



Third Quarter 2023 NCREIF Indices Review

November 16, 2023



Today's Panelists



Jeff Fisher, Ph.D.

NCREIF Data, Research & Education Consultant

Will McIntosh

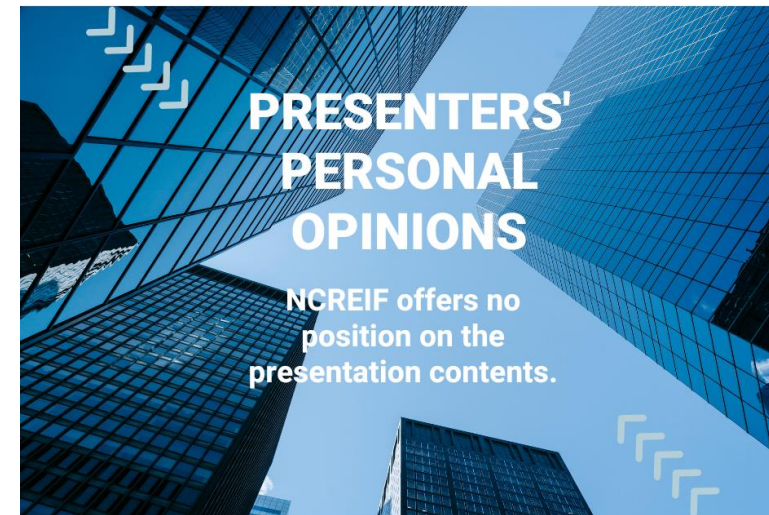
Director of Global Research, Affinius Capital Management



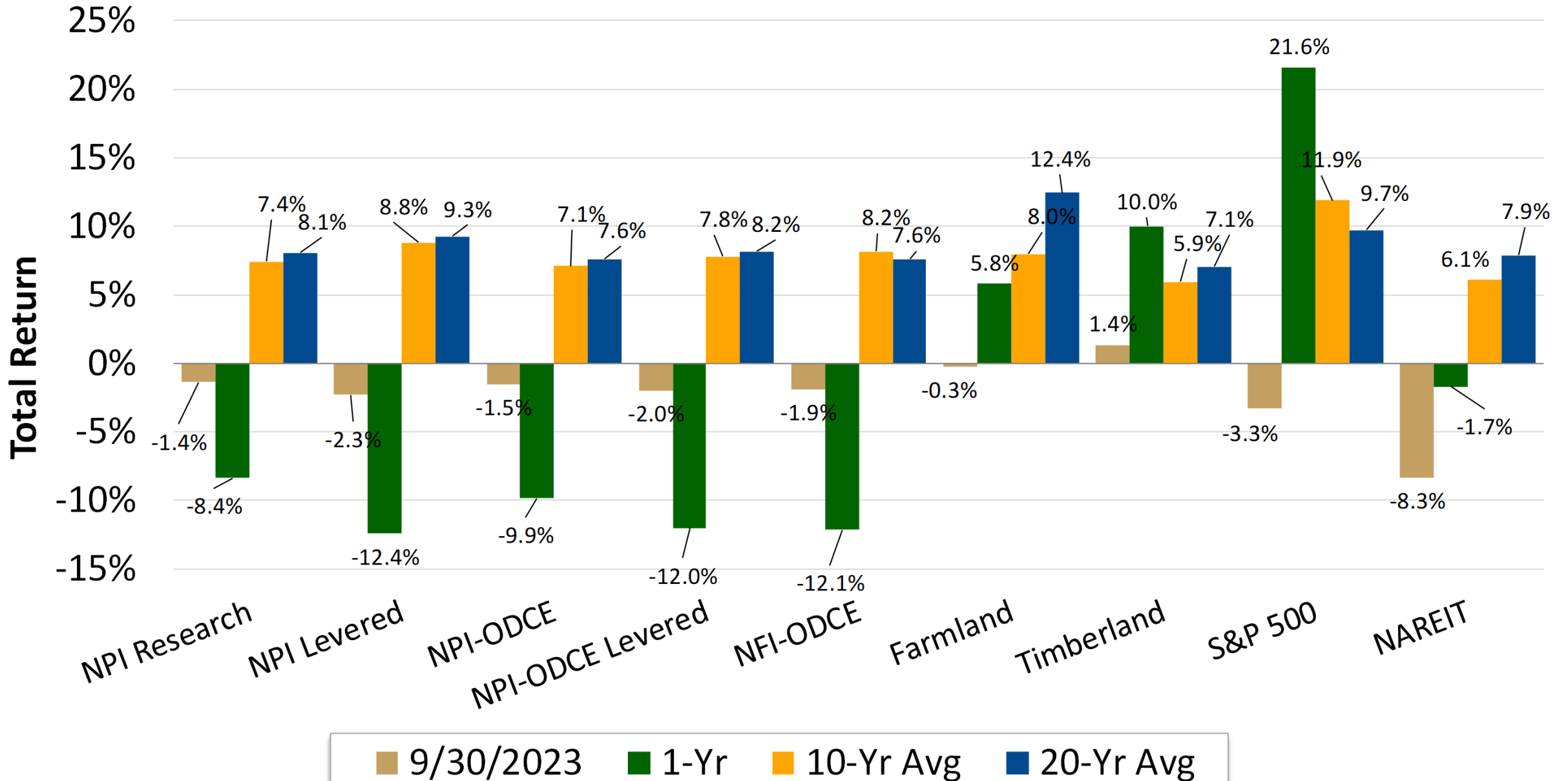
Disclaimer

All comments about future expectations are the personal views of the speakers and **NOT a “NCREIF opinion”** or forecast, and should not be relied upon for investment decisions.

