

The Weekly Take

Just What I Needed: Manufacturing Net Lease Investment's Growing Allure

10.27.2026

Spencer Levy

The manufacturing industry has been in the news lately for a variety of macroeconomic issues, policy developments and other reasons. On this episode, we venture beyond the headlines, deeper into the real estate side of the manufacturing business, digging into a relatively niche, but growing form of leasing and investing and these industrial assets.

Gordon Whiting

To me, what makes net lease most interesting and the best investment is actually investing in facilities that are critical to the ongoing operations of the tenant.

Spencer Levy

That's Gordon Whiting, Partner, Co-Founder and Co-Head of TPG Net Lease. A longtime leader in industrial, he originally founded Angelo Gordon's net lease strategy in 2004 and three years ago they sold the business to TPG, where the practice now manages around \$2.3 billion worth of assets.

Will Pike

We've had more rental increase gains and it's outperformed from a performance standpoint any other aspect of industrial over the last five years.

Spencer Levy

And that's Will Pike, a returning guest, who's the President of CBRE's U.S. Industrial and Logistics Capital Markets and leader of CBRE National Partners, running the company's Net Lease Property Group and Corporate Capital Markets practice. Coming up, in a conversation recorded at the end of Q3 in late September, we make sense of the net lease business with a focus on manufacturing. I'm Spencer Levy and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take, and we are back in New York City talking about not just net lease but a specific focus on manufacturing, starting with Gordon Whiting from TPG, been in the business over 30 years. Gordon. Thank you so much for coming out.

Gordon Whiting

Spencer, thank you.

Spencer Levy

And my good friend, Will Pike, who leads CBRE's net lease business. Will, thanks for coming.

Will Pike

That's correct, Spencer. Nice to see you.

Spencer Levy

Will, before we go into the weeds of why manufacturing versus another asset, just give us your definition of why net lease generally versus a gross lease type of investment?

Will Pike

That's the easiest question I'll get today. From a risk-adjusted standpoint, the tenant pays the taxes, insurance, and common area maintenance. Does there really anything else need to be said?

Spencer Levy

So Gordon, funny story, how we got here today. I did a speech at the net lease conference and we had several of your colleagues there and I was saying, one of the great things that should be done in this space and we don't do enough of is doing net lease for manufacturing. And I think, to be perfectly honest, some of the TPG guys cornered me and said, you gave away the store. So Gordon tell us, why is manufacturing net lease interesting?

Gordon Whiting

That's definitely not the first conference where you said people should be doing manufacturing. And all I can say is thank goodness that more people haven't listened to you. Because to me, what makes net lease most interesting and the best investment is actually investing in facilities that are critical to the ongoing operations of the tenant. And why do you want that? You want a tenant who's A, gonna be there through the lease term, but B, who's going to want to renew that facility, and see in the event that the company goes through a restructuring, if you have a facility that's critical to their ongoing operations, there is a greater likelihood that they will affirm that lease in bankruptcy rather than reject it, right? And if you have an office building, people can almost pack up and move in a weekend, right? But when you've got a manufacturing facility, it's extremely difficult to move the machines, the equipment, they've chosen that spot in relation to supply lines, have chosen that spot in relation to their workforce. It's significantly harder. And that's why we love manufacturing. And we've loved manufacturing from the get-go. And it's interesting, I've been in the net lease industry for 33 years now. And when I first started, two thirds of my time was spent educating CEOs and CFOs as to what a sale lease back was. They didn't want to do it because once they understood it, then they said, well, you know, if we do this, our competition is going to think we're in trouble because we're selling our facility and they'll make a run at us. I was like, no, you're going to take that capital. You'll reinvest it into your business. You'll pay down debt. You'll acquire a competitor. And once they got over that, it all made sense to them. And we'd rather do manufacturing facilities. And again, 32 years ago, companies weren't interested in buying manufacturing. Investors didn't want it. It wasn't pretty. Back when companies produced annual reports, there wasn't a picture that they would put on the cover. It was gritty. But, you know, for the reasons people didn't like it, we loved it.

