

# The Weekly Take

## The Long Run: What's Driving Net Lease Investment

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### **Spencer Levy**

In the capital market's business, investors are always on the look out for higher yielding assets. That's the bottom line, after all. And that's what makes the subject of this show so interesting right now. We return to an alternative real estate asset type that operates like a financial instrument, one that derives from the tenant's credit and presents opportunities across sectors and locations as well. On this episode, we recalibrate the facts, figures, and fundamentals, and we update our perspective on the asset known as net lease.

### **Teddy Kaplan**

In the wake of not only rising interest rates, but significant macro uncertainty. I think what we're finding is that there's a subset of the capital markets that's willing to transact again.

### **Spencer Levy**

That's Teddy Kaplan, the President and CEO of Net Lease Strategy at New Mountain Capital. With more than two decades in the business, he's going on 10 years with a New York-based firm, overseeing the net lease portfolio for this \$55 billion alternative asset manager.

### **Will Pike**

It is an incredibly healthy spot in the net lease sector. If you look at it from a risk-adjusted return standpoint, the net lease sector has been incredibly compelling for institutional investors, both domestically and offshore.

### **Spencer Levy**

And that's Will Pike, a 21-year CBRE veteran who was recently promoted as the President of U.S. Industrial and Logistics Capital Markets and leader of CBRE National Partners, a team with more than 100 professionals across the U. S. Will also leads CBRE's Net Lease Property Group and Corporate Capital Markets practice. Coming up, a seat alongside two top experts on this dynamic alternative as we reconsider a subject we haven't talked about in a while, a conversation that's nothing but net lease. I'm Spencer Levy, and that's right now on The Weekly Take.

### **Spencer Levy**

Welcome to The Weekly Take. And this week we are going back to the net lease world with two of the leaders of the industry, starting with Teddy Kaplan of New Mountain Capital. Teddy, welcome to the show.

### **Teddy Kaplan**

Thanks so much. Happy to be here.

### **Spencer Levy**

And then we have our own Will Pike. Congratulations on the new role and welcome back to the show.

**Will Pike**

Thank you, Spencer. I enjoy being a recurring guest.

**Spencer Levy**

So, let's just start very basically, Teddy, in your own words, how would you distinguish net lease from gross lease or other forms of commercial real estate investment?

**Teddy Kaplan**

A net lease just refers to the fact that the landlord receives a single cashflow stream from the tenant. The tenant actually pays all of the expenses associated with occupying and maintaining the building. The triple net component typically refers to maintenance, taxes, and insurance, as opposed to a gross lease where the landlord gets rent from the tenant and then pays all the operating costs of the asset. Net lease as an asset class also tends to be associated with single tenant net leases. So, leases is just one building, one occupant and often with kind of long-term net leases. So 10-plus years.

**Spencer Levy**

How's the net leased business doing? And to frame it up, we had a very difficult run the last couple of years as it related to interest rates rising, inflation, geopolitical issues. But with that as a context, how's it going today?

**Teddy Kaplan**

It is actually going really well and we're at an interesting inflection point for the business as viewed through the fundraising and investor lens and also from a deployment lens. On the investor capital formation side, I think I have not seen the business. As front and center in front of investors minds, really in my 20-plus years in the business, we have a situation where in front of institutional limited partners, they're familiar with the asset class. There's no longer the need to explain it. Where does it fit within the real estate return and or niches, what have you. On the deal front, following a couple of years, as you mentioned, Spencer, in the wake of not only rising interest rates, but significant macro. Uncertainty. I think what we're finding is that there's a subset of the capital markets that's willing to transact again and at least and specifically sell these back transactions as a way to deliver some return of capital to investors while they continue to figure out the broader uncertainty as it relates to their larger assets, their corporate investments.

