

Quarterly Webinar



**NCREIF**

**NFI-ODCE**

**PERFORMANCE ATTRIBUTION**

**REPORT REVIEW**

2024Q4 Results

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Monday,  
March 17<sup>th</sup>, 2025

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1:00PM CENTRAL TIME

# Panelist Overview

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Joe D'Alessandro

NCREIF Director of Real Estate Performance Measurement

*Guest Hosts from J.P. Morgan Asset Management, a member of the NFI-ODCE Index*

Samantha King, Head of Portfolio Analytics,  
Real Estate Americas

Kelly Johnson, Real Estate, Private Credit and Private Equity  
Valuations, Global Alternatives



# Agenda

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- Overview of Private and Public performance
- Fund level & Property Type level attribution
- Impacts of leverage
- The Evolution of Retail
- What are Office Transactions telling us?
- It's New: NCREIF's Valuation Trends 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.*

# Total Returns Across NCREIF Indices and Public Markets

Silver linings – are we turning a corner?

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

QUARTERLY RETURNS							
Period	NPI Expanded	ODCE Expanded	NFI-ODCE	NAREIT	SP 500	T-Bill	CPI
03/31/2024	-0.9%	-1.4%	-2.4%	-1.3%	10.5%	1.3%	1.8%
06/30/2024	-0.2%	0.0%	-0.4%	-0.9%	4.3%	1.3%	0.6%
09/30/2024	0.8%	1.0%	0.2%	16.8%	5.9%	1.3%	0.4%
<b>12/31/2024</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>-8.2%</b>	<b>2.4%</b>	<b>1.2%</b>	<b>0.1%</b>
ANNUALIZED RETURNS							
Period	NPI Expanded	ODCE Expanded	NFI-ODCE	NAREIT	SP 500	T-Bill	CPI
1 year	0.6%	0.6%	-1.4%	4.9%	24.9%	5.3%	2.9%
2	-3.6%	-4.2%	-6.9%	8.1%	25.6%	5.2%	3.1%
3	-0.6%	-1.2%	-2.3%	-4.3%	8.9%	3.9%	4.2%
4	3.3%	2.8%	2.9%	3.3%	14.5%	2.4%	4.2%
5	4.2%	3.7%	4.0%	5.4%	13.8%	2.3%	3.6%
10	5.8%	5.3%	5.9%	5.8%	13.1%	1.7%	3.0%
15	7.9%	7.7%	8.5%	9.4%	13.9%	1.2%	2.6%
20	7.1%	6.8%	6.5%	7.0%	10.4%	1.6%	2.6%

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

	NFI-DP, net (Daily Priced) (90/10 alloc)	Implied Private RE, Gross	NAREIT
1/31/2025	0.47%	0.47%	1.04%
2/28/2025	0.43%	0.11%	3.61%
<b>Two Months</b>	<b>0.90%</b>	<b>0.58%</b>	<b>4.69%</b>
3/31/2025	?	?	