Spencer Levy

Will, we've been talking quite a bit about net lease for probably longer than the 20 years that we've been together, but we haven't talked a whole lot about manufacturing. We've talked about traditional types of net lease in the traditional asset types, disproportionately in retail, increasingly in industrial. Why are we now seeing this increased interest in manufacturing net lease?

Will Pike

Well, there's a whole host of reasons. And actually, I've been on the road a lot recently talking about this particular trend. I've been in Canada the last two days talking about what's going on in the broader market with all our big pension fund clients in Canada. And a couple of the themes is—one is power and what's occurring there, and also the manufacturing space. And they are, I would say, closely adjacent to each other in a couple ways. So manufacturing, we have on-shoring in the U.S. And what investors have seen, and it's been proven now over a substantial amount of time is the fact that these are very sticky tenants. The occupancy has been great. And if you look at where we've been specifically, like, if you'll look at how strong the Midwest is, parts of the Southwest into the Southeast, the manufacturing absorption has been great. When you look at new builds coming online – so this is not just new build to suit, big large bulk distribution, which we saw obviously through the late teens, through COVID-19 – manufacturing has come back in a real way all throughout the country. And again, sticky tenants, long-term leases, and this trend will continue. And investors are very excited about it.

Spencer Levy

But let me give you the counter argument. The counter argument is the one I get from a lot of my other real estate investors and say it is purpose-built, what's the alternative use, could be in a secondary market and the credit might not be investment grade. So Gordon, you just gave a great reason to do manufacturing net lease. How do you respond to that?

Gordon Whiting

First off, the credit not being in investment grade, to me that's actually a plus, okay? Because typically, the better the credit, the more leverage the tenant has. Investment grade companies tend to be larger. Again, given the more leveraged, they also, at some size, tend to have a real estate department. And they have more real estate, and so it's much easier for them to get out of your facility and go into another one. And with a less than investment grade company, we can just charge more in rent. And typically, there are fewer other buyers in that space, right, which you'd much rather have a less competitive space to play in. It does require an expertise in credit underwriting though, right, which is why when I set up the business, I created a dedicated credit team for net lease, just to analyze the credits on a prospective go-forward basis and then continual credit monitoring during our term of ownership. And as far as I know, we're the only net lease platform that has its own dedicated credit team. And I think that's very important.

Spencer Levy

One of the things I talk about when I talk about credit is people need to look post-COVID at credit differently than they did pre-COVID. And what do I mean by that? Let's assume you have your best company and they're in an office building. You have that same best company and they are in a manufacturing site. It's the same credit, whether they're in the office building or they're in a manufacturer site, but what's different is the productivity of the use. How much does that factor into your credit underwriting?

Gordon Whiting

A tremendous amount. This is again the argument manufacturing versus office. You can move out tomorrow for the office. Manufacturing it's very, very difficult to move out. Mission critical doesn't necessarily mean specialized. Typically these manufacturing facilities are big boxes. And what tends to be specialized is the equipment within those facilities. So if the tenant does go out, typically what happens is they have equipment lenders, the equipment lenders have a lien on the equipment, so the tenant's not there. If they've restructured, they take that equipment out. And we structure in the lease a requirement that in the event that does happen, that the building needs to be given back to us in good

clean condition, meaning any holes, any damage created has to be replaced so you've got a good clean building. That's where I would say that it's not necessarily specialized, but that's something we look at. Now, if you want to talk about a specialized facility, let's talk about clean rooms. But I would make the argument that in California, a clean room is a pretty fungible asset, right? Just like a manufacturing facility in Ohio.

Spencer Levy

Well, let's just define what a clean room is first. My understanding of what a clean room is, is if you're doing a very specialized type of manufacturing, obviously the highest end you're dealing with pharmaceuticals, where it has to be surgical quality clean, but then there are different levels of that clean. But that same clean room, much like some R&D facilities, could be used by multiple other users.

