



SAMPLE REPORT

# U.S. AVM Observer

# U.S. AVM Observer - 1H25

July 8, 2025 | [AVM Pro](#)



- AVM Pro is Green Street's Automated Valuation Model for commercial properties.
- Use cases include pre screening, property underwriting, loan origination, and risk / portfolio management.
- The model is based on three recognized and fully transparent valuation approaches...
- ...and can value individual properties and portfolios across six traditional property sectors.
- This report explores the most current valuation data that is driving the model for each sector.
- Cap rate estimates are provided across the full array of A, B, and C asset quality.
- The impacts of tenant credit quality, lease term, and in-place lease vs. market are also discussed.



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Green Street customers with an existing Market Data subscription now have the ability to run up to 10 properties through Green Street's AVM (Automated Valuation Model) at no additional cost. Users with an annual AVM Pro subscription can generate unlimited property and portfolio valuations.

### Authors

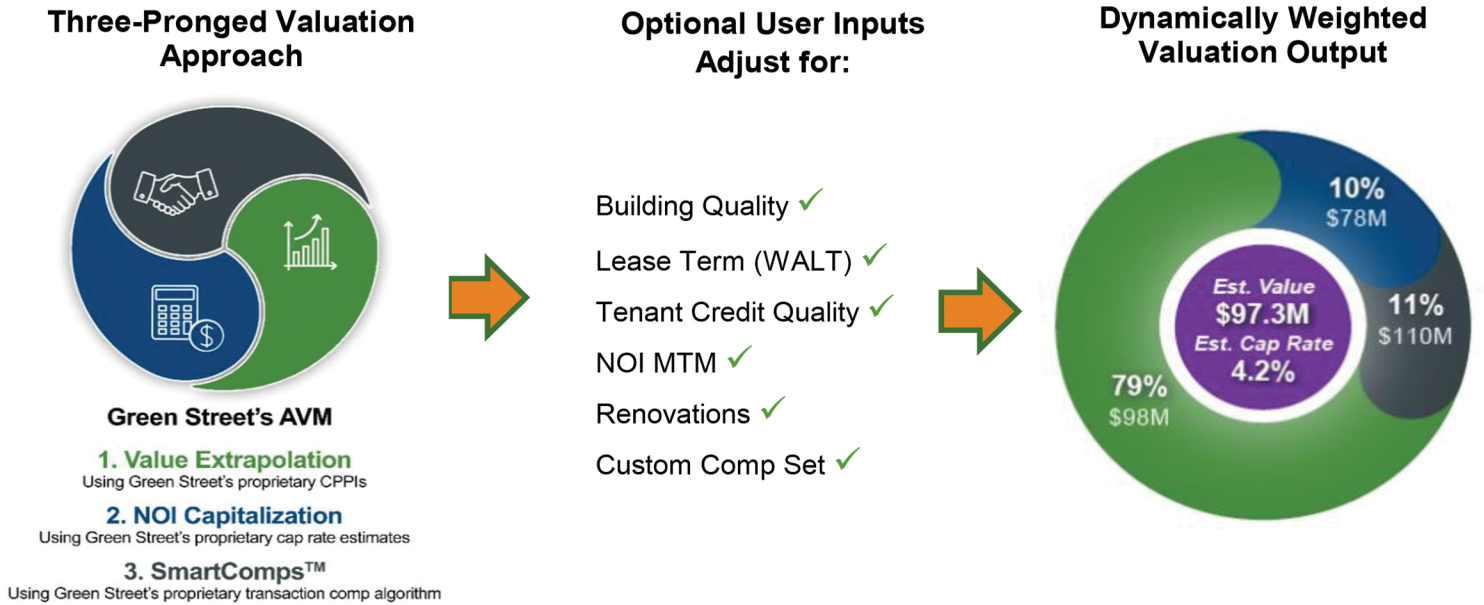
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### Model Overview

**Transparent and Accurate:** AVM Pro is built on three well-recognized valuation approaches and powered by Green Street's comprehensive and high-quality data sets. The result is a system that provides transparent and accurate valuation estimates for individual properties and portfolios. This report dives deeper into the granular, real-time valuation data that is driving the model.



