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Quarterly Webinar



**NCREIF**

**NFI-ODCE**

**PERFORMANCE ATTRIBUTION**

**REPORT REVIEW**

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2024q2 Results

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Thursday,  
September 19<sup>th</sup>,  
2024

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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 Host*

**Steve Repertinger, CFA**

Portfolio Manager of the NYL Investments Madison Core Property Fund, a constituent in the NFI-ODCE Index



# Agenda

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- Overview of private and public performance
- Fund level and property level attribution
- Property type allocations
- Cost of debt and the 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.*

# Total Returns Across NCREIF Indices and Public Markets

Real estate value losses have been slowing

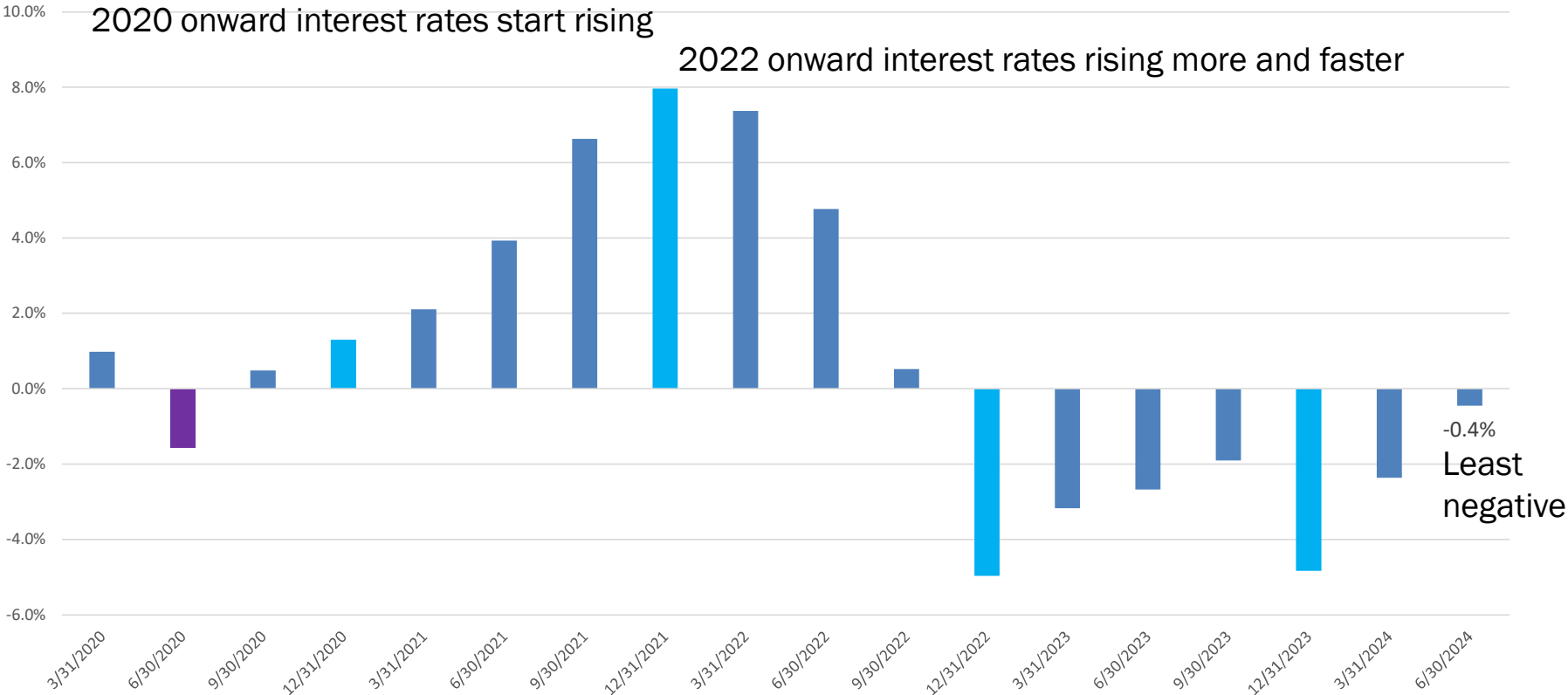
Property Unlevered-----

QUARTERLY RETURNS		Expanded NPI		Fund Levered-----		
Period	NPI	NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
09/30/2023	-1.3%	-1.4%	-1.9%	-8.3%	-3.3%	1.3%
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%
<b>06/30/2024</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>-0.4%</b>	<b>-0.9%</b>	<b>4.3%</b>	<b>1.3%</b>
ANNUALIZED RETURNS						
Period	NPI	NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
1 year	-5.3%	-6.1%	-9.3%	5.8%	24.4%	5.5%
2	-5.7%	-6.9%	-9.6%	0.6%	22.0%	4.5%
3	2.5%	1.8%	1.9%	-1.6%	10.0%	3.0%
4	3.7%	3.0%	3.2%	3.4%	15.0%	2.1%
5	3.5%	2.9%	4.4%	4.9%	14.3%	2.0%
