NET LEASE PROPERTY REPORT

Q2 : 2026

Los Angeles
Orange County
Portland
San Diego
San Francisco

NNNetAdvisors

2026 Q2 CAP RATES INCREASE

Cap Rates Increase in Q2 After Starting the Year Lower

Q2 2026 Median Cap Rate increased by 18 basis points to 6.73% while Average Cap Rates increased by 20 basis points to 6.87%. Average Days on Market decreased by 9 days to 190 days while Average Base Terms also decreased by 0.8 years to end the quarter at 9.7 years. The spread between asking price and sales price ended the quarter at 10.1% under asking, which was a 346 basis point increase over the prior quarter.

The spread between Median Cap Rates and the 10 Year Treasury Yield held steady at 2.25%. This is reflective of an increase in aforementioned Median Cap Rates as well as the 10 Year Treasury Yield, which increased from 4.3% to 4.475% over the course of the quarter. Investors continue to adjust to the steady rise of the 10 Year Treasury Yield. A year ago, it seemed that the 10 Year was destined to drop steadily but quite the opposite has happened. We have seen the 10 Year drop 24 basis points since a year ago. Current 1 Year forecasts for the 10 Year predict that it will remain mostly flat to slightly decreasing.

Dollar Store and Bank properties saw the largest Cap Rate increases over the past quarter, while Cap Rates for all other sectors remained mostly flat.

(continued on pg. 3)

Q2 2026
Sold Property Data

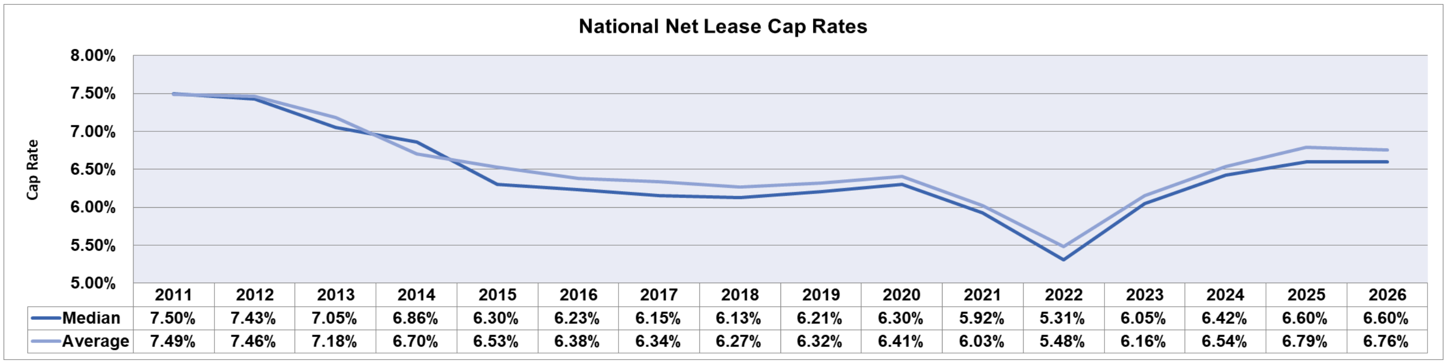
Median Cap Rate
6.73% (↑18bps)

Average Cap Rate
6.87% (↑20 bps)

Average Days On Market
190 Days (↓9)

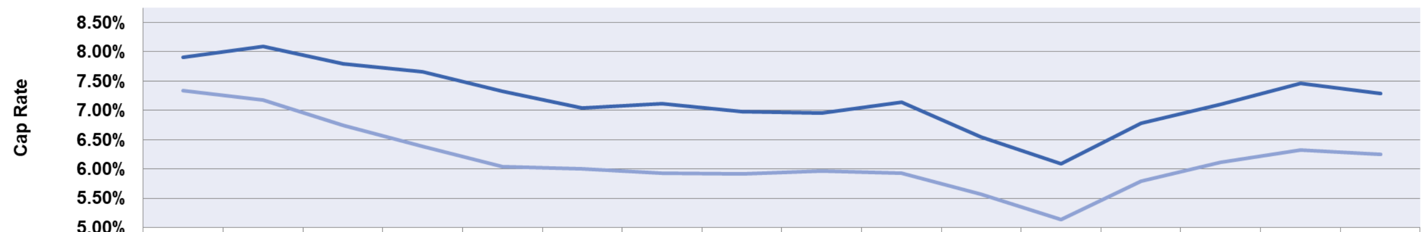
Average Base Term
9.7 Years (↓0.8)

