, leaving lower income consumers under pressure. Business investment is expected to broaden beyond AI as policy uncertainty eases and fiscal incentives take hold. However, the outlook remains highly uncertain, since inflation dynamics, trade policy developments, and the evolving role of AI continue to pose both upside and downside risks to growth.

### U.S. GDP Forecast Economic Growth is Expected to Rise in 2026



Source: Colliers, Oxford Economics



**Simon Jonna**

EXECUTIVE VICE PRESIDENT | BIRMINGHAM, MI

[PROFESSIONAL PROFILE](#)

At the end of 2025, the STNL market proved resilient and disciplined. Sales volume is climbing, cap rates are stabilizing, and investors are prioritizing liquidity, strong credit, and necessity-driven tenants. High-quality, well-located assets continue to command aggressive capital. We recently closed a \$156M net-leased urban core bank transaction, reinforcing that institutional capital is still moving decisively toward durable income and fungible NNN real estate.”

# LABOR MARKET

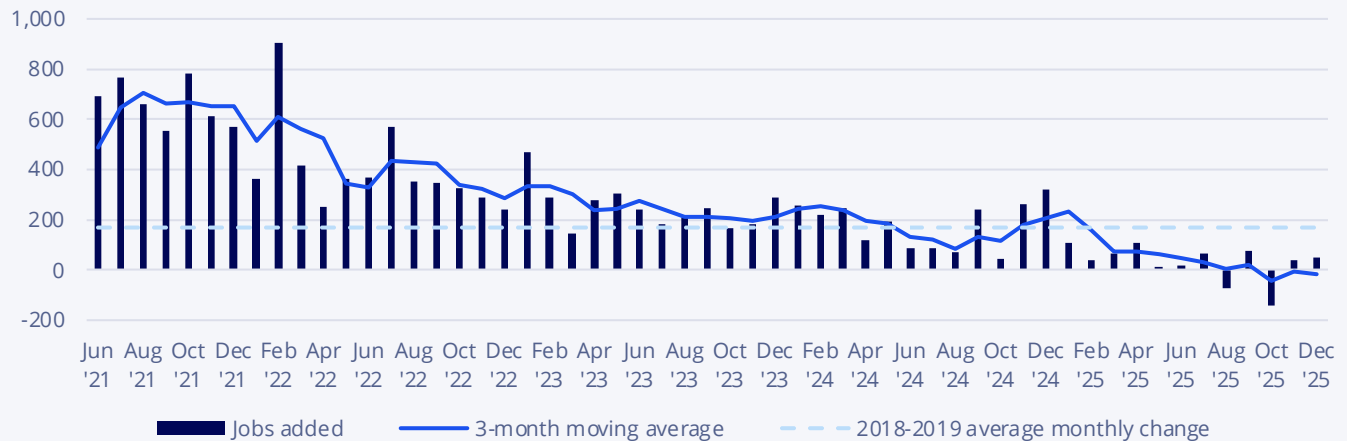
Recent labor market data point to a gradual but persistent cooling, consistent with a market that is losing momentum but not yet tipping into outright job losses. The unemployment rate is expected to hover near 4.3%, while the job openings-to-unemployed ratio has fallen to its lowest level since March 2021. These trends highlight an increasingly “no-hire, no-fire” environment in which employers scale back hiring instead of resorting to broad layoffs.

Looking ahead, labor supply constraints are likely to further complicate the outlook. Oxford Economics projects U.S. net immigration of just 160,000 in 2026 because of tighter legal immigration restrictions, and an increasing

risk of jobless expansion if slower economic growth coincides with limited labor force gains. Compounding these challenges, ongoing government shutdowns are disrupting the timing and clarity of key data releases, making it harder for policymakers to assess underlying labor market conditions in real time.

Against this backdrop of softening employment and persistent inflation pressures, we do not expect the Federal Reserve to begin cutting rates in the near term. Even if inflation begins to moderate, the bar for easing policy remains high. As a result, if rate cuts occur at all, we expect them no earlier than June 2026.

## Monthly Employment Change (000s) Labor Market Begins to Cool



Source: Colliers, Bureau of Labor Statistics, Trading Economics



**Alyssa Mera**  
 SENIOR ASSOCIATE | IRVINE, CA  
[PROFESSIONAL PROFILE](#)

“STNL transaction volume in the second half of 2025 reached its highest level since 2022, reflecting improved alignment between buyers and sellers. Cap rates for fast-food assets held around 5.7%, signaling pricing stability and a narrowing bid-ask spread. Private capital remains dominant, while owner-user activity is rising. Smaller deals under \$5M continue to show resilience, while larger transactions remain more sensitive to interest rates and capital market shifts.”

