THE DIVIDENDS YOU'VE COME TO EXPECT.
Season After Season.

2006 Annual Report

NATIONAL RETAIL PROPERTIES
NYSE:NNN

Season after season, year after year, our shareholders have enjoyed steady, reliable dividends.

With a current yield over 5% and annual total returns higher than 12% for the past 1, 3, 5 and 10-year periods, longtime NNN shareholders appreciate the income and wealth-building attributes of our dividend both before and after retirement.

While our stock price will fluctuate according to market conditions throughout the course of the year, we carefully manage our risk, enabling us to continue growing the company while simultaneously increasing and protecting our dividend.

Our philosophy is simple: remain true to specific real estate fundamentals and control what we can control. The rest will take care of itself.

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THE NNN REIT

National Retail Properties, Inc., is a real estate investment trust (REIT) listed on the New York Stock Exchange (ticker symbol: NNN) that invests in single tenant net-leased retail properties nationwide.

NNN has generated consistent returns for more than a decade supported by its strong dividend yield and 17 consecutive years of increased annual dividends. In 2006, NNN acquired more than $300 million in properties, maintained its strong balance sheet, improved per share operating results and received a 96.2 ISS corporate governance rating (based on a scale of 0 to 100).

NNN maintains a conservatively managed, fully diversified retail real estate portfolio with properties subject to long-term, net leases with established tenants such as Barnes & Noble, Best Buy, CVS, Circle K and OfficeMax. As of December 31, 2006, its 710 properties are located in 44 states with a total gross leasable area of approximately 9.3 million square feet. Current occupancy is 98% and these properties are leased to 187 tenants in 33 industry classifications.

NNN is one of only 181 of the more than 10,000 publicly traded companies in America to have increased annual dividends for 17 or more consecutive years.

ABOUT THAT TICKER SYMBOL

When looking at our name, there is no question about what we do: we focus on retail properties throughout the United States. However, we sometimes get questions about the meaning of our ticker symbol, NNN.

NNN is a common industry abbreviation for 'triple net lease' – which is the primary type of lease we have with our tenants.

A triple net lease shifts property operating expenses (i.e., maintenance, taxes, insurance and utilities) to the tenant, so that the rental revenue we receive is not subject to any variable costs, resulting in fewer expenses and providing a more stable cash flow.

The benefit for the tenant is that this gives them operational control over the property. For example, they are able to negotiate their own rates on insurance and maintenance items because they pay those costs directly.

Our leases typically provide for attractive initial yields as well as potential growth in cash flow through base rent increases and/or percentage rents based upon tenant sales.

NNN LISTED NYSE®

TO OUR SHAREHOLDERS:

Louis Rukeyser, the noted broadcaster and economic prognosticator, once said: "Always be on the level with people. Not everyone is going to agree with you, but they'll have confidence in you." This quote speaks to the way we approach our business at National Retail Properties (NYSE: NNN).

In our interaction with shareholders, customers, partners and employees we work hard to communicate with them "on the level". Although we might not always agree, it is pivotal that we can be relied upon to do what we say we are going to do. This fundamental principle is not universally adhered to in our industry, however it is important to NNN. This approach is integral to our success and our efforts to build value for shareholders by growing Funds From Operations (FFO) per share.

I am pleased to report that NNN had another record year in 2006, generating total revenue of $150.8 million and FFO of $97.1 million. On a diluted per share basis, our FFO grew by 11.3 percent to $1.67 per share, an all-time high. Also in 2006, we increased our dividend for the seventeenth consecutive year to $1.32 per share.

PORTFOLIO SUMMARY

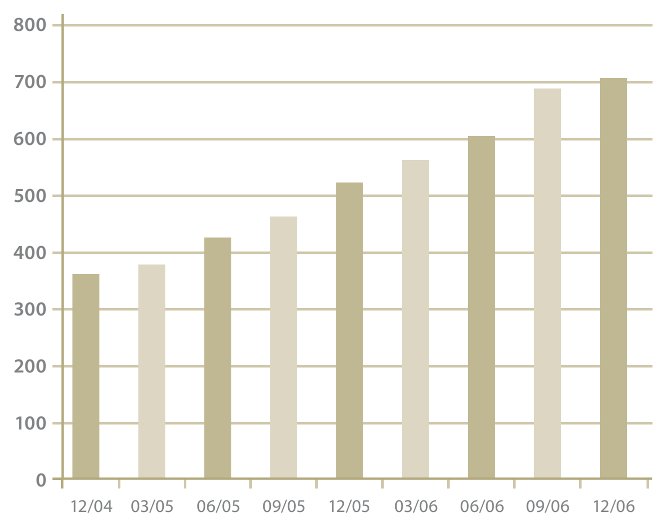
Our high quality portfolio of 710 primarily net-leased retail properties continues to be in excellent shape with an occupancy rate of 98.2 percent as of December 31, 2006. The average lease maturity of our properties is 12 years and we have few leases expiring in 2007. As of year-end, our properties were leased to 187 tenants operating in 32 different retail industry classifications. At the end of 2006, our properties were located in 44 states with a concentration in the Sunbelt where retail growth has dramatically increased.

