



VIEWPOINT

Investing in Convenience:

The Underrated Power
of C-Stores

August 2025

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Convenience stores (c-stores) have long been a staple of the American retail landscape, but their appeal as an investment asset class has never been stronger. In 2025, these properties continue to offer a unique combination of tax advantages, diversified revenue streams and operational scalability, making them a standout choice for both institutional and private investors. With bonus depreciation benefits, recession-resistant fundamentals and a tiered investment landscape, convenience stores are proving to be resilient, income-producing assets with significant upside potential.

A Tax Shield That Supercharges Returns

One of the most compelling reasons to invest in convenience stores is the substantial tax benefit offered through bonus depreciation. Thanks to the recent reinstatement of 100% bonus depreciation under the One Big Beautiful Bill Act, investors can immediately write off the entire cost of qualifying non-structural components, such as fuel equipment, refrigeration, signage and leasehold improvements. This front-loaded tax incentive not only reduces taxable income in the early years of ownership but also enhances cash flow and overall returns. For investors seeking to maximize after-tax performance, this is a powerful tool. As always, consulting a CPA is essential to understanding how these benefits apply to individual circumstances. Finally, proactive tenant engagement is key to solving issues before they arise. Maintaining an open dialogue about how tariffs affect their business can lead to trust and collaboration.

Revenue Diversity Builds Durability

Convenience stores thrive on their ability to generate revenue from multiple sources, including fuel sales, in-store purchase, and grab-and-go food offerings. This diversification provides stability, even during economic downturns. In many communities – particularly those with limited access to traditional grocery stores – c-stores serve as essential retail hubs, offering everything from fresh produce to prepared meals. Their ability to compete with quick service restaurants (QSRs) through robust food options further solidifies their position as a vital and competitive retail format.

Sublease Potential Unlocks Additional Income

Another key advantage of convenience store investments is the opportunity to generate additional income through sublease tenants. National brands like Subway, McDonald's and Dairy Queen frequently lease space within high-traffic c-store locations, driving foot traffic and offsetting operational costs. Beyond QSRs, other tenants such as nail salons, tax services and EV charging stations can further diversify income streams while supporting the core convenience store operation.

Private Capital Loves Operational Scale

Private capital groups are increasingly drawn to the c-store sector due to its operational scalability and attractive profit margins. Compared to other retail or food service concepts, convenience stores require relatively low startup and build-out costs, allowing for quicker entry and faster returns. High-margin in-store sales, combined with consistent cash flow from fuel, make these properties particularly appealing. Many operators also adopt franchising models, enabling rapid expansion with reduced risk. For investors seeking a blend of steady cash flow and scalable growth, c-stores offer a compelling opportunity.



Tried-and-True Performance in All Markets

Convenience stores excel in all market types, from densely populated metros to rural areas. In fact, stores in tertiary and rural locations often outperform their urban counterparts, thanks to limited competition and strong customer loyalty. These stores serve as one-stop shops for fuel, groceries and quick meals, capturing a larger share of local consumer spending. Their focus on everyday essentials ensures steady demand, even during economic downturns, making them a durable investment choice.

A Tiered Landscape for All Risk Profiles

The c-store market offers a tiered investment landscape, catering to varying risk appetites and return expectations:

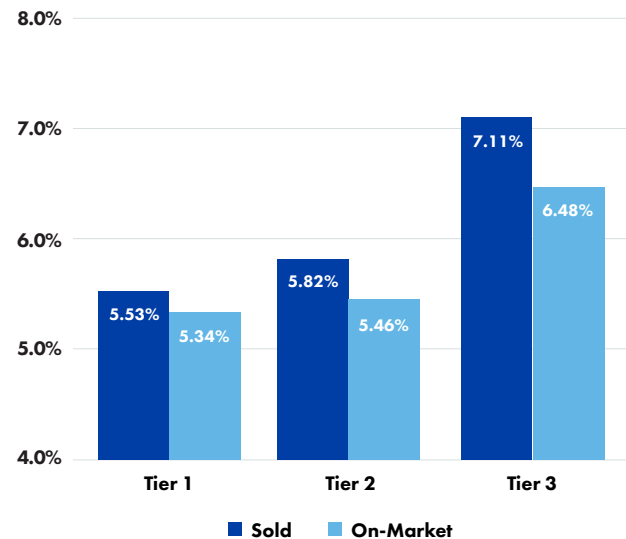
- **Tier 1 Credit Operators:** Brands like 7-Eleven and Wawa set the benchmark for stability, with average cap rates of 5.53% from January 2023 to June 2025. These operators attract investors seeking long-term security.
- **Tier 2 Credit Operators:** Regional players like Maverik and Pilot Flying J offer higher yields, with average cap rates of 5.82%. They balance growth potential with relative stability.
- **Tier 3 Credit Operators:** Brands like Marathon and Shell present the greatest upside, with cap rates averaging 7.11%. These operators often evolve from mom-and-pop businesses, offering significant growth potential for investors willing to take on more risk.



A Resilient and Scalable Asset Class

The convenience store sector remains a compelling choice for investors in 2025, offering a blend of stable cash flow, tax efficiency and long-term upside. With bonus depreciation benefits, diversified revenue streams and sublease income opportunities, these properties deliver operational flexibility and strong financial fundamentals. Whether targeting Tier 1 stability or Tier 3 growth potential, investors are increasingly recognizing the sector's scalability, healthy margins and recession-resistant performance. In primary and tertiary markets alike, c-stores continue to prove their value as resilient, income-producing assets with meaningful upside for both institutional and private investors.

Convenience Store Average Cap Rates by Tier



Source: Northmarq

Sold comp data reflects transactions from January 2023 to June 2025

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