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

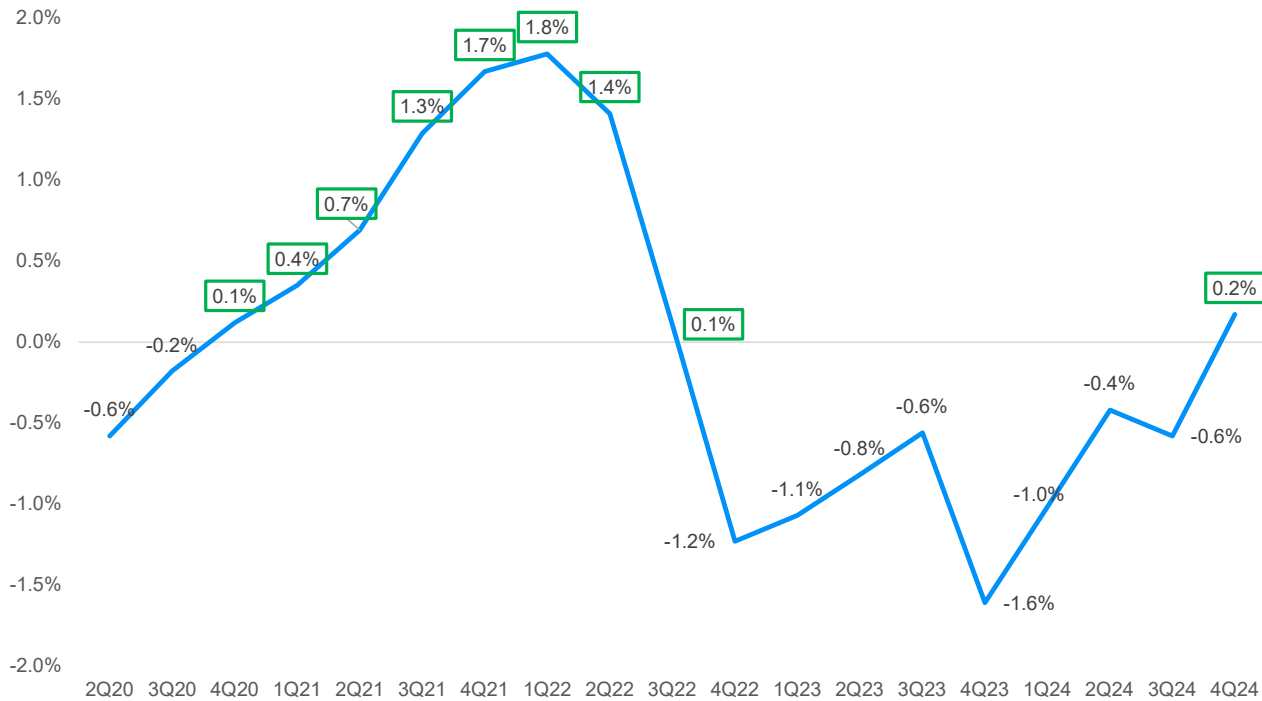
*Rebounding real estate performance coupled with positive debt MtM delivers 116 bps.*

	3/31/24	6/30/24	9/30/24	12/31/24	1 Yr	3 Yr	5 Yr	7 Yr
<b>NFI-ODCE Unleveraged Property-level Total Return at Ownership Share*</b>	<b>-1.43%</b>	<b>-0.09%</b>	<b>0.84%</b>	<b>0.96%</b>	<b>0.26%</b>	<b>-0.99%</b>	<b>3.35%</b>	<b>4.26%</b>
Leverage	-1.02%	-0.42%	-0.58%	0.17%	-1.85%	-1.37%	-0.03%	-0.03%
Acquisitions (partial period)	0.03%	0.00%	0.01%	0.00%	0.03%	0.02%	0.03%	0.03%
Other Non-Property Equity Investments	0.02%	0.03%	0.03%	0.02%	0.13%	0.06%	0.04%	0.05%
Cash Balances	0.07%	0.04%	0.02%	0.02%	0.13%	0.04%	0.03%	0.05%
Other Assets and Liabilities	-0.03%	-0.01%	0.00%	0.02%	0.02%	0.00%	0.03%	0.05%
Fund Costs	-0.02%	-0.03%	-0.02%	-0.02%	-0.11%	-0.04%	0.03%	0.05%
Other (includes Joint Venture Deal Structuring)	0.02%	0.04%	-0.04%	0.03%	0.04%	-0.01%	-0.15%	-0.14%
<b>Total Return Gross of Fees</b>	<b>-2.37%</b>	<b>-0.45%</b>	<b>0.25%</b>	<b>1.16%</b>	<b>-1.43%</b>	<b>-2.32%</b>	<b>2.87%</b>	<b>3.99%</b>

\* 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, NFI-ODCE Performance Attribution Report

## Total Leverage Impact



Total Leverage Impact on portfolio has ...

