NET LEASE PROPERTY REPORT

Q3 : 2025

Los Angeles
Orange County
Portland
San Diego
San Francisco

NNNetAdvisors

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Q3 NET LEASE CAP RATES SURGE HIGHER

2025 Cap Rates Reach 10 Year High

Q3 2025 Median Cap Rates increased 30 basis points over the prior quarter to 6.82%, while Average Cap Rates increased 7 basis points to 6.88%. Average Days on Market dropped by 38 days, to 167 Days. The Average Base Term remaining on leases at close remained steady at 11 years. The spread between asking prices and closing prices also head steady at 6.12% below asking.

In September, the Fed cut rates for the first time since December of 2024. This recent quarter point rate cut was long anticipated and the likelihood of subsequent rate cuts in the near future remains a highly debated subject. The Federal Open Market Committee expects another 50 basis points in cuts before the end of the year. This implies an additional 25 bps cut at both the October and December meetings.

The Net Lease market continues to react to the interest rate environment as cap rates have steadily been on the rise in conjunction with the Fed's initial post-Covid interest rate increases that began in March of 2022. The question now, is if and when the 10 Year Treasury Yield will begin to show any signs of significant decrease. The 10 Year has hovered between the high 3 and low-to-mid 4 range over the past 3 years. While cap rates have steadily increased over this period, the spread between cap rates and the 10 year has stayed under 3%. Historically speaking, once this figure moves above 3%, leveraged acquisitions become more attractive and transaction volumes are likely to increase.

(continued on pg. 3)

Q3 2025

Sold Property Data

Median Cap Rate

6.82% (↑30bps)

Average Cap Rate

6.88% (↑7 bps)

Average Days On Market

167 Days (↓38)

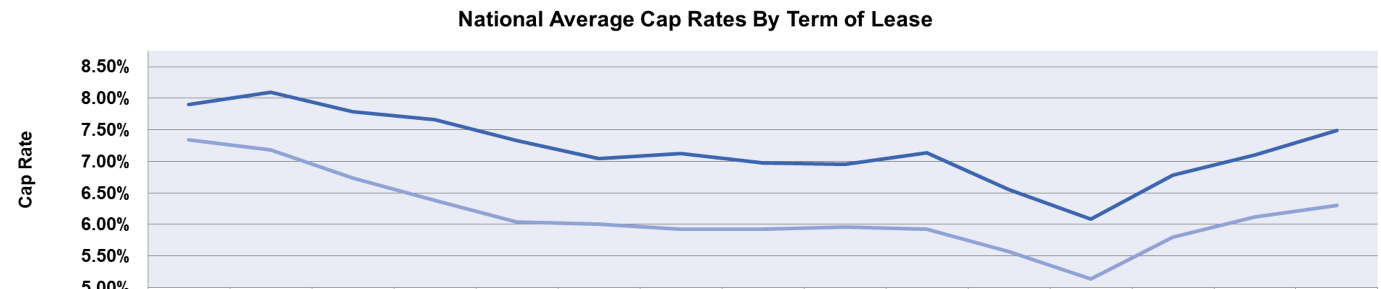
Average Base Term

11.0 Years (↑0.1)

Ask Price vs. Sales Price

6.12% Under Asking (↓10 bps)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Median	7.50%	7.43%	7.05%	6.86%	6.30%	6.23%	6.15%	6.13%	6.21%	6.30%	5.92%	5.31%	6.05%	6.42%	6.60%
Average	7.49%	7.46%	7.18%	6.70%	6.53%	6.38%	6.34%	6.27%	6.32%	6.41%	6.03%	5.48%	6.16%	6.54%	6.79%



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<10 Years	7.90%	8.09%	7.79%	7.66%	7.33%	7.04%	7.12%	6.98%	6.95%	7.14%	6.55%	6.09%	6.79%	7.10%	7.49%
>10 Years	7.34%	7.18%	6.74%	6.38%	6.04%	6.00%	5.93%	5.92%	5.96%	5.93%	5.57%	5.13%	5.80%	6.12%	6.30%