10	6.2%	5.7%	6.4%	6.1%	12.8%	1.5%
15	7.4%	7.3%	7.6%	11.6%	14.8%	1.0%
20	7.5%	7.0%	6.8%	7.9%	10.3%	1.5%
25	7.9%	7.5%	7.3%	9.2%	7.7%	1.8%

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

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.

# Total Return NFI-ODCE Index



## NFI-ODCE Performance Attribution

*Property Returns almost in positive territory.  
Leverage – large but slowing negative impact.*

	9/30/23	12/31/23	3/31/24	6/30/24	1 Yr	3 Yr	5 Yr	7 Yr
<b>NFI-ODCE Unleveraged Property-level Total Return at Ownership Share *</b>	-1.42%	-3.35%	-1.43%	-0.09%	-6.17%	2.48%	3.57%	4.53%
Leverage	-0.56%	-1.61%	-1.02%	-0.42%	-3.41%	-0.38%	-0.11%	0.12%
Acquisitions (partial period)	0.00%	0.05%	0.03%	0.00%	0.07%	-0.03%	-0.02%	-0.01%
Other Non-Property Equity Investments	0.01%	0.00%	0.02%	0.03%	0.06%	0.09%	0.04%	0.05%
Cash Balances	0.05%	0.11%	0.07%	0.04%	0.25%	-0.05%	-0.08%	-0.12%
Other Assets and Liabilities	-0.02%	-0.06%	-0.03%	-0.01%	-0.11%	0.01%	0.03%	0.05%
Fund Costs	-0.03%	-0.02%	-0.02%	-0.03%	-0.09%	-0.09%	-0.10%	-0.10%
Other (includes Joint Venture Deal Structuring)	0.06%	0.06%	0.02%	0.03%	0.14%	-0.14%	-0.18%	-0.16%
<b>Total Return Gross of Fees</b>	<b>-1.90%</b>	<b>-4.83%</b>	<b>-2.37%</b>	<b>-0.45%</b>	<b>-9.25%</b>	<b>1.90%</b>	<b>3.16%</b>	<b>4.36%</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, pages 3 and 4 of the NFI-ODCE Performance Attribution Report

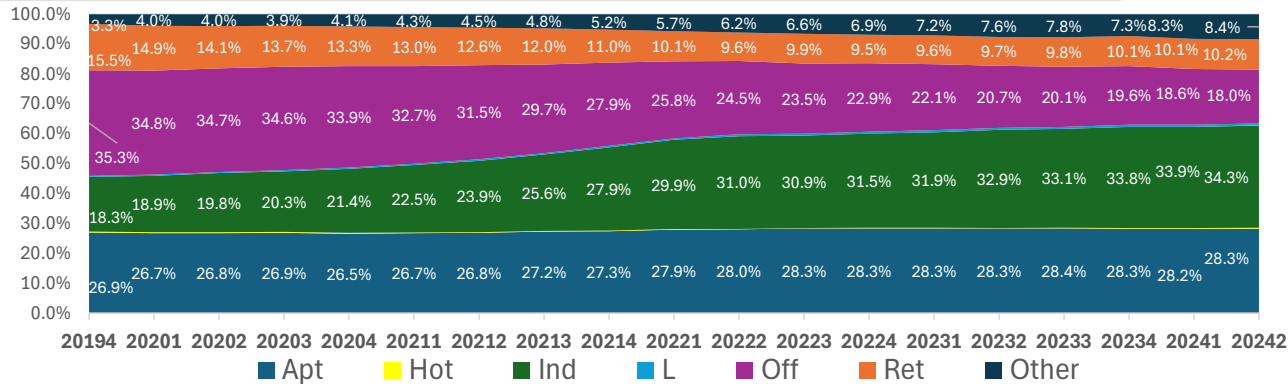
# NFI-ODCE Property Type Attribution

Property types matter! Retail the only major property type with a positive return for the one-year ended.