# CONSUMER

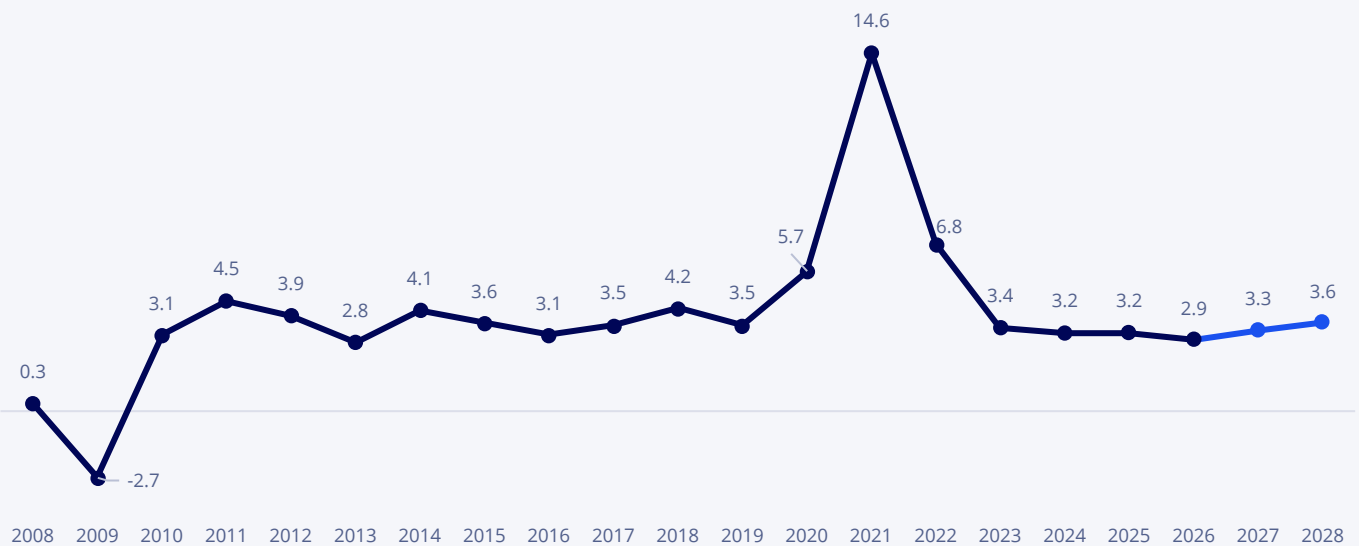
Retail momentum softened in the second half of 2025 as earlier pull-forward spending tied to tariff concerns and major promotional events faded. By the fourth quarter, retail growth stabilized, but volume gains frequently fell below 1%, highlighting increasingly cautious consumer behavior and a heavier reliance on promotions and credit to sustain spending.

Consumer demand also became more selective across categories. Value-oriented and necessity-driven segments such as grocery and discount retailers continued to attract steady traffic, while

more discretionary categories, including electronics and home improvement, underwent softer demand outside promotional periods. Meanwhile, restaurant sales rose during the year largely due to price increases even as visits edged slightly lower, suggesting that consumers were still dining out but less often.

Overall, in the second half of 2025 consumers were still active but highly selective, with shoppers seeking value, promotions, and essential purchases amid ongoing inflation pressures and tariff uncertainty.

## Total Retail Spending Growth YOY, % Resilient Retail Sales Mask Slowing Volume Growth



Source: Colliers, GlobalData



**Nathan Fong**

EXECUTIVE VICE PRESIDENT | HONOLULU, HI

[PROFESSIONAL PROFILE](#)

“The second half of 2025 made one thing clear: capital is no longer rewarding average. In today’s STNL market, investors are aggressively chasing durability—strong credit, real locations, necessity-based demand, and cash flow that can survive volatility. The market has become far more disciplined, but conviction in high-quality retail net-lease assets is stronger than ever. As we move into 2026, the winners will be the investors who stay disciplined, move decisively, and understand that true safety in this market comes from owning the right real estate, not just collecting yield.”

# Conclusion

Despite a more cautious consumer and tighter capital markets, the STNL retail sector remained stable in the second half of 2025 because of limited new supply and continued demand for high-quality, necessity-oriented assets. Credit tenants and durable income streams, along with relatively stable cap rates, attracted increased sales. With construction constrained and leasing concentrated in service-oriented formats, the sector entered 2026 with balanced fundamentals and a continued emphasis on disciplined investment and long-term income stability.



“



**El Warner**

**RETAIL LEAD | U.S. CAPITAL MARKETS BOARD OF ADVISORS**

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“The second half of 2025 reflected a steady but increasingly selective environment for the single-tenant net lease (STNL) retail sector, as cautious consumer spending, tariff pressures, and tighter capital markets shaped investor behavior. Despite these headwinds, fundamentals remained resilient, with vacancy holding near historic lows and new supply constrained. Sales activity improved modestly, cap rates stabilized in the mid-6% range, and demand remained favorable for well-located, high-quality assets. As we enter 2026, we expect disciplined capital to remain focused on credit tenants, smaller-format properties, and assets that provide durable, income-oriented returns in an evolving retail landscape.”

## CONTACTS

### **Anjee Solanki**

National Director, Retail Services & Practice Groups | U.S.

+1 415 288 7871

[anjee.solanki@colliers.com](mailto:anjee.solanki@colliers.com)

### **Nicole Larson**

Senior Manager, National Retail Research | U.S.

+1 954 652 4602

[nicole.larson@colliers.com](mailto:nicole.larson@colliers.com)

[colliers.com/retail](https://colliers.com/retail)

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