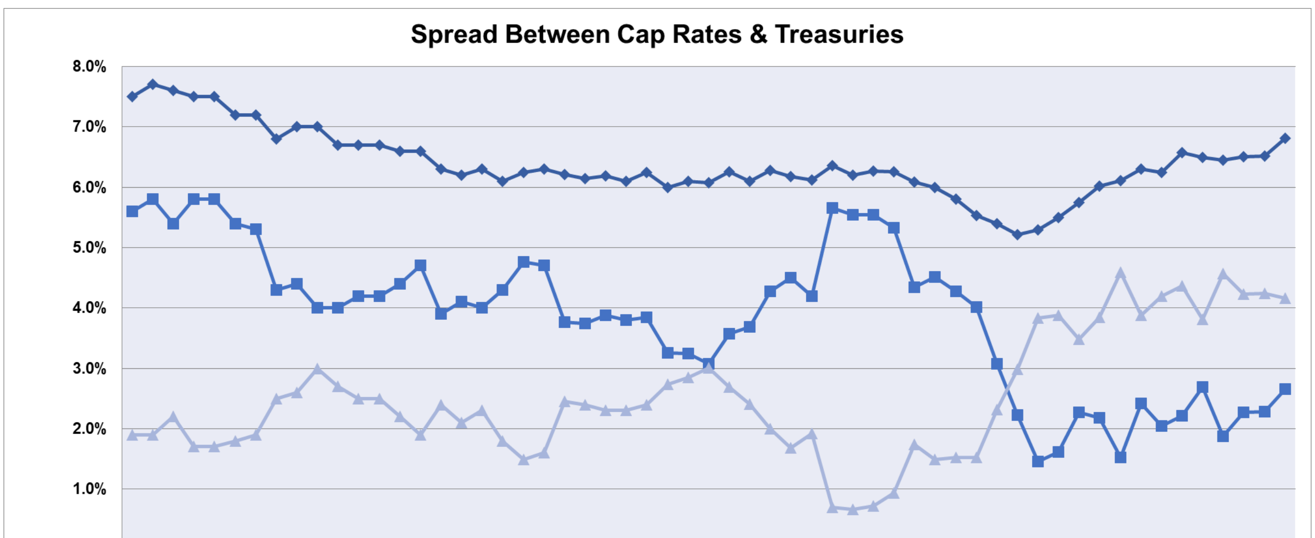
The Drug Store sector continues to wreak havoc on the Net Lease market. Surprisingly, Cap Rates for both CVS and Walgreens decreased this quarter, but overall, Cap Rates for Drug Store properties are sky high as compared to two years ago. There have been a drastically lower volume of Drug Store locations changing hands, and those that do, are generally limited to top performing locations.

Rite Aid announced that it has shuttered its remaining 89 stores after filing for bankruptcy in May for the second time in less than two years. They announced in May that they had sold most of their 1,000 US stores' pharmacy services to CVS, Walgreens, Albertsons, and Kroger.

Walgreens completed their sale to Sycamore Partners at the end of August. Moving forward, Walgreens healthcare subsidiaries Shields Health Solutions, Care Centrix, and VillageMD will operate as separate businesses. The Boots Group, Walgreens international retail pharmacy chain, will also be spun out, creating five standalone companies. Net Lease investors should continue to keep an eye out for additional closures and not be surprised if Sycamore attempts to renegotiate their leases.

Quick Service Restaurants have experienced moderate increases in Cap Rate this year. This is a true sign that the entire market has softened as QSR's remain one of the in demand sectors.

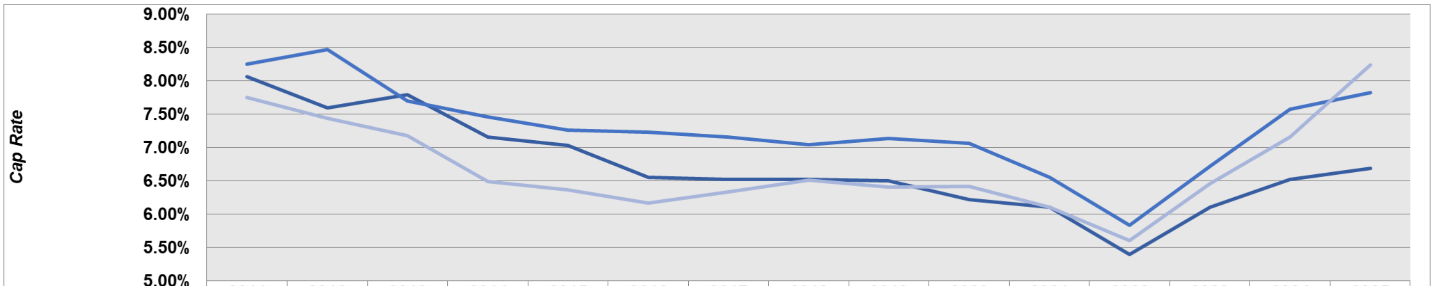
Starbucks announced in September that they will close 1% of their stores in North America by the end of the month. The closures and layoffs of 900 corporate employees is part of a $1B restructuring plan. Roughly 400 stores lower performing stores were shuttered on short notice and some believe that this number will end up being closer to 1,000.