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

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

	Avg. Weights		Contribution to Return				3 Yr		5 Yr		
	1 Yr	Return 1 Yr	9/30/23	12/31/23	3/31/24	6/30/24	1 YR	Return	CTR	Return	CTR
Apartment	28.2%	-6.02%	-0.45%	-1.11%	-0.30%	0.12%	-1.71%	3.22%	0.86%	3.76%	1.01%
Industrial	33.4%	-2.10%	-0.09%	-0.72%	-0.03%	0.15%	-0.69%	12.77%	3.44%	13.93%	3.38%
Office	19.7%	-17.19%	-0.88%	-1.21%	-1.09%	-0.46%	-3.55%	-10.49%	-2.49%	-5.23%	-1.15%
Retail	9.9%	0.64%	0.02%	-0.12%	0.07%	0.10%	0.06%	2.22%	0.26%	-0.39%	-0.07%
Hotel	0.2%	7.31%	0.00%	0.00%	0.00%	0.01%	0.01%	6.00%	0.01%	-2.34%	-0.01%
Land	0.7%	-9.01%	-0.01%	-0.03%	-0.03%	0.00%	-0.07%	4.50%	0.01%	5.92%	0.02%
Other	7.9%	-3.00%	-0.01%	-0.17%	-0.05%	-0.01%	-0.23%	7.48%	0.38%	8.62%	0.40%
<b>Unlev Prop Tot Ret</b>	<b>100.0%</b>		<b>-1.42%</b>	<b>-3.35%</b>	<b>-1.43%</b>	<b>-0.09%</b>	<b>-6.17%</b>		<b>2.48%</b>		<b>3.57%</b>



## Leverage has recently dragged on performance

Increase cost of debt driving leverage impacts.

Recent mark to market adjustment was positive, but minor.

ODCE Funds Total Leverage====>	25.0%	26.2%	26.9%	27.2%				
	9/30/23	12/31/23	3/31/24	6/30/24	1 YR	3 Yr	5 Yr	7 Yr
Property-level leverage at principal balance	-0.39%	-0.72%	-0.43%	-0.24%	-1.68%	-0.33%	-0.13%	0.08%
Property-level leverage marked to market	0.08%	-0.08%	-0.01%	0.02%	0.01%	0.19%	0.12%	0.08%
Fund-level leverage at principal balance	-0.39%	-0.77%	-0.49%	-0.24%	-1.78%	-0.53%	-0.28%	-0.16%
Fund-level leverage marked to market	0.14%	-0.04%	-0.09%	0.04%	0.04%	0.29%	0.17%	0.12%
<b>Total effects of leverage</b>	<b>-0.56%</b>	<b>-1.61%</b>	<b>-1.02%</b>	<b>-0.42%</b>	<b>-3.41%</b>	<b>-0.38%</b>	<b>-0.11%</b>	<b>0.12%</b>
Impact of the use of leverage	-0.78%	-1.49%	-0.92%	-0.48%	-3.46%	Most important impact		
Impact of debt mark to market adjustments	0.22%	-0.12%	-0.10%	0.06%	0.05%			
<b>NFI-ODCE Total Return Gross of Fees</b>	<b>-1.90%</b>	<b>-4.83%</b>	<b>-2.37%</b>	<b>-0.45%</b>	<b>-9.25%</b>			

