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PRIVATE MARKETS

Real estate commentary
December 2025

Breaking down single tenant triple net lease

Understanding the benefits and risks vs. diversified core real estate allocations

KEY TAKEAWAYS

- Triple net lease contracts are not exclusive to single tenant properties, but are common across commercial real estate. Investors should consider the relative benefits and risks of single tenant "triple net lease properties" vs. having multiple "triple net lease tenants" in a core real estate portfolio.
- Single Tenant Net Lease (NL) properties have historically offered higher starting yields, but lower income growth and property price appreciation. These strategies can be helpful compliments to core real estate when broad property prices are contracting.
- Diversified core real estate has historically had higher income growth and captured more upside during periods of high property price appreciation.
- Stable property values in recent quarters as well as historically low numbers of properties under construction may point to the start of a new cycle in property price appreciation.

How do dedicated single tenant triple net lease strategies compliment core?

The majority of commercial real estate sectors utilize the net lease structure, particularly in retail and industrial. More than 90% of our commercial portfolio across the industrial, healthcare, retail and office sectors use triple-net leases.[1]

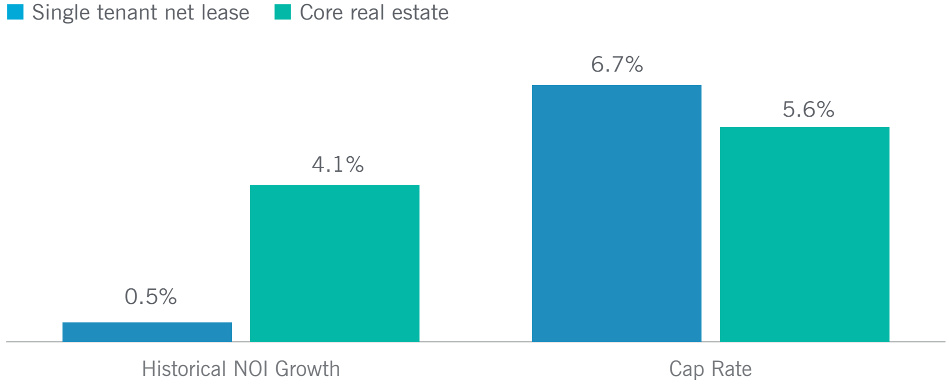
	"TRIPLE NET LEASE TENANTS"	"TRIPLE NET LEASE PROPERTY"
Lease structure	Multi-tenant triple net lease (diversified)	Single tenant triple net lease (concentrated)
Strategy / fund type	Core real estate	Focused / dedicated
Starting yield	Lower (5 – 7%)	Higher (6 – 8%)
Income growth potential	Higher (2 – 5%)	Lower (-1 – 2%)
Lease term	Shorter (3 – 7 years)	Longer (10 – 15 years)
Re-lease risk / cost	Lower	Higher

Source: Single tenant net lease NOI growth, Green Street Advisors. Single tenant net lease median cap rate (retail), Real Capital Analytics. Core Real Estate NOI growth and cap rate, NCREIF Property Index. Ranges for NOI growth and cap rates represent ranges of data from June 30, 2010 to September 30, 2025.

Higher starting yields compensated for lower upside

While rent escalators are common in both approaches, shorter leases in multi-tenant core properties allowed for more frequent "catch ups" to market rents. As these properties were less specialized to the requirements of any one tenant, there were more potential tenants available when space needs to be re-leased.

Figure 1: Historical NOI growth versus cap rate



Source: Single tenant net lease NOI growth, Green Street Advisors, data as of September 30, 2025. Single tenant net lease median cap rate (retail), Real Capital Analytics, data as of September 30, 2025. Core Real Estate NOI growth and cap rate, NCREIF Property Index, data as of September 30, 2025. **Performance data shown represents past performance and does not predict or guarantee future results.**

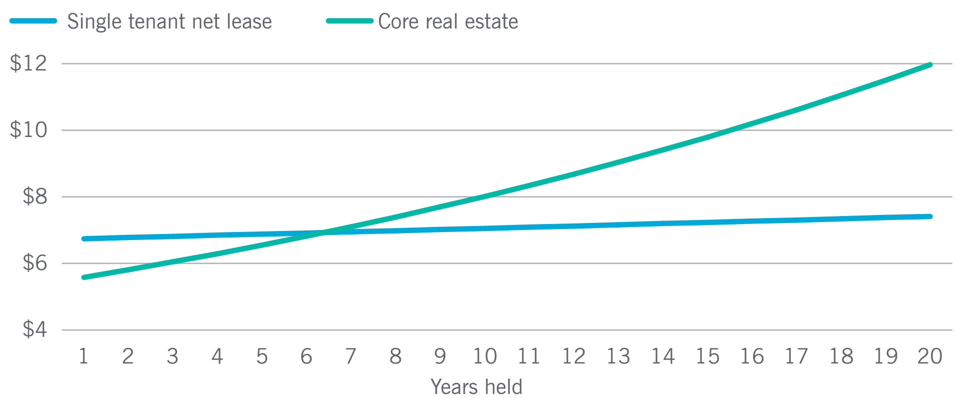
NOI growth is measured from 2013 – 2024.