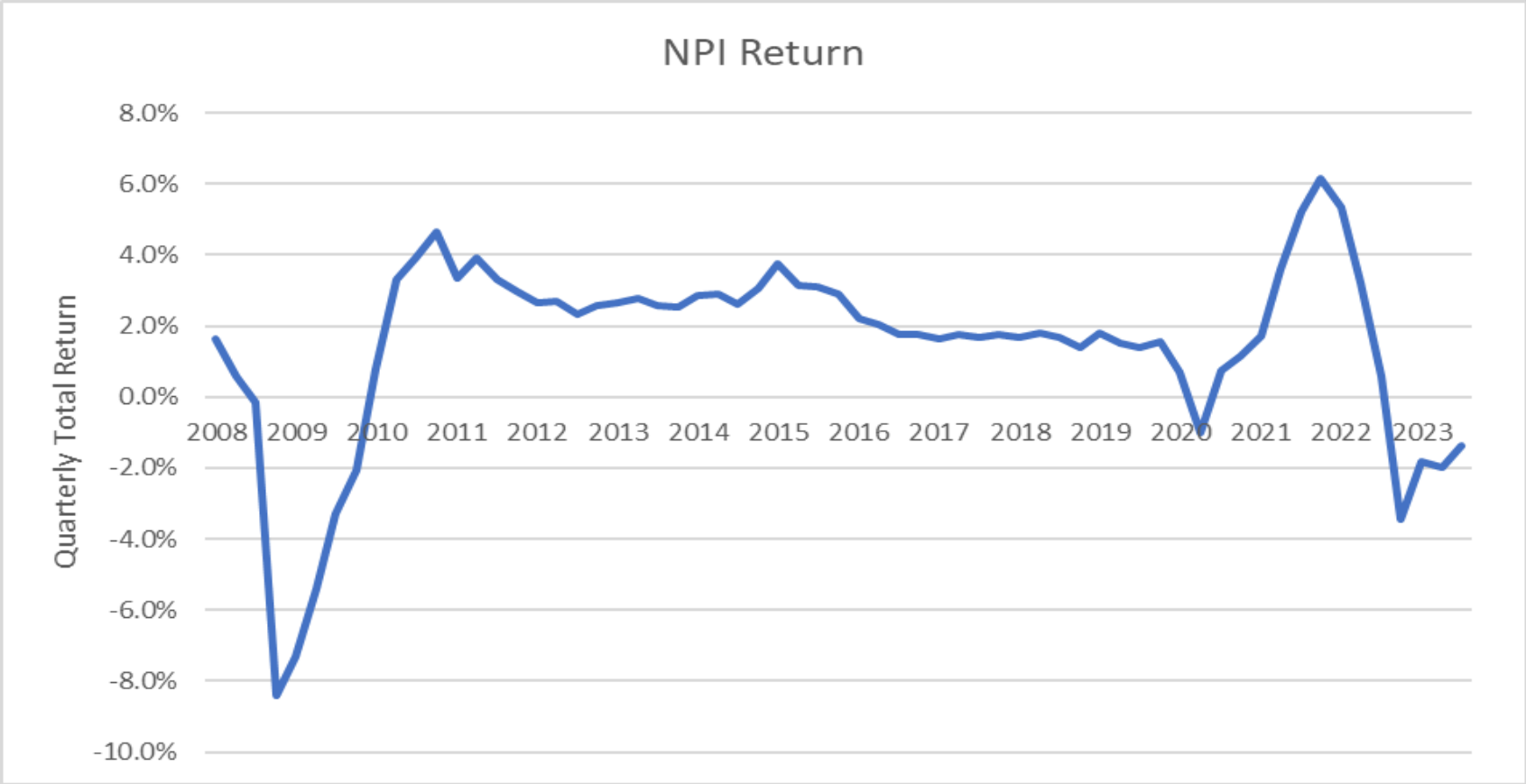
NCREIF Does NOT Forecast Returns



Total Returns by Asset Class



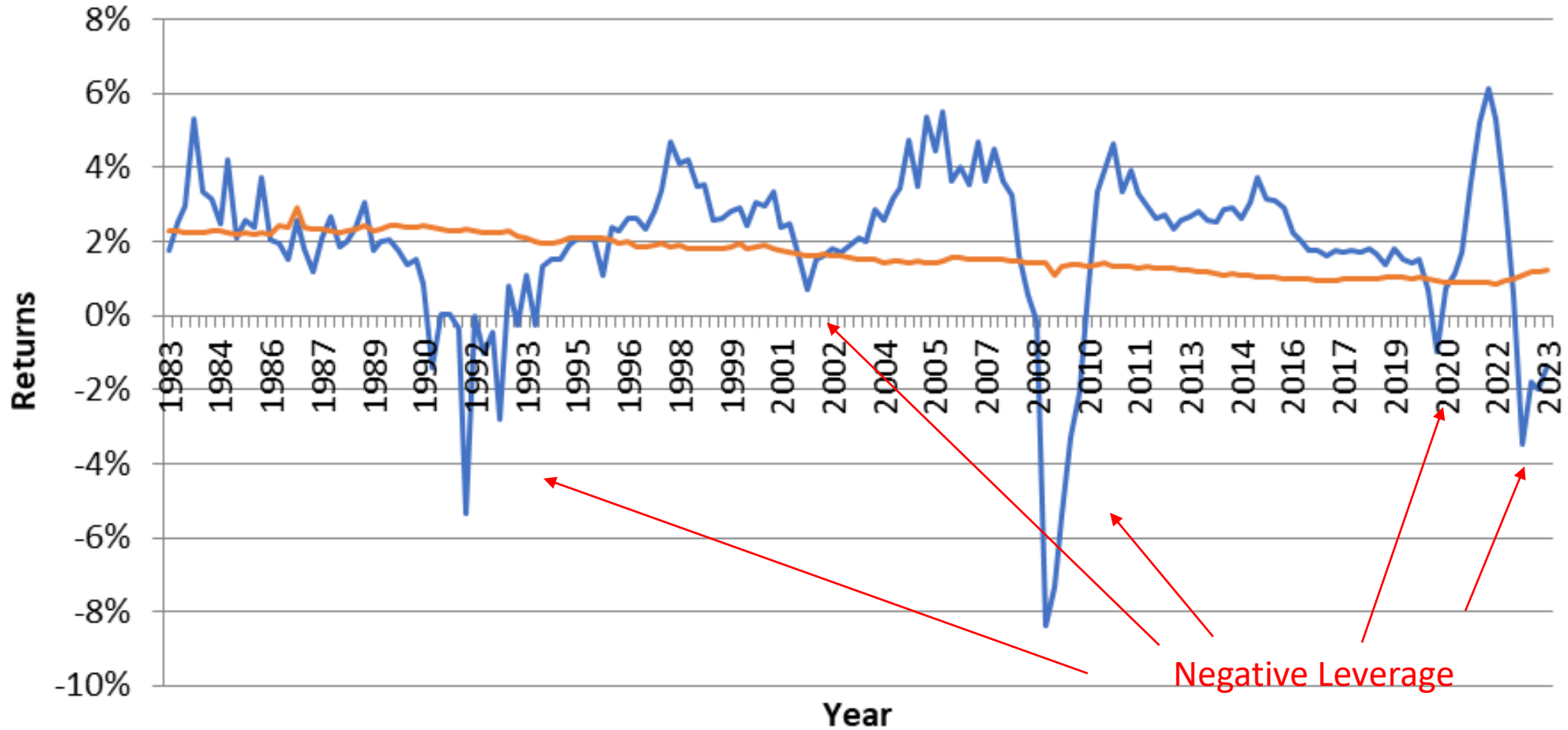
Returns Continue in Negative Territory



Although less negative than three prior quarters.