- Q424 LTV down 34bps to 26.8%
- LTV peaked in Q324 27.2%
- Cost of debt flat
- Treasuries up 80bps Qtr vs Qtr,

## Leverage has recently dragged on performance

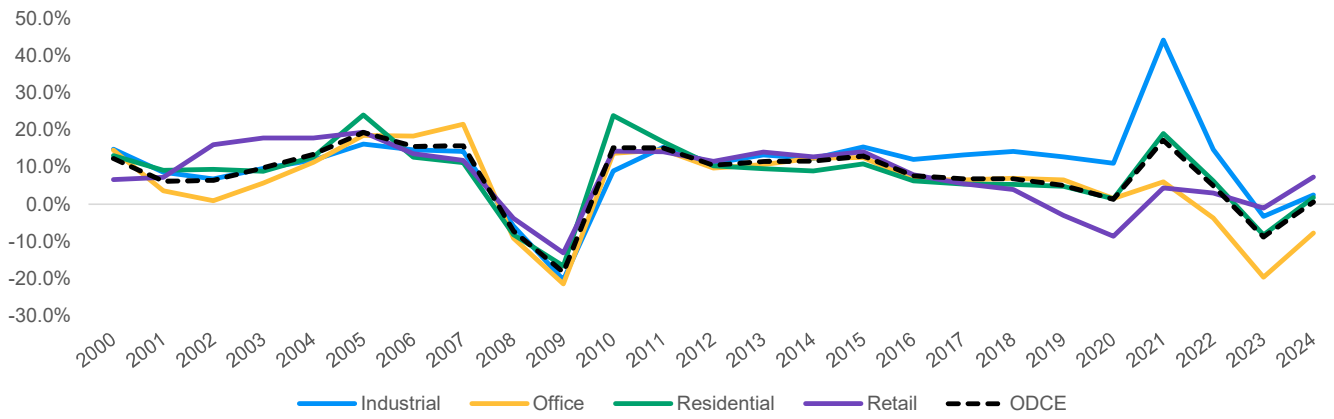
Cost of debt flattening, but MTM adjustments driving positive effects.

ODCE Funds Total Leverage====>	26.9%	27.2%	27.2%	26.8%				
	3/31/24	6/30/24	9/30/24	12/31/24	1 Yr	3 Yr	5 Yr	7 Yr
Property-level leverage at principal balance	-0.43%	-0.24%	-0.07%	-0.06%	-0.80%	-0.86%	-0.19%	0.00%
Property-level leverage marked to market	-0.01%	0.02%	-0.14%	0.09%	-0.04%	0.16%	0.12%	0.06%
Fund-level leverage at principal balance	-0.49%	-0.24%	-0.13%	0.00%	-0.86%	-0.91%	-0.32%	-0.20%
Fund-level leverage marked to market	-0.09%	0.04%	-0.24%	0.14%	-0.15%	0.23%	0.16%	0.10%
<b>Total effects of leverage</b>	<b>-1.02%</b>	<b>-0.42%</b>	<b>-0.58%</b>	<b>0.17%</b>	<b>-1.85%</b>	<b>-1.37%</b>	<b>-0.23%</b>	<b>-0.03%</b>
Impact of the use of leverage	-0.92%	-0.48%	-0.20%	-0.06%	-1.66%			
Impact of debt mark to market adjustments	-0.10%	0.06%	-0.38%	0.23%	-0.19%			
<b>NFI-ODCE Total Return Gross of Fees</b>	<b>-2.37%</b>	<b>-0.45%</b>	<b>-0.25%</b>	<b>1.16%</b>	<b>-1.43%</b>			
10 Yr Treasury Rates Annualized	4.2%	4.4%	3.8%	4.6%				

