

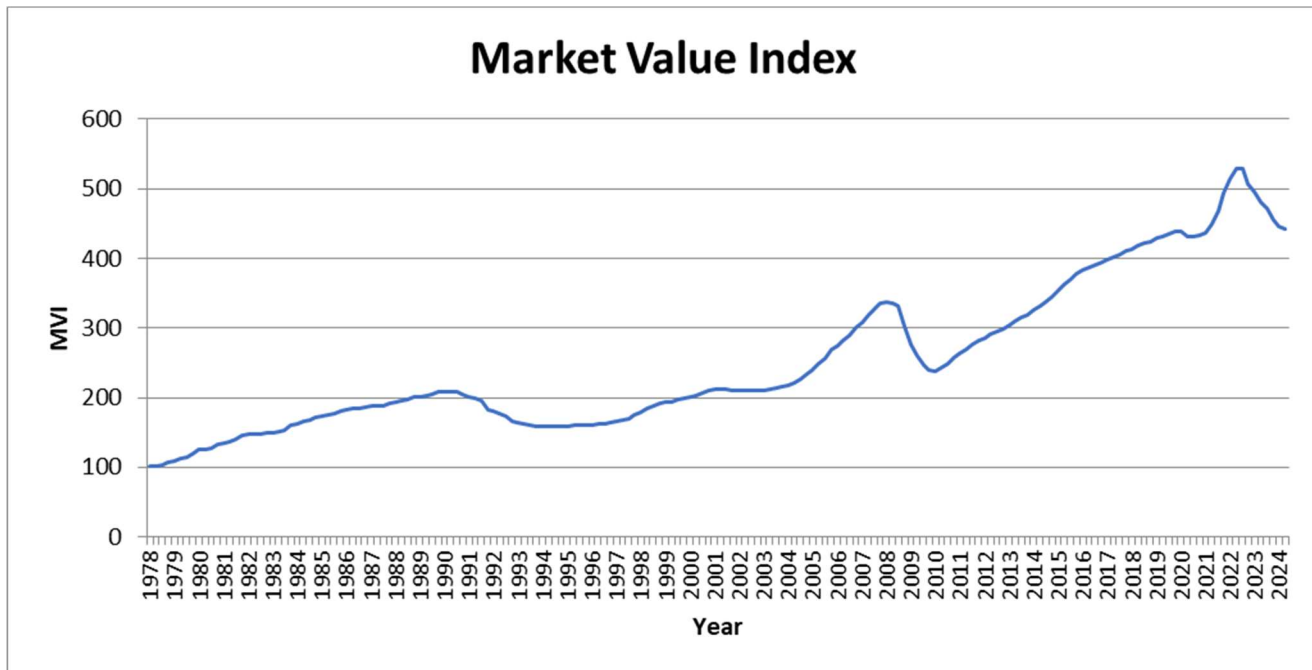


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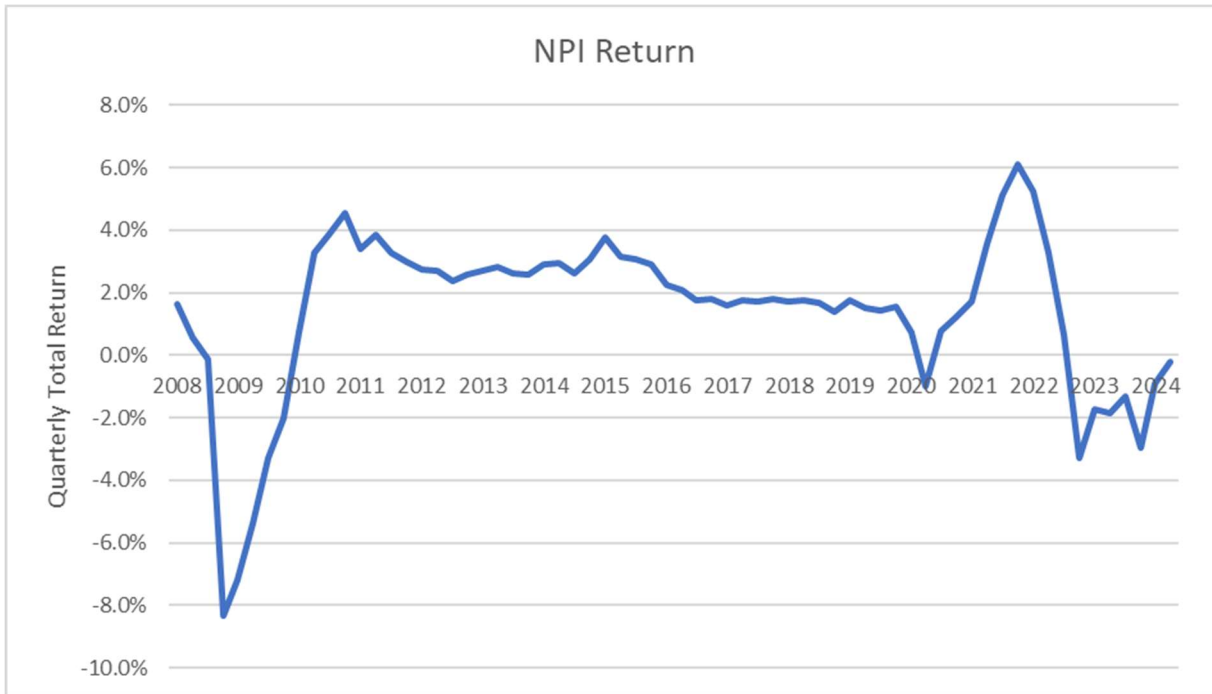
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Institutional Property Returns Improve but Still Negative Due to Office

CHICAGO, IL, July 25, 2024 –The National Council of Real Estate Investment Fiduciaries (NCREIF) has released second quarter 2024 results for the NCREIF Property Index (NPI). The expanded NPI includes 12,789 properties, totaling just under \$900 billion in market value. The aggregate market value of the properties in this expanded NPI declined for the eight straight quarter and returns were negative for the seventh straight quarter. The returns are detailed in the attached Snapshot Report. (Charts and data in this Release refer to the new Expanded NPI. We will however provide two Snapshot Reports for a limited time; one for Expanded and one for Classic NPI.) The Expanded NPI that was first produced last quarter includes all operating properties and enhances reporting to include several new property sectors and subsectors.