**Spencer Levy**

So for benefit of our listeners, I'm going to define sale leasebacks as one where you buy an existing asset that already has a lease in place. The second is you go to an operator that owns an asset, could be industrial, could be manufacturing. We'll talk about that. And you say, well, why don't you sell me your asset and I'll lease it back to you. So you create one versus buying an existing one. So, Will, we framed up where the market was. Teddy said the market is improving in both origination and in capital formation. What's your perspective?

**Will Pike**

Teddy summarized it incredibly accurately and took all my talking points, Spencer, so I have a problem. From a capital standpoint, as Teddy conveyed, it is an incredibly healthy spot in the net lease sector. If you look at it from a risk-adjusted return standpoint, the net-lease sector has been incredibly compelling for institutional investors, both

domestically and offshore. As far as what we're seeing in 2025 for the remainder of this year, we expect volumes to be up but somewhere in probably the five to 15, five to 12% range by the end of the year. And that encompasses all product types and that is retail, industrial, and office, anything within the net lease sector. Again, marginal gains, if you look at it from that perspective, at the beginning of the year, we were projecting more, but obviously what has occurred over the last two months in the capital markets now we're essentially from a borrowing standpoint back to where we were on April 1st. In the CNBS market and the bank lending market and also with Lifeco. So, again, we're expecting a good year, but nothing, I would say robust as far as volume for the remainder of the year. And where we're gonna see the majority of that volume is in the industrial and retail sector. Although office trades are really picking back up from activity, we are seeing that in what we're doing on the net lease side and also across the board.

### **Spencer Levy**

Teddy, let's take a step back once again. How do you explain to a corporate occupier why this is the best option for them? And then by extension, why is this the best risk-adjusted return for you?

### **Teddy Kaplan**

It would be helpful to go back in history a bit. I started off at a firm called W.P. Carey. They are still a great client of CBRE at the time. They were the largest pure play net lease REIT out there today. They're still one of the largest and trained a number of folks like myself that went on to manage businesses in the net lease space. And back in the early 2000s, the emphasis at W.P. Carey was going to private equity firms who are, you know, economic animals and pitching them on the value accretion associated with doing a sale leaseback. That is to say, they've bought a business for a certain multiple and can sell the real estate, the rent stream for a higher multiple thereby creating a better ownership multiple in the business. And that is math that is exceedingly well understood today by the private equity community and it's just something that is kind of a standard tool in the toolkit of private equity sponsors. Our pitch would be that it's quasi permanent control of the asset and therefore is simply a sale of a non-strategic component of the business at a multiple that is wide of where the operating assets of the businesses trade, okay? And we can talk about how that flows through if you flip it on its head and look at it from an investor perspective. But I would say that most participants in the marketplace are conditioned and understand that viewpoint. So just to encapsulate it from the user of the capital's perspective, we generally have on both buyer and seller alignment around this concept that this is not a financing per se. It is a sale of non-strategic assets at a business of a business. And that the sale of those assets can occur at a multiple that is wider than the business would trade for as a whole. And that works very well for the sponsor.

### **Spencer Levy**

Let's just shift to the investor perspective, how are investors viewing this space today and how has that changed over the last couple of years in terms of the attractiveness of this return versus what they can get in other forms of real estate.

### **Will Pike**

Frankly, over the last two decades it's been building. And I would say starting in the late teens is when it was supercharged from a capital standpoint, meaning the largest allocators in the U.S. and globally started entering the space. Now, if you look today, and I would say especially from like 2018-19, maybe there was a blip in 2020 for obvious reasons, then '21, it was totally supercharged. And basically, if you look at the top 10 allocators of capital and commercial real estate in the U.S. they were – had some, some

form of involvement in the net lease sector. And that really hasn't changed, frankly. Today, fast forward to 2025, it's a completely robust market from a capital standpoint. Unfortunately, for Teddy and others, there's more probably competition than ever. But again, the risk adjusted returns are still there. When you're talking about solving to mid-to-high teams returns, if you compare that to the other forms of core plus or other avenues where you can achieve those types of returns in commercial real estate. If you look at the bondable nature of the long-term leases, the credit that's supporting those leases and the mission critical aspect of the assets, I think that's what's drawn the both credit investors and just traditional investors into the sector. Again, the largest in the space, and I don't think that it's gonna change. Again, from a risk adjusted standpoint, and from the, again, mission criticality of the asset, it's really significant.