10 yr Treasury Rates Annualized

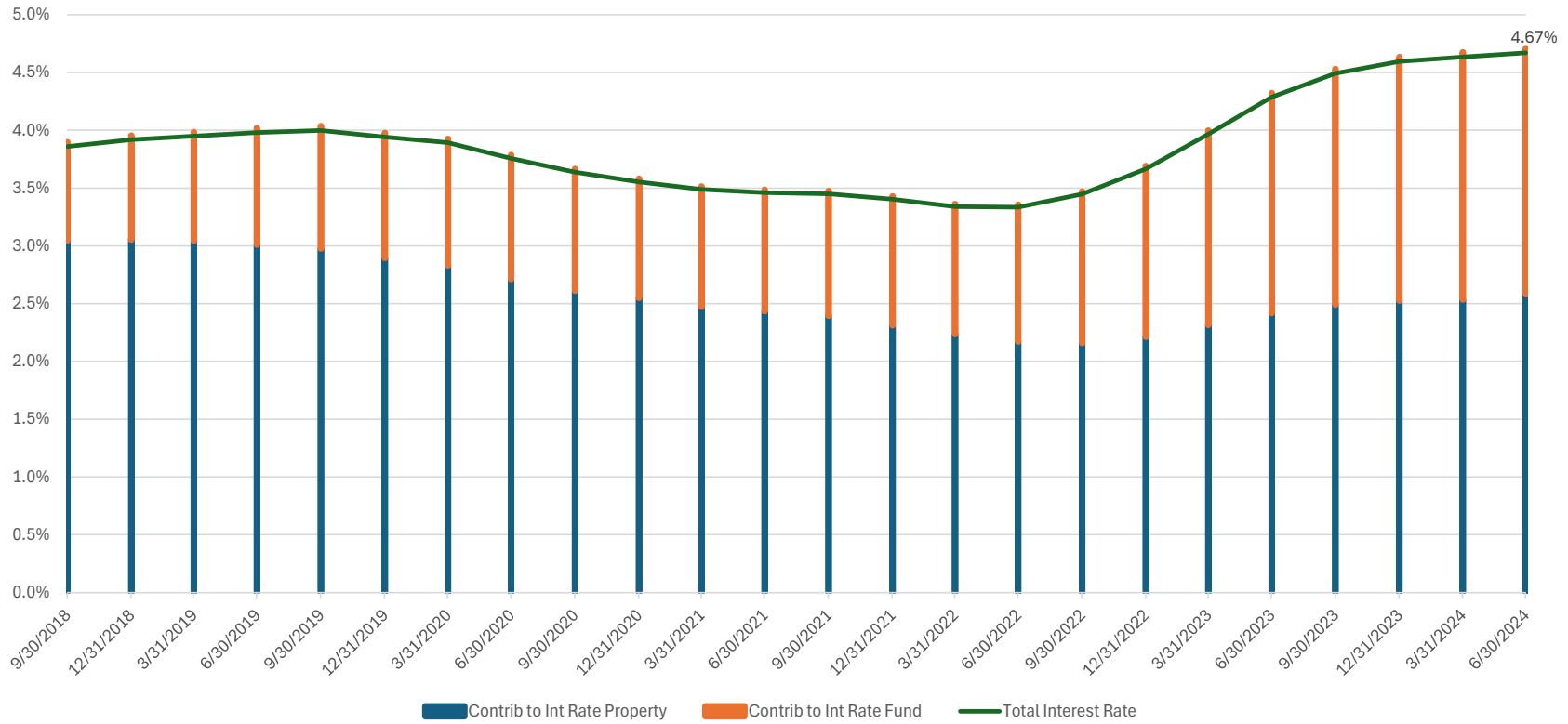
4.6% 3.9% 4.2% 4.4%

9/16/24 rate was 3.6%



# Rising Cost of Debt

Interest Rate 4 Quarter Trailing  
Cost of Debt



## New NCREIF Report for NFI-ODCE Valuation Assumptions

RELEASED Friday 9/13/24 the Expanded NFI-ODCE Valuation Trends Report for Second Quarter 2024!

