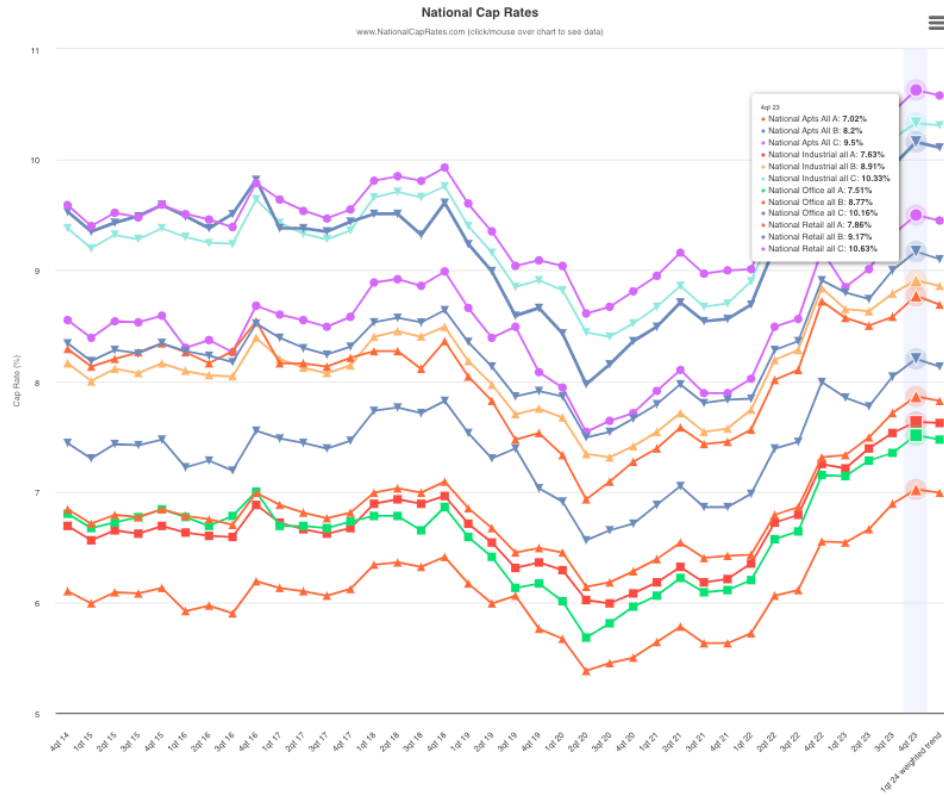




“Cap Rates have increased in 8 of the last 10 quarters, but dipped 9bps in Q4 24”



Market Overview

By Larry Schnepf, MAI

The national average Cap Rate increased during 8 of the last 10 quarters. It also appears that we may be seeing a stabilizing period during Q1 2024 with a slight downward trend noted. We track 45 geographical areas and 27 property types so across the board averages are only broad-brush indicators.

Between Q4 23 and Q1 24 the national average was -9 bps with largest decrease by Class C self-storage -43 bps and Class C Flex Industrial +14 bps the biggest gainer (albeit a modest gain).

Grouped by property type, the cap rate change between Q4 23 and Q4 24 was; Restaurants +6 pbs; Retail +2 bps; Senior Housing -5 bps; Assisted Living -9 bps; Office -9 pbs; Apartments -10 bps; Industrial -10 bps; Self-storage -37 bps.

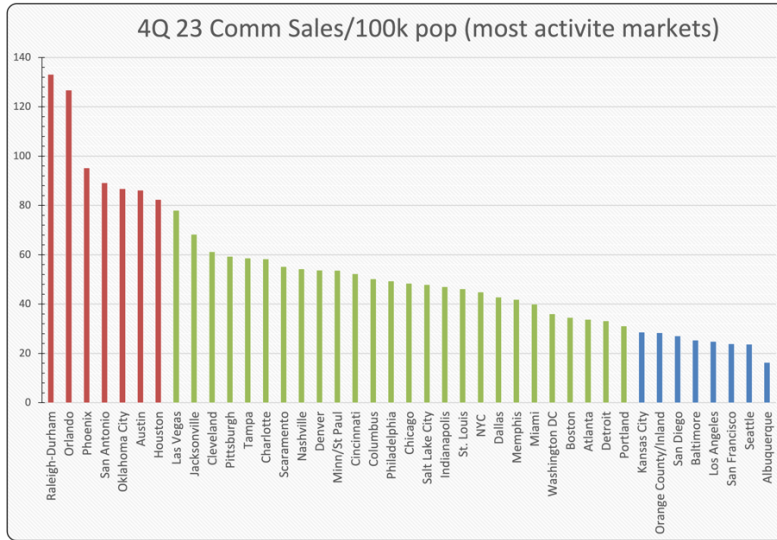
Nationwide, total commercial sales volume was down 5.3% from the prior quarter. Despite the headwinds in the market, certain sellers including merchant builders or owners with upcoming loan maturities look to meet market pricing.



