
Quarterly Webinar



NCREIF

NFI-ODCE

PERFORMANCE ATTRIBUTION

REPORT REVIEW

2024q3 Results

Thursday,
December 19th,
2024

1:00PM CENTRAL TIME

Panelist Overview

Joe D'Alessandro

NCREIF Director of Real Estate Performance Measurement

Guest Host

Will Gilmore, CFA

Director of Performance Measurement

Invesco, a constituent in the NFI-ODCE Index



Agenda

- NFI-ODCE Index from COVID to Present
- Overview of private and public performance
- Fund level and property level attribution
- Property type allocations and Classic vs. Expanded
- Impacts of leverage
- New NCREIF valuation assumptions report

Disclaimer

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

Quarterly NFI-ODCE Index Returns and Rates

Interest Rates Matter!



Fed Rates are quarterly (de-annualized and shown on secondary y-axis).

Total Returns Across NCREIF Indices and Public Markets

A new hope?

Property Unlevered-----

QUARTERLY RETURNS		Expanded NPI		Fund Levered-----		
Period	NPI	NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
12/31/2023	-3.0%	-3.3%	-4.8%	18.0%	11.7%	1.4%
03/31/2024	-0.9%	-1.4%	-2.4%	-1.3%	10.5%	1.3%
06/30/2024	-0.2%	0.0%	-0.4%	-0.9%	4.3%	1.3%
09/30/2024	0.8%	1.0%	0.2%	16.8%	5.9%	1.3%
ANNUALIZED RETURNS						
Period	NPI	NPI-ODCE	NFI-ODCE	NAREIT	SP 500	90-day T-Bill
1 year	-3.3%	-3.8%	-7.3%	34.8%	36.2%	5.5%
2	-5.6%	-6.6%	-9.7%	15.1%	28.7%	5.0%
3	1.1%	0.4%	-0.2%	3.5%	11.9%	3.5%
4	3.7%	3.1%	2.9%	5.1%	16.0%	2.3%
5	3.4%	2.8%	4.1%	7.1%	14.5%	2.2%
10	6.0%	5.5%	6.1%	8.0%	13.4%	1.6%
15	7.7%	7.6%	8.2%	10.7%	14.1%	1.1%
20	7.3%	6.9%	6.6%	8.3%	10.7%	1.6%

Property Unlevered----- Fund Levered-----

	NFI-DP, net (Daily Priced) (90/10 alloc)	Implied Private RE, Gross	NAREIT
10/31/2024	-0.08%	0.32%	-2.90%
11/30/2024	0.39%	-0.04%	4.29%
Two Months	0.31%	0.28%	1.27%
12/31/2024	?	?	

Note: NPI properties only include those with a life cycle of operating, therefore development or leasing is not included. Expanded Property types include SFR, Student and Manufactured Housing in "Residential", Life Science in Industrial, Medical Office and Life Science in Office, and new Property Types Self-Storage and Seniors Housing.

NFI-ODCE Performance Attribution

Primary drivers are unlevered property returns & leverage.

	12/31/23	3/31/24	6/30/24	9/30/24	1 Yr	3 Yr	5 Yr	7 Yr
NFI-ODCE Unleveraged Property-level Total Return at Ownership Share *	-3.35%	-1.43%	-0.09%	0.84%	-4.02%	0.90%	3.45%	4.40%
Leverage	-1.61%	-1.02%	-0.42%	-0.58%	-3.48%	-0.96%	-0.23%	-0.02%
Acquisitions (partial period)	0.05%	0.03%	0.00%	0.01%	0.08%	0.00%	-0.02%	-0.01%
Other Non-Property Equity Investments	0.00%	0.02%	0.03%	0.03%	0.07%	0.08%	0.04%	0.06%
Cash Balances	0.11%	0.07%	0.04%	0.02%	0.23%	0.02%	-0.07%	-0.11%
Other Assets and Liabilities	-0.06%	-0.03%	-0.01%	0.00%	-0.09%	-0.01%	0.03%	0.05%
Fund Costs	-0.02%	-0.02%	-0.03%	-0.03%	-0.10%	-0.09%	-0.10%	-0.10%
Other (includes Joint Venture Deal Structuring)	0.06%	0.02%	0.03%	-0.04%	0.04%	-0.11%	-0.17%	-0.15%
Total Return Gross of Fees	-4.83%	-2.37%	-0.45%	0.25%	-7.27%	-0.18%	2.94%	4.12%

* Note that this includes both Expanded NPI qualifying and properties that are not Expanded NPI qualifying, primarily those properties with a life cycle other than an operating property, like development, lease-up, etc.