Gordon Whiting

Correct. And then also, if you look at freezer facilities, right, that's fairly specialized. But if you are in an area, right, you look at the area where that facility is located, you look at the distribution, you say, okay, you know what? This is a very well-located freezer storage facility, so if this tenant's not here, we feel pretty good that we can get somebody else to come in.

Spencer Levy

So let's pull the lens back for just a minute. Will, how would you compare and contrast multi-tenant versus single-tenant in the manufacturing segment?

Will Pike

Well, those are two vastly different businesses, especially once you get into very shallow bay, micro bay, that starts feeling more like, I'll say, apartment owners, which is great. And by the way, if you look at charts and you have to break down parts of the country in different sub markets, the shallow bay sector has actually—we've had more rental increase gains and it's outperformed from a performance standpoint, any other aspect of industrial over the last five years. However, as the economy goes up and down, that will obviously level out because that particular niche of industrial and logistics is very much dependent on the broader economy. Now the great thing about what Gordon and the net lease industry is you have these set contractual rental increases on an annual basis, typically between two to three percent. So if you compare that to other asset classes where you have that type of predictable rental increases for your underwriting model. There's not a lot from a risk-adjusted standpoint you can compare that to. Now, you can say like class A office in New York is doing very well. Now, there's capital markets issues with that. But when you look at industrial, if you have two, two and a half, 3% you know you can set on that for a portfolio and that you know that's coming on a contractual basis, that sets you apart from a lot of what's occurring in the marketplace now. And if you look in that lease, you could say, I mean, it feels like every year we have one to two shocks to the system. We had the 10-year hit five last week. What that could produce, we'll see, right? It's a day-to-day analytical observation at this point. But when net lease, coming out of the GFC, and Gordon knows this very well, the overall share of the market went to mid to upper teens in net lease. I'm talking about calculated data from MSCI transactions.

Spencer Levy

When you say mid to upper teens that's overall—

Will Pike

Overall share, the total marketplace. Usually hovers around low double digits. COVID coming out was the highest it ever had gone, which was just below, I think, below 20% of overall share total market, multi-office data, everything. I think given what's occurring in the marketplace now, if you have that contractual rent obligations that you know are coming from great tenants in the U.S. and outside, that is going to be a very compelling—I don't think, I know you can look at who's coming in from an investment standpoint. It's happening in a big way. And the most interesting thing is all the offshore capital. And I'm not talking about small funds. I'm talking about the 10, 20 largest allocators globally across all assets, forget about real estate, are very interested and engaged in this space. Not for the first but now we basically have all of them.

Gordon Whiting

So a couple of things there. First off, you're talking about COVID. No one in the real estate industry knew how that was gonna play out. But by focusing on mission critical facilities, 100% of our tenants across all of our portfolios, net lease tenants, paid their contractual rent. 100%. That didn't happen in multi-tenant. That didn't happen in office. It's unbelievable. And I believe it's because we had facilities that were critical to the ongoing operations of these companies. All but one of our tenants was deemed an essential business by the Department of Homeland Security. So they were all in there manufacturing. They were all doing what they were supposed to do. And we got 100% of our rent paid. Paid 100% of the mortgages. And I think that's very different than other asset classes.

Will Pike

Gordon's an unbelievable investor, but the good thing is that the entire industry had a very high—we did not have a lot of fallout from COVID as far as any type of bankruptcies, rents not being paid, where again, if you compare that to other assets – some of the net lease groups that even by even further sub-investment grade scale than Gordon did – they also did not have issues. And I'll tell you why, is because in the net lease industry the investors focus very on site level data. So even if—maybe a broader systemic issue, if that location is doing well, you have a very high probability they will continue paying the rent and that will sustain. So Gordon hit the nail on the head with that one.

Spencer Levy

Gordon, you've been in the business for over 30 years, and while clearly interest rates go up, they go down, they haven't gone up like this, certainly in my 31 years in the business. How do you see today's interest rate environment impacting your product, and how do you adjust your pricing as a result?

