

Overview

We tracked investment sales for net lease properties over the past six quarters from Q1 2019 to Q2 2020. The search parameters include triple net sales only, excluding portfolio and multi-property sales. Number of transactions and dollar volume is broken out by region, encompassing the Midwest, Mountain, Northeast, South, and West regions. We then presented price per square foot and capitalization rates for these transactions over the same period. Based on the data, it is evident that the number of sales and dollar volume have declined significantly, although the fundamentals behind these transactions have largely held steady.

Number of Sales Transactions

The number of quarterly net lease sales recorded in the US are segmented by region as seen below. From Q1 2019 to Q1 2020, number of sales ranged from 770 to 959, averaging 861 sales per quarter. In Q2 2020, following the onset of COVID-19, there were only 532 recorded transactions. The drop-off was most significant in non-essential retail sectors, as investors waited for financial disclosures and re-opening timelines.

Historical Transaction Volume - Net Lease Market

Number of Transactions	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Total	% of Total
Midwest	186	248	300	337	264	166	1,501	31.0%
Mountain	103	158	138	142	133	90	764	15.8%
Northeast	90	116	114	138	105	90	653	13.5%
South	430	116	114	138	105	90	993	20.5%
West	133	158	170	204	163	96	924	19.1%
Total # Transactions	942	796	836	959	770	532	4,835	100.0%
% Change from Prior Month	-	-15.5%	5.0%	14.7%	-19.7%	-30.9%		

In terms of number of transactions, the highest number of quarterly transactions occurred in Q4 2019, with the Midwest region, the largest region geographically, accounting for 35% of all transactions. Transaction volume per quarter fluctuated during the first five quarters of analysis but fell off nearly 31% in Q2 2020. It is also important to note that Q1 2020 saw the second lowest transaction total, as the first shock waves of the Coronavirus gripped the market in the last few weeks of the quarter.

The Midwest region saw 31% of all transactions over the prior six quarters. The percentage share for the remaining regions was more uniform, ranging from 13.5% in the Northeast to 20.5% in the South.

With continued uncertainty related to COVID-19 but economic re-openings well underway, we should see the number of transactions start to rebound in Q3 2020.