Source: NCREIF, pages 3 and 4 of the NFI-ODCE Performance Attribution Report

Leverage has recently dragged on performance

Negative leverage though return is positive.
MTM adjustments negative due to decline in rates

ODCE Funds Total Leverage====>	26.2%	26.9%	27.2%	26.9%				
	12/31/23	3/31/24	6/30/24	9/30/24	1 Yr	3 Yr	5 Yr	7 Yr
Property-level leverage at principal balance	-0.72%	-0.43%	-0.24%	-0.07%	-1.41%	-0.59%	-0.15%	0.04%
Property-level leverage marked to market	-0.08%	-0.01%	0.02%	-0.14%	-0.20%	0.15%	0.10%	0.05%
Fund-level leverage at principal balance	-0.77%	-0.49%	-0.24%	-0.13%	-1.57%	-0.73%	-0.31%	-0.19%
Fund-level leverage marked to market	-0.04%	-0.09%	0.04%	-0.24%	-0.31%	0.21%	0.13%	0.08%
Total effects of leverage	-1.61%	-1.02%	-0.42%	-0.58%	-3.48%	-0.96%	-0.23%	-0.02%
Impact of the use of leverage	-1.49%	-0.92%	-0.48%	-0.20%	-2.98%			
Impact of debt mark to market adjustments	-0.12%	-0.10%	0.06%	-0.38%	-0.50%			
NFI-ODCE Total Return Gross of Fees	-4.83%	-2.37%	-0.45%	0.25%	-7.27%			

Negative Leverage when cost of debt is greater than property returns.

10 yr Treasury Rates Annualized

3.9% 4.2% 4.4% 3.8%

12/12/24 rate was 4.4%

Source: NCREIF, page 3 of the NFI-ODCE Performance Attribution Report

NFI-ODCE Property Type Attribution

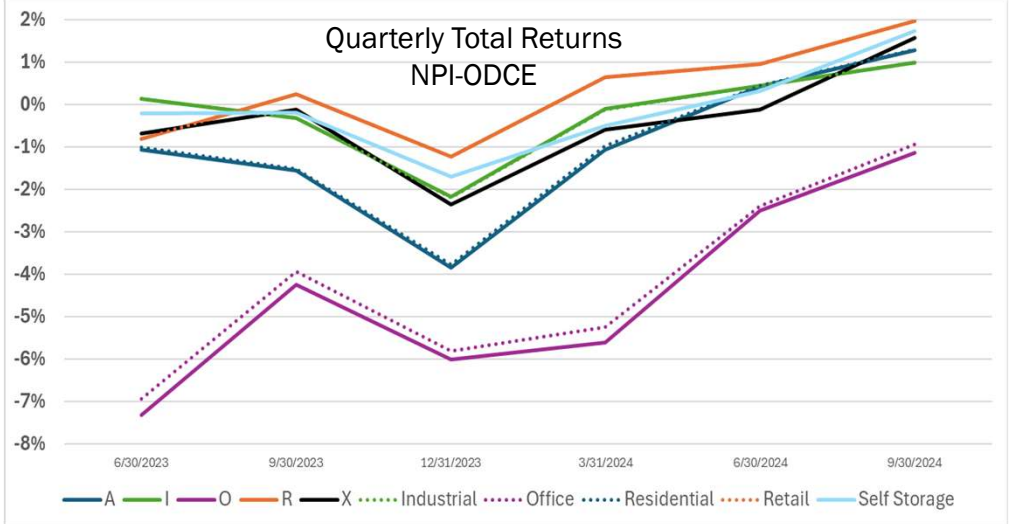
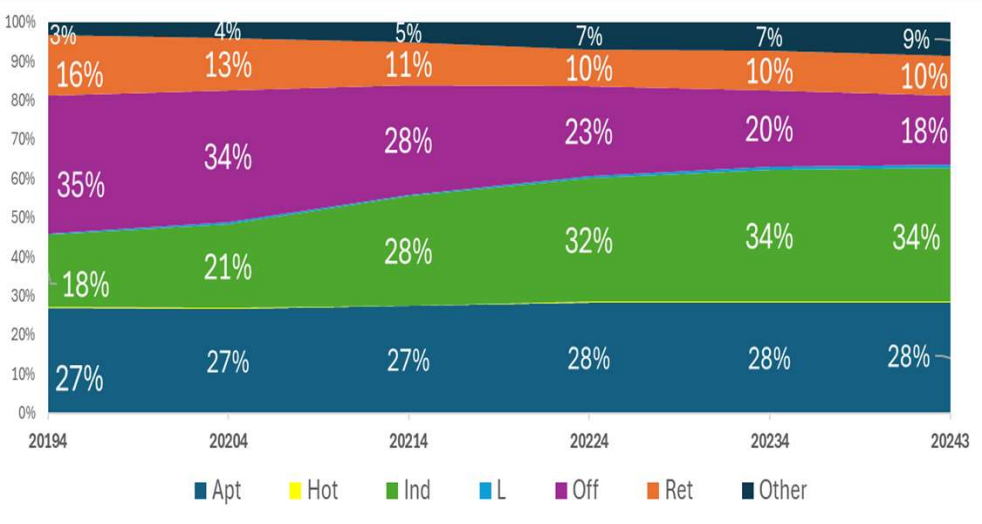
Office still negative but improving.

