

Net Takeaways with Feller, Dicker, and Team

December 2025 Edition | A Year in Review: What We Predicted, What We Learned, and What Comes Next

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With the Holiday Season upon us and as 2025 comes to a close, we take a pause from the regular bustle of dealmaking and market interaction to reflect back on the year that was 2025 for the CRE landscape. In this annual **Bold Predictions in Retrospect** edition of **Net Takeaways**, we undertake a disciplined look back at two of the core calls we made in our January 2025 Net Takeaways letter: (1) that transactional volume would increase meaningfully as the year progressed, and (2) that cap rates would rise, with our baseline expectation being approximately 35 basis points of expansion.

Prediction #1: Transaction Volume Would Rise by 20% in 2025 compared to 2024

Actual: Volume Increased by 22%

Our view entering 2025 was that elevated net lease inventory and a thawing capital environment would ultimately translate into higher transactional velocity on the magnitude of 20%. That trend held true: **Volume increased from \$11.3 Billion to \$13.9 Billion, an increase of 22%** (T-12 period ending Sept of each year since full year 2025 data not yet available).

As the year progressed, the market continued to unlock, supported by gradual improvements in financing conditions and a steady return of liquidity into upstream asset classes. While buyer behavior remained selective and the market continued to reward quality disproportionately, the overarching directional thesis was correct: transaction volume improved, and the market's capacity to absorb inventory strengthened as 2025 matured.

Prediction #2: Cap Rates Will Increase by 35bps

Actual: Closed Cap Rates Rose by 12bps from 6.55% to 6.57%

We entered the year expecting cap rates to rise, and the logic was sound: inventory levels were elevated, capital costs remained high, and many market participants assumed yields would need to move higher to clear the market.

What proved fascinating, however, was how the market self-corrected through composition. Inventory increased this year from approximately \$25.7B at the end of last year to roughly \$27.8B at the peak — a bit over 10% growth — yet yields remained remarkably stable because the nature of inventory changed. Higher-yield, lower-quality product quietly withdrew, while newer construction and more attractive assets increasingly comprised the mix.

Additionally, the increased flow of capital into the retail asset class helped maintain pricing power in the market. Capital flow continues to be a driving factor in asset-level pricing power and stability.

As a result, average asking cap rates held steady year-over-year (approximately 6.49% then and approximately 6.49% now), and closed cap rates increased modestly from 6.55% to 6.57%. Some of this is normal variation, but a meaningful portion reflects the market's ability to clear better supply without demanding meaningfully higher yields.

This was the key lesson: the headline averages can be misleading if we don't understand what is being added, what is being pulled, and what the buyer base is actually rewarding.

Looking Ahead: January 2026

The market clarified itself in 2025. In our January 2026 Net Takeaways letter, we will lay out our updated outlook and predictions for the year ahead — including the major themes we believe will define 2026 across net lease, retail real estate, and capital markets.

As always, we're grateful for the continued dialogue and the opportunity to support clients and partners through an evolving market landscape.