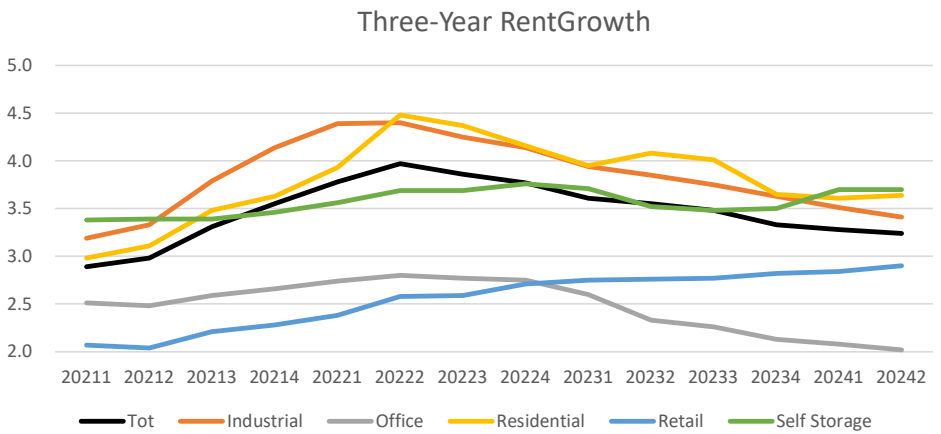
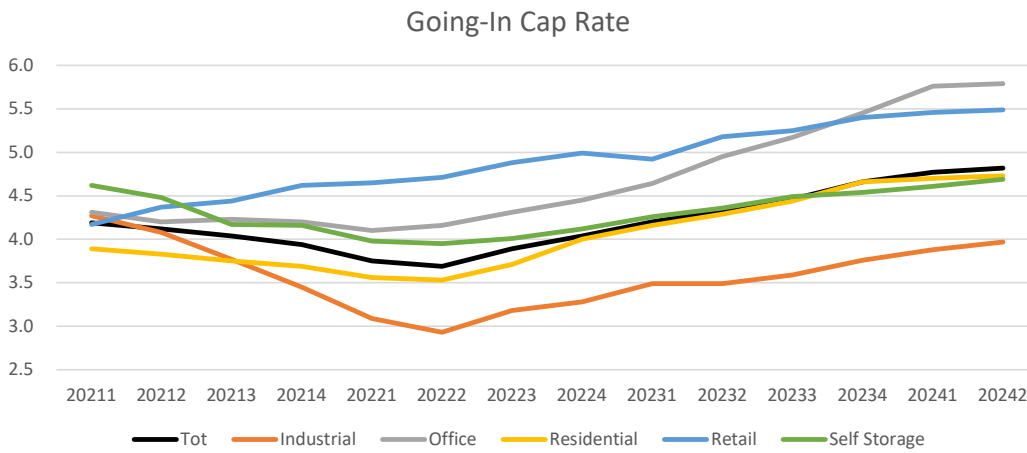
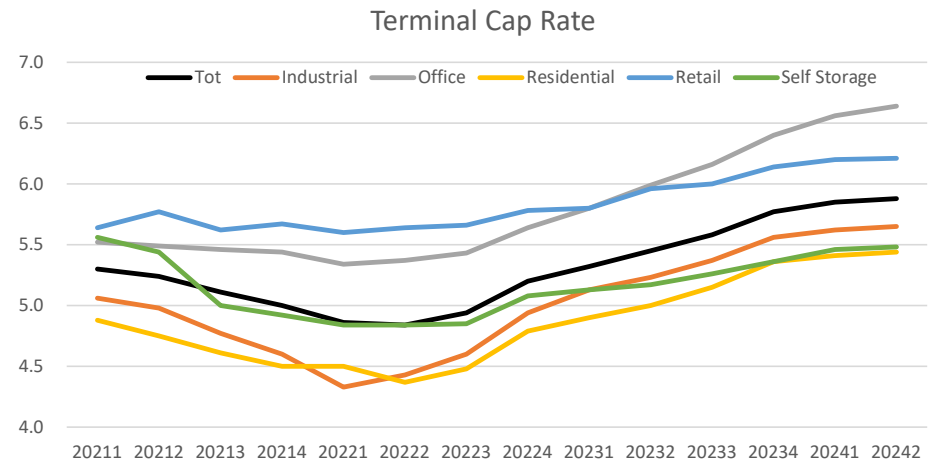
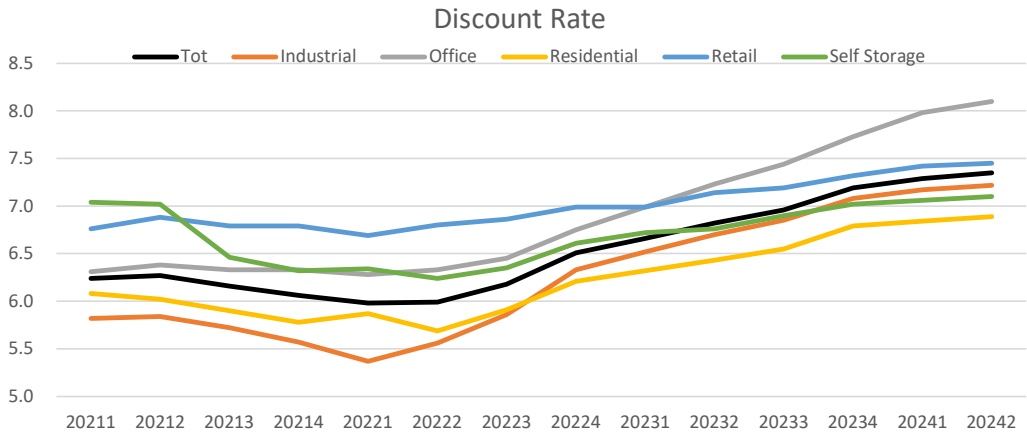
1) to promote transparency, 2) understand valuation trends & value change drivers