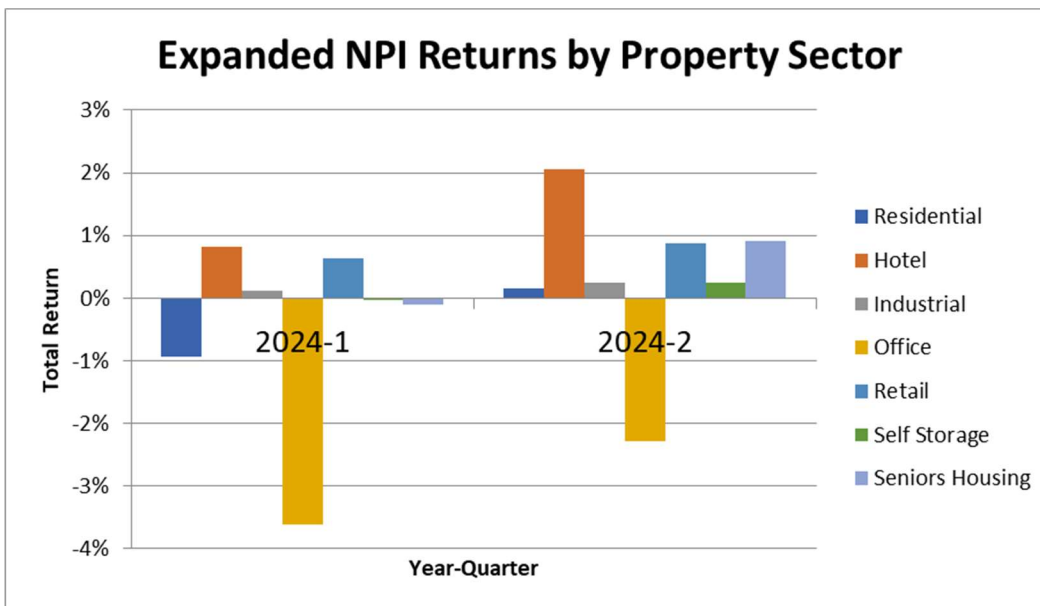


The market value index has declined by about 16.5% since the peak in the 2nd quarter of 2022. This is still significantly less of a drop than occurred during the financial crisis in 2008 and 2009 when values declined by almost 30%. The total return for the quarter was -0.22%. Although still negative, the return has been improving for the past two quarters after dropping to -2.95% in the 4th quarter of 2023.



The negative 0.22% total quarterly return consisted of 1.18% from income and -1.40% from negative property appreciation. Appreciation is after the deduction of capital expenditures. The negative 0.22% return is the unleveraged return for “operating properties” held by institutional investors throughout the U.S. As of quarter-end there were 4,611 leveraged properties with a leveraged return of -1.69% and a weighted average loan to value ratio of 50% which is the highest LTV since 2012. The higher LTV is mainly due to declining property values. The average interest rate on the leveraged properties rose to 4.95% (annualized) for the second quarter, up from 4.53% in the fourth quarter of 2023. There were 161 properties, up from 123 properties the previous quarter, that had values which were equal to or less than their loan balance.

More Sectors Turn Positive



All property sectors were able to produce positive returns this quarter with the exception of office properties that dragged down the returns into negative territory. Hotels continued to have the highest return (2.06%) followed by retail (0.88%), industrial (0.25%) and residential (0.15%). The office sector continued to have the lowest returns at a negative 2.29%, which was a little better than the negative 3.62% return the prior quarter. The new sectors added to the NPI last quarter also had positive returns with self-storage at 0.25% and seniors housing at 0.91%.

Capitalization Rates and NOI Growth

Market value weighted capitalization (cap) rates based on appraisals for unsold properties in the index increased slightly to 4.72% compared to 4.70% in the prior. While there are relatively few properties that are sold each quarter, for those properties that did sell, the average cap rate was significantly higher at 5.93%, up from 5.47% the prior quarter. NOI growth during the second quarter was barely positive at 0.72% which was essentially unchanged from the 0.70% growth the previous quarter.

About the NCREIF Property Index

The NPI consists of 12,789 investment-grade, income-producing properties with a market value of \$890 billion. The market value breakdown by property type is about 21% office, 28% residential, 13% retail, 32% industrial with the remaining 6% consisting of hotel, self-storage, and seniors housing and “other” sectors. The NPI includes property data covering over 100 CBSAs. In addition, within each property type, data are further stratified by sub-type. These data enhance the ability of institutional investors to evaluate the risk and return of commercial real estate across the United States.

Webinar

NCREIF will hold a webinar on Friday August 9th, 2024 at 1:00 CST to discuss the NCREIF Property Index (NPI) in more detail as well as a discussion of other trends based on the NCREIF data.

[Register Here](#) for the webinar. An online replay of the webcast will be available on NCREIF’s website at www.NCREIF.org.

The National Council of Real Estate Investment Fiduciaries (NCREIF) is an association of professionals with significant involvement and interest in pension fund real estate investments who come together to address vital industry issues and to promote research on the asset class.

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