Source: NCREIF, NFI-ODCE Performance Attribution Report

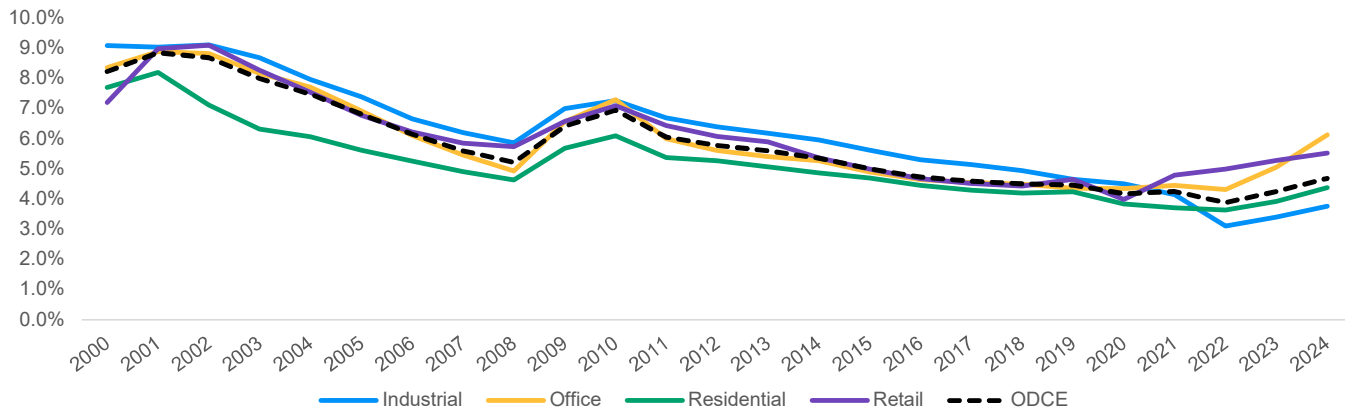
## Total and Income Return – All Property Types

### Total Return



During period of price discovery (2021-2022), divergence in performance across ODCE property sectors

### Income Return



2H2024, Convergence of property types performing more inline, while income is trending upward to levels following the GFC.



## NFI-ODCE Property Type Attribution

Retail: moderate, but surprising performer

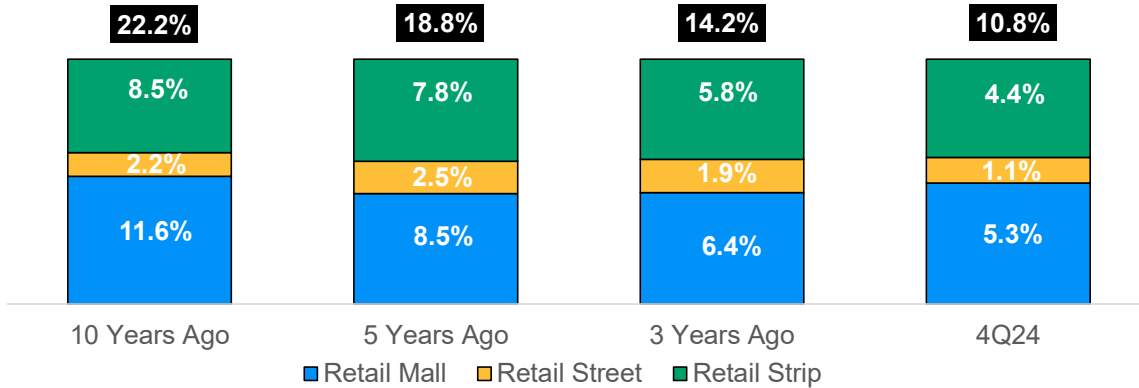
### UNLEVERAGED PROPERTY-LEVEL RETURN AND CONTRIBUTION TO RETURN (CTR)