In the last 24 months our portfolio has nearly doubled from 362 to 710 properties. We now own a fully diversified portfolio of net lease retail properties located throughout the country leased to many of the premier retailers. The retail industry remains healthy and the credit statistics of our portfolio are sound.

We congratulate our largest tenant, Susser Holdings, on their successful initial public offering in October. We are gratified that the confidence that we placed in Susser and their management team when we completed a large sale-leaseback transaction with them in late 2005 has been validated by their reception in the public equity markets. We have an excellent relationship and their stronger credit profile has enabled us to acquire additional Susser properties in December.

In the last two years our concentration of convenience stores has increased and I expect this to continue in 2007. The convenience store industry is highly fragmented with more than 140,000 locations nationwide. We are working with a variety of different operators in this sector and our tenants include the largest and most successful consolidators in the industry. The convenience stores that we are purchasing are generally located at high-traffic intersections with land value approximating 50% of the total cost. Potential alternative tenants for this type of location include bank branches, drugstores and restaurants. Given the caliber of our tenants and the quality of the real estate, we continue to like the risk-reward characteristics of the convenience store industry.

Property Growth



Increasingly, many **RETAILERS** *are concluding that owning their own* **REAL ESTATE** *is not the optimal use of their* **CAPITAL.**

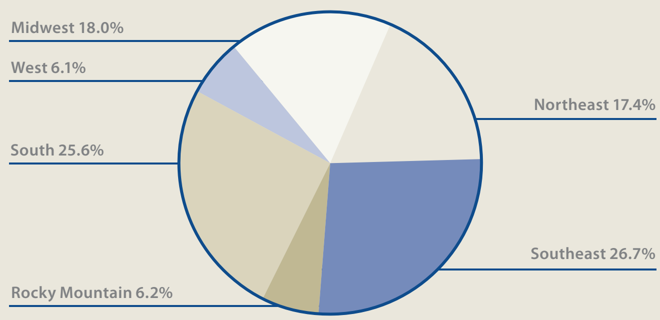
Annual Total Return Comparison

(For periods ending December 31, 2006)

	1 Year	3 Years	5 Years	10 Years
National Retail Properties (NNN)	**19.7%**	**16.1%**	**20.2%**	**12.7%**
S&P 500 Index	**15.8%**	**10.4%**	**6.2%**	**8.4%**
Nasdaq	**10.4%**	**7.2%**	**5.0%**	**7.0%**
S&P 600 Index	**15.2%**	**15.0%**	**12.5%**	**11.6%**

Geographic Diversification

December 31, 2006



FRANCHISE REAL ESTATE FUNDING

NNN helps franchisors and franchisees fund new store expansion, pay off existing debt, fund acquisitions and extract dormant cash out of their companies.

ACQUISITIONS & THE COMPETITIVE ENVIRONMENT

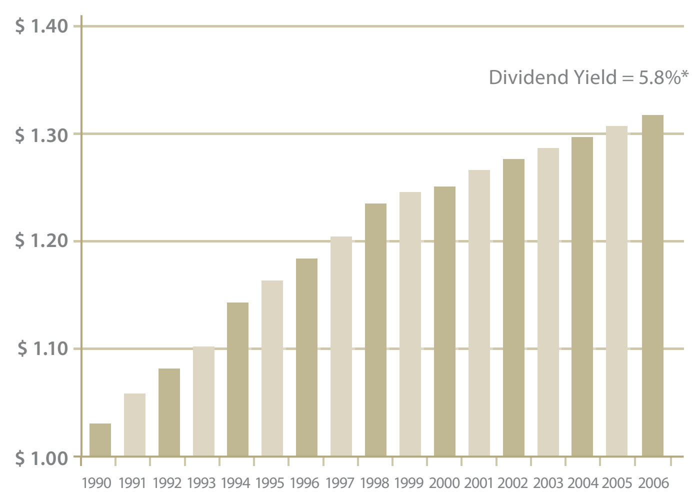
In 2006, we acquired 213 different retail properties for $372 million at an average yield of approximately 8.5%. These new properties strengthened and diversified our tenant base as we added several new high-quality operators. We expanded our geographic footprint by acquiring our first properties in Idaho, Utah and Massachusetts, and returning to Mississippi. Increasingly, it appears that many retailers are coming to the conclusion that owning their real estate is not the optimal use of their capital, which has led to a robust acquisition market. In addition, financial investors have been actively acquiring retailers and they tend to view sale-leaseback financing as an attractive component of their capital structure. We anticipate both of these trends continuing. Cap rates (the initial yield) on net lease transactions stopped declining in early 2006 and appear to have stabilized. With large amounts of capital continuing to seek the stable and predictable returns of investment-quality real estate, we expect to see yields remain at current levels. In such an environment, our team has to work harder to find opportunities where the yield is higher than the aggressive pricing that one-off transactions can command.