### **Teddy Kaplan**

And it's funny because I have seen other sale leaseback folks or net lease folks talk about it this way. We generally don't say a company's bonds trade at X and therefore the cap rate on the sale leaseback should be Y. We don't find that to be a relevant conversation. The pricing on a company's bonds or debt paper in the capital markets is reflective of a market viewpoint on that company's risk, but I think it's largely irrelevant from a cap rate perspective. The way we look at sale leasebacks is first, you're trying to structure a deal around market rents and the hope is that you can get there. But first you start with sound real estate basis as reflected by rents that are supportable in the marketplace. And then I think the market drives cap rate. And what we have seen in and out of market cycles is that using a modicum of non-recourse leverage, you can earn a return on full IRR basis that is well wide of what you can earn in the leveraged loan market. There is significant competition in the marketplace, although I still find it to be an attractive landscape. And I still think the key take holds, which is if positioned correctly by owning mission critical real estate on a durable business on a long-term lease basis, you can earn a Mez type of return while taking super senior risk.

### **Spencer Levy**

So let me ask you a question, and I say this not disparagingly, but I wanted to just get to the heart of the matter. Is this real estate or is this structured finance?

### **Will Pike**

Real estate.

### **Spencer Levy**

Teddy?

### **Teddy Kaplan**

It is certainly real estate. We own real assets. I think from a transaction standpoint, I think it's telling that the dominant intermediaries in the space are real estate brokerage firms, okay. The investment banks have hardly made a dent in the sale leaseback landscape. I think some of that is perhaps by design. I think the capital market functionality of the asset class is definitely real estate, right. It is financed with real estate instruments, mortgages, real estate rated debt, even within the ABS execution, it's a real estate, ABS asset class. So there's no getting around the fact that factually it is real estate. Having said all of that, I actually view it to be credit in so much as I think that is where most of the alpha comes from. The ultimate downside protection, and frankly, ultimate indexation or kind of beta to interest rates comes from real estate, but the bulk of our analysis, tenant selection, even our real estate analysis is really viewed through an occupier lens, like why do they need to be there and for how long? So I actually view the work that gets done to be credit work.

And that's how we distinguish ourselves. It's been the hardest part. Of the puzzle to solve, I think, for investors in the non-investment grade net lease landscape, which is just at the human capital level, it is hard to create access higher, really high level corporate credit expertise in what is fundamentally a real estate asset class. And, so, my recognition of that was that it had to be borrowed or co-opted in some way and that's why it works really well at New Mountain.

### **Will Pike**

To everything Teddy said is 110% accurate. And the only reason I jokingly said real estate – because obviously net lease from a credit standpoint of everything in commercial real estate is gonna be the most credit driven product. But the primary reason I conveyed real estate is a point that Teddy made earlier. You can't just math equation it where something's gonna trade. Okay, let's say that your exit cap rate is 175 basis points over where the 10-year bond is. It doesn't correlate to that perfection by any stretch. That's why I, again, jokingly said real estate, but I actually agree with Teddy. It's a combination of real estate and credit. But it's not as simplified as maybe outsiders that enter the space think it is. Because an asset in Florida is going to trade better than an asset in the middle of the country with under the same lease terms, like that's just reality.

### **Spencer Levy**

So I'm in West Palm Beach right now and let's say there's a CVS that has a 10 year lease here at West Palm located well versus a CVS located in a lower growth market. Just walk through the math of how people value those two assets.