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

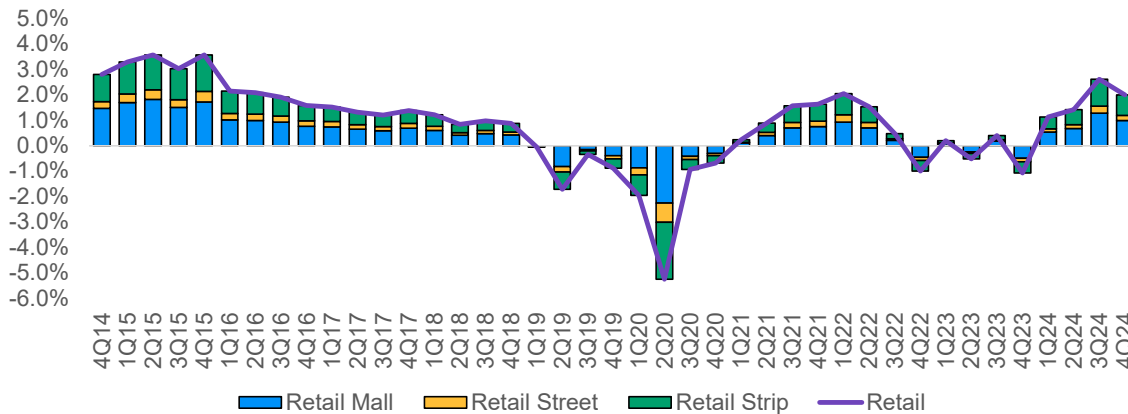
	Avg. Weights	Return					Contribution to Return				3 Yr		5 Yr	
		1 Yr	1 Yr	3/31/24	6/30/24	9/30/24	12/31/24	1 YR	Return	CTR	Return	CTR		
Apartment	28.2%	1.71%	-0.30%	0.12%	0.36%	0.30%	0.48%	-0.37%	-0.11%	3.72%	1.01%			
Industrial	34.0%	2.51%	-0.03%	0.15%	0.34%	0.39%	0.84%	4.53%	1.34%	12.98%	3.25%			
Office	18.4%	-9.26%	-1.09%	-0.46%	-0.20%	-0.05%	-1.79%	-11.81%	-2.64%	-6.07%	-1.38%			
Retail	10.1%	5.47%	0.07%	0.10%	0.20%	0.18%	0.54%	2.22%	0.23%	0.53%	0.04%			
Hotel	0.2%	8.53%	0.00%	0.01%	0.01%	0.00%	0.02%	5.64%	0.01%	-1.98%	-0.01%			
Land	0.7%	-5.10%	-0.03%	0.00%	-0.01%	-0.01%	-0.04%	0.27%	-0.01%	5.09%	0.02%			
Other	8.4%	2.51%	-0.05%	-0.01%	0.13%	0.14%	0.21%	3.22%	0.20%	8.49%	0.42%			
<b>Unlev Prop Tot Ret</b>	<b>100.0%</b>		<b>-1.43%</b>	<b>-0.09%</b>	<b>0.84%</b>	<b>0.96%</b>	<b>0.26%</b>		<b>-0.99%</b>		<b>3.35%</b>			

# How has Retail evolved?

## Retail sector composition and total retail allocation to ODCE

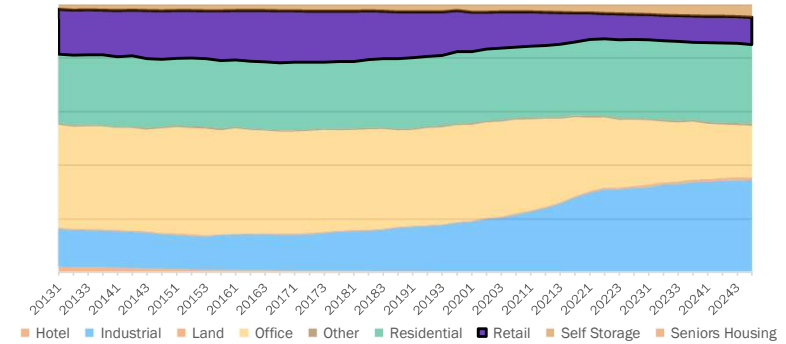


## ODCE retail subsector contribution to total return



Source: NCREIF, Expanded NPI

## ODCE Composition: Retail Focus



### ODCE Allocations by Sector:

Divestment of office and retail has been meaningful. Greater transparency in the composition of subsectors, expanded NPI/ODCE.