Sample Cap Rates from selected cities

	Q4 2023	Q1 2024	% Change
National Average (41 cities)	6.53%	6.58%	0.76%
Samples from selected cities			
Boston Class A	5.50%	5.48%	-0.36%
Boston Class B	7.56%	7.48%	-1.07%
Orlando Apartment Class A	5.62%	5.55%	-1.26%
Orlando Apartment Class B	7.72%	7.62%	-1.31%
Nashville Industrial Class A	6.22%	6.15%	-1.14%
Nashville Industrial Class B	8.54%	8.44%	-1.18%
Houston Office Class A	5.14%	5.08%	-1.18%
Houston Office Class B	7.06%	6.98%	-1.15%
Oklahoma City Class A	6.70%	6.64%	-0.90%
Oklahoma City Class B	9.21%	9.12%	-0.99%
Denver Suburban Apt Class A	4.88%	4.81%	-1.46%
Denver Suburban Apt Class B	6.61%	6.70%	1.34%
Las Vegas Retail Class A	6.54%	6.56%	0.30%
Las Vegas Retail Class B	8.99%	9.00%	0.11%
Phoenix Medical Office Class A	4.90%	4.87%	-0.62%
Phoenix Medical Office Class B	6.73%	6.69%	-0.60%

We track 45 geographical areas in 27 property categories on a 5-year “point and click” chart. This includes 41 sub-markets across the U.S. To learn more visit us at nationalcaprates.com

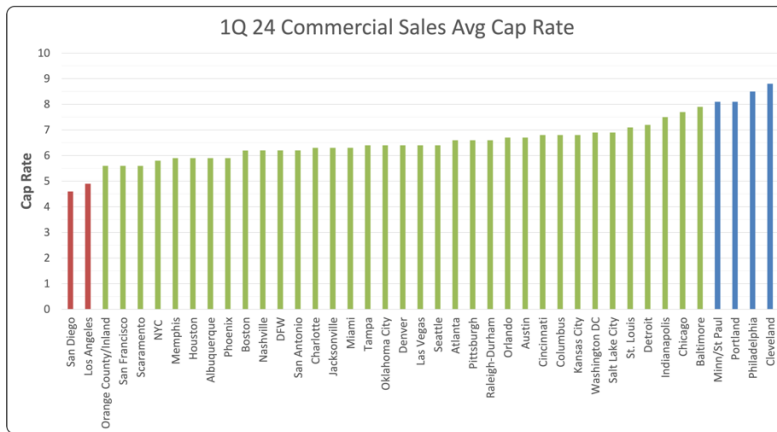


Rank of Sales Activity

Rather than look at just the total number of sales that occur in a market, in order to get a comparable picture, we took the total commercial sales and divided it by the population to get a better picture of what markets are hot and which ones are soft.

Seven metro areas score an 80+ sales per 100k population with Raleigh-Durham topping the list at 140.90 with Orlando, Las Vegas, Ok City and Phoenix filling out the top 5.

Twelve metro areas score below 40/100k population with Albuquerque on the bottom at 14.86. The remaining bottom 5 are Los Angeles, San Francisco, San Diego and Kansas City.



Cap Rates by City

Each month we add thousands of data points. For this past quarter, 2 markets (San Diego and Los Angeles), had an average cap rate of below 5% while 4 markets (Cleveland, Philadelphia, Portland and Minn/St Paul) were above 8%. This is an overall market average and can vary widely between property types. Cap rates swing with changing interest rates, lending requirements and elements of demand. The average was 6.58% for Q1 2024.



City Rankings

In order to get a clearer picture of the metro areas, we ranked the areas by average cap rate and sales volume per population. Combining the rankings gives us a picture of market strength (lower cap rate) and momentum (highest sales volume). Some markets appear to have high quality sales with strong tenants but otherwise a low volume of activity. The combined rankings gives us a slightly better snapshot of the overall market strength.

City	Ranking	City	Ranking
Houston	1	DFW	21
Phoenix	2	Los Angeles	22
Scaramento	3	Boston	23
San Antonio	4	Miami	24
Oklahoma City	5	San Francisco	25
Las Vegas	6	Cincinnati	26
Jacksonville	7	Salt Lake City	27
Raleigh-Durham	8	Albuquerque	28
Orlando	9	Cleveland	29
NYC	10	Atlanta	30
Memphis	11	Minn/St Paul	31
Tampa	12	Seattle	32
Charlotte	13	Chicago	33
Denver	14	Indianapolis	34
Austin	15	Philadelphia	35
Nashville	16	St. Louis	36
Orange County/Inland	17	Washington DC	37
San Diego	18	Baltimore	38
Pittsburgh	19	Kansas City	39
Columbus	20	Detroit	40
		Portland	41

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