



NCREIF

National Council of Real Estate Investment Fiduciaries



Fourth Quarter 2024

Data and Indices Results Webinar



webinar

Today's Panelists

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- Index Definitions
NCREIF Property Index ("NPI"). The NPI is a primary benchmark for the commercial real estate industry calculated and maintained by the National Council of Real Estate Investment Fiduciaries (NCREIF). The NPI is a total rate of return measure of the investment performance of a large pool of individual commercial properties that have been acquired in the private market for investment purposes. The NPI includes only U.S. office, industrial, retail, residential and hospitality operating properties owned in whole or in part by non-taxable institutional investors and accounted for at market value. Unless otherwise disclosed, the NPI is presented gross of investment management fees and is unleveraged. Information regarding NPI's methodology is available at <http://www.reportingstandards.info/>. Substantial differences exist between the methodology for calculating the NPI and the Firm's performance data. Performance was achieved under certain economic conditions that may not be repeated.
- The NCREIF Total Return Property Index (NPI). The NPI quarterly, annual and annualized total returns consist of three components of return – income, capital and total. Total Return is computed by adding the Income Return and the Capital Value Return.

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Index disclaimer

The NFI-ODCE, short for NCREIF Fund Index – Open End Diversified Core Equity, is a capitalization-weighted, gross of fee, time weighted return index with an inception date of December 31, 1977. Other supplemental data such as equal-weight and net of fee returns are also provided by NCREIF for information purposes and additional analysis. To be eligible for NFI-ODCE membership, each member fund must be marketed as an open-end fund with a diversified core investment strategy primarily investing in private equity real estate. All members funds must adhere to the following index inclusion criteria:

- (1) At least 80% of the market value of net assets must be invested in real estate with no more than 20% invested in cash or equivalents;
- (2) at least 80% of the market value of real estate net assets must be invested in private equity real estate properties [no more than 20% of such assets may be invested in, but not limited to, property debt, public company, equity/debt or private company (operating business) equity/debt];
- (3) At least 95% of market value of real estate net assets must be invested in US markets;
- (4) At least 80% of market value of real estate net assets must be invested in office, industrial, apartment and retail property types;
- (5) No more than 65% (\pm for market forces) of market value of real estate net assets may be invested in one property type or one region as defined by the NPI;
- (6) No more than 35% leverage. Leverage is defined as the ratio of total debt, grossed-up for ownership share of off-balance sheet debt, to the fund's total assets, also which are grossed-up for such off-balance sheet debt.

Each member fund must also comply with the NCREIF PREA Reporting standards. A benchmark index is not professionally managed. Investors cannot invest directly in an index.

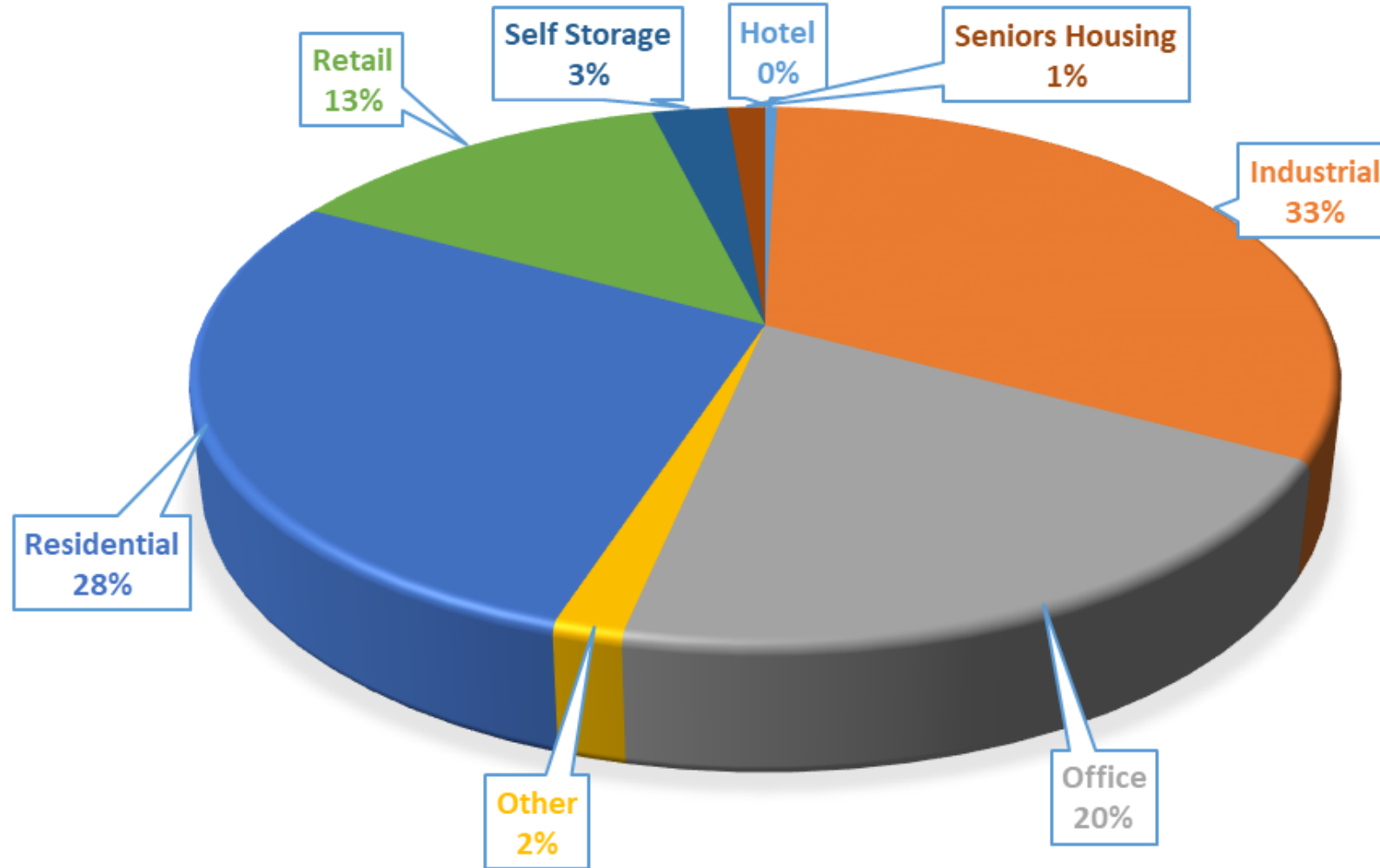
The NCREIF NPI, short for the NCREIF Property Index -- is a quarterly index tracking the performance of core institutional property markets in the U.S. The objective of the NPI is to provide a historical measurement of property-level returns to increase the understanding of, and lend credibility to, real estate as an institutional investment asset class. The universe of investments: (1) is comprised exclusively of operating properties acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary

environment; (2) Includes properties with leverage, but all returns are reported on an unleveraged basis; and (3) Includes Apartment, Hotel, Industrial, Office and Retail properties, and sub-types within each type. The database fluctuates quarterly as participants acquire properties, as new members join NCREIF, and as properties are sold. Sold properties are removed from the Index in the quarter the sales take place (historical data remains). Each property's market value is determined by real estate appraisal methodology, consistently applied. Please note that when returns are computed for the NPI, the returns for the levered properties are computed on a de-levered basis, i.e., the impact of financing is excluded. A benchmark Index is not professionally managed. Investors cannot invest directly in an index.

Webinar Slides are based on the EXPANDED NPI

- The expanded NPI is now The NPI
- The legacy NPI is the “Classic NPI” (for now...)
- The NPI is now best thought of as an index of all “Operating” properties managed by NCREIF members.
- In general, development and initial lease-up excluded.
- But once in the NPI, a property stays in the NPI even if renovated.
- This may or may not be considered a “Core” Index depending on your definition of Core! (A core index can have non-core properties, e.g., ODCE)

ALLOCATION OF MV BY SECTOR

