

# NET LEASE PROPERTY REPORT

## Q2 : 2025

Los Angeles  
Orange County  
Portland  
San Diego  
San Francisco



# Q2 2025 CAP RATES REMAIN UNCHANGED

## Cap Rates Continue 3 Years of Stabilization

Q2 2025 Median Cap Rates stayed the same as Q1, holding steady at 6.50%. Average Cap Rates increased by 4 basis points to 6.73%. Average Days on Market increased by 17 days to 200 days, as properties are taking longer to sell than the prior quarter. Average Base Term remaining on closed transactions increased only slightly to 11.1 Years.

The 10 Year Treasury ended the quarter at 4.24%. The 10 Year has remained almost flat over the past 3 years, averaging around 4.1% from the start of Q3 2022 up through the end of Q2 2025. Net Lease Cap Rates hit an all time low point in Q2 2022 before they began an upward rise that lasted until Q2 2024, when Median Cap Rates hit 6.5%. Cap Rates have stayed in that range through the current quarter.

The spread between asking prices and closed prices has stayed the same throughout the entire year, at 6.05% under the asking price. This indicates of the lack of volatility in the current Net Lease marketplace. As noted above, interest rates have remained constant while both buyers and sellers have now had time to adjust accordingly to market conditions.

## Q2 2025

### Sold Property Data

#### Median Cap Rate

6.50% (No Change)

#### Average Cap Rate

6.73% (↑4 bps)

#### Average Days On Market

200 Days (↑17)

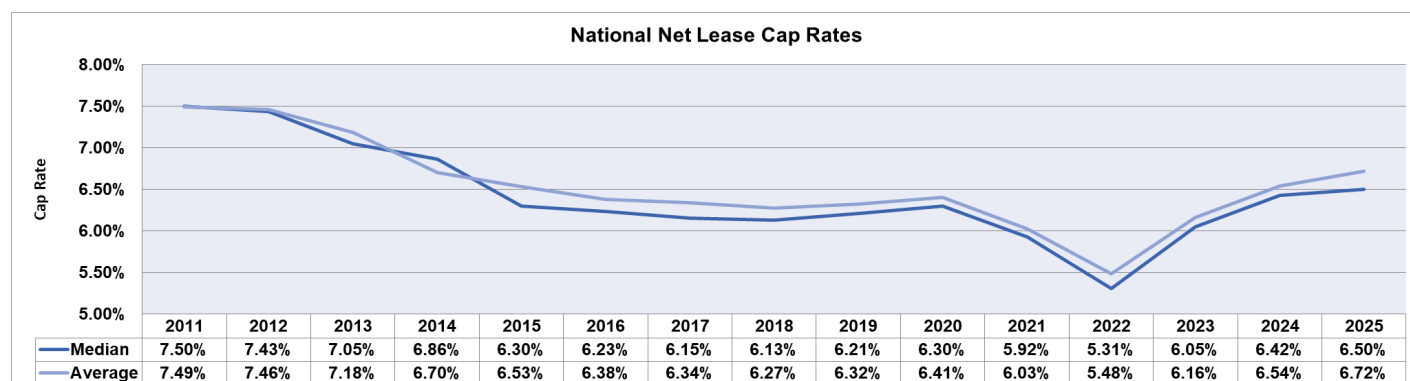
#### Average Base Term

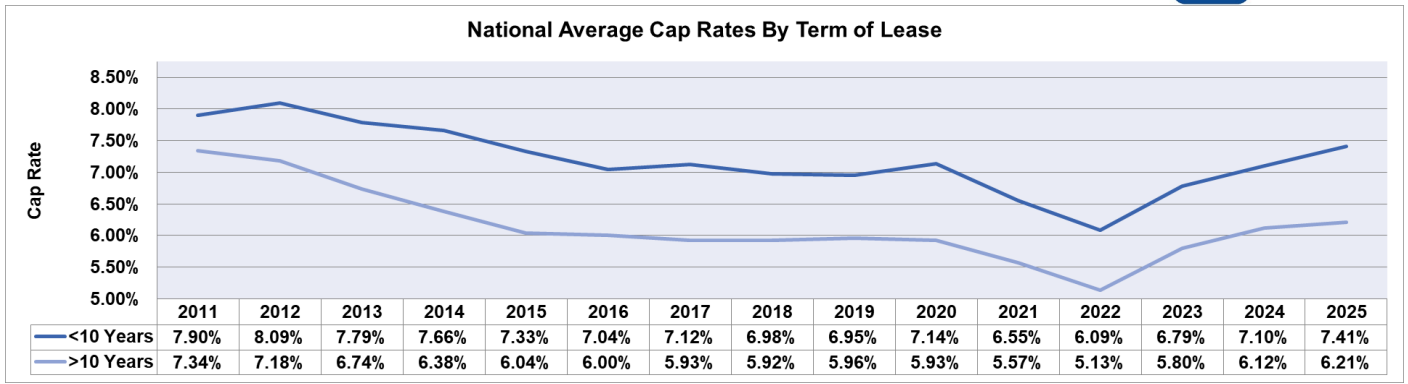
11.1 Years (↑0.3)