### **Will Pike**

Okay, let's say it was a CVS regional office building. From that to a tertiary market in the middle of the country is gonna be excess of a hundred basis points, at least with the same lease term. From a retail standpoint, you're probably looking today, and this is gapped out from what it traditionally has been, probably 50 to 75 basis points at least. A distribution center in and around Palm Beach County compared to a tertiary market in the middle of the country. You're probably looking at 35 to 50. So if you think about it from that scale perspective, there is a substantial difference. Again, we're talking about a pretty extreme. South Florida's, you could argue, probably the hottest real estate market for cap rate compression still in the US. But yeah, that's essentially how, if you looked at it, how it would shake out.

### **Teddy Kaplan**

It's a super informative example, actually, because I think this proves the point that net lease actually exists on a spectrum between real estate and credit. And to the extent that you have high grade credit and, or high grade real estate, it really is no longer net lease, right? So CVS, which is investment grade credit in South Florida, right. And let's hold aside the office. I think office has unique dynamics, but for industrial or retail, CVS in South Florida will attract credit-driven buyers like 1031 buyers that really are less interested in understanding the bricks and sticks analysis. Or if the rents are appropriate for the marketplace, you have a whole landscape of core real estate buyers who don't care who the tenant is. So, we see that dynamic play out all the time. So there are net lease transactions that are absolutely real estate deals and, and everything I said about credit just doesn't hold. And you will see every type of investor show up in a process like that from core buyers, long-term passive investment grade, net lease investors, asset type specific investors, etcetera. On the other side would be a highly specialized facility in a geography that is secondary or even sometimes tertiary in nature with a great business that happens to be levered by design because it's owned by a private equity firm. That is a

real estate transaction, if you will, but everything that goes into deciding the appropriate risk return analysis for that deal is really a credit driven analysis or corporate driven analysis.

### **Spencer Levy**

We just talked about a generic transaction for retail, which most people understand, then you move up the risk spectrum into not only other asset types, you go to industrial, you go to office, and then eventually, Teddy, we're going to get to manufacturing. Why are they pricing differently? How does it work?

### **Will Pike**

Sure. To achieve more yield in the net lease sector, it needs to be a couple of factors. One, a location where same lease in different locations, you're going to have a variance in exit caps. The other is obviously credit, which we've also touched on today. Obviously, investment credit, great credit is going to trade at superior returns, then sub-investment grade. And then once you go sub-investment grade, then you're getting more nuanced of what's the leverage ratio of the business and really digging in. What's the mission criticality of that real estate? So that is the other way that you can get higher returns within the net lease sector. Those are the primary reasons. Now, you can get a bit more nuanced – would be if the lease is not triple net or bondable triple net lease where you have roof and structure, but the lease credit and location are the primary drivers that's going to impact your exit caps in the net lease sector.

### **Teddy Kaplan**

It's interesting that we talked about your three pillars. Our three pillars are credit, criticality, and real estate. And strength of the lease, one of the reasons I think it's not one of our core pillars is we don't vary there very often. In other words, like our leases are bond type net leases and very strong. I have worked really hard to try to eliminate elements of a lease that are landlord friendly, but landlord unnecessary. Our lease is a result of knowing exactly what we need and nothing more than that because our viewpoint is that we will have the greatest opportunity for positive asset selection over a long period of time if we're not asking for too much in the lease, but we are getting what we need. So having said that, lease quality is extremely important. It's just not one of our key underwriting dynamics because we always get the lease quality that we want, okay, for 95% of the time.

### **Will Pike**

And Teddy, that probably primarily goes back to some of the things that you were mentioning earlier. So within, let's just, within the industrial sector, primarily investment, sub-investment grade, private equity driven, sell leasebacks, are all triple net leases. Now in the core sector, you can be responsible for roof structure, parking, lines, there's a whole host of things. I would say in the more fungible distribution core sector, you as a landlord, you are responsible for, especially driven by the larger occupiers, investment grade occupiers.

### **Teddy Kaplan**

And even in your reimbursables, you can be capped on how much you can pass through.

### **Will Pike**

That's exactly right.