Each property that we acquire is individually underwritten by our experienced team and then reviewed by our real estate investment committee prior to acquisition. This is obviously a time-consuming process given our activity level. However it is important to remember that we are in the real estate business and, while we pay a great deal of attention to the ability of the current tenant to pay us our contractual rent, we ultimately may need to rely solely on the real estate characteristics of the site and find another tenant.

In our underwriting we focus on factors such as market rents, the demographics of that specific market, property access and visibility, land value as a percentage of the total property value and a variety of other factors. We believe that the land value of our properties makes up approximately 45% of the value of our real estate portfolio, adding enduring significance to our locations.

A key element of our strategy in the last two years has been to develop relationships with a select group of growing retailers with whom we can execute repeat sale-leaseback transactions. Our acquisition officers, augmented by the efforts of senior management, have made excellent progress on this objective and as we look into 2007, we currently have a pipeline of opportunities with 11 different retailers from whom we have previously acquired properties. We hope to close sale-leaseback transactions with several of these retailers in the first six months of the year.

Seventeen Consecutive Years of Increased Dividends
(One of 181 companies)



**Based on the closing price of $22.95 on December 31, 2006*

CAPITAL RECYCLING

An important component of our strategy in 2006 was to finance a large number of our acquisitions through the sale of real estate from our existing investment portfolio and reinvest the proceeds at higher yields. Our team executed this objective flawlessly as we sold $319 million of properties in 2006 at an average yield of 6.6% leading to realized gains of $91 million. The largest transaction in this program was the sale of our office building complex in the Washington, D.C. area leased to the U.S. government where we realized net proceeds of $228 million and a gain of $59 million.

In future years, we will continue to selectively sell real estate and reinvest the proceeds into higher yielding properties; however the amount will be more modest in size. Currently we are budgeting to sell $80 million of properties from our investment portfolio in 2007.

U.S. POSTAGE
PAID

ACQUISITIONS

Our acquisitions department focuses on purchasing and financing single-tenant, net-leased retail properties nationwide through sale-leaseback transactions. From 2004-2006, our portfolio has nearly doubled from 362 to 710 properties.

BALANCE SHEET MANAGEMENT

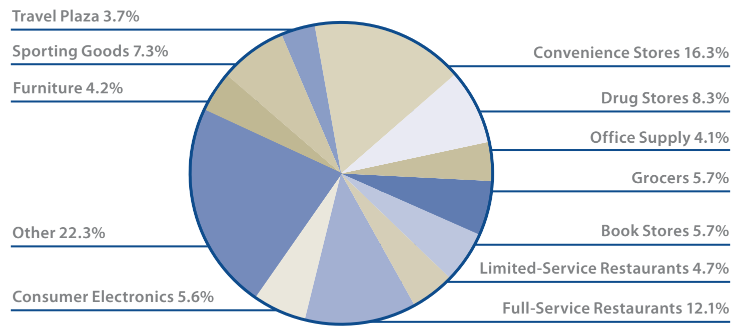
During the last 12 months we made excellent progress at reducing our cost of capital which continues to be a key objective of NNN. In the second half of 2006, we completed two well-received financings in the public markets, issuing $92 million of 7 3/8% Preferred Stock and $172.5 million of Convertible Notes with a coupon of 3.95%. Also, through our dividend reinvestment and stock purchase plan, we issued 3.0 million shares of common stock at an average price of $21.58, raising $65.8 million in 2006.

On January 2, 2007, we redeemed $45 million of our 9% Series A Preferred Stock which was originally issued in 2001. In essence, we used part of the proceeds from the 7 3/8% Preferred issued in October to redeem the 9% Preferred, further lowering our weighted average cost of capital.

As of year-end, our total debt comprised approximately 35% of our total market capitalization and approximately 94% of our debt was at a fixed-rate. Our conservative fiscal policy and strong balance sheet provides us with significant financial flexibility.

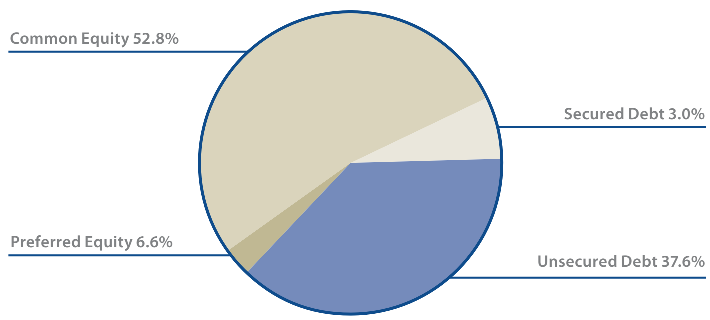
Line of Trade

(As a percentage of the annual base rent – December 31, 2006)



Balance Sheet

(Gross Book Basis – December 31, 2006)



FFO vs. Dividends Paid