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

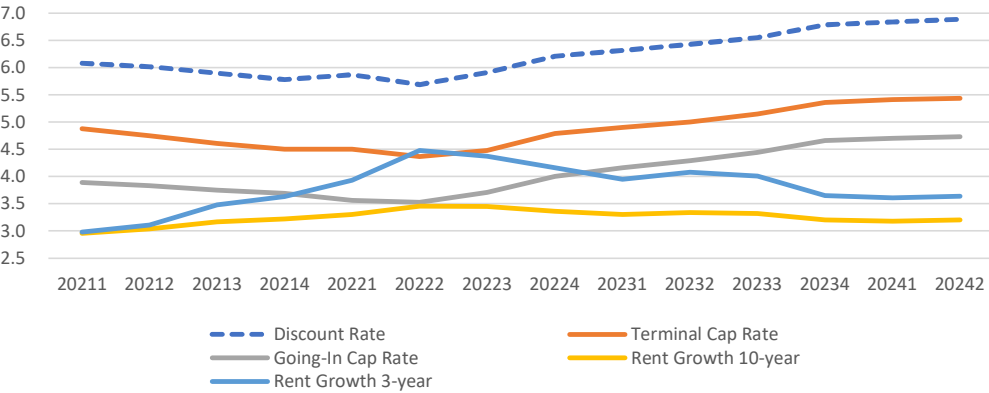
	20241	20242	QoQ Change	YoY Change
<b>Overall</b>				
<b>Total</b>				
Prop Count	3,456	3,439	-17	32
Value PSF	\$339	\$339	\$1	-\$35
Discount Rate	7.29%	7.35%	6	53
Terminal Cap Rate	5.85%	5.88%	3	43
Going In Cap Rate	4.77%	4.82%	5	49
Three Year Rent Growth	3.28%	3.24%	-4	-31
Ten Year Rent Growth	3.09%	3.10%	1	-12
Percent Leased	93.3%	93.4%	10	-100
Capital Return	-2.58%	-1.20%	138	193