Gordon Whiting

That's a great question. First off, I'd rather be investing in a rising interest rate environment than a declining rate environment. The reason for that is typically there's a lag between interest rate and cap rate, right? So as rates go up, cap rates will often go up as well, right? And we're signing, entering into 20, 25 year leases. So your going-in cap rate is typically higher in a higher rate environment than a lower rate environment. So over the next 20 or 25 years, there's a much greater likelihood of cap rate compression.

Spencer Levy

So basically what you're suggesting—and by the way, we've now been taping this show for seven years, you're the first person to say that. You're the first to say you'd rather invest in a rising interest rate environment. And really it comes down to you have a lower basis going in because the cap rate is higher. Now, do you also adjust your spreads? Do you

have a typical spread that you like to get above the base rate? And do you use the 10 year treasury as sort of your base rate?

Gordon Whiting

Yes, it's pretty much what the less than investment grade industrial market kind of uses as their base rate. Look, different investors finance differently, but you've got closed end funds, you've got open ended funds, You've got NTRs, you have all different kinds of investors. And you don't necessarily know who you're going to sell to. So you may say, hey, look, as a public, we've got a low cost of capital. So this is great. We can buy it at this. But at some point, there's a likelihood you're going to sell that. So you need to make sure that when you've bought that investment that you have the ability to sell it accretively. And so that's typically why with higher rates you have higher cap rates. Now I will say today it seems to be taking a little bit longer for cap rates to go up. And I think that's in part because there's been a lot of capital sitting on the sidelines. Right? And people are saying, you know, it's burning a hole in their pocket. They're saying, I got to get this invested now. I'll pay up. Rates are up. Maybe I won't finance it now, finance it later, which I think can be dangerous. I think you ought to match your long-term asset with a long- term liability, right? That is the safest way.

Spencer Levy

Will, Gordon said a lot of very interesting things,

Will Pike

Always does.

Spencer Levy

But one of the things he said was never said on this show before. He said that I like operating in a rising interest rate environment. How do you react to that?

Will Pike

I'm not surprised he said that. So for better or worse, net lease – and probably it's one A or one B with multifamily – gets impacted the fastest with moving rates. Yields go up. Very reactionary because we have a long day to leases and everything's bitch marked off the five and 10 year. Gordon likes high yields and he's an all cash buyer and it is advantageous for him to do that. Now, as an intermediary, I prefer deal flow. So the only pushback I would have with Gordon's comment is that in a higher rated environment, we will probably have less M&A, which means less sell lease backs, and you may have less opportunistic selling because of elevated yields, but there's no way around it. Net lease is impacted probably more than the other food groups when we have higher rates, especially what's happened the last couple of weeks. Again. This is why I've been on the road and talking to clients explaining this.

Spencer Levy

So if you're a company and you have choices and you say, I want to use my capital in that most productive use. And for most companies, it's not only in their own real estate because for most companies, they do something else, particularly in manufacturing, that is more productive use. But at the same time, they have choices. And the choices are, well, we can put on corporate debt, we can on our own mortgage, or we can do this sale lease back structure. Gordon, what do you say to them?

Gordon Whiting

I'd say you definitely have choices. First off, you need to analyze your real estate and say, are we gonna be in this facility for a long period of time? And if the answer is yes, then a sale lease back is definitely a viable option for you. But if you're saying, look, we're probably out of here in three to five years, it's not a great alternative for you, you should look at something else. But if you're going to be in that facility, sale lease backs one option, another option is a mortgage, okay? Well, the mortgage, you're gonna get 60 to 70% of the value of your building in cash.

Spencer Levy

So lower proceeds?