Source: NCREIF, pages 3 and 4 of the NFI-ODCE Performance Attribution Report

UNLEVERAGED PROPERTY-LEVEL RETURN AND CONTRIBUTION TO RETURN (CTR)

Weights, Return and Contribution to Return (CTR) are at ownership share.

	Avg. Weights 1 Yr	Return 1 Yr					Contribution to Return				3 Yr		5 Yr	
		12/31/23	3/31/24	6/30/24	9/30/24	1 YR	Return	CTR	Return	CTR				
Apartment	28.2%	-3.27%	-1.11%	-0.30%	0.12%	0.36%	-0.93%	1.47%	0.39%	3.78%	1.02%			
Industrial	33.7%	-0.84%	-0.72%	-0.03%	0.15%	0.34%	-0.28%	9.07%	2.54%	13.44%	3.31%			
Office	19.0%	-14.47%	-1.21%	-1.09%	-0.46%	-0.20%	-2.89%	-11.32%	-2.62%	-5.71%	-1.28%			
Retail	10.0%	2.40%	-0.12%	0.07%	0.10%	0.20%	0.23%	2.37%	0.26%	0.06%	-0.02%			
Hotel	0.2%	7.73%	0.00%	0.00%	0.01%	0.01%	0.02%	5.37%	0.01%	-2.14%	-0.01%			
Land	0.7%	-8.35%	-0.03%	-0.03%	0.00%	-0.01%	-0.06%	2.85%	0.00%	5.02%	0.02%			
Other	8.1%	-1.38%	-0.17%	-0.05%	-0.01%	0.13%	-0.10%	5.64%	0.31%	8.45%	0.41%			
Unlev Prop Tot Ret	100.0%	-3.35%	-1.43%	-0.09%	0.84%	-4.02%		0.90%		3.45%				