### Repricing of Malls:

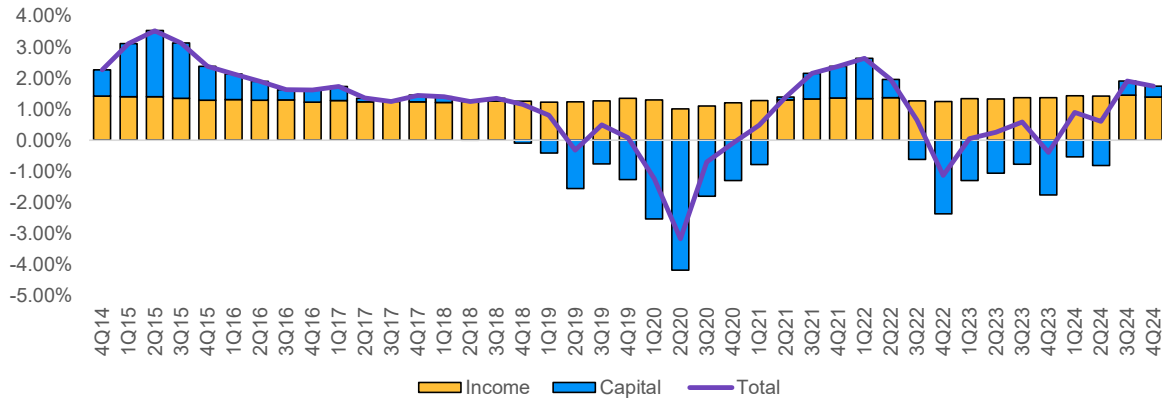
Malls experienced a repricing trend, leading to an impact on overall sector allocation.

### Shift in Composition of Strip Centers:

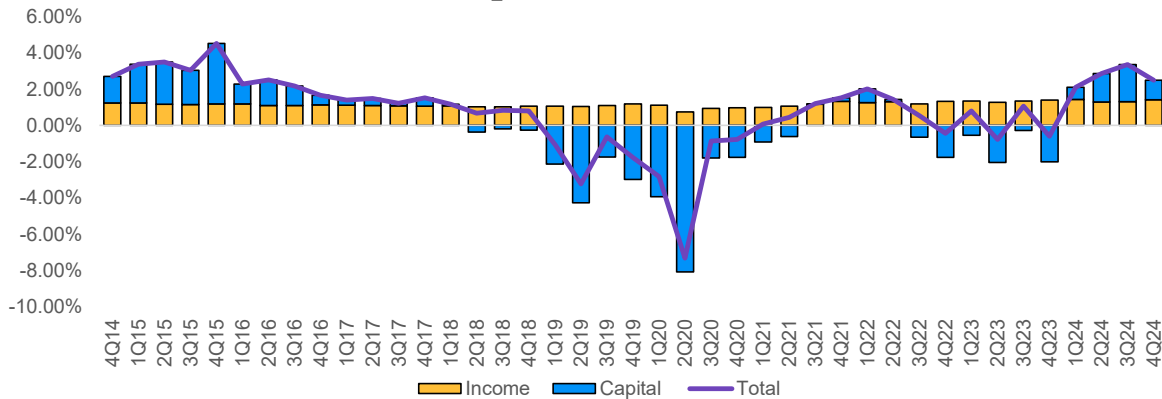
Transition from power and lifestyle centers, to grocery-anchored centers. Reflects changing consumer preferences and market dynamics.

# How has Retail evolved?

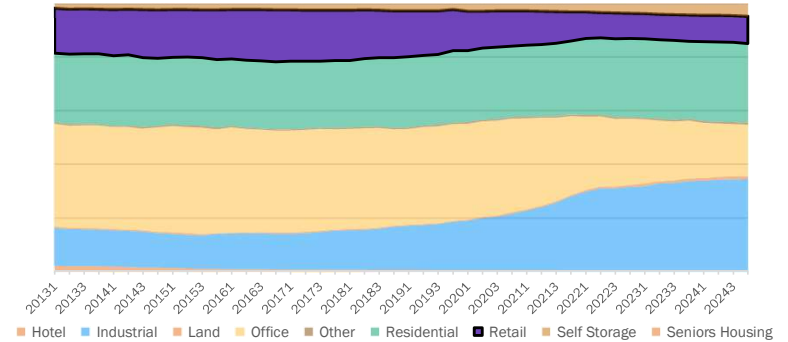
## Retail: strip income and capital return