Higher income growth overcame higher starting yields over time

An income stream that starts lower, but grows at higher rate Should eventually catch up to and exceed a slower growing income stream. The "break even" point will be shorter when the difference in starting yields is lower, and the growth rate differential is higher.

Figure 2: Income over time on $100 invested

Annual income ($)



Source: Nuveen Portfolio Strategy Group. Core Real Estate: Illustration of income of $5.6 per year growing at 4.1% per year. Single Property NL: illustration of income of $6.7 per year growing at 0.5% per year.

Historical returns and volatility

Higher NOI growth drove property value increases which corresponded to the higher capital return for core real estate. Volatilities have been similar despite single tenant "triple net lease properties'" lower exposure to property value cycles.

Figure 3: Historical total return

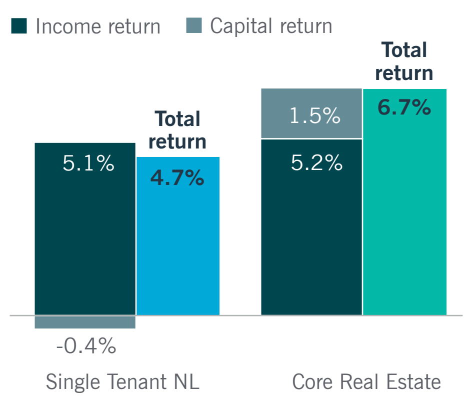
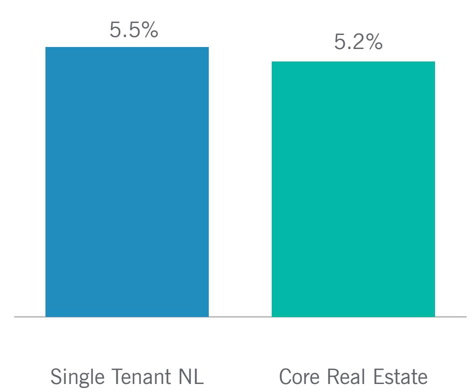


Figure 4: Historical volatility



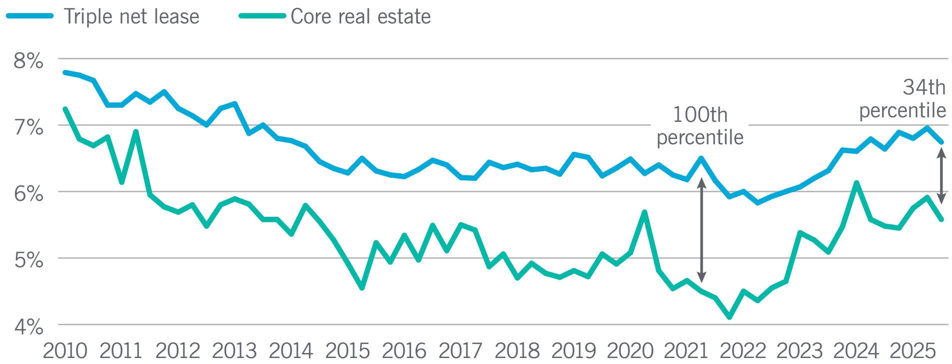
Source: Volatility calculated using annualized standard deviation of quarterly returns. Data sources for return and volatility calculations. Single Tenant NL: NCREIF Property Single Tenant Retail Subindex. Core Real Estate represented by the NCREIF Property Index , 20 years ending September 30, 2025. **Performance data shown represents past performance and does not predict or guarantee future results.**

Cap rate spread has tightened to below-average levels

Midway through 2021, single tenant net lease properties offered the highest cap rate spread (100th percentile) vs. core properties in the last 15 years. However, that income advantage has declined to below average levels.

