



SAMPLE REPORT

U.S. Cap Rate Observer

Top 50 U.S. Markets

Steady Pricing in the First Half

Cap rates for average quality assets are little changed so far in '25 across the nine sectors for which Green Street provides market-level research. As a result, values are mostly flat except for slight appreciation in the senior housing and data center sectors on the back of solid fundamentals and NOI growth. Starting yields have drifted marginally higher in the lodging and industrial sectors in select markets, while there have been upward and downward moves across multifamily cities.

Economic and political uncertainty has curtailed transaction activity and price discovery in recent months, but fundamentals are on solid footing, and debt is available for most property types. Despite the stops and starts in real estate capital markets, the RMZ Index is flat year to date. Real estate is fairly priced relative to bonds, and the REIT market is sending a similarly neutral signal on the direction of asset values. At the sector level, senior housing and data centers are the most attractively priced, while lodging, single-family rental, and industrial are expensive.

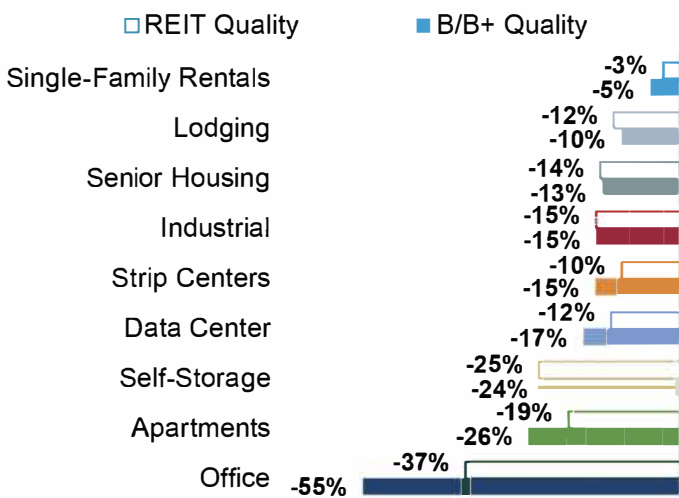
Sector-Level Commentary

- **Apartments:** Cap rates have been [marginally unchanged](#) on average since the start of the year, on the heels of more marked value appreciation in '24. Select Midwest markets witnessed [flat](#) cap rates by an average of [0](#) bps, ranging from [0](#) bps in Columbus to [0](#) bps in Indianapolis. Bidding pools in the region are deeper than they were a year ago as rent growth has been healthy, and cap rates hover around [5.5](#)%, an attractive initial yield given agency debt is available in the low-to-mid [5.5](#)% range. In Nashville and Austin, bid-ask spreads appear to be widening, with few transactions crossing the finish line. Cap rates rose [10](#) and [5](#) bps, respectively. Sacramento saw a [10](#) bp [increase](#) to its cap rate as for-sale apartment inventory inched higher due to fewer active buyers in the market.
- **Data Centers:** Asset values have [increased](#) by [10](#)% year to date due to continued NOI growth, while cap rates have remained flat. Sector-wide uncertainty throughout most of the year has made the transaction market less active. A [100](#) basis point spread between colocation and hyperscale data centers still seems appropriate given recent price discovery tied to Digital Realty's venture into [hyperscale fund management](#).
- **Industrial:** Industrial cap rates are [5.5](#) bps on average over the past three months, driven by increases to select coastal markets to account for waning lease mark-to-market estimates. Port-centric West Coast cap rates were [5.5](#) bps compared to [5.5](#) bps on the East Coast, due to more pronounced compression in embedded NOI growth. South Florida cap rates remain in the low-[5.5](#) range as the best-in-class fundamental outlook is intact, and values continue to reach new [high](#). Importers [front-loading shipments](#) ahead of anticipated tariffs did not translate into meaningful

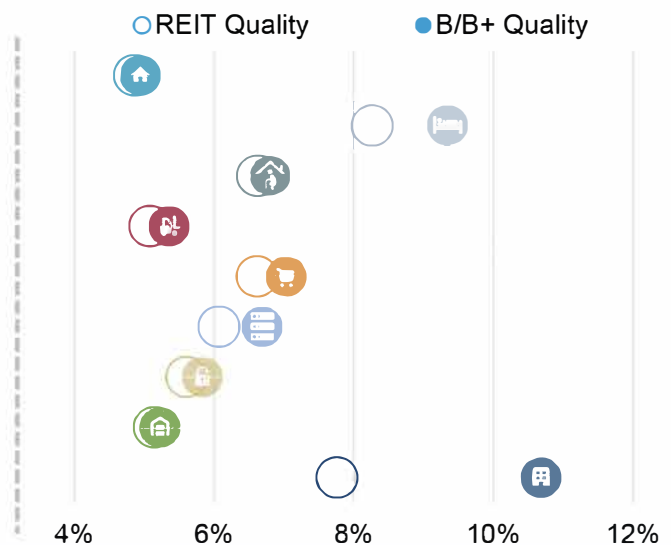
warehouse demand, which is likely a result of lingering excess logistics capacity built up during the '22 peak. A near-term V-shaped recovery seems unlikely, even at a reduced tariff rate, given persistent uncertainties.