## Retail: mall income and capital return



## ODCE Composition: Retail Focus

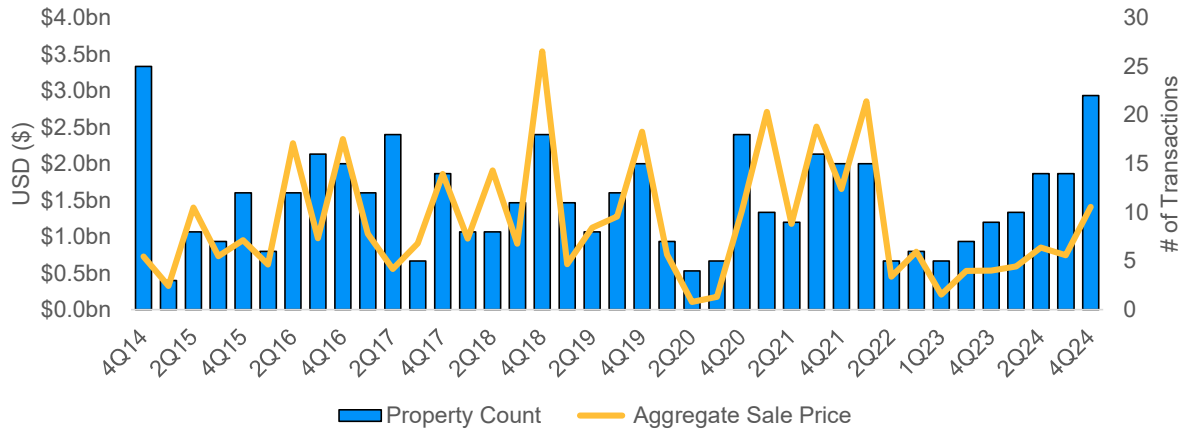


- Income returns have always delivered for Strip; convenience/ necessity-based retailers have proven out as “sticky” with today’s consumer.
- For Malls, the repricing story started prior to the pandemic.
- 4 quarters of positive capital returns for the Malls subsector.