#### Ask Price vs. Sales Price

6.05% Under Asking (↑1 bps)

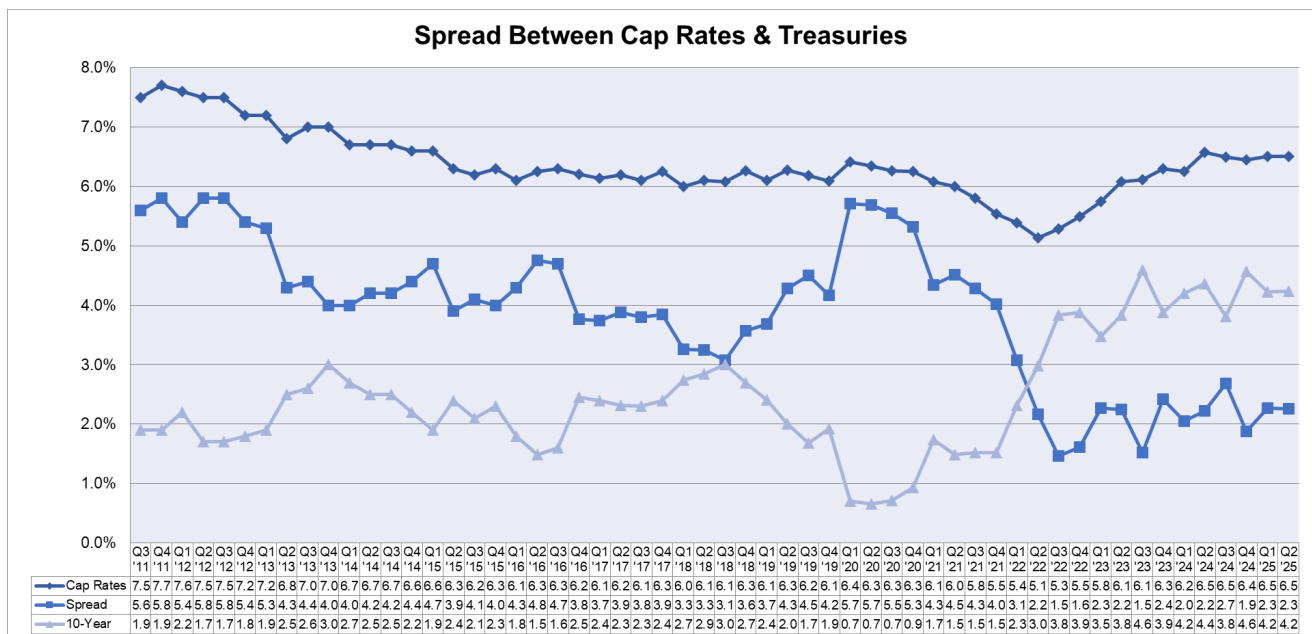
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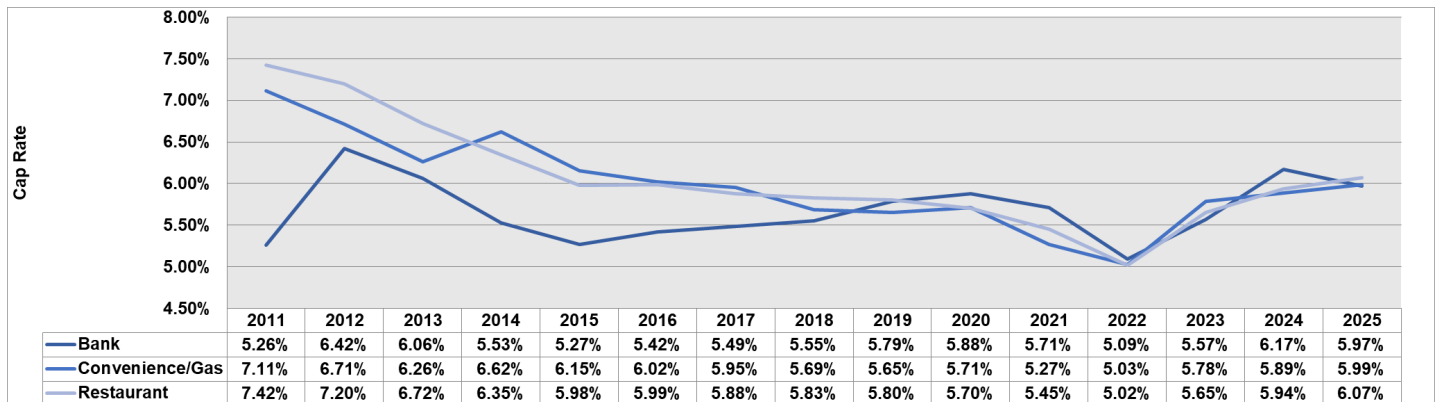


