

Industrial Single-Tenant Net Lease: A Strategic Allocation for Durable Income

December 2025

Summary

Single-tenant net lease (STNL) industrial assets, particularly mission-critical manufacturing, cold storage, logistics, and specialized production facilities, offer one of the few remaining opportunities in today's real estate environment to secure stable, contractually growing income with favorable entry pricing. Macro forces such as supply-chain realignment, domestic manufacturing investment, technological expansion, demographic shifts, and persistently tight labor markets are reinforcing corporate demand for modern industrial infrastructure. These assets are typically occupied under long-term leases by tenants whose operations are not easily relocated, providing investors with durable income streams and strong downside protection. Since 1989, U.S. Realty Advisors, LLC (USRA) has focused solely on STNL investing across various market cycles. The firm's underwriting methodology, structuring expertise and proprietary real estate and credit databases, uniquely position it to selectively capitalize on today's environment.

Industrial Market Dynamics

Industrial sector fundamentals show clear signs of renewed momentum and sustained growth nationwide. Under construction quarterly volume increased for the first time in 12 quarters to 246.8 million square feet. Quarterly leasing volume totaled 146.2 million square feet, the best level since Q1 2024¹. Industrial tenants increasingly require facilities that are integral components of their business: temperature-controlled environments, food-grade manufacturing, pharmaceutical fulfillment, assembly, and high-capacity distribution. Assets are typically purpose-built, capital-intensive, and irreplaceable (without significant downtime), characteristics that reinforce tenant commitment and minimize vacancy and lease-up risk.

Global supply-chain restructuring has accelerated into 2025, with U.S. reshoring and foreign direct investment exceeding 244,000 jobs in 2024².

The CHIPS and Science Act authorized approximately \$280 billion of direct funding and incentives through 2027, and participating private-sector firms announced hundreds of billions more in associated investment³. Historically concentrated in specialized sectors such as cold storage and food processing, build-to-suit developments are increasingly gaining traction across mainstream industrial applications as occupiers prioritize facilities designed for advanced automation, seamless technology integration, and long-term operational resilience. This shift increases the importance of location strategy; assets near major freight infrastructure such as ports, rail hubs, air-cargo facilities, and interstate corridors provide tenants with substantial operational advantages.

America's demographic transformation is consequential to industrial real estate. By 2030, all Baby Boomers will be at least 65, representing approximately 20% of the U.S. population⁴. An aging population with higher pharmaceutical consumption and demand for stable food supply chains, along with the growth of temperature-controlled e-commerce, is fueling demand for cold storage and distribution.

Labor constraints continue to be a critical factor impacting industrial operations, and location decisions, with current immigration policy contributing to a shrinking workforce in key manufacturing and logistics markets. From a real estate perspective, this dynamic reinforces the value of automation-ready facilities and strategically located industrial properties that can attract and retain employees.

Investment Opportunity

The 10-year Treasury has fallen ~50bps from late May 2025 to December 2025 at 4.14%. Further, the Federal Reserve's December rate cut lowered the federal funds rate by 25 bps to 3.50-3.75%, easing financing conditions and improving the cost of swap-based debt.

¹JLL Research Q3 2025 Industrial Market Dynamics. ²Reshoring Initiative: 2024 Annual Report. ³The Conference Board: "CED Policy Background: The Future of the CHIPS and Science Act" 2025. ⁴Census.gov. Note: This presentation is for informational purposes only and is not an offer to sell or a solicitation of an offer to purchase any security. Views expressed are those of U.S. Realty Advisors, LLC as of the date hereof and are subject to change. Certain statements may be forward-looking and subject to risks and uncertainties. Past performance is not indicative of future results. Investments involve risk, including loss of capital.

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Against this backdrop, USRA’s active pipeline reflects favorable pricing dynamics, with an average cap rate of 7.09%, average building size of 358,000 square feet, and average lease term of 17.5 years. As of Q3 2025, the average valuation cap rate for six of the largest semi-liquid REIT vehicles is 6.22%. The current alignment of equity and debt market conditions creates a compelling entry point for industrial STNL.

Current yield spreads between borrowing costs and cap rates enable investors to secure attractive fixed-rate debt while benefiting from ~3% annual rent escalations. In recent years rent escalations have risen from ~2% to ~3%, providing faster compounding growth to investor yields in the industrial sector. As financing costs ease and capital returns, cap-rate compression is likely, especially for mission-critical assets with strong credit and growing long duration cash flows.