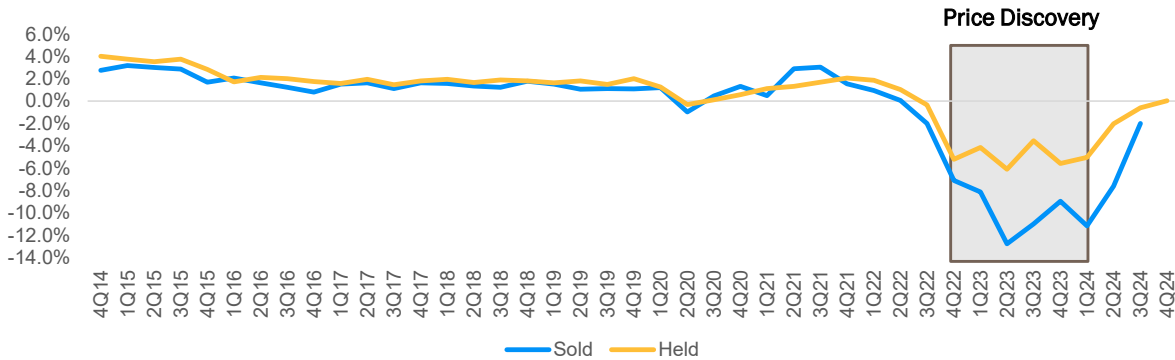
Source: NCREIF, Expanded NPI

# What Office sales are telling us

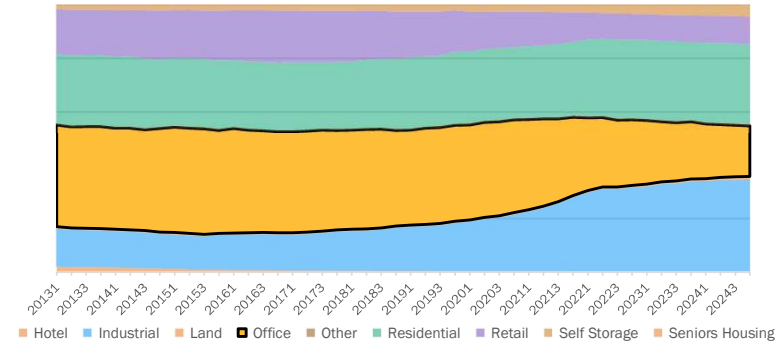
## Office transactions and aggregate sale price per quarter



## Performance of sold versus held office assets



## ODCE Composition: Office Focus



Office transactions are happening...

- # of Office transactions has ticked up in the past few quarters, 4Q levels were the highest since 4Q14.
- Disconnect between price and value evident during Price Discovery, but recent sales prices indicate closer alignment with value.

Source: NCREIF, Expanded NPI

## It's New: Valuation Trends Report for Expanded NFI-ODCE

4Q24 Expanded NCREIF ODCE Valuation Trends											
	20224	20231	20232	20233	20234	20241	20242	20243	20244	QoQ Change	YoY Change
<b>Overall</b>											
<b>Total</b>											
Prop Count	3,360	3,366	3,407	3,403	3,429	3,456	3,445	3,344	3,469	125	40
Value PSF	\$403	\$379	\$375	\$361	\$352	\$339	\$339	\$349	\$348	\$0	-\$4
Discount Rate	6.51%	6.66%	6.82%	6.96%	7.19%	7.29%	7.35%	7.37%	7.37%	0	18
Terminal Cap Rate	5.20%	5.32%	5.45%	5.58%	5.77%	5.85%	5.88%	5.88%	5.87%	-1	10
Going In Cap Rate	4.04%	4.20%	4.33%	4.46%	4.66%	4.77%	4.81%	4.78%	4.74%	-4	8
Three Year Rent Growth	3.77%	3.61%	3.55%	3.48%	3.33%	3.28%	3.22%	3.11%	3.17%	6	-16
Ten Year Rent Growth	3.24%	3.23%	3.22%	3.15%	3.09%	3.09%	3.09%	3.06%	3.04%	-2	-5
Percent Leased	94.3%	94.5%	94.4%	93.8%	93.3%	93.3%	93.4%	93.1%	92.7%	-40	-60
Capital Return	-4.93%	-3.20%	-3.13%	-2.50%	-4.43%	-2.58%	-1.20%	-0.13%	0.07%	20	450

- 1) To **promote transparency** to NCREIF stakeholders across the industry
- 2) To enhance understanding of **valuation trends & value change drivers**

Future initiatives include collection and reporting for all open-end funds, build out of report in NCREIF's query tool as well as expansion of additional valuation data points (9 data points currently reported at Total and Property Type levels).

The report is now available to all **NCREIF members** and is posted in the NCREIF Member Site under Products and the Expanded Property subsection.

# Conclusion

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Total NFI-ODCE Index return was **POSITIVE 1.16%** for the quarter and -1.43% for the one-year ended.



Silver linings are emerging with signs that returns have improved over the last four quarters. 3 of the 4 traditional property types are showing signs of stability.



We may have begun to see evidence of the “new normal” in terms of i-rates with long-term base rates settling, or possibly dipping below, the 4-4.5% range.



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



Is Retail always ahead of the curve, good or bad?

We'll stay tuned as the tenacity of this property type plays out.



The outlook for Office remains certainly uncertain. With an uptick in transactions, value and price have begun to meet in the middle.

# NCREIF Upcoming Events

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Visit our  
Website for  
More  
Information!

[www.NCREIF.org](http://www.NCREIF.org)

**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



**NCREIF**

**NFI-ODCE**

**PERFORMANCE ATTRIBUTION  
REPORT REVIEW**

**THANK YOU FOR  
YOUR ATTENDANCE!**

**Joe D'Alessandro**



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