Gordon Whiting

Lower proceeds, right. And then you're going to have a balloon payment at the end to pay off the debt. Whereas when you do a sale lease back, you'll get a hundred percent of the value of that facility. You maintain long-term operational control and there's nothing to pay back at the end of the lease because it's a lease. We hope that we've done our underwriting properly. And that you're gonna renew the lease. We hope that the facility has been maintained in such a way that you wanna do that. Now you go look at corporate debt and say, okay. I mean, typically it's significantly shorter in term and the fluctuation and rate is significantly more. So I think if you're going to be in your facility and you wanna use the proceeds to pay down debt, acquire a technology, buy a competitor, I think it's a great alternative for you. We also do a lot of sale lease back simultaneously with a company's acquisition of another business. And the great thing with that is, oftentimes we provide a significant percentage of the equity required to buy that business by doing a sale leaseback. And by doing it simultaneously, you don't have two sets of transaction costs. So that is a great alternative for companies.

Spencer Levy

One of the objections that some people have to manufacturing – and I'm not a downer on this, and Gordon, as you know, I've been a huge advocate for this for a long time – but I have to tell you the objections I get from my clients. One of the objections is market risk. And so a lot of manufacturing are in, let's just call it what it is, secondary markets, secondary locations, where it's more important to be appertinent to a highway or a train or a water source than it is to a population center. Now, recognizing your lease obligations are, how long was a typical lease obligation? 10 years?

Gordon Whiting

20 or 25.

Spencer Levy

20 or 25. So maybe the exit risk isn't really a risk because of the length of lease. Is that a fair way to put it?

Gordon Whiting

It's a fair way to put it. But look, and let's be honest, many of these facilities are in tertiary markets, you know? So that's why it's so important to underwrite the business and understand that industry and that company's place in the industry because it's going to be longer to get a tenant to replace that tenant most likely. But look if your tenant's there for 20 years or 25 years to pay the rent, you have most likely gotten back 100% of your equity and then some. Depending on how you've levered it or whatever. Even if it's unlevered, right, you've gotten your money back. So that to me, the longer lease term, tremendously de-risks your investment. Now, the upside to buying in a secondary tertiary market,

typically significantly less price per square foot. And there's far less volatility, because typically not multiple options for people to go to. So the value typically stays the same or increases over time is related to the lease payments. But those companies have built there for a reason. They're there for a reason. It may be that they're close to their main supplier. It may be that they need that educated workforce right there to do that. Or it may be they're right near a customer and they've got a large volume product that they shipped. So shipping costs would be very expensive if it's not close. You're always told, in real estate, it's location, location, and location. That hasn't changed. But when people think location, location, location, they're thinking 5th and Main. They're thinking Park Avenue. We look at it a little bit differently, and we say, yeah, it's location, location, location, but how does that facility fit for this tenant? Why are they there? And say, okay, if the tenant's gone, how likely are we to get somebody else in? Is that an important spot in the industry? And so we do all that analysis. And again, that's also why the credit analysis is so important.

Spencer Levy

Well, I think that's a great segue to just looking at the universe of long-term leases on manufacturing. So you're operating, and I say this not disrespectfully, just matter of fact, one level below that from a credit perspective where it's not eligible for a credit tenant lease, where a publicly traded company might not buy it. And that's why it's relatively thin from a capital perspective of providers. Is that a good way to describe the space?

Gordon Whiting

It's a great way to try the space, although I think we're the significantly better investment. So I'd put us number one. Look, to me, it's great. If you've got a gross lease, particularly an inflationary environment and gross lease meaning where the landlord covers the cost in an inflation or environment, your electricity is going up all the time, your water, your insurance costs and landlords covering all that. So one, I, as the landlord-slash-investor, I'm worried because now my margins are getting squeezed. And I could be in a situation where I might be underwater, where I'm actually not making money because my costs have gone up so much. And I may or may not have the ability to pass all or some of that through to the tenant. So that worries me. But in a net lease situation, all those costs are borne by the tenant, so as the landlord, basically the only thing I have to pay is my underlying mortgage to the extent you put one on. It's a net of all those expenses. So I can pretty much project. What my cash flow from this investment will be for the duration of the lease. Assuming the tenant's there to pay the rent. Now the other thing is, typically a net lease will provide a lower operating cost for the tenant, for the reasons I just said. I wanna make money as a landlord and if it's a gross lease, I'm gonna make sure I charge enough rent to cover those costs. Whereas in a net lease, the tenant is responsible for that. So the tenant has real control to manage those costs.