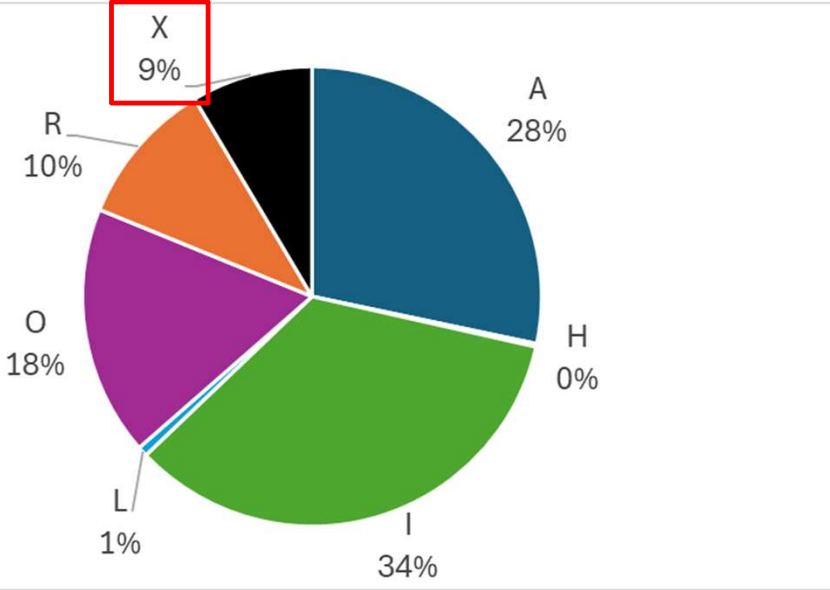


NPI-ODCE Property Type Attribution

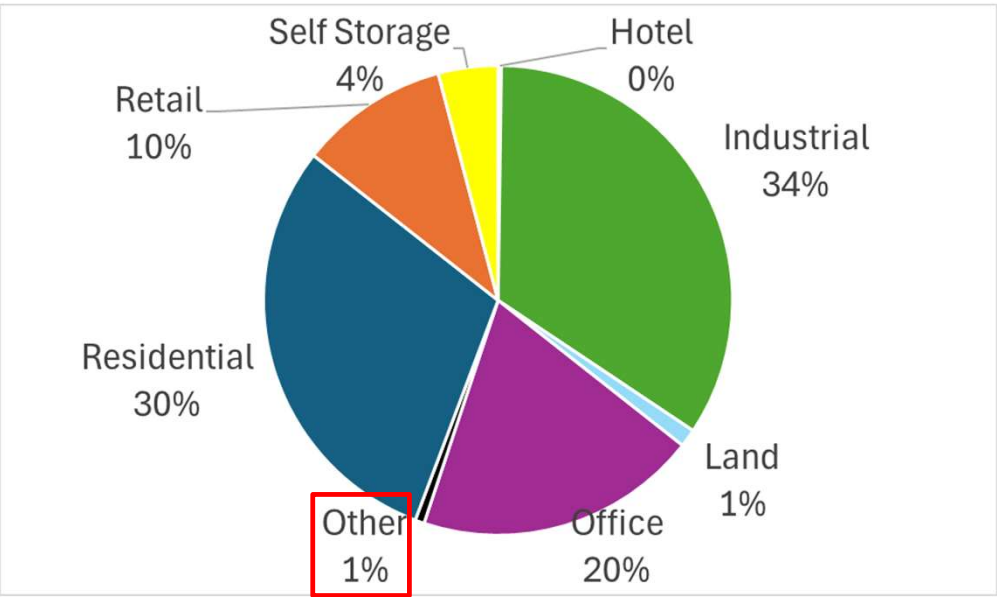
Classic and Expanded are similar for now.

Classic

X is "Other", A is Apartment



Expanded



Note: New property subtypes such as Student Housing, SFR, Manufactured Housing, Medical Office, Life Science (office and industrial) are part of the 75% Big 4 inclusions, BUT there is a limit of 25% GMV of the total fund.

New NCREIF Report for NFI-ODCE Valuation Assumptions

RELEASED Friday 11/20/24 the Expanded NFI-ODCE Valuation Trends Report for Third Quarter 2024!

1) to promote transparency, 2) understand valuation trends & value change drivers

Future efforts include collection and reporting for all open-end funds, as well as expansion of additional valuation datapoints.