NPI vs. Interest Cost



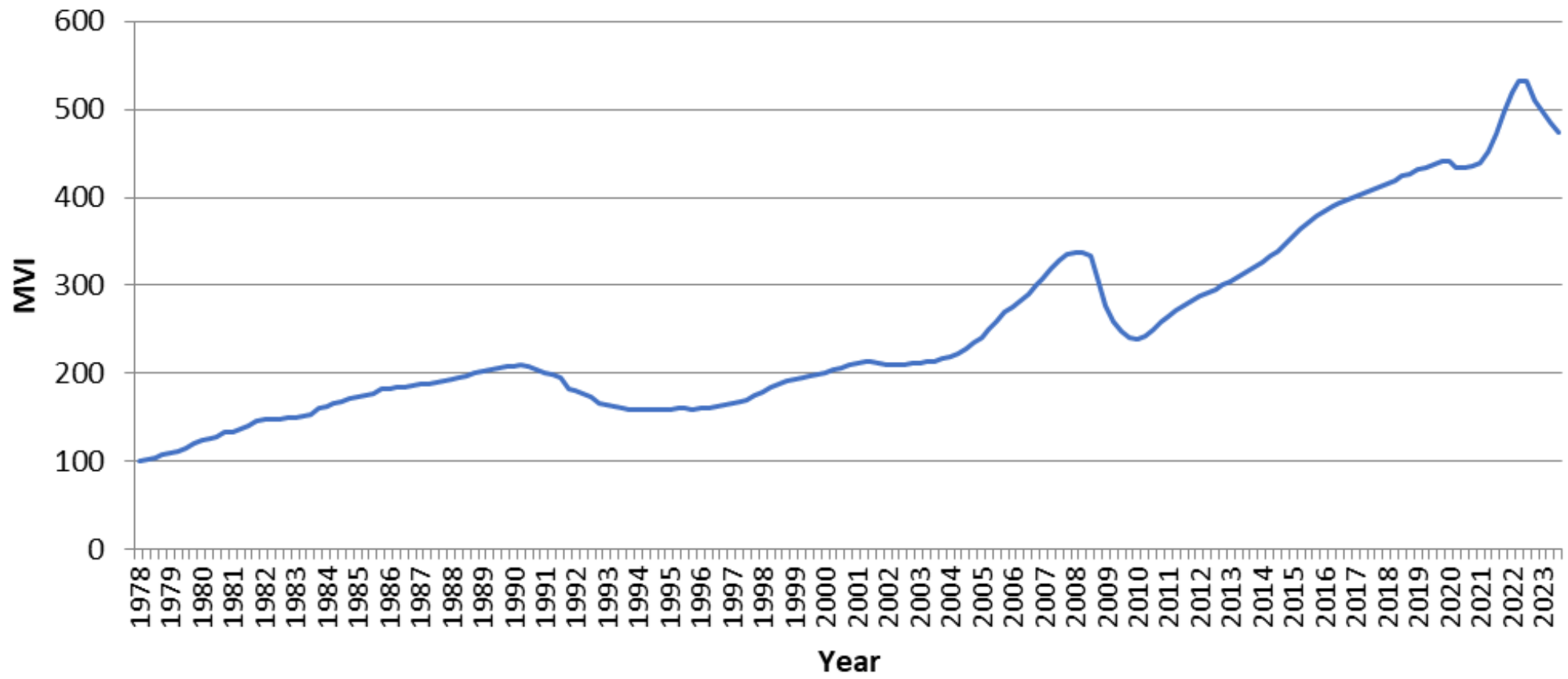


Number of Properties with LTV > 1



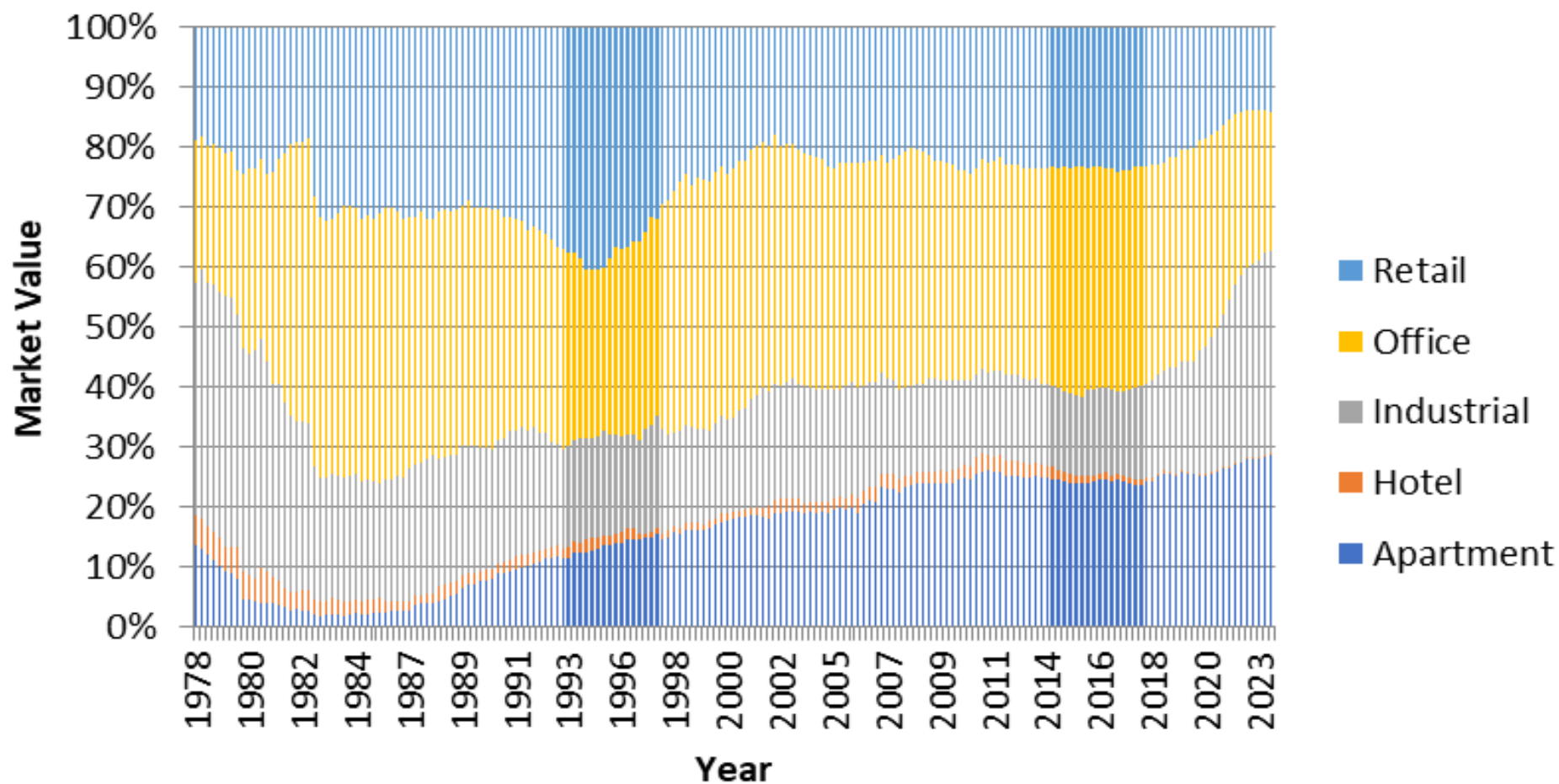


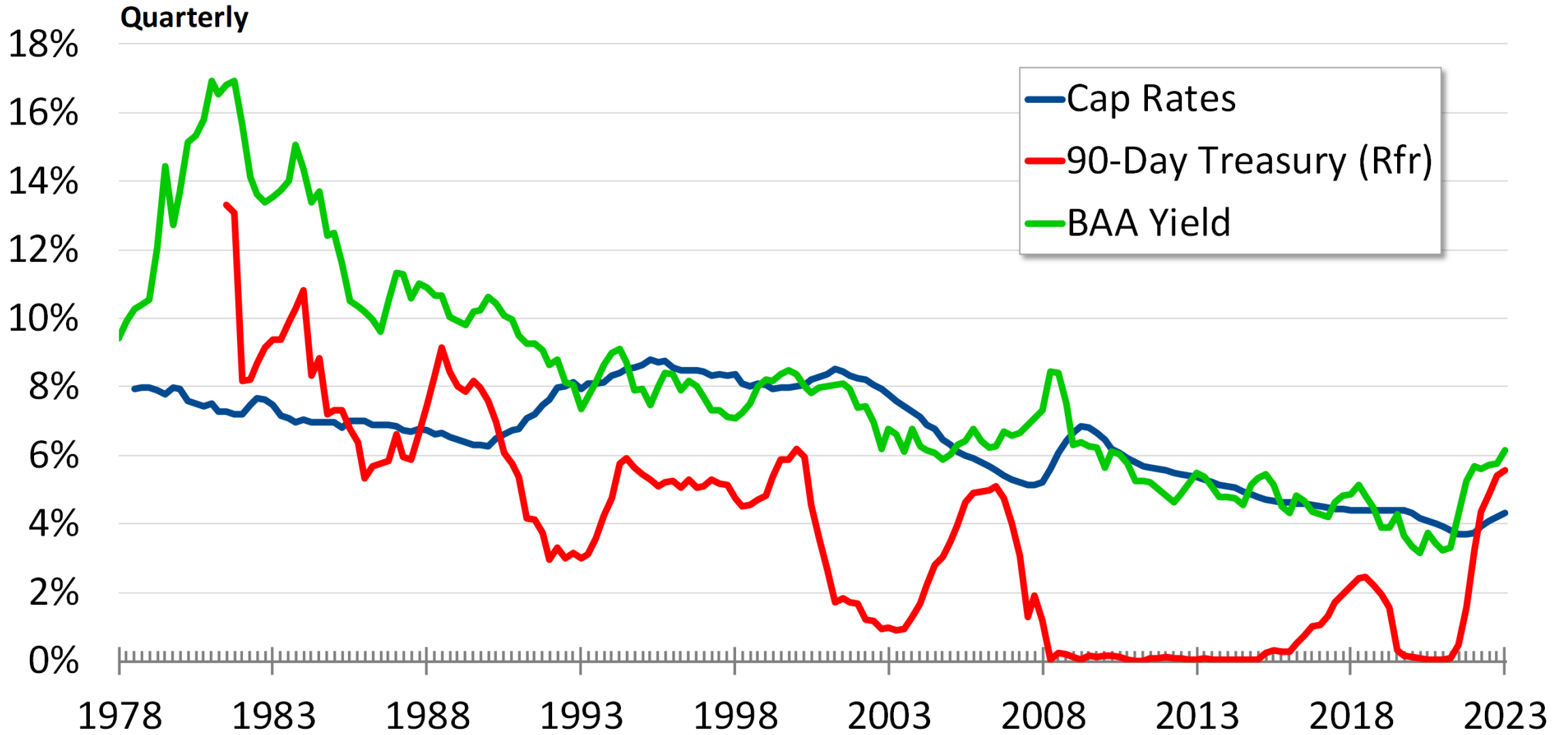
Market Value Index



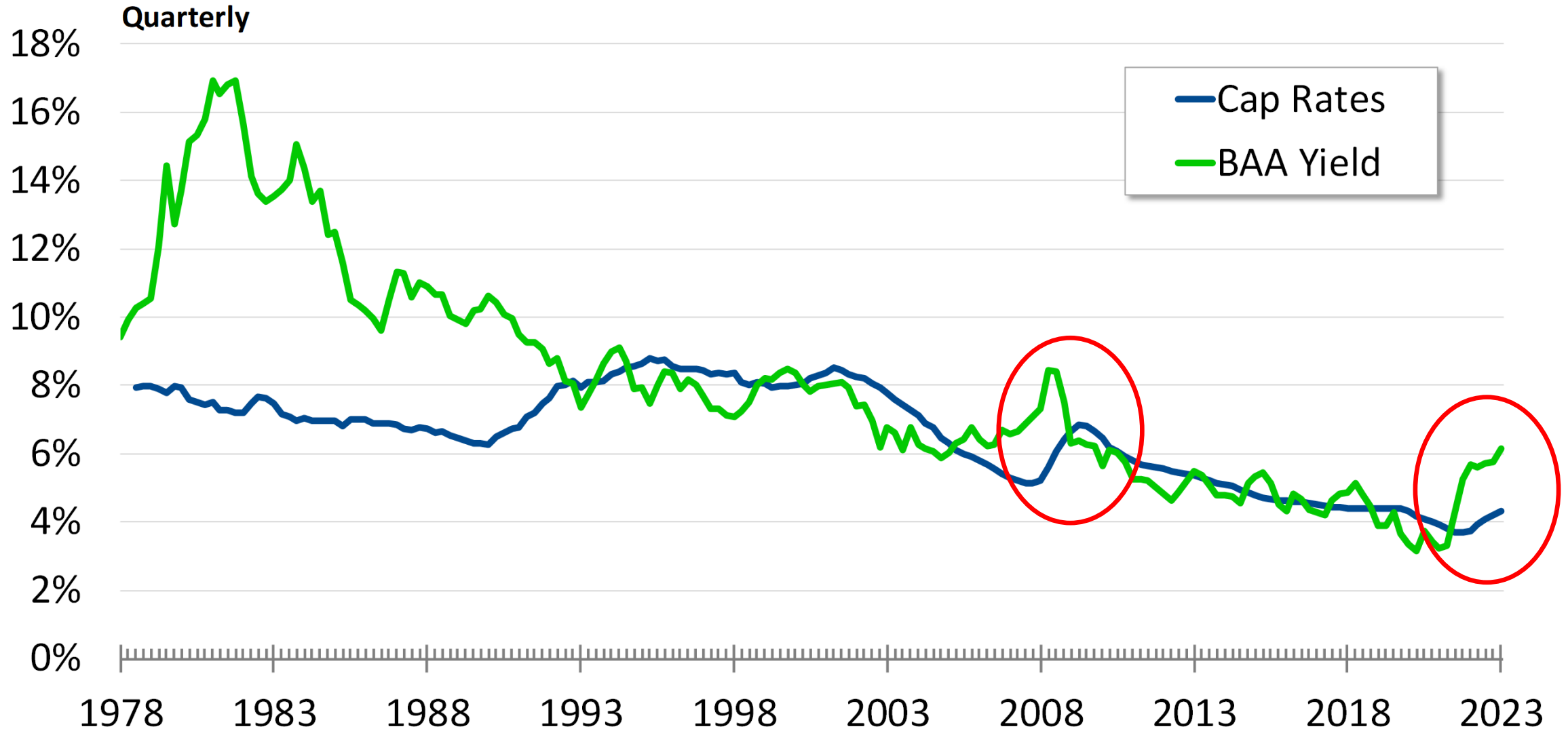


NPI MV Allocations Over Time



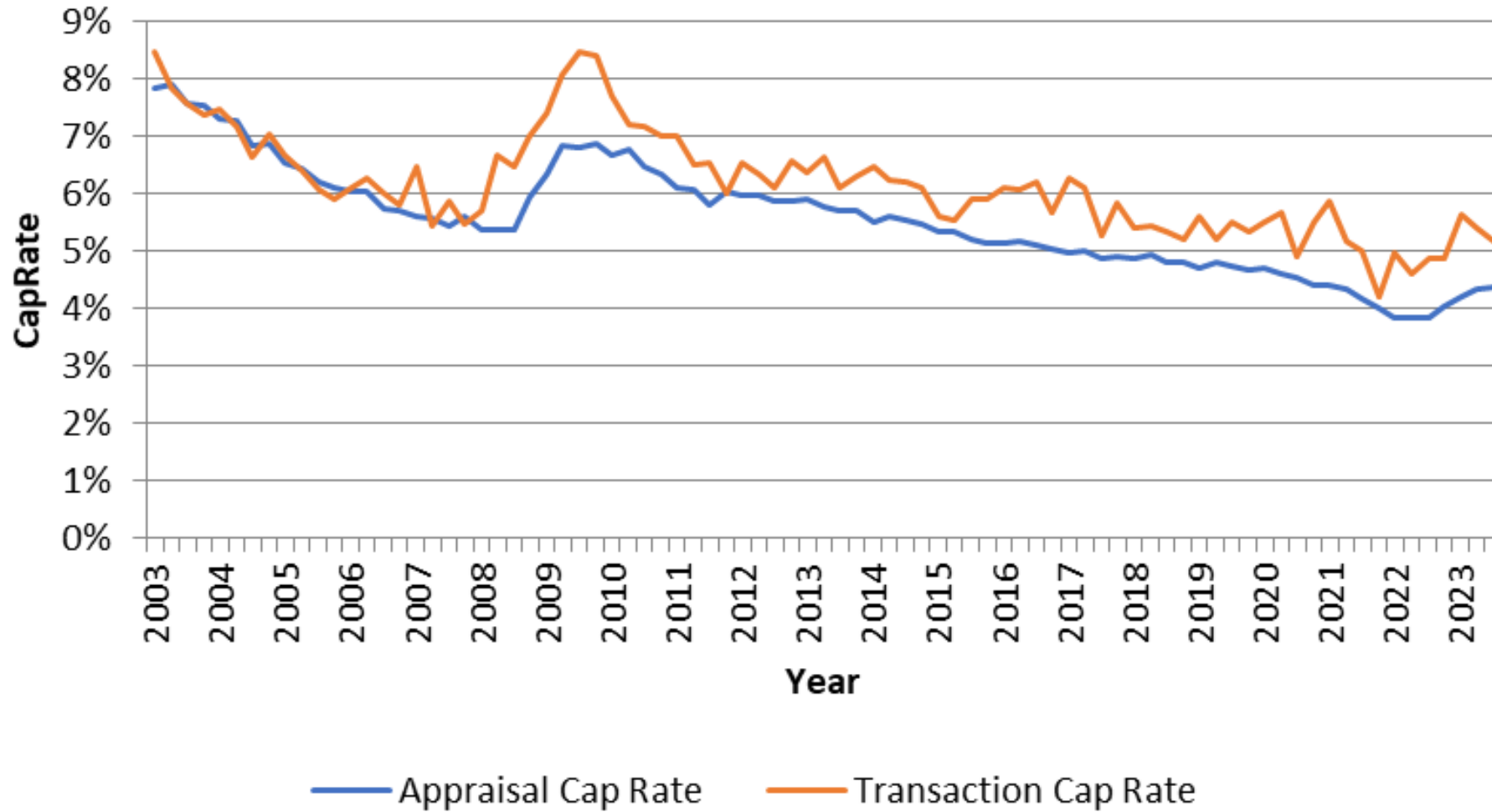


Real Estate Pricing





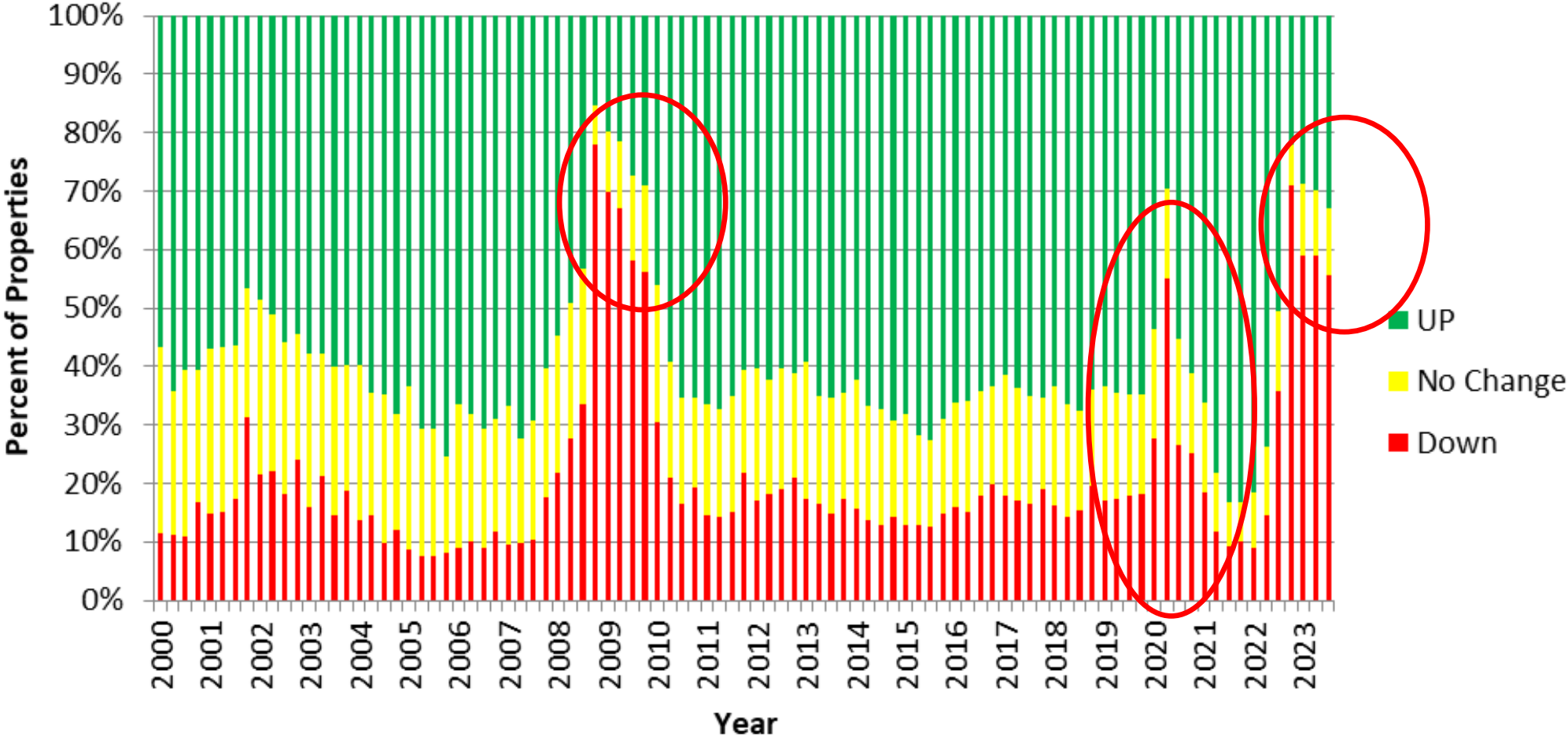
