



VIEWPOINT

Walgreens After Sycamore:

What Shrink-to-Core Means
for Retail Real Estate

September 2025



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A Take-Private That Resets the Corner

Thousands of Walgreens corners are about to be repriced. Sycamore Partners closed its take-private on August 28, 2025, ending Walgreens' public run. Media reports peg the equity value near \$10 billion, and some outlets cite total value in the low \$20 billions, depending on what's included. What Sycamore really bought is control of some of the country's most visible intersections and the right to decide how those corners get repositioned. For years, long leases and corporate guarantees made Walgreens a default net lease anchor. That assumption no longer holds.

How Walgreens Lost Its Edge

The slide came from years of overreach and underperformance, not one dramatic failure. The 2014 Alliance Boots deal shifted leadership overseas. The attempted Rite Aid merger left overlap even as Walgreens bought 1,932 stores and three distribution centers. Healthcare ventures like VillageMD consumed capital but didn't fix the in-store experience.

By the early 2020s, service was uneven, labor disputes grew and closures mounted. Customers felt the change when they walked through the door, and confidence slipped with it.



Walgreens' Reset at a Glance (2014-2025)

2014

Alliance Boots acquisition closes for \$15.3 billion. Attention and capital shift overseas, and the U.S. store base loses focus.

2017-2018

Rite Aid merger collapses. Walgreens buys 1,932 stores and three distribution centers. Overlap grows; marginal locations enter the system and lease obligations rise.

COMPETITIVE BACKDROP

2018

CVS completes the Aetna acquisition. An integrated care model pulls profit into services and payer economics and, widening the strategic gap as Walgreens searches for a core identity.

2019-2022

Operations stumble and service turns uneven as traffic shifts to digital and value channels. The footprint begins to feel heavy.

June 2023

Company plans 150 U.S. closures and 300 Boots U.K. closures. The move marks a retreat from the saturation strategy.

January 4, 2024

Dividend cut nearly in half to \$0.25. Management prioritizes cash and signals lower tolerance for long-tail stores and costly bets.

February 26, 2024

Removed from the Dow as Amazon joins. Perception shifts from dependable blue chip to turnaround, pressuring the cost of capital.

March 28, 2024

Records a \$5.8 billion VillageMD impairment. The healthcare pivot fails to carry store economics, and the balance sheet takes the hit.

June 2024

Company comments indicate about 25% of U.S. stores are underperforming and under review. Rationalization becomes policy and repricing risk enters net lease underwriting.

January 30, 2025

Dividend is suspended. Liquidity is preserved for the reset and tougher lease conversations move to the foreground.



What Sycamore Will Do

Sycamore isn't trying to rebuild the old Walgreens. The plan is a leaner, more disciplined company. That means fewer stores, tighter cost controls and sharper focus on the most productive corners. Overlapping or underperforming sites are likely to close. Non-core operations could be spun off. Even long leases once considered untouchable may come back to the table.

What remains unclear is the pace. Sycamore could push a disruptive wave of closures or take a phased, measured approach. Most market watchers expect a mid-term pace, which could chip away at investor confidence as the store count shrinks.

It's a strategy of subtraction. The Walgreens that emerges will be smaller and built to maximize cash flow at the strongest intersections rather than stretch across every market.

Why it Matters for CRE

Walgreens has long been one of the most common tenants in single-tenant net lease portfolios. Original leases often ran 20 to 25 years, though many re-casts now average closer to 10 to 15. Those corporate guarantees once gave investors and lenders a strong sense of security, but that perception is shifting.

Pricing tells the story. Cap rates that hovered in the mid-6% range during 2024 are moving into the 7s and higher in 2025, with spreads widening by market, lease term and credit. As of March 2025, roughly \$6 billion of CMBS exposure across more than 360 loans ties directly to Walgreens, keeping lenders on alert as renewals approach.

At the same time, each closure creates an opening. CVS is best positioned to capture prescription transfers. Grocery chains have shown they can take share when pharmacies shut down, as seen during Rite Aid's recent exits in Ohio and Michigan. Other categories are stepping in too. Behavioral health and urgent care operators, along with nonprofits such as Goodwill, have backfilled boxes where occupancy costs pencil.

Market Snapshot: Walgreens in the Net Lease Space

METRIC	FIGURE	WHY IT MATTERS
Store Count	8,700+ nationwide	One of the largest single-tenant footprints
Average Lease Term	10-15 years (legacy 20-25)	Shapes renewal risk and underwriting
Estimated Leased-Store Exposure (STNL)	~\$25-26B (Northmarq estimate)	Scale of investor exposure
2024-25 Cap Rate Range	Mid-6s to 7s+	Credit and term driving spreads
Typical Building Size	~14.5k sf on 1.5-2.0 acres	Suits medical, QSR, daily-needs reuse

Method (exposure estimate): ~6,000 leased stores × ~14,500 sf × ~\$28 psf, values down ~20% vs five years ago, average leased-store value ≈ \$4.25M » total ≈ \$25-26B.

Source: Northmarq research and industry transaction data

Market Perspective

Prime corners remain attractive to daily-needs users. Urgent care, dental, QSR, discount grocers and value retailers are active backfill candidates. But sentiment is split. Some see resilient demand and quick reuse at A-class sites. Others warn that renegotiations and credit pressure will ripple through portfolios. Both views point to the same outcome that strong corners backfill, while weaker ones do not.