Ask Price vs. Sales Price
10.1% Under Asking (↑346 bps)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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%	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%	6.76%

National Average Cap Rates By Term of Lease



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<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%	7.46%	7.28%
>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%	6.32%	6.25%

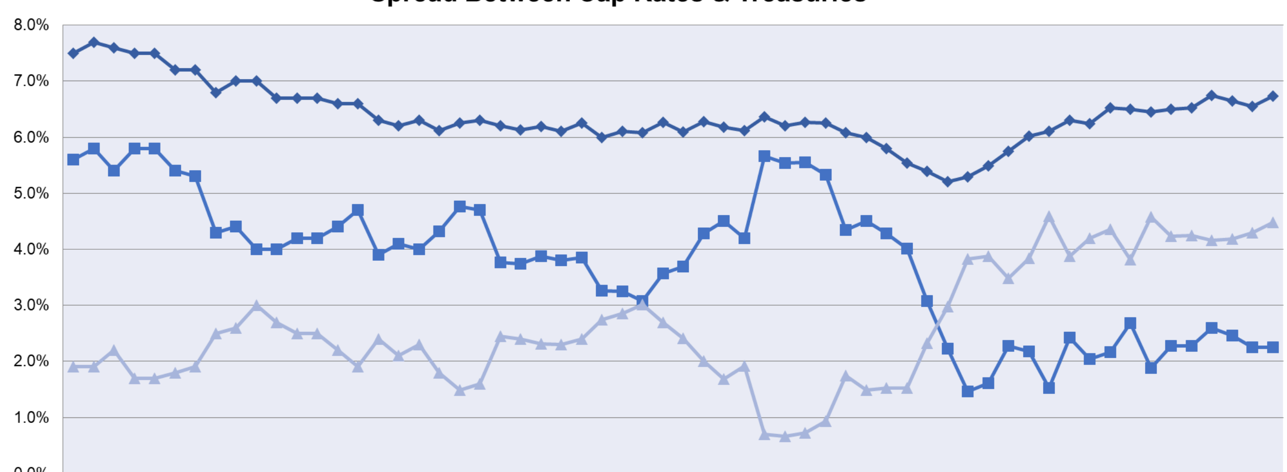
The single-tenant net lease (STNL) market is expected to remain stable through the second half of 2026, with modest cap rate compression anticipated for high quality assets as capital markets continue to improve. Declining interest rate volatility, improving debt availability, and increased investor confidence are expected to support stronger transaction activity compared with 2025.

Properties leased to investment grade tenants with long remaining lease terms are expected to experience the greatest investor demand. Essential retail sectors including discount stores, convenience stores, quick service restaurants, automotive service providers, and grocery operators should continue to attract strong pricing due to their resilient operating performance and predictable cash flows. As a result, cap rates for premier assets may compress slightly, while secondary assets with weaker tenant credit, shorter lease terms, or less desirable locations are expected to trade at wider cap rates.

Private investors completing 1031 exchanges are expected to remain an important source of demand, particularly for properties offering stable income and inflation protection through contractual rent increases. Institutional investors are also expected to increase acquisition activity as financing costs moderate and pricing becomes more attractive relative to fixed income investments. Although economic uncertainty and elevated borrowing costs may continue to limit aggressive cap rate compression, market fundamentals suggest a healthy and disciplined investment environment.

Overall, the second half of 2026 is expected to favor well located, investment grade single tenant net lease properties, with cap rates remaining relatively stable and trending modestly lower for the highest quality assets. Investors are likely to continue prioritizing tenant credit strength, lease duration, and real estate fundamentals when evaluating acquisitions, reinforcing the sector’s reputation as a defensive, income oriented investment class.