Appraisal vs Transaction Cap Rates



Write-Downs Remain Elevated



Write-ups vs Write-downs for NPI





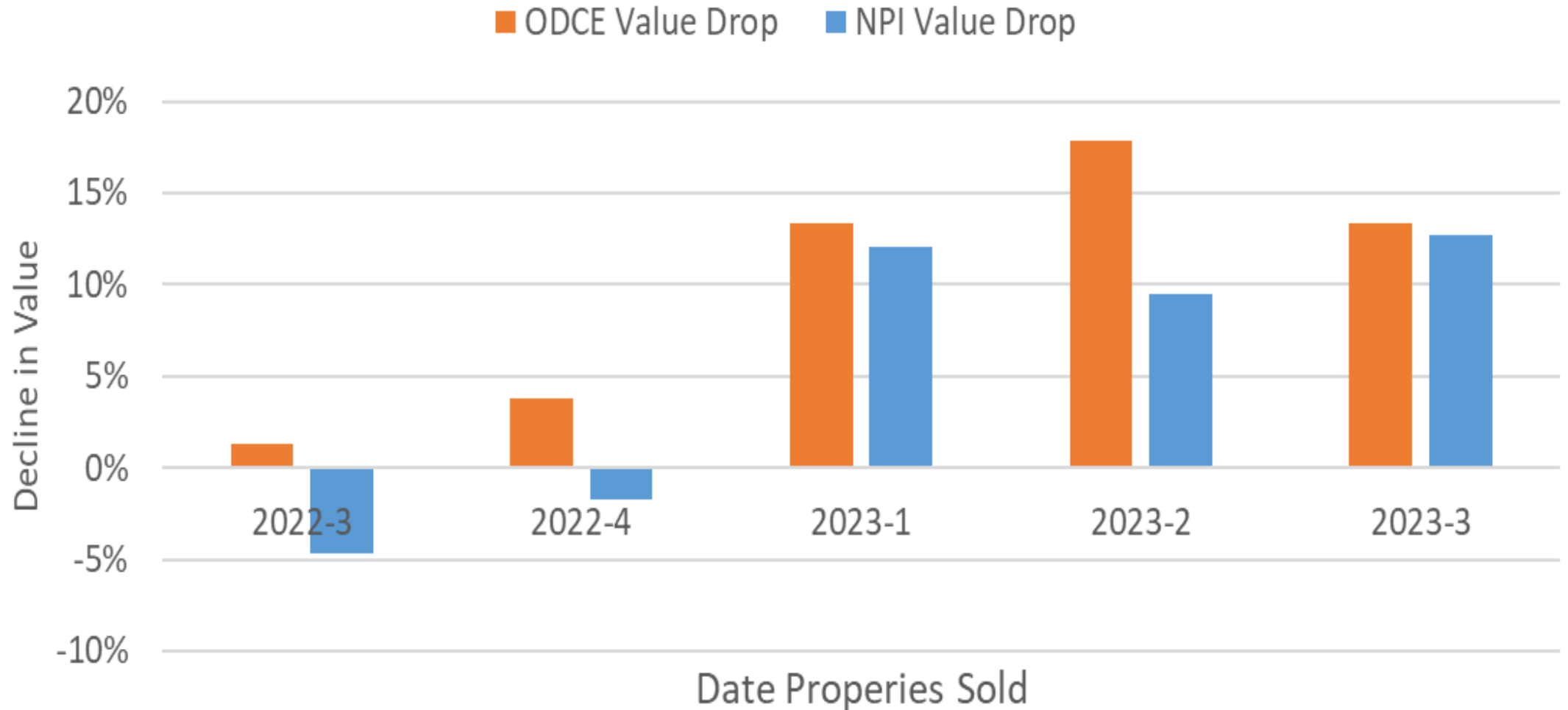
Question

- Where will NPI be by the end of 2023 compared to **now**? (Not for the year.)
 - A. Values will be somewhat lower by the end of 2023.
 - B. Values will stabilize at the current level
 - C. Values will be somewhat higher by the end of 2023.
 - D. I have no idea!