# NFI-ODCE Valuation Assumption Trends

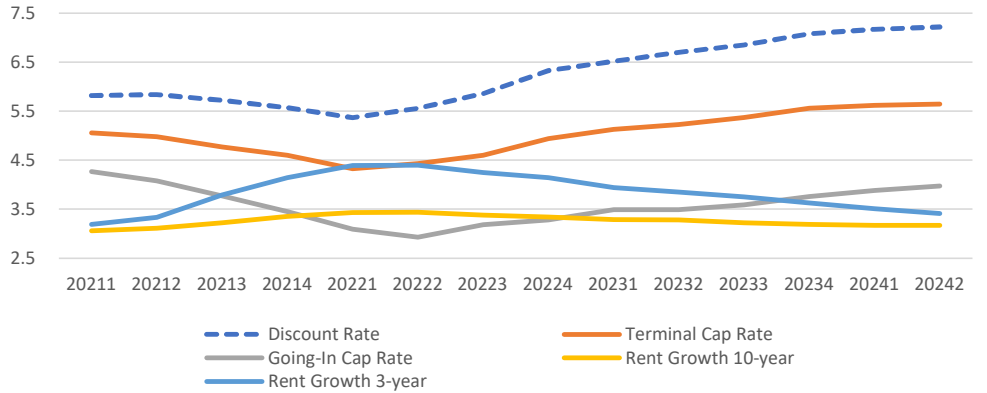


# NFI-ODCE Valuation Assumptions by Property Type

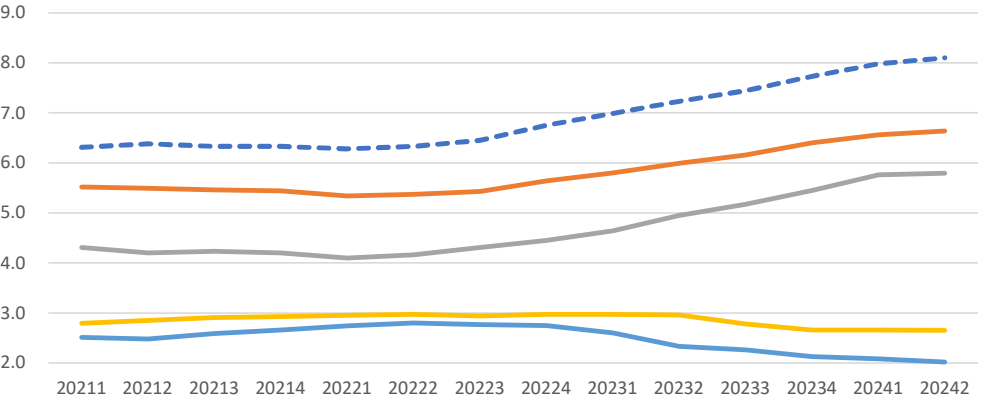
### Residential



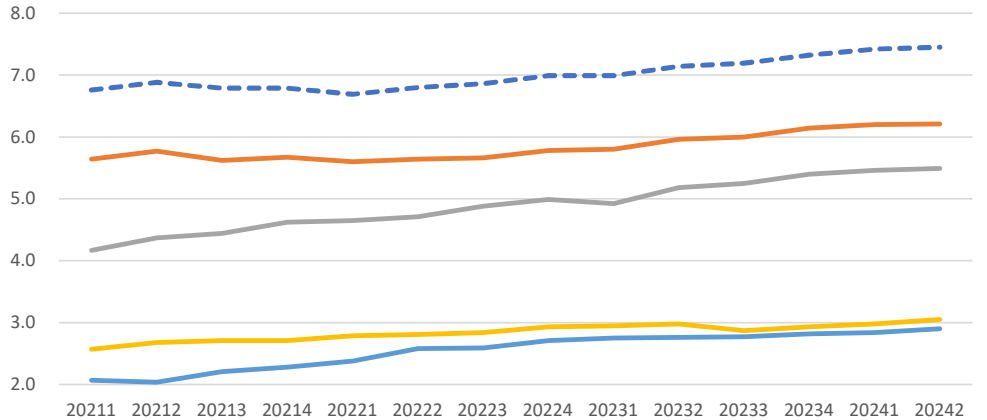
### Industrial



### Office



### Retail



# Conclusion

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Total NFI-ODCE Index return was negative 0.4% for the quarter and negative 9.3% for the one-year ended.



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



Rising leverage levels due to declining values and smaller denominator, not increase in absolute debt amounts



Retail is the only major property type with a positive one-year return.



New NCREIF Valuation Assumptions report is now available for members only.



# NCREIF Upcoming Events

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Visit our  
Website for  
More  
Information!

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

## NCREIF Fall Conference 2024

DIPLOMAT RESORT | OCTOBER 15-17 | HOLLYWOOD, FL



October 14 – NCREIF Academy Course: Attribution & Risk Analysis

October 14 – NCREIF Academy Course: ESG

October 14-17 – NCREIF Annual Fall Conference in Hollywood, FL

October 17 – NCREIF Academy Course: Investment Analysis & Due Diligence

October 17 – NCREIF Academy Course: 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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