- **Lodging:** Hotel asset values have ~~fallen 15%~~ year to date tied to lower EBITDA expectations. Over the last quarter, cap rate changes were minimal with modest changes in select markets due to updated margin and expense estimates, ranging from a ~~50 bp~~ in Houston to a ~~100 bp~~ in Los Angeles, Miami, and San Francisco.
- **Office:** Average-quality office cap rates are largely unchanged year to date, with most markets sitting firmly in the ~~8.00% - 8.50%~~ range. New York and several Sun Belt markets (e.g., Nashville, Palm Beach, and Charlotte) are commanding the most attention from investors thanks to superior fundamentals. West Coast MSAs and D.C. are lagging. Tampa's [cap rate appears to be about 100 bps lower](#), to ~~8.00%~~ following sustained transaction activity and heightened investor interest relative to Sun Belt peers. The office sector has the largest spread between REIT and average-quality cap rates, by far, at nearly ~~300~~ bps.
- **Self-Storage:** Cap rates in the self-storage sector have remained flat since December '23, but values are ~~down 10%~~ from peak levels in '22. Sluggish home sales volume has subdued storage demand and driven meaningful move-in rent declines.
- **Single-Family Rentals:** A growing number of metros are seeing modest downward pressure in home values, predominantly in Sun Belt markets, particularly Florida and Texas. National average cap rates remain unchanged.
- **Senior Housing:** Continued growth in the senior housing sector tied to better-than-expected occupancy gains and solid rent growth have resulted in ~~15% appreciation~~ in values in '25. Cap rates are ~~100~~ bps versus a year ago.
- **Strip Centers:** Despite recent volatility, bidding for strip centers has remained remarkably competitive thanks to the shift in capital allocation priorities towards the sector. Cap rates are unchanged recently but sit ~~100~~ bps than a year ago, marking the most significant compression across all sectors during this period.

CPPI Change From 2022 Peak



Nominal Cap Rates



Nominal Cap Rates



(Change in bps)

MSA	Apartment			Data Center			Industrial			Lodging			Office		
	Current	3 mo. Δ	12 mo. Δ	Current	3 mo. Δ	12 mo. Δ	Current	3 mo. Δ	12 mo. Δ	Current	3 mo. Δ	12 mo. Δ	Current	3 mo. Δ	12 mo. Δ
Atlanta															
Austin															
Baltimore															
Boston															
Charlotte															
Chicago															
Cincinnati															
Cleveland															
Columbus															
D.C. Metro															
Dallas / Fort Worth															
Denver															
Detroit															
Fort Lauderdale															
Honolulu															
Houston															
Indianapolis															
Inland Empire															
Jacksonville															
Kansas City															
Las Vegas															
Long Island															
Los Angeles															
Louisville															
Memphis															
Miami															
Minneapolis															
Nashville															
C. New Jersey															
N. New Jersey															
New York															
Oakland-East Bay															
Orange County															
Orlando															
Palm Beach															
Philadelphia															
Phoenix															
Pittsburgh															
Portland															
Raleigh-Durham															
Richmond															
Sacramento															
Salt Lake City															
San Antonio															
San Diego															
San Francisco															
San Jose															
Seattle															
St. Louis															
Tampa															
Weighted Average:															

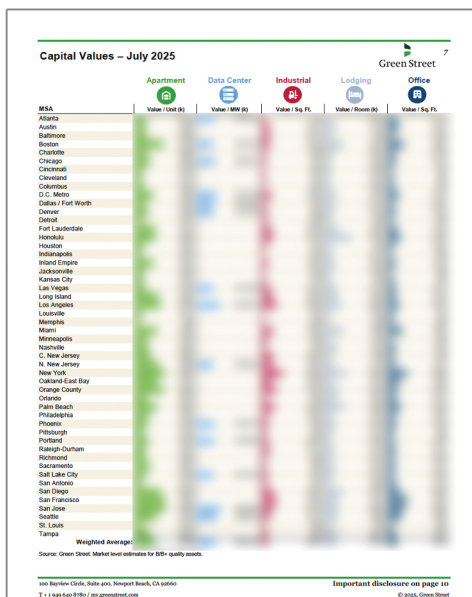
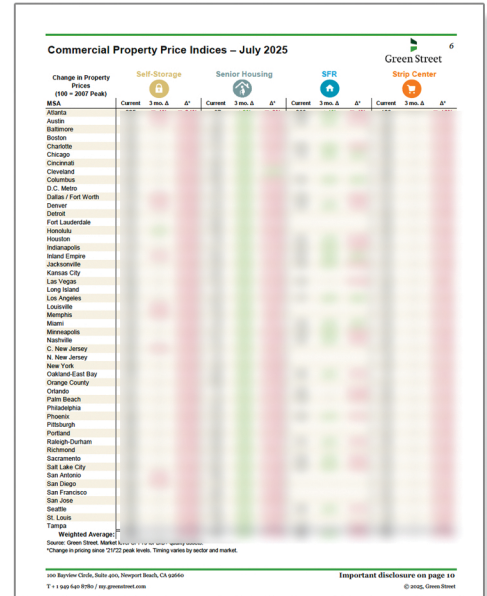
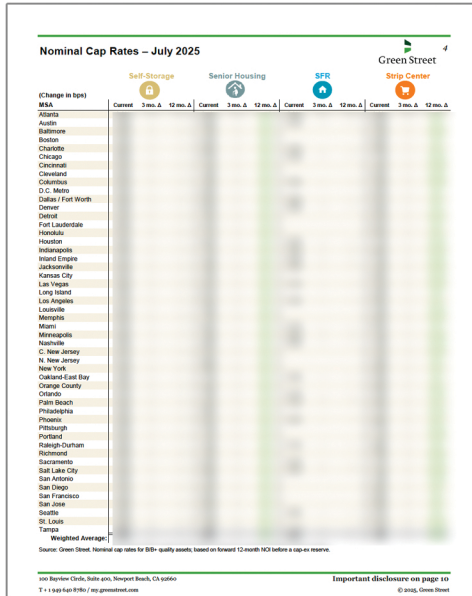
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Source: Green Street. Nominal cap rates for B/B+ quality assets; based on forward 12-month NOI before a cap-ex reserve.

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