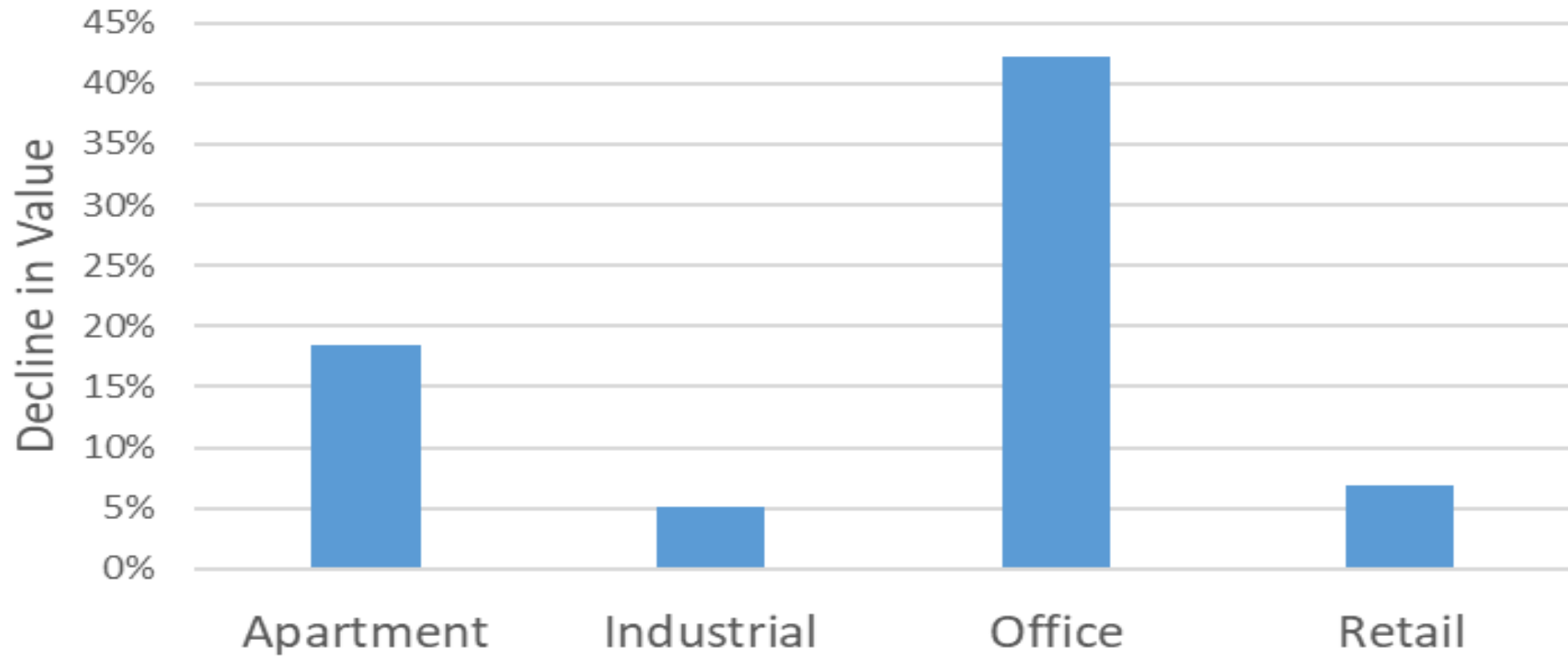


NPI vs. ODCE Sold Props Decline in Value since Appraised 2022-2





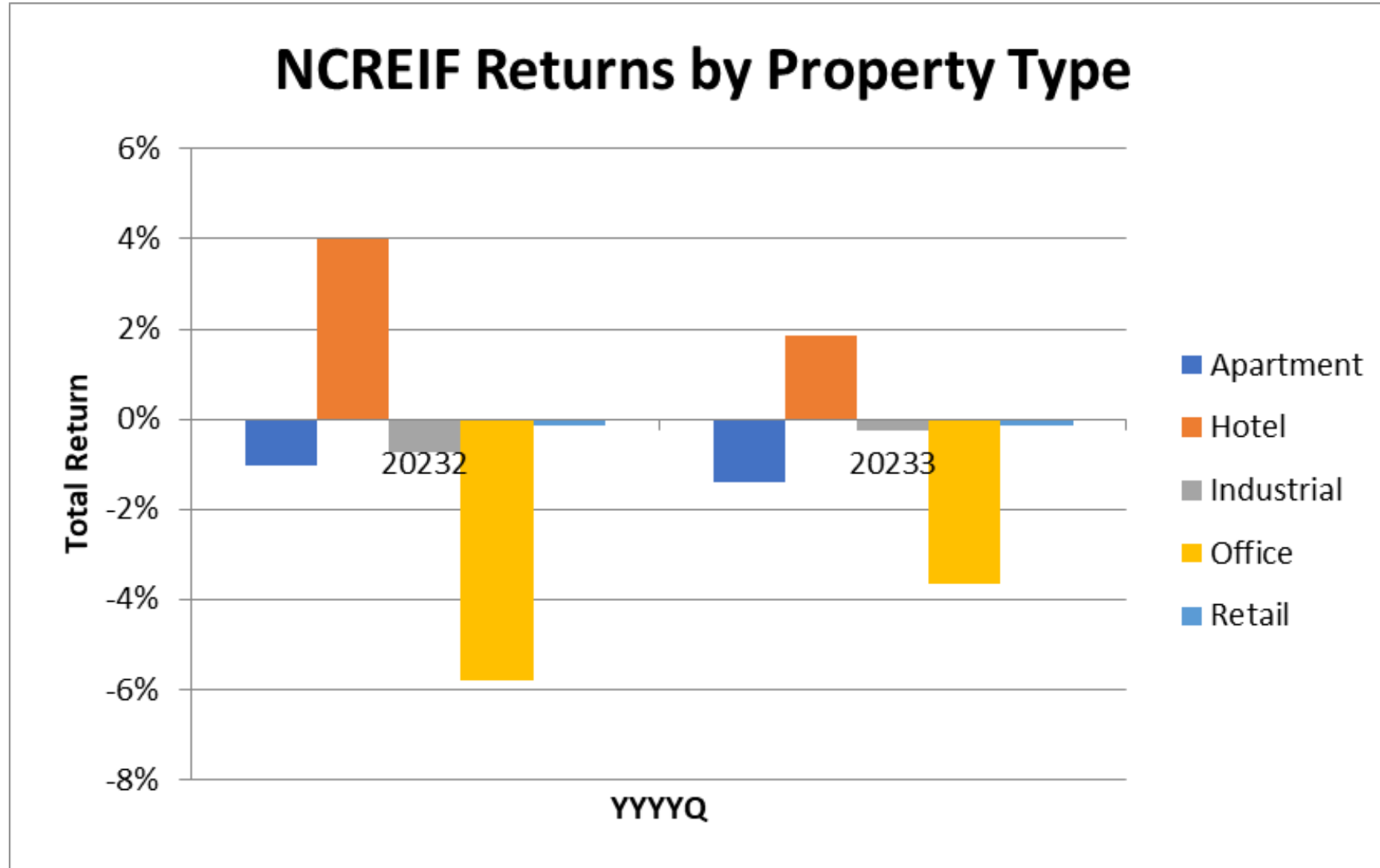
Drop from Peak in 2022-2 (Based on Equal Wtd Transactions of ODCE Properties)