Source: Green Street.

### Key Model Drivers

**Not All Properties are Created Equal:** AVM Pro covers Apartments, Industrial, Office, and Strip Centers, plus the recently added Self Storage and Sr. Housing sectors. The model can produce a valuation on just five basic inputs, but accuracy improves as more optional inputs are added. AVM Pro has the ability to create a custom, property-specific cap rate that accounts for building quality, remaining lease term, tenant quality, and where in-place leases sit relative to current market rents.

Sector	Nominal Cap Rates as of 7/8/2025			YOY CPPI Change (Average Quality)	TTM Sales Volume (\$Bill)	NOI Mark-to-Market <sup>1</sup>	WALT (years)
	A- Quality	B-Quality	C-Quality				
Apartment							
Industrial							
Office							
Strip Center							
Senior Housing							
Self Storage							

Contact us to uncover more insights.

<sup>1</sup> Change in NOI for the average asset nationally if in-place leases were brought to current market rents.

Source: Green Street.

## Apartment Cap Rates

**Beyond "Average" Quality:** The cap rate data included in Green Street's *Market Data and Deals* offering focuses on "average quality" assets, which are defined as B/B+\*. AVM Pro clients have access to a full array of cap rate data by asset quality. The roughly 200 bps spread between A and C quality assets in the apartment sector is tight relative to other traditional sectors, due to the more commoditized nature of apartments, as well as financing from Fannie and Freddie.

Average Cap Rate	Building Quality				
Market Grade**	A+	A / A-	B+ / B	B- / C+	C
A+					
A / A-					
B+ / B	<a href="#">Contact us to uncover more insights.</a>				
B- / C+					
C					

\*Green Street defines B/B+ assets as properties that have average asking rents that are roughly equal to the average market rents in the MSA and sector with which the asset resides.

\*\*Green Street's market grades represent proprietary long-term growth rates calculated by assessing ten key metrics relevant to each sector. These grades are meant to represent relative long-term rent growth potential vs. local inflation.

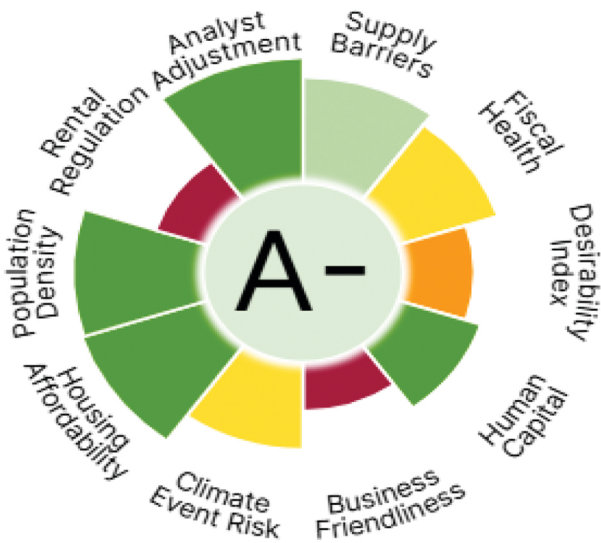
Source: Green Street.

## Location and Building Quality

**Market Grades and Rents:** The two main drivers of the cap rate in the AVM for the apartment sector are: 1) location quality as defined by Green Street's market grades; and 2) building quality. Building quality can be inputted directly by the user as one of five grade buckets. Alternatively, the user can simply input the asking rent of the asset and the model will calculate the building quality based on how those asking rents compare to the market in which it sits.