Spread Between Cap Rates & Treasuries



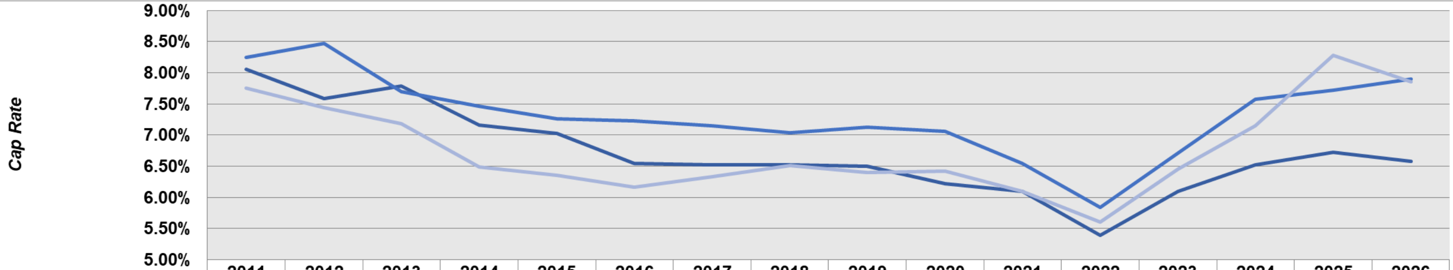
	Q3 '11	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15
Cap Rates	7.	7.	7.	7.	7.	7.	7.	6.	7.	7.	6.	6.	6.	6.	6.
Spread	5.	5.	5.	5.	5.	5.	5.	4.	4.	4.	4.	4.	4.	4.	4.
10-Year	1.	1.	2.	1.	1.	1.	1.	2.	2.	3.	2.	2.	2.	2.	1.

	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18
Cap Rates	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.
Spread	3.	4.	4.	4.	4.	4.	3.	3.	3.	3.	3.	3.	3.	3.	3.
10-Year	2.	2.	2.	1.	1.	1.	2.	2.	2.	2.	2.	2.	2.	3.	2.

	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
Cap Rates	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	5.	5.	5.	5.	5.
Spread	3.	4.	4.	4.	5.	5.	5.	5.	4.	4.	4.	4.	3.	2.	1.
10-Year	2.	2.	1.	1.	0.	0.	0.	0.	1.	1.	1.	1.	2.	3.	3.

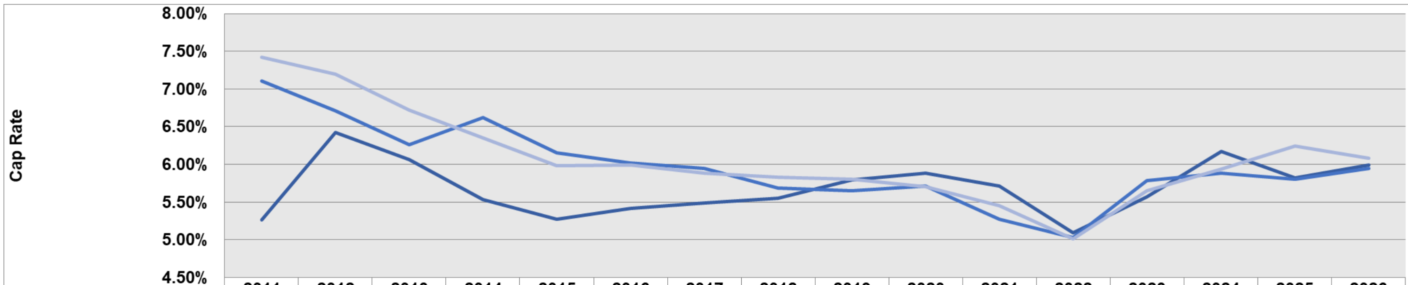
	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26
Cap Rates	5.	5.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.	6.
Spread	1.	2.	2.	1.	2.	2.	2.	2.	1.	2.	2.	2.	2.	2.	2.
10-Year	3.	3.	3.	4.	3.	4.	4.	3.	4.	4.	4.	4.	4.	4.	4.

Auto Related | Discount Store | Drug Store



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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%	6.72%	6.58%
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%	7.72%	7.90%
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%	8.28%	7.85%

Bank | Convenience / Gas | Restaurant



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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%	5.82%	5.99%
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%	5.81%	5.94%
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%	6.24%	6.09%

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