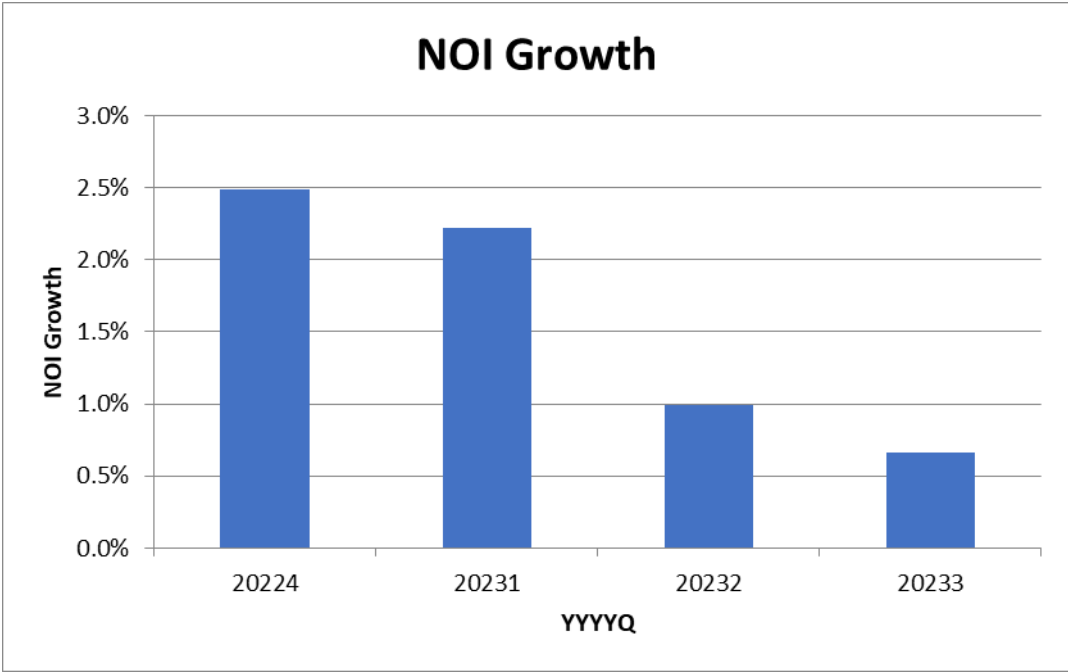
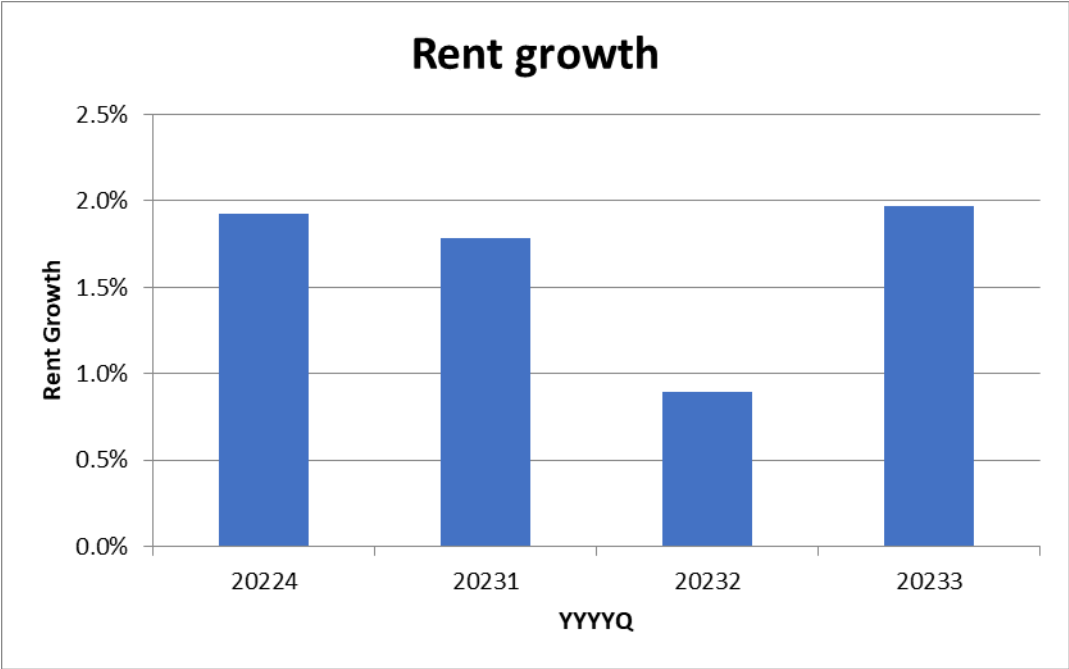
Note: Based only on the 57 properties that sold in 2023-3