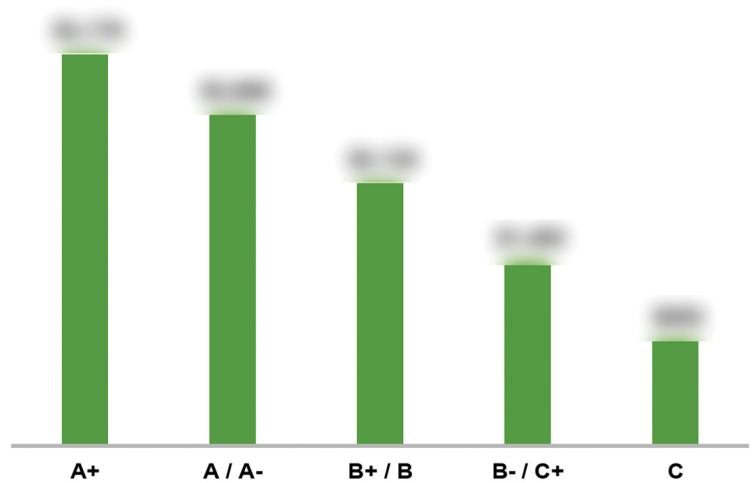
### Location Quality - Market Grades

(Sample Grade for Orange County, CA, Zip Code 92660)



### Building Quality - Asking Rents

(Top 50 National Average)



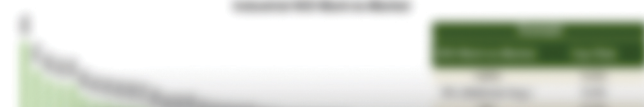
Source: Green Street.

### Industrial Cap Rates

**More Moving Pieces:** Green Street's industrial cap rate derivation starts with an assessment of location quality and building quality. The cap rates also assume that the asset's in-place rents relative to market are in-line with the overall market average. Given the rapid increase in industrial rents the past few years, most assets have in-place rents significantly below current market rents. This is a key reason why cap rates on certain assets can dip below 4% today.

Property	Cap Rate	Market Rent	In-Place Rent
1	4.5%	\$100	\$100
2	4.8%	\$100	\$100
3	5.2%	\$100	\$100
4	5.5%	\$100	\$100
5	5.8%	\$100	\$100

**Market Trends:** Industrial cap rates have trended downwards over the past several years, reflecting strong demand and rising rents. High-quality assets in prime locations continue to command higher cap rates, while lower-quality assets in secondary markets see higher cap rates.



### Office Cap Rates

**Quality Drives the Bus:** The cap rate spreads between quality tiers in the office sector are far wider than in other property sectors. This is due to the vastly different demand and cap-ex profiles of high-quality vs. low quality office properties. AVM Pro does incorporate Weighted Average Lease Term (WALT), tenant quality, and NOI MTM into office cap rates, but building quality is the dominant driver for office values in the current environment.

Property	Cap Rate	Market Rent	In-Place Rent
1	6.5%	\$100	\$100
2	7.0%	\$100	\$100
3	7.5%	\$100	\$100
4	8.0%	\$100	\$100
5	8.5%	\$100	\$100

**Market Trends:** Office cap rates have risen significantly over the past few years, particularly for lower-quality assets. High-quality office buildings with strong tenants and long lease terms continue to attract lower cap rates, while lower-quality buildings face higher cap rates.



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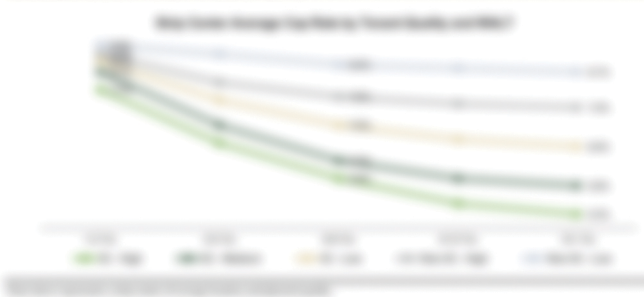
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### Strip Cen Cap Rate

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Property	Cap Rate	Market Rent	In-Place Rent
1	5.5%	\$100	\$100
2	6.0%	\$100	\$100
3	6.5%	\$100	\$100
4	7.0%	\$100	\$100
5	7.5%	\$100	\$100

**Market Trends:** Strip center cap rates have shown a steady increase over the past few years, reflecting rising rents and strong demand for these types of properties.



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