	Q3 '11	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
Cap Rates	7.5	7.7	7.6	7.5	7.5	7.2	7.2	6.8	7.0	7.0	6.7	6.7	6.7	6.6	6.6	6.3	6.2	6.3	6.1	6.3	6.3	6.2	6.1	6.2	6.1	6.3	6.0
Spread	5.6	5.8	5.4	5.8	5.8	5.4	5.3	4.3	4.4	4.0	4.0	4.2	4.2	4.4	4.7	3.9	4.1	4.0	4.3	4.8	4.7	3.8	3.7	3.9	3.8	3.9	3.3
10-Year	1.9	1.9	2.2	1.7	1.7	1.8	1.9	2.5	2.6	3.0	2.7	2.5	2.5	2.2	1.9	2.4	2.1	2.3	1.8	1.5	1.6	2.5	2.4	2.3	2.3	2.4	2.7

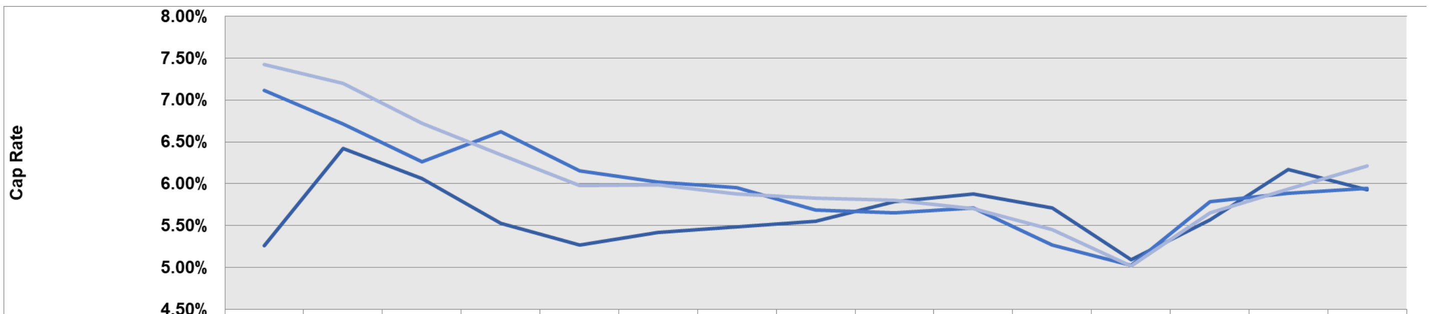
	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25
Cap Rates	6.1	6.1	6.3	6.1	6.3	6.2	6.1	6.4	6.2	6.3	6.3	6.1	6.0	5.8	5.5	5.4	5.2	5.3	5.5	5.8	6.0	6.1	6.3	6.2	6.5	6.5	6.4	6.5	6.5	6.8
Spread	3.3	3.1	3.6	3.7	4.3	4.5	4.2	5.7	5.5	5.5	5.3	4.3	4.5	4.3	4.0	3.1	2.2	1.5	1.6	2.3	2.2	1.5	2.4	2.0	2.2	2.7	1.9	2.3	2.3	2.7
10-Year	2.9	3.0	2.7	2.4	2.0	1.7	1.9	0.7	0.7	0.7	0.9	1.7	1.5	1.5	1.5	2.3	3.0	3.8	3.9	3.5	3.8	4.6	3.9	4.2	4.4	3.8	4.6	4.2	4.2	4.2

Auto Related | Discount Store | Drug Store



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Auto Related	8.06%	7.59%	7.79%	7.16%	7.03%	6.55%	6.52%	6.52%	6.50%	6.22%	6.10%	5.40%	6.10%	6.52%	6.69%
Discount Store	8.25%	8.47%	7.70%	7.46%	7.26%	7.23%	7.15%	7.04%	7.13%	7.06%	6.55%	5.84%	6.71%	7.58%	7.83%
Drug Store	7.75%	7.44%	7.18%	6.49%	6.36%	6.17%	6.33%	6.51%	6.40%	6.42%	6.10%	5.60%	6.46%	7.15%	8.23%

Bank | Convenience / Gas | Restaurant



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bank	5.26%	6.42%	6.06%	5.53%	5.27%	5.42%	5.49%	5.55%	5.79%	5.88%	5.71%	5.09%	5.57%	6.17%	5.93%
Convenience/Gas	7.11%	6.71%	6.26%	6.62%	6.15%	6.02%	5.95%	5.69%	5.65%	5.71%	5.27%	5.03%	5.78%	5.89%	5.95%
Restaurant	7.42%	7.20%	6.72%	6.35%	5.98%	5.99%	5.88%	5.83%	5.80%	5.70%	5.45%	5.02%	5.65%	5.94%	6.21%

CONTACT OUR PROFESSIONALS

Simo Amzil

Partner

+1.800.791.6320 X 102

SAmzil@NNNetAdvisors.com

Orange County, CA

Geoffrey Faulkner

CCIM, Managing Partner

+1 800.791.6320 x100

GFaulkner@NNNetAdvisors.com

San Francisco, CA

Paul Green

Partner

+1 800.791.6320 x106

PGreen@NNNetAdvisors.com

Los Angeles, CA

Joe You

Partner

+1 800.791.6320x105

JYou@NNNetAdvisors.com

San Diego, CA

Josh Veentjer

Managing Partner

+1 800.791.6320 x101

JoshV@NNNetAdvisors.com

Portland, OR

NNNetAdvisors

The National Net Lease Network

150 Sutter Street #555

San Francisco, CA 94104