Hotels Buck the Trend for another quarter

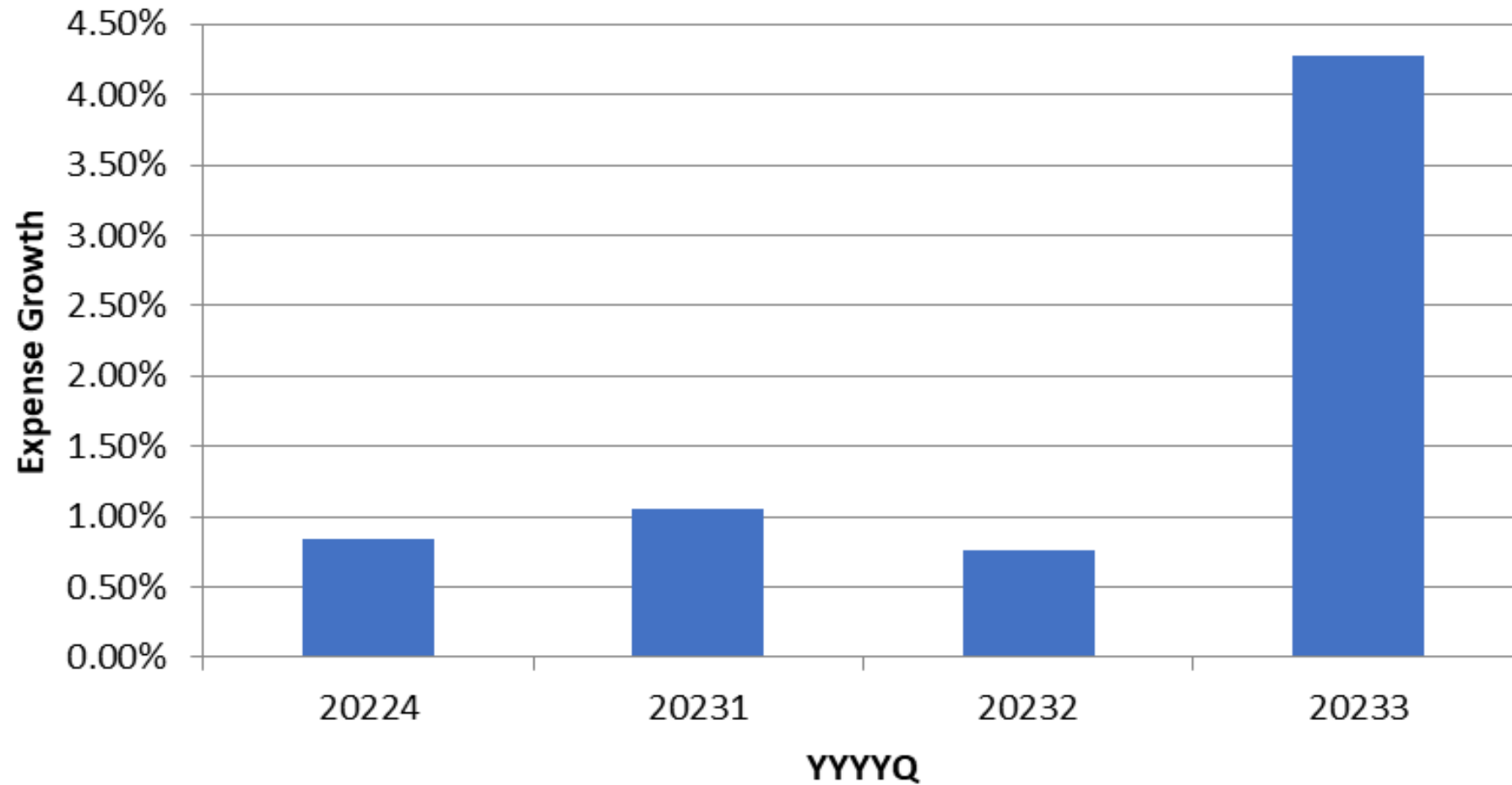


Rent and NOI Growth



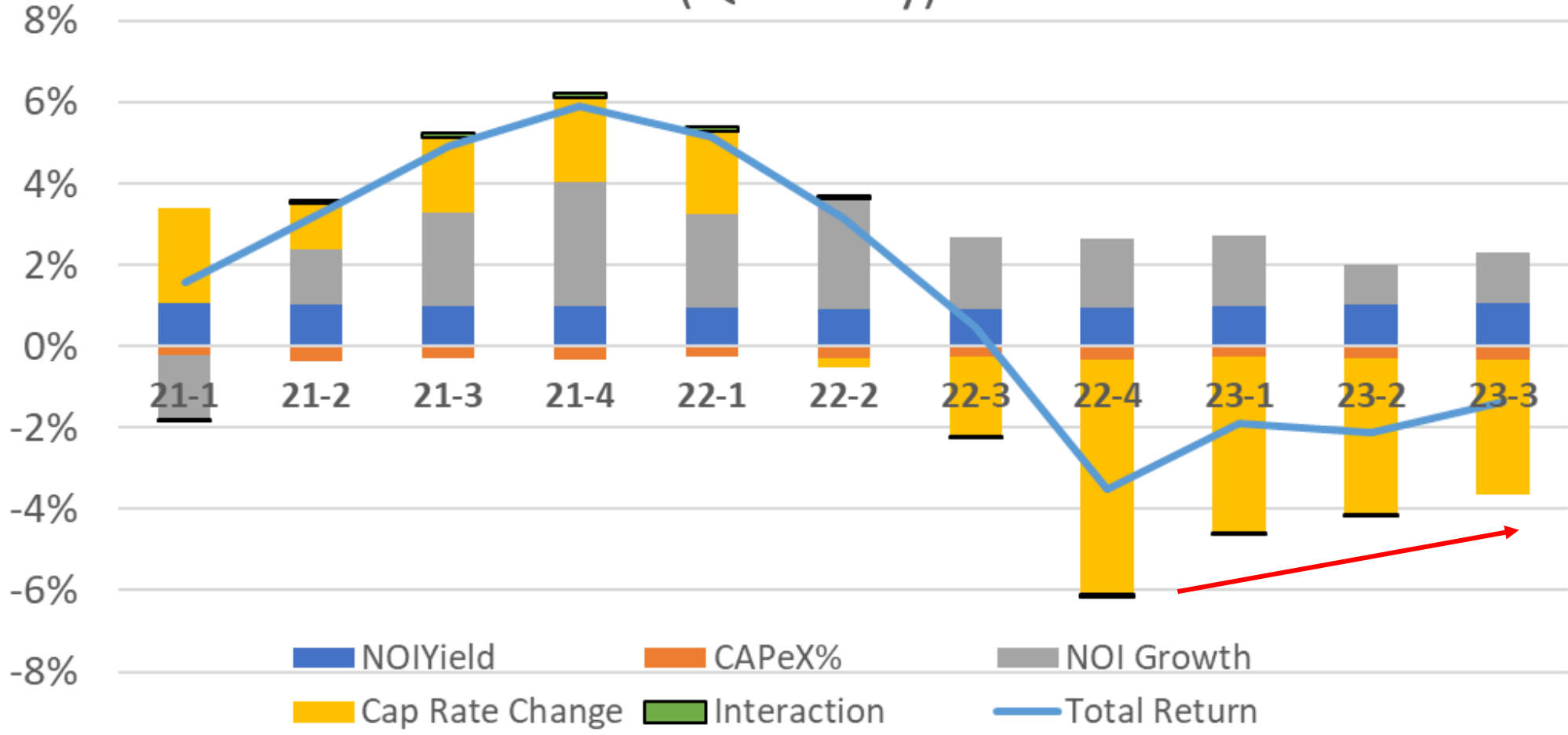


Expense Growth



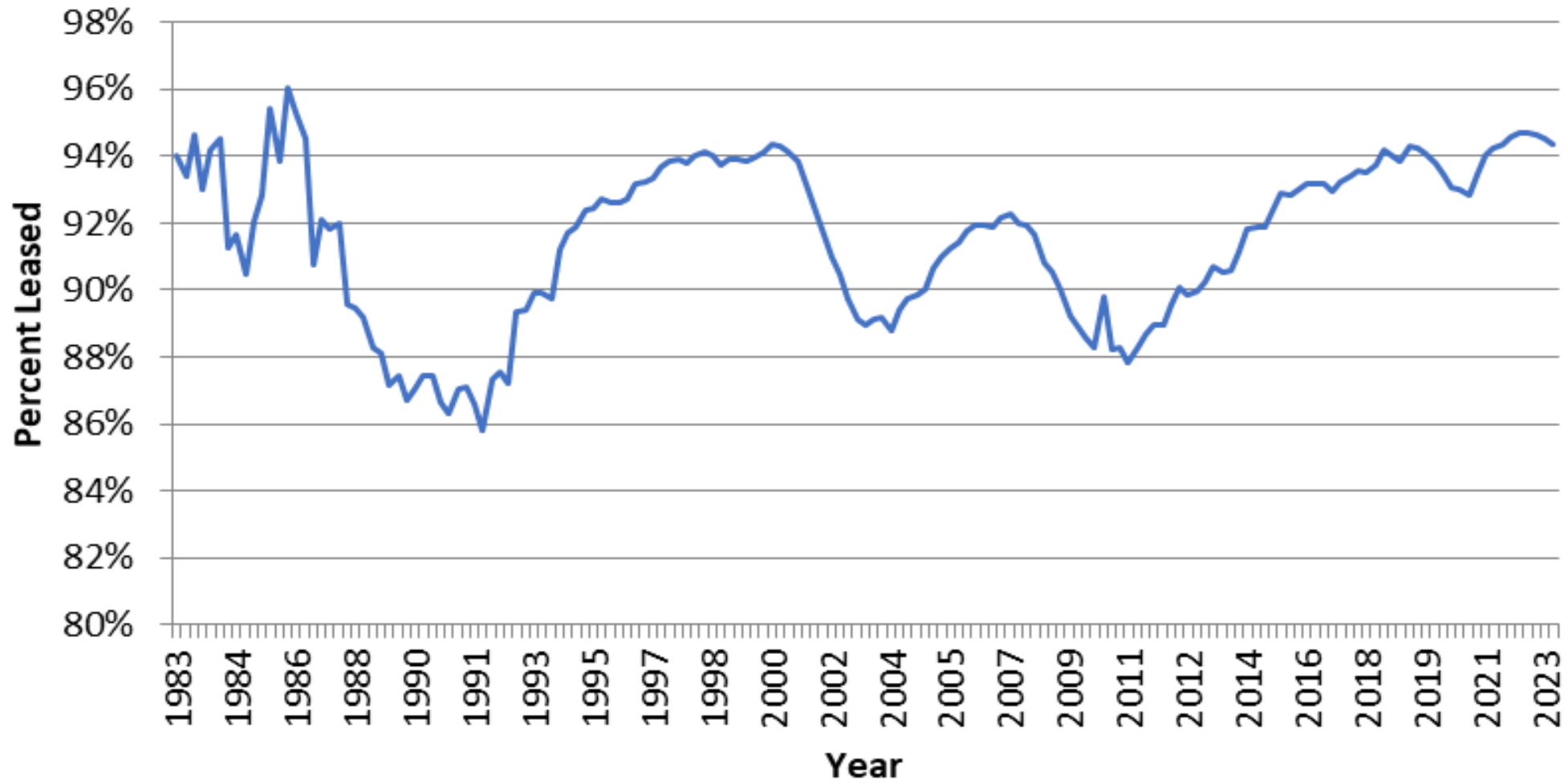


NPI Return Components (Quarterly)





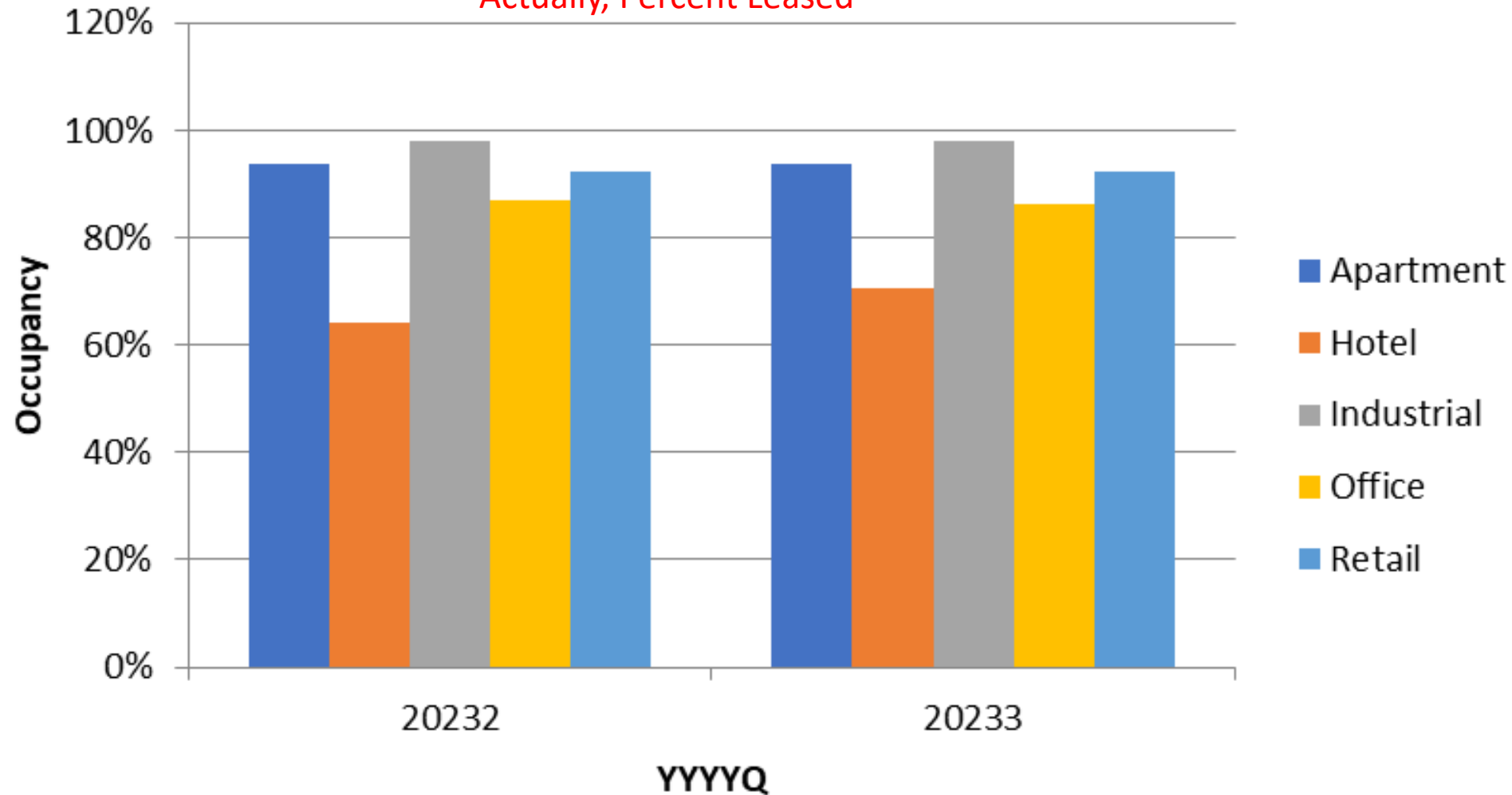
Percent Leased





NCREIF Occupancy by Property Type

Actually, Percent Leased





Question

- What Property Sector do you think will perform best (highest total return) for all of **2024**?
 - A. Apartment
 - B. Hotel
 - C. Industrial
 - D. Office
 - E. Retail



MAIN RESULTS AT A GLANCE

Average of respondents' forecasts of the NCREIF Property Index (NPI) and sub-indices by property type.

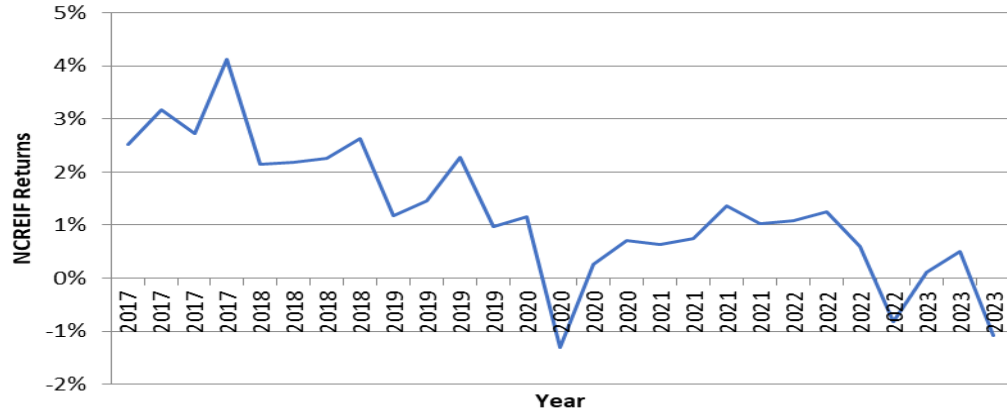
	Total return (incl. income) 2023	Total return (incl. income) 2024	Total return (incl. income) 2025	Total return (incl. income) 2023 to 2027 (per year)
National, All Property Types (NPI)	-7.3	3.0	7.3	3.8
Office	-15.4	-2.0	3.7	-1.3
Retail	-1.4	4.5	7.3	4.8
Industrial	-5.6	4.5	7.4	4.6
Apartment	-6.5	3.2	7.2	4.0

n/a indicates fewer than four responses received.