### **Teddy Kaplan**

If we held structure aside – which, again, acknowledging that it's very important, but we take it for granted – our three key underwriting pillars are first credit. We need to have a market leading business in a defensive, a cyclical area of the economy. That is why two thirds of our portfolio today rolls up to defensive demand and elastic, acyclical areas of the economy that new mountain has multi decades of expertise of ownership through its private equity experience. Okay. And that is namely pharmaceuticals and life sciences, consumer packaged goods and food and beverage. That is literally two thirds of our portfolio. The point is we understand the businesses that operate in those sectors really, really well. And if we can't pass muster, so to speak, from a prospective tenant perspective, then we're not gonna get too far in the underwriting process. The next leg of the stool is criticality. And this is where I think we do a better job than most in understanding what criticality really means. So, our viewpoint, this has been my viewpoint for a long time. We've never owned an office asset until the world really, really changes. I don't think that we will, I'm not denigrating the asset classes as a whole. It just doesn't meet our mission critical definition, which is to say that it is a high cashflow producing asset for the business that is a low overall contributor to the company's cost structure. That is the same reason why we avoid retail as an asset class as a whole, I am not saying that it's not a legitimate real estate asset class, it just doesn't solve for our definition of super hard to move, highly contributed to the company's earnings, very small component of the company's overall cost structure. What we are trying to solve for, and I hope we saved some time to talk about the manufacturing sector at the end of this conversation, but what we are trying to sell for is, um, typically that it is very hard for a company to move, meaning there's multiples often of tenant investment in the building from what we paid for the building. Bolted to the floor, hanging from the ceiling, churning out widgets 24-7, 365, i.e. lots of earnings in the buildings, and that those earnings in the building cover the cost of occupancy by significant multiples. In the retail real estate landscape, two times coverage is considered adequate. Our portfolio on average, our tenants and the four-wall earnings that come out of our buildings cover our rents by 13 times over.

### **Will Pike**

Teddy, we may want to expand on that for the listeners on the coverage standpoint.

### **Teddy Kaplan**

Yeah, so we look at the earnings that are coming out of the buildings that we own and the times over that those earnings cover the rental payment in that building and across our portfolio, the average is 13 times. Again for a retail tenant two times is considered quite adequate and that is because if you look at a typical retailer, their first or second largest line item in their cost structure is occupancy. In other words restructuring the business to make the business work, you need to look at your lease contracts, that is the key lever to pull to fix a struggling retailer. In the manufacturing space, all of the earnings come out of our buildings, yet the cost to occupy those buildings where those earnings are produced is very, very low, okay, that is what we love about the space. What we like to say is we shoot for 100% and occupancy at all the times, which is kind of turning the traditional real estate investment paradigm on its head, which is you want to own a very fungible building in a very high traffic desirable location. You will accept vacancy periodically as a fact of life and you'll be able to reset rents as geographic real estate tailwinds provide increased demand, i.e. lifting rents over time. We turn that paradigm on its head and say, we're going to structure a 20 year fixed escalation contract in every one of our deals and our tenants are never are gonna leave. We're not going to have downside, we're not gonna have downside repositioning costs, etcetera. And we're just going to have a known and contractual cash flow stream that goes up and to the right over a long period of time. So, criticality is really the linchpin between credit, which we discussed. And real estate, obviously when we look

to sell assets and we can talk about our approach to that, but when we look to sell assets, we also want soundly underwritten real estate so that the next buyer likes the price per square foot, etcetera.

### **Will Pike**

Spencer, if you wanted to maximize proceeds and transacting industrial real estate within this last cycle, your sweet spot was, let's say of your WALT was 18 to 36 months. I will tell you now that most investors have moved that goalpost where ideally your WALT is gonna be somewhere in the 36 to 48 to six to seven year WALT as opposed to such short term which frankly benefits the long-term structures. And if you look back historically when we've had tumultuous cycles or geopolitical events, Net Lease has outperformed the broader marketplace. So coming out of the GFC, Net Lease got all the way into mid-teens for overall share. At the time, that was real capital analytics data, now it's MSCI, as we all know. And if we look coming out COVID in 2020, Net Lease crept up and I think it was the 13 or 14% market share of the overall market. Now, it typically lives in the upper single digits to low double digits of the overall marketplace, but that speaks to the changing dynamics of even core investors are looking for more WALT, which frankly should benefit long-term Net Leased assets.