Spencer Levy

From a macro environment, I always say that the one asset type that is most sensitive to the macro environment is industrial generally because of the tariffs and goods being shipped in and out. But the other thing has been the reshoring of manufacturing. And the reshoring of manufacturing didn't really start under the current administration, probably started many years before that. But we look at the numbers, huge numbers of new manufacturing coming back to the United States. So, a good thing for you, a bad thing for you? How do you see it?

Gordon Whiting

I think it's a great thing for us because it creates significantly more opportunity. We talked about why we love manufacturing, why we love industrial. We see more of it in the pipeline.

Spencer Levy

First of all, is what I'm suggesting real and are you really seeing it?

Gordon Whiting

Definitely is. The public data reflects the acceleration. U.S. private manufacturing construction spending increased 214% from 2021 to 2025. And we're seeing that firsthand because they're creating financing needs across the broader supply chain, not just these headline mega projects. That's what everybody's looking at. That's what the press loves to see. They're talking about these huge projects. We're staying away from those. But you're seeing it. All down the chain, all through the supply chain. And that's what's interesting to us, these other little segments of it.

Spencer Levy

What are your typical deal sizes?

Gordon Whiting

Typically 60 million to 300 or 400 million, but I'd say they're more in the 60 to \$120 million range, but we have capacity to do three or \$400 million deals or larger. To us, the interesting part is trying to find credits who we think will improve over time, why the tenant needs to be in this facility versus another one, the return, our basis in it, so—

Spencer Levy

So I just got back from a conference in El Segundo just outside of Los Angeles. Very nice place because it's right next to the airport and right next to Manhattan Beach, which was not a negative.

Gordon Whiting

Hence your tan.

Spencer Levy

Hence my tan. But I was working the whole time in case my bosses are listening. Nevertheless, it was about aerospace and defense manufacturing. And this is a perfect example of a space that costs a lot of money. Like if you're gonna build a rocket ship, you're talking billions of dollars to build that plant. You might still play in that space, but you're not going to be doing the sale at least back on the rocket ship plant. You're going to do it on the suppliers to the rocket ship plant.

Gordon Whiting

That's right. And again, because those suppliers typically can repurpose for another customer, right? We're going to underwrite that, you know, look at it and say, Hey, how many other customers do they have? They're manufacturing a lot for this facility here with making these rocket ships, but like, if that rocket ship blows up on takeoff, what's going to happen to that, the rocket ship company. But what's gonna happen to the supplier? Oh, you know, it's not maybe their largest customer, but it's not going to blow a huge hole in their revenue. And they'll continue on. Those are the things we look at, and that's what makes those more interesting for us.

Spencer Levy

Another place I was at recently was South Carolina, and while I was there, I inspected the manufacturing virtuous cycle they have with the BMW plant down there, and the dozens and dozens of suppliers around it. And what I suggested then, and I'm going to ask right now, is these virtuous cycle of clusters, is that kind of what you're looking for, or could it be just an outlier facility?

Gordon Whiting

It can be an outlier facility, but we're going to look and say, OK, why is it not near that plant? Is there a specific reason? Is it because the raw materials are right there? Is it, because the workforce? Or is it because they're not just supplying that plant, or they're trying to get other customers? And in order to pick up other customers, it's going to be better for them to be located there.

Spencer Levy

When I first started covering the net lease space – and I started covering this 25, 30 years ago, Will – it was the REITs and individuals that were buying. Institutions really weren't jumping into this sector. And still, you still see a high percentage of individuals in the smaller deals.

Will Pike

Smaller retail, correct.

Spencer Levy

And you also see a lot of 1031 money as well. What led to this shift of institutions coming in?