The report is available to NCREIF members only, and is posted in the member login area of the NCREIF website

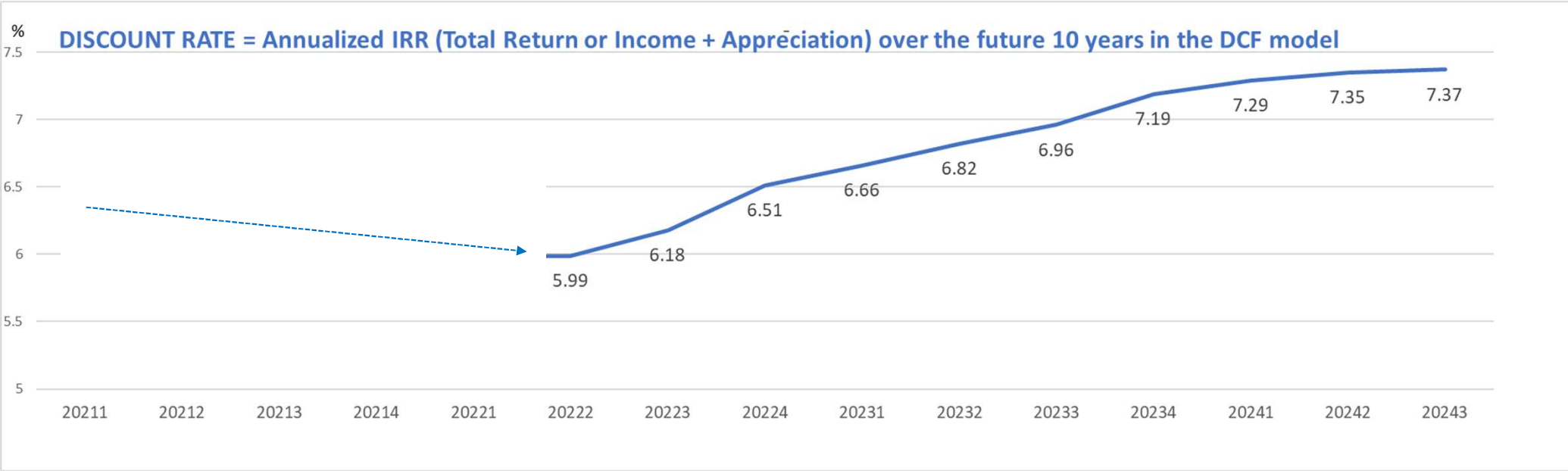
	20242	20243	QoQ Change	YoY Change
Overall				
Total				
Prop Count	3,445	3,344	-101	-59
Value PSF	\$339	\$349	\$9	-\$13
Discount Rate	7.35%	7.37%	2	41
Terminal Cap Rate	5.88%	5.88%	0	30
Going In Cap Rate	4.81%	4.78%	-3	32
Three Year Rent Growth	3.22%	3.11%	-11	-37
Ten Year Rent Growth	3.09%	3.06%	-3	-9
Percent Leased	93.4%	93.1%	-30	-70
Capital Return	-1.20%	-0.13%	107	237

NFI-ODCE Valuation Assumptions REPORT NOTES

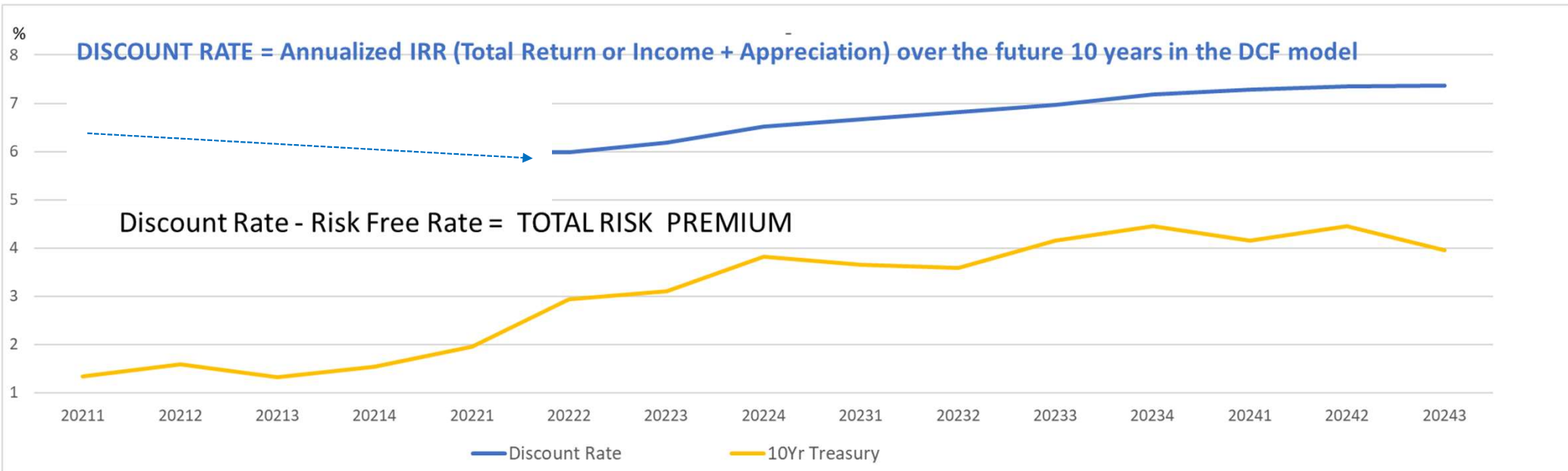
Report Notes:

1. The Total aggregate data points presented above are inclusive of all Operating properties of NCREIF Subtypes within each Property Type (including "Other" subtypes).
2. All 25 NCREIF ODCE funds submit the valuation data points and are represented in the report. Not all data points are submitted by each contributor
3. All Valuation Trends data points are submitted directly to NCREIF and not calculated based on component data.
4. Each measure is individually masked.
5. Discount Rate, Terminal Cap Rate, and Going in Cap Rate (Yr 1 ProForma / Value) are weighted based on Market Value.
6. Three Year Rent Growth, Ten Year Rent Growth, and Percent Leased are weighted based on Gross/ Leased SF, as applicable.
7. Data is accepted "as is" and aggregated accordingly. As data quality is addressed, the data points presented above may be subject to change.
8. Valuation trends are based on property level data and not aligned to fund level metrics published within the NFI-ODCE report.
9. The data presented above is not on a same-store basis.
10. QoQ and YoY changes are highlighted with green representing positive change to value, negative change to value in red, and black is neutral to value.

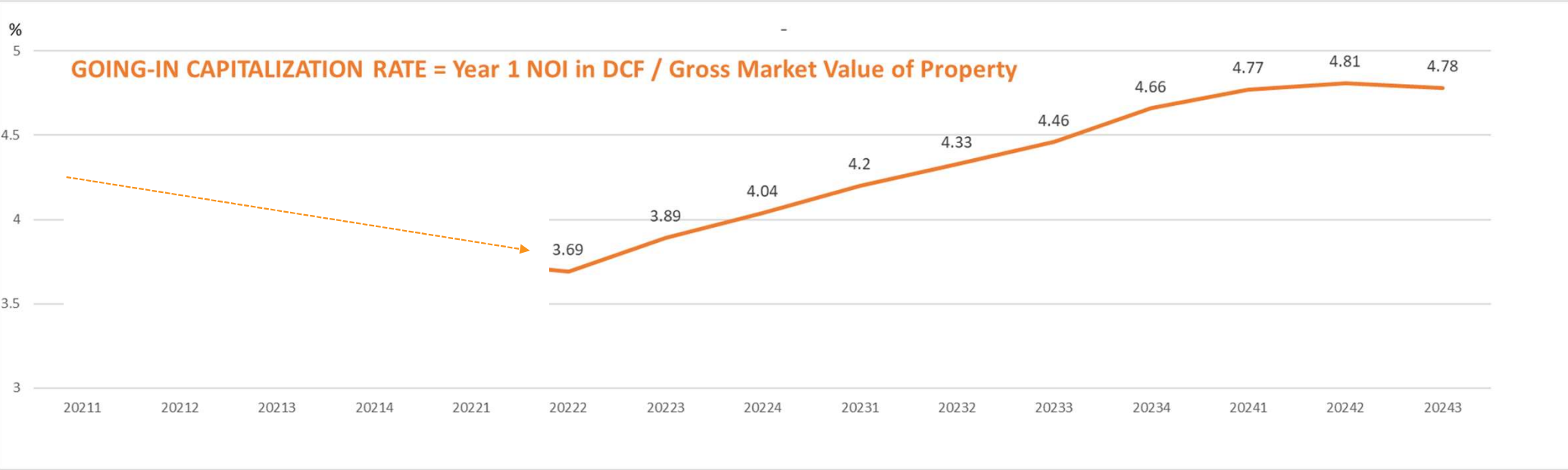
NFI-ODCE Valuation Assumption Trends



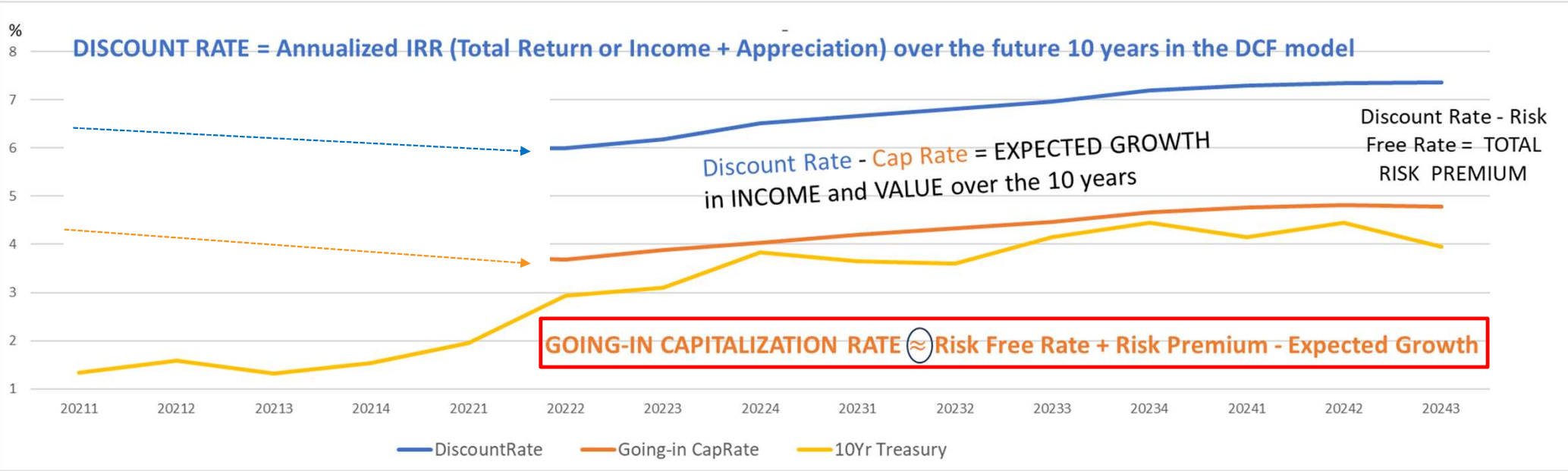
NFI-ODCE Valuation Assumption Trends



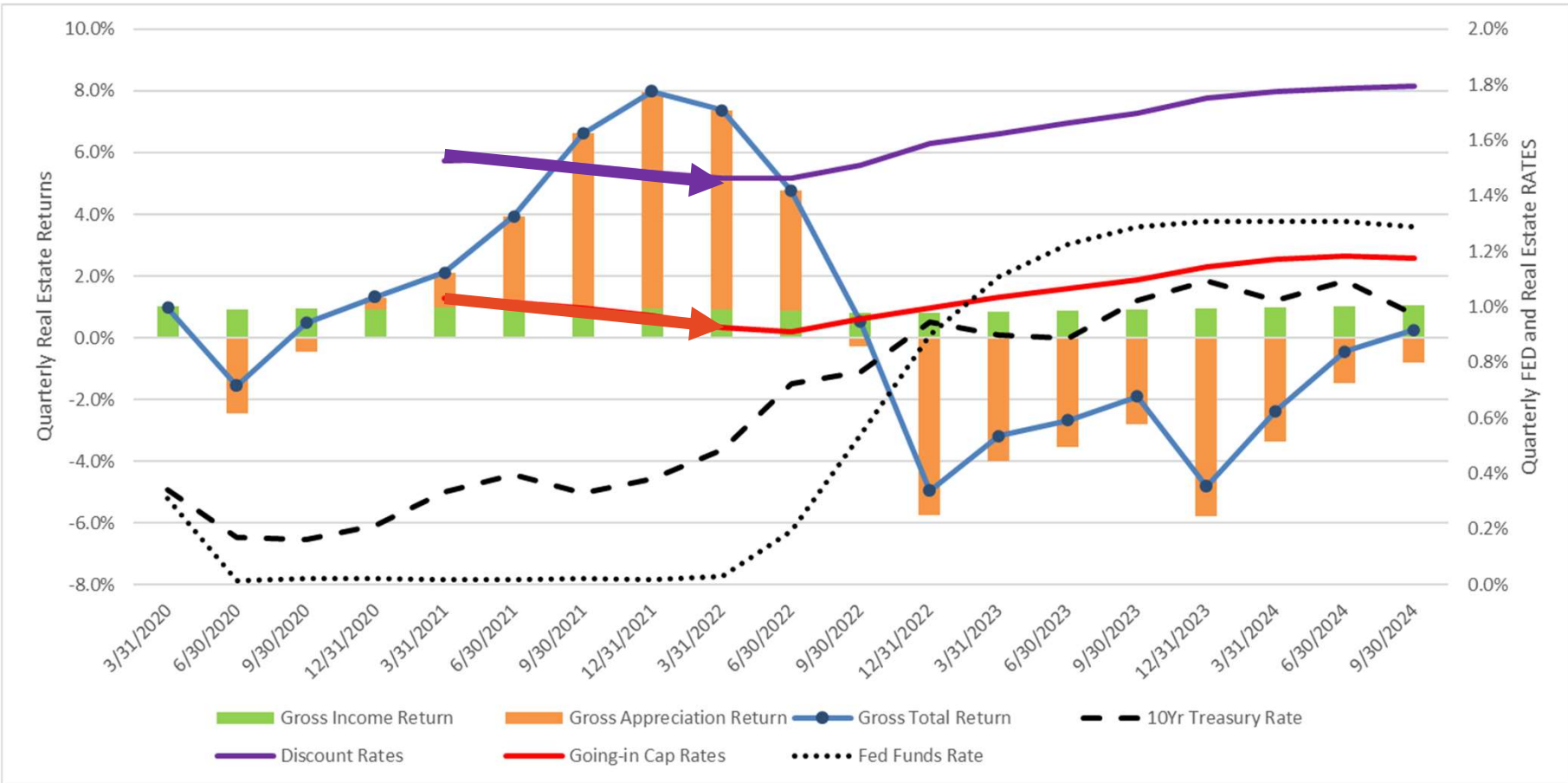
NFI-ODCE Valuation Assumption Trends



NFI-ODCE Valuation Assumption Trends



Quarterly NFI-ODCE Index Returns and Rates



Conclusion



Total NFI-ODCE Index return was POSITIVE 0.2% for the quarter and negative 7.3% for the one-year ended.



Positive sign that returns are improving over the last four quarters.



Interest rates are declining, which is a great sign for private real estate property values.



If the REIT market is a leading indicator, we have reason to be optimistic going into 2025.



Will Retail be the big recovery story of 2025?



The 4 traditional property types will still dominate the Expanded NPI-ODCE both now and in the near future.

NCREIF Upcoming Events

Visit our
Website for
More
Information!

www.NCREIF.org

MARCH 10-13 , 2025 VIRTUAL 12-2P CT

NCREIF ACADEMY COURSE

Sustainability: Risk Mgmt, Regulations & Outcomes

VIRTUAL

APRIL 7-9, 2025

NCREIF SPRING CONFERENCE 2025 PHOENIX, AZ

APRIL 7, 2025

Investment Analysis & Due Diligence

Real Estate Case Studies: Analyzing Sector and Market Dynamics

APRIL 10, 2025

Digging Into Reporting Standards

Quarterly Webinar



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**PERFORMANCE ATTRIBUTION
REPORT REVIEW**

**THANK YOU FOR
YOUR ATTENDANCE!**

Joe D'Alessandro



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