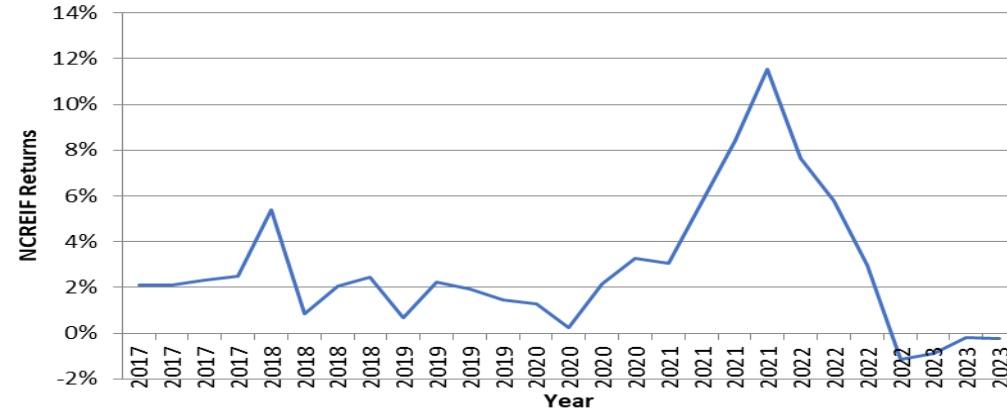
Source PREA Consensus Survey 3rd Qtr 2023



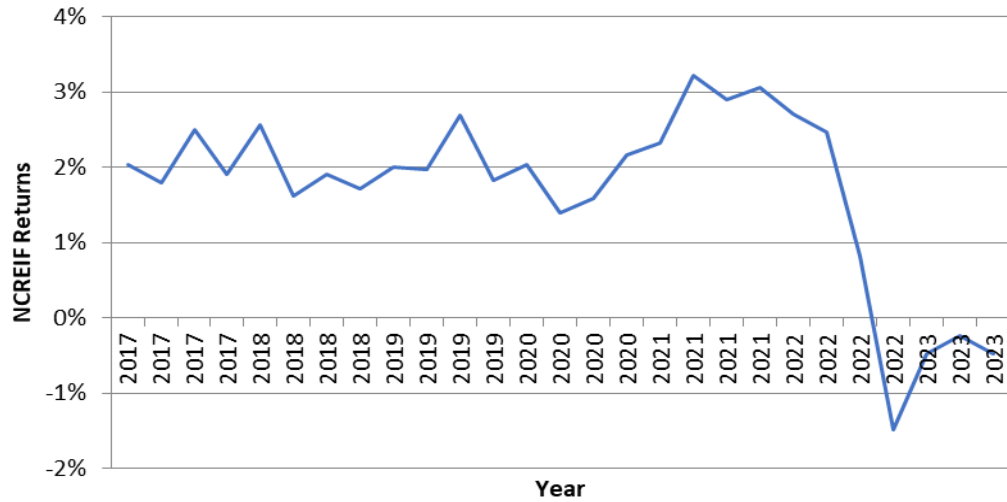
Seniors Housing



Self Storage



Medical Office



Student Housing

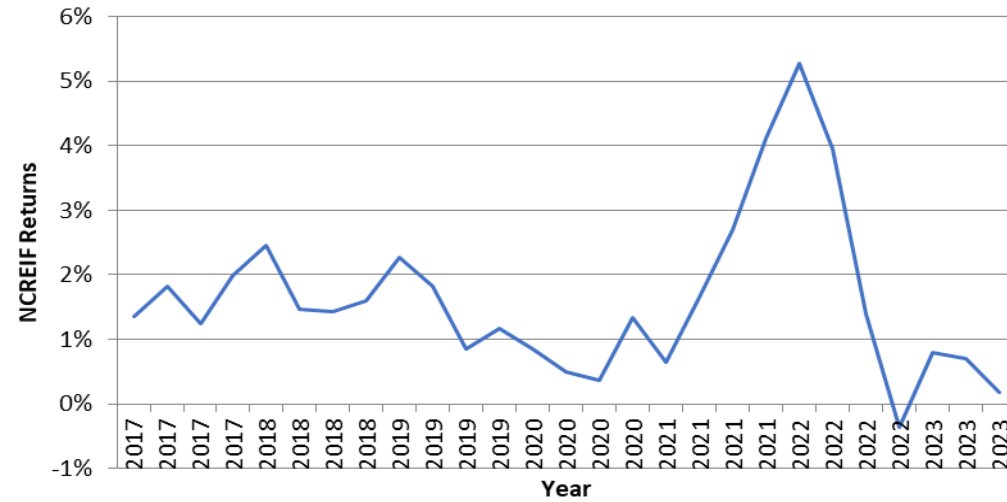
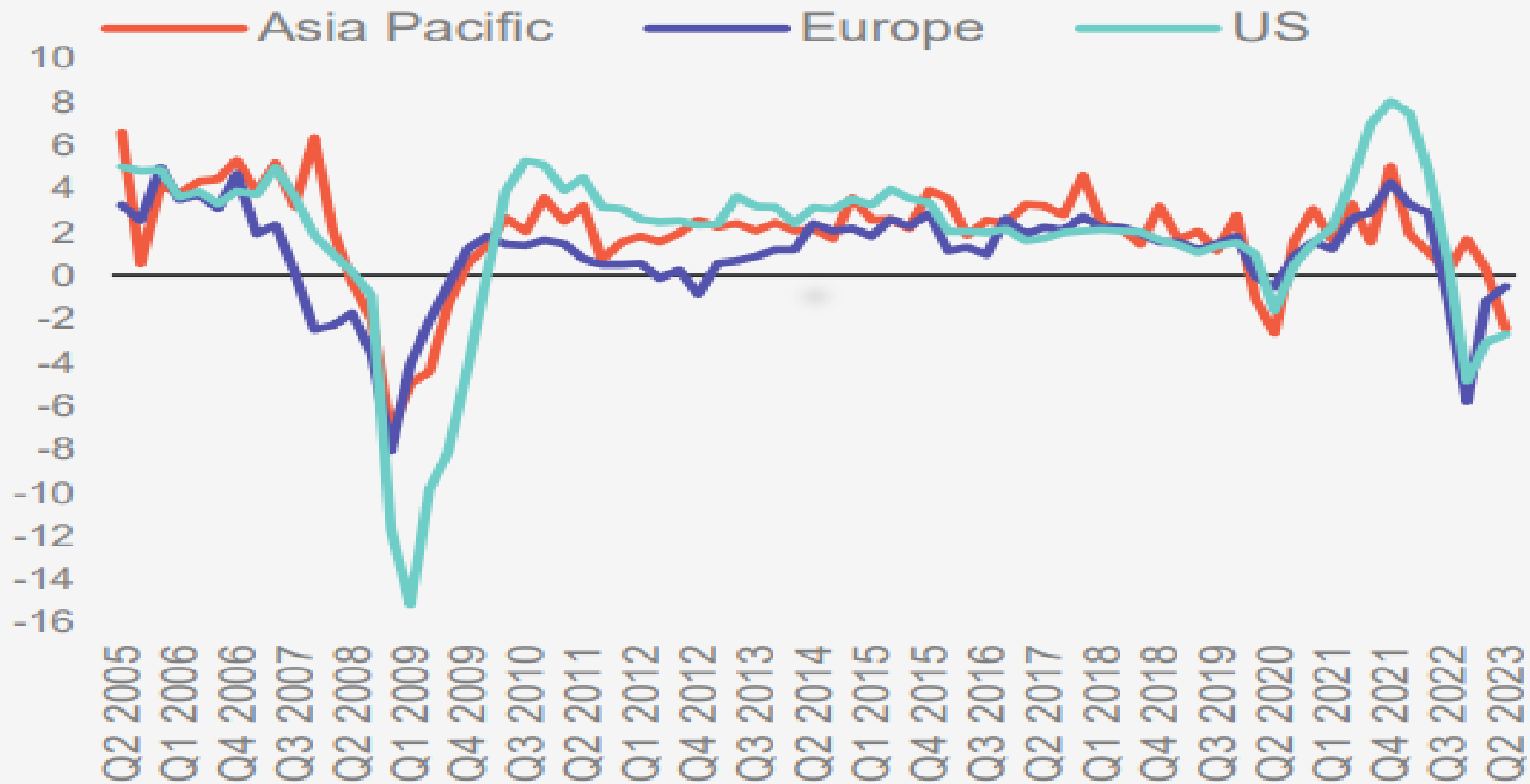




Figure 1: Total returns GREFI Q2 2023



Global Market Insights November 2023



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Question

- What will be the return for the NPI for calendar year 2023 (annual return)?
 - A. Lower than negative 7.5%
 - B. Negative 5% to negative 7.5%.
 - C. Negative 2.5% to Negative 5%
 - D. Greater than negative 2.5%

We are currently at -5.07%
for first three quarters.





Summary of 3rd Quarter 2023

- Returns continue negative for fourth straight quarter
- Market values fall for fifth straight quarter
- Only Hotels have positive returns
- Office continues to be the biggest drag on returns
- Rent and NOI growth deteriorating
- Percent leased down a little
- Cap rates continue rising although not as fast
- Four properties in the NPI returned to lender
- 35 properties have a market value less than the loan balance