Will Pike

Risk-adjusted returns. I mean, I don't want to simplify it that much, but long leases, again, when you're looking at, you're buying primarily industrial, and then when you look at industrial, a big portion of that is manufacturing in the U.S. There is a high conviction of that among institutional investors, again, both domestic and offshore. That's what's driven it. Also, performance. Let's just go down to the basics. Net leases outperform the majority of CRE. If you look at a 10 to 20 year track record. It just has. Even compare the Publics – if you looked at it on a five to 10 year window – to the Index. They've outperformed. All of the net lease closed-end funds perform very well, have very high roll. They've grown for every one they've done. So none of this surprises. I've been saying it for 20 years, just people are finally listening to me.

Spencer Levy

Gordon, you obviously love the business. You obviously have a competitive advantage in this business. How do you see the future of this business going? What changes do you think are afoot and why?

Gordon Whiting

Interesting question. This business has always changed. It started out that institutional investors didn't like net lease. They didn't get it. Individual investors got it. And I would say that this is one of the few instances where the small guy was smarter than the larger guy. They said, hey, look, steady, stable, increasing cash flow. We own a hard asset. We like this. Don't have a lot of re-tenanting costs. So, I mean, Look, that's changed. Now, institutional investors are falling over themselves in order to invest in net lease, number one. Number two, you've also seen investors who didn't wanna touch manufacturing now say, you know what, this is better than office. Those things, to me, have led to the change

that's coming now in the next five years. You are seeing more and more investors, larger asset managers wanting to get into the net lease business. And they want to do that because it's a great investment. And what you've also seen with these asset managers, you see a lot of them now trying to get into the private wealth channel. And one of the things we didn't talk about, but one of great things about a lease investment for the individual investor, right, are the tax benefits.

Spencer Levy

When you say the tax benefits, be more specific.

Gordon Whiting

Depreciation, interest shield. So typically, and this is not tax advice, but typically, on a net tax equivalent yield basis, it adds 100 to 150 basis points to their total return. So you're starting to see larger asset managers get into this space. So it's a growing space, but that means you've got more capital in the space. The easier plays for people are just to buy investment grade stuff. It's harder to play in the spaces that we do when you're in the less investment grade because you need both a real estate expertise. And a credit expertise. And you need to see how those get married. So that is harder to learn and it's harder to get that knowledge.

Spencer Levy

Will, rates are at 5%. We hope they come down. We don't know. How do you see the next five years playing out in net lease and the manufacturing element of it?

Will Pike

None of us have control over rates. We have to operate in the environment that we're dealt. We're taking it day by day. I will say, taking a step back and looking at what's happened over the last couple of weeks, there's been less fallout, less issues than I expected. So while these benchmark rates have gone up, spreads have not. So they have stayed in that same level and they have not widened. So while the cost of borrowing has gone up I think if you've been through enough of these cycles, you know that people have frankly long memories when it comes to that and everyone has some scar tissue whether you're on the buying side or the selling side. So we'll have to see what occurs. I still feel pretty good about this marketplace. I feel very good about industrial fundamentals in the United States.

Spencer Levy

Well, on behalf of The Weekly Take, what a great conversation with our friend Gordon Whiting from TPG, Managing Director and Partner. Gordon, great job. Thanks for coming out.

Gordon Whiting

Thank you, Spencer.

Spencer Levy

And then my good friend, Will Pike, the head of our industrial capital markets business in the U.S., the head our net lease business in the US, and a great friend of mine. Thanks for comin' out, Will.

Will Pike

Thank you for having me, Spencer.

Spencer Levy

For more on the industrial sector, there's more in the archive on our website, [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake), and on all the major podcast platforms. We're also working on an episode devoted to another headline-maker, one that will give you a ticket to CBRE's Digital Infrastructure Summit in Dallas. So stay tuned. Meanwhile, don't forget to subscribe and also check out the video content we've been posting on CBRE's YouTube page. There's lots more to come as well. Thanks for joining us, I'm Spencer Levy. Be smart. Be safe. Be well.