Successors on the Corner

Not every box will backfill the same way. Infill sites can be subdivided for multiple tenants or repositioned into medical, grocery or mixed-use projects. Municipalities will shape speed and feasibility. As more sites convert into ground leases, entitlement processes become pivotal, and cities may need to rethink zoning when visible corners sit dark.

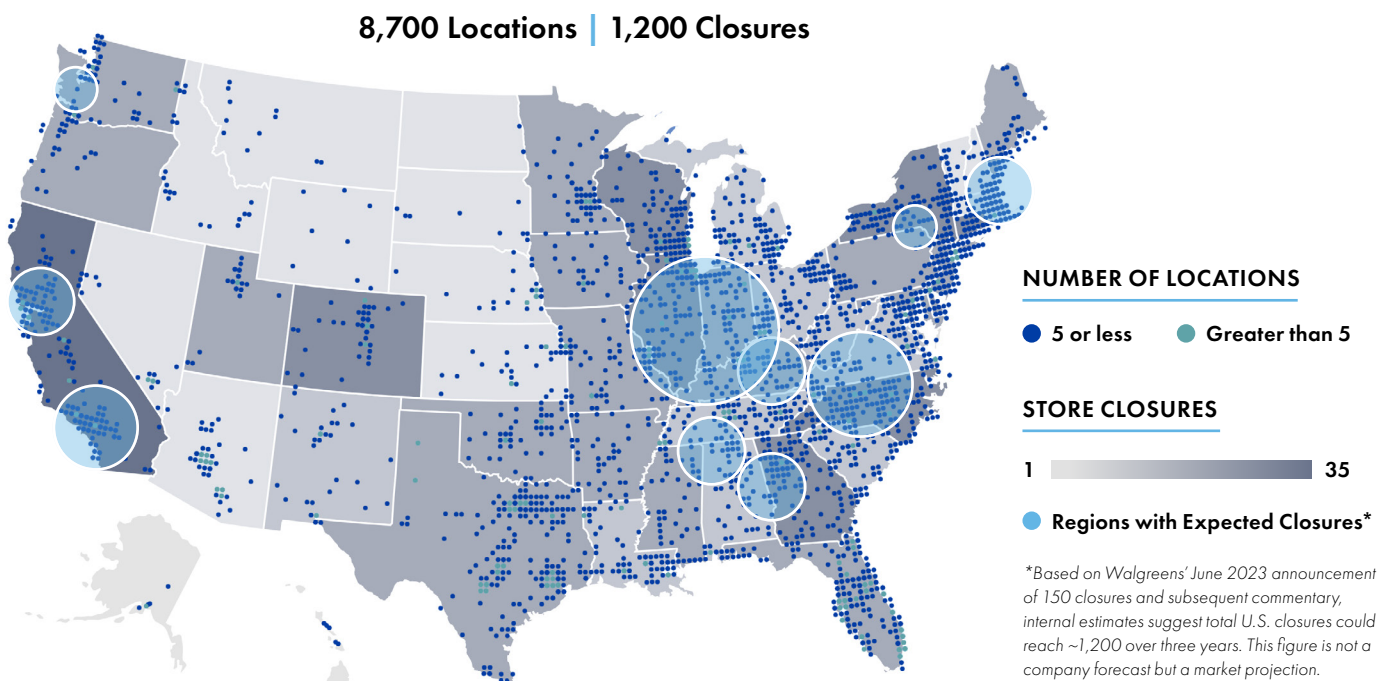
Signals to Track

- **Credit standing.** Changes in ratings or outlook will move single-tenant pricing.
- **Geographic concentration.** Closures likely cluster in the Midwest, where performance lags, and along the coasts, where higher occupancy costs invite rationalization.
- **Lease renegotiations.** Early re-casts will set benchmarks for term, rent and spreads.
- **Backfill velocity.** The pace at prime intersections will set the tone for lenders and investors.
- **Municipal response.** Entitlements and zoning will determine how long prominent corners sit vacant.

Walgreens Pharmacy Locations, Closures and Expected Closures

From ubiquity to selectivity: Sycamore's Walgreens contraction will reset America's corners.

Closures are expected to be heaviest in the Midwest, where stores are under-performing relative to the Sun Belt, and along the coasts, where high occupancy costs drive rationalization.



Guidance for Stakeholders

- **Landlords.** Model rent resets, review maturities and prepare for subdivision or multi-tenant reuse.
- **Lenders.** Stress test portfolios, re-underwrite with shorter lease certainty and account for DSCR impact.
- **Investors.** Focus on infill with strong tenant depth, budget for capex and evaluate conversions where zoning allows.



The Risk of Waiting

Delays carry consequences. Owners risk vacancies, lenders face repricing shocks and investors may miss the chance to secure prime corners at reset values.

Final Thoughts

The Walgreens reset is bigger than one tenant. Sycamore's strategy could play out as a disruptive wave of closures or a slower, phased pullback. The market leans toward the latter, which means investor confidence will erode gradually as more locations come offline.

The impact won't be isolated to Walgreens. Their footprint has shaped how investors view net lease fundamentals for decades, so this reset will influence underwriting standards across the sector. The fallout isn't catastrophic, but it will change how decisions get made.

“What Sycamore really bought was control of America's most visible intersections.”

Bryn Feller

Managing Director & Senior Vice President

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