Median Cap Rates continue to stay at a steady level, while Average Cap Rates have continued to slowly creep higher. This is largely due to the spread between Cap Rates for properties with either longer term or shorter term leases. Investors continue to seek out long term leases in an everchanging retail environment that continues to see long time staples of Net Lease such as Banks and Drug Stores continue to close locations. This has made it more difficult for investors to become confident with the long term prospects of certain businesses. Lenders have become more selective in their underwriting parameters, paying more attention to credit, term, and the nature of the tenant's business. Lenders are now less than a year away from the point in which 5 year fixed loans that were originated during the pandemic driven low interest era will begin to expire. This period will last approximately 2 years and will put major stress on both borrowers and lenders. There will be a large percentage of loans that will fail to cover their debt service ratios unless borrowers bring in additional capital to pay down their principal before refinancing.

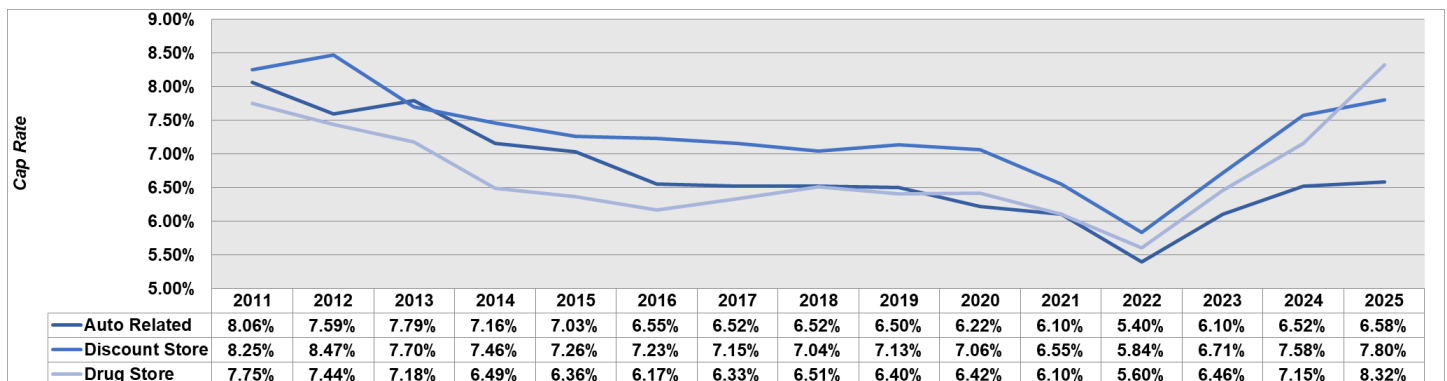
Drug Store cap rates have risen rapidly over the past 3 years. Average Drug Store Cap Rates have risen from 5.21% in Q1 2022 to their current level of 8.73%. This represents an increase of 68%. In terms of value, this represents an average decrease in value of approximately 40%. As if this is not enough bad news, this only represents Cap Rates for Drug Store properties that are actually selling, as there exists a large amount of inventory that is sitting on the market. Drug Stores continue to face online and big box competition, resulting in decreasing foot traffic and sales. Rite Aid is entering into bankruptcy for the second time in recent history. Walgreens is moving forward with the sale of their business by the end of the year to a private equity group that has mixed results in terms of their ability to breathe new life into struggling businesses. Drastic market changes, such as what we are seeing in the Drug Store sector, become a harsh reminder for the need to remain focused on basic real estate fundamentals when purchasing a Net Lease property.



## Auto Related | Discount Store | Drug Store



## Bank | Convenience / Gas | Restaurant



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