Figure 5: Single tenant cap rate advantage compressed

Transaction cap rates



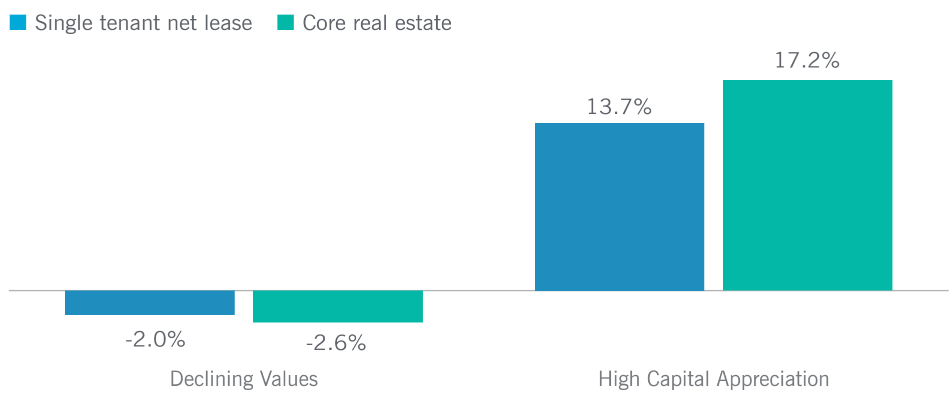
Source: Triple Net Lease Cap Transaction Cap Rate: Single tenant net lease median cap rate (retail), Real Capital Analytics; Core Real Estate: NPI NCREIF NPI Core Sectors (Office, Apartment, Retail, and Industrial) transaction cap rates. Data range: June 30, 2010 to September 30, 2025. **Performance data shown represents past performance and does not predict or guarantee future results.**

Single tenant "triple net lease properties" defensive, but with less upside potential

Single tenant "triple net lease properties" have historically had lower downside during periods of property price decline due their longer lease terms and steady income. However, core real estate has historically captured more upside during periods of high property price appreciation.

Figure 6: Single tenant net lease was less exposed to real estate cycle

Total return (%)

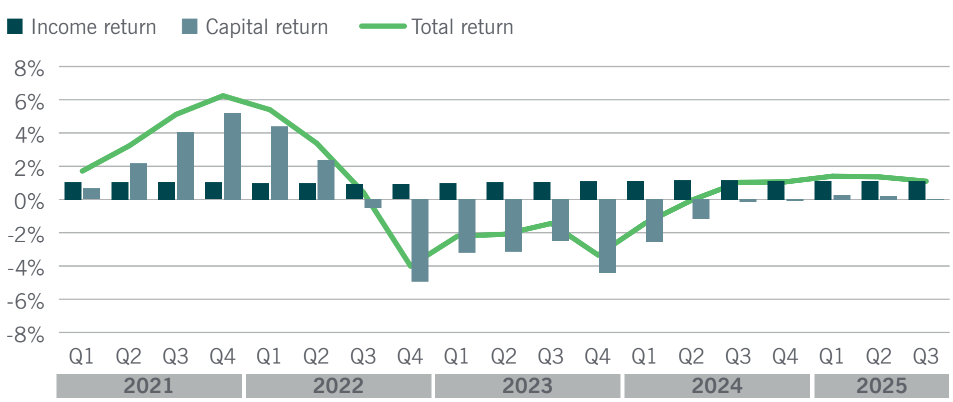


Source: Single Tenant NL: NCREIF Property Single Tenant Retail Subindex. Core Real Estate represented by the NCREIF Property Index ; "High Capital Appreciation" represents the total returns in the quarters with the highest quartile of property price growth. "Declining Values" represents total returns in the quarters with property price declines. Property price growth/decline determined by the NCREIF Property Price Index. Date Range: June 30, 1995 to September 30, 2025. **Performance data shown represents past performance and does not predict or guarantee future results.**

Real estate may be entering a property price appreciation cycle

Broad property values declined 25% between Q4 2022 and Q3 2024 followed by price stabilization (see below). Two consecutive quarters of total return have historically been a reliable indicator of the start of a new cycle. For further analysis and outlook on real estate see Nuveen Real Estate's quarterly Global Trends and Tactics report for more information.

Figure 7: Quarterly ODCE returns



Source: NCREIF ODCE, data as of September 30, 2025. **Performance data shown represents past performance and does not predict or guarantee future results.**

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Summary

The Triple Net Lease structure is widely used in commercial real estate and the benefits are not restricted to single tenant property strategies. It is simply important to understand the benefits of single tenant strategies like higher starting income and risks such as tenant concentration, higher re-lease costs, and ultimately lower upside when property values increase.

Real estate returns over the last year have turned positive, which has historically preceded property values turning a corner and beginning to increase. Property price stabilization in recent quarters shows progress in forming the start of a new real estate cycle. As this cycle continues, performance of income driven strategies may be eclipsed by those with greater income and capital appreciation potential.

For more information, please visit nuveen.com.

Endnotes

1 Nuveen Real Estate, as of September 30, 2025

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For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Important information on risk

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Real estate investments are subject to various risks, including fluctuations in property values, higher expenses or lower income than expected, and potential environmental problems and liability. Please consider all risks carefully prior to investing in any particular strategy. The portfolio's concentration in the real estate sector makes it subject to greater risk and volatility than other portfolios that are more diversified and its value may be substantially affected by economic events in the real estate industry. International investing involves risks, including risks related to foreign currency, limited liquidity particularly where the underlying asset comprises real estate, less government regulation in some jurisdictions, and the possibility of substantial volatility due to adverse political, economic or other developments

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