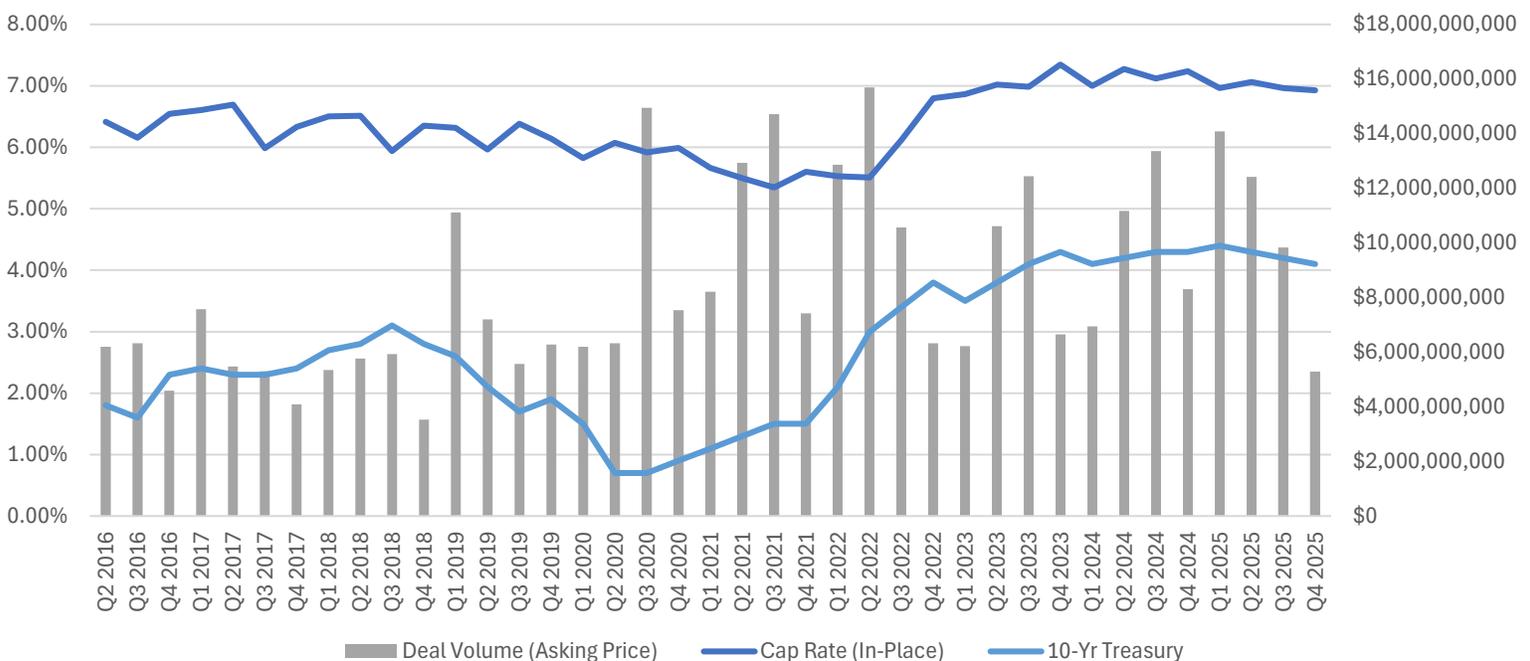
The historical performance of industrial single-tenant net lease assets demonstrates exceptional stability and resilience, even amid fluctuating economic conditions as seen from the chart below based on USRA’s historical pipeline cap rate data (dark blue line), the 10-year Treasury (light blue line), and pipeline deal volume (gray bars). Cap rates have consistently held between 5.5% and 7.5%, maintaining a strong premium over the 10-Year Treasury yield, which has ranged from below 1% in 2020 to over 4% in recent years.

This spread underscores the superior risk-adjusted returns net lease assets provide compared to traditional fixed-income investments. Deal volumes have remained robust, with notable surges during periods of market uncertainty, signaling investor confidence in the sector’s reliability. Today we see deal volume rebounding as buyers and sellers re-anchor around current pricing. Acting now allows investors to lock in compelling immediate yields.

Conclusion

Industrial STNL is one of the few real estate sectors still trading at a discount to intrinsic value, where long-duration, inflation linked, tax efficient cash flows are priced more attractively than their fundamentals justify. The sector is supported by macroeconomic forces that are driving a long-term build-out of domestic industrial infrastructure. This asset class offers a “sleep-well-at-night” real asset allocation with durability yet capable of value-add outcomes when supported by disciplined underwriting of tenant credit, facility criticality, and strong real estate. USRA’s objective is to position capital to capture this long-term structural transformation at a time when valuations present a compelling entry point.

Historical USRA Cap Rates vs. 10 Year Treasury



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