### **Spencer Levy**

Let's just define WALT: Weighted Average Lease Term. And what Will was suggesting is that at the peak of the market, people wanted less lease term. Now that rents are not going up nearly as much, and industrial certainly is past peak and certainly some markets have been declining actually recently, having a longer term is better. And so, Teddy, let me turn to you and I have been so bullish on manufacturing for so long and that I'm thrilled to be speaking with you. But why are you appearing on this show? Because you just made the case that makes it even more attractive for your competitors.

### **Teddy Kaplan**

I've thought about that myself, to be honest, but this is a bit of a new effort for us at New Mountain and certainly for me in the net lease space. We as a firm and I as an investor have preferred to, where possible, fly below the radar and not emphasize broader communications. I think that ultimately, just given the maturity of the alternative capital markets, it's increasingly necessary to solidify your brand awareness and make your voice heard, particularly in the earned media landscape. I don't want everybody to know how great net lease is, frankly, but the cat's out of the bag. So I'm glad you said it.

### **Will Pike**

It's no longer a niche business, period.

### **Teddy Kaplan**

Yeah.

### **Will Pike**

Spencer, I have a question for you. Why are you so bullish on manufacturing?

### **Spencer Levy**

Because I see an area that is undercapitalized by traditional capital providers. I see an area that saw massive cap rate compression because you saw people discovering the sector and I'm bullish generally speaking on secondary markets over primaries, generally speaking and the reason is very simple. I think the single most overpaid for finance item in our business is exit liquidity, and you'll overpay for that in the form of having cap rates on

the exit that are significantly lower than you will in secondary markets. Now, it's always been overpaid for because people like liquidity in the big markets, but now it's particularly overpaid for because we're going to be in a persistent high interest rate environment for years. If that is in fact, the base case, then the exit cap rate bailing you out isn't there anymore for the primaries, and people should go to the secondaries because cash flow will be king, and cash flow is king not only in secondaries, it's king in those areas where there's this capital market's inefficiency where there is not enough capital chasing a space that I believe is right for cap rate compression.

### **Teddy Kaplan**

I like it. We're going to take you out on the road with us, Spencer.

### **Will Pike**

He's already on the road.

### **Spencer Levy**

That sounds good, and I look forward to that. Will, this is where you come in. What is the optimal time for Teddy to sell? How do the buyers look at it? And by the way, who are the buyers, particularly if it's manufacturing?

### **Will Pike**

Great question. If you look at that 10-year mark, that's historically been a good benchmark to think about for numerous reasons. One, it's a great place, obviously, for 10-year financing. And if you wanted to do a five-year piece of financing, that can also be a creative for refinancing purposes. Now, obviously broader capital markets trends are gonna drive that as much as lease term. But yes, from a lease term perspective, ideally in the net lease sector, if we're not on more of that core bucket of single tenant that we were talking about. Term is your friend. By definition is a depreciating asset if nothing in the market ever change. Well, the market changes every second. So, obviously, that's not the case. But yes, lease term is your friend. So the more lease term, the better. And as far as exits, unless you ran a process where you were taking bids in roughly the third quarter of last year when the 10 year was in and around the upper 368, 369, 37 range. We had a very small window of about a month, right, with sub four tenure. Your outcome is pretty much the same if you run a process from mid 2022 to mid for today. So in short, as far as trading assets in this marketplace, we've been in and around the load of mid fours in the tenure for quite some time. And that completely drives in total sector, but I would say even more so the benchmarks rates due for net lease, five and ten year. As far as running a process, you're gonna have pretty similar outcomes over the last three years, it's still a very good time to trade as we talked about. There's an abundance of capital in the sector. Rates have leveled out. And if you're lucky enough to hit one of these interest rate pockets where it drops, well, good for you. But generally speaking, our last three years, it's been a very healthy market, not like we were in '21. But again, as long as you check the box for having enough WALT, you have a good asset. Selling in this market is very healthy.

### **Spencer Levy**

We've just been through the last three years of a very choppy capital markets environment, but maybe a stabilizing 10-year in that four to four and a half percent range. Will, what's your outlook for the next two years in the net lease space?

### **Will Pike**

House view on the 10-year is in the low fours going forward, and we expect to rate cuts by the end of the year. So we're projecting within the net lease sector, somewhere in the, let's

say, mid to upper single digits increase by the year, we were hoping for a mid, at least very healthy double digit increase, probably 15 to 20% in January. However, we've had a couple of macroeconomic capital markets events that have impacted that. So we still have a very, I would say, healthy growth in the net lease sector, driven by, as I mentioned earlier in the retail and industrial sector, but with an uptick in office. So, in short, to answer your question very plainly, I think at the end of the year we will be up five to 12%. There was Survive 'til '25. That really hasn't come to fruition. So, we're hoping that 2026 will be even better and what we were projecting going into this year will occur in '26. And the reason that we were expecting, I would say, from a sales volume, a higher level is if you look at the SASB market.

### **Spencer Levy**

That's single asset, single borrower.

### **Will Pike**

Single asset, single borrower. When you look at the compression on where that – you could, frankly, price out a SASB loan at the beginning of the year is incredibly aggressive. Spreads were very tight, historically speaking, in that sector. So we were expecting large portfolios and entity-level trades, which frankly have not come to fruition. That's when you look to the end of the year is driven by large trade volume. This year, we're going to have some large trades, but not what we were projecting out. So I don't know, it's going to be a healthy year, but not what we were hoping for.

### **Teddy Kaplan**

In the coming years, I think what you'll see from us in terms of opening the aperture will be our desire and ability to lean into areas of the economy that New Mountain knows really, really well from its private equity experience that are asset types that don't necessarily mean manufacturing. Infrastructure would be one. Certain areas of the economy that are premises oriented services like medical, veterinary, in some cases, automotive services. Infrastructure, as I mentioned, is an area where we have significant experience, not just in data centers where people tend to associate infrastructure, but other kind of middle market infrastructure projects in the power and water areas, not owning airports at billion dollar checks, but more granular asset types that I think we could start to lean into from our net lease capital formation advantage, whether it's within our existing portfolios or in specialized portfolios. But that should be an area of expansion for us. And I would also say that if you think what's occurring or has occurred in net lease investing in manufacturing assets in U.S., I think the story becomes even more interesting in Europe and we're going to look to play a role in that in the coming year.

### **Spencer Levy**

Well, thanks to Teddy and to Will for a great conversation today about net lease. I first want to thank Teddy Kaplan with New Mountain Capital. Teddy helped lead the net lease practice across various platforms within New Mountain Capital. Great job today, Teddy. Hope to have you back.

### **Teddy Kaplan**

Great, thank you so much, I really appreciated your time and would love to come back.

### **Spencer Levy**

You bet. And our old friend, Will Pike, is making his third appearance on the show. Looking forward to your next one. Will is the President of both industrial and net lease at CBRE Capital Markets. Well done, Will, and hope to see you again soon.

**Will Pike**

I'll be looking forward to the fourth. Thanks, Spencer.

**Spencer Levy**

Well if you are also looking forward to more, whether it's about net lease, other alternatives or a wide range of insights into what makes the commercial real estate world go round, you should check out our website, [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). There's related content in our archive, including insights from my recent trip to Europe as well as my sit down with legendary developer Stephen Ross, a conversation that you can also watch on our newly expanding YouTube page. Remember to subscribe, rate, and share the show wherever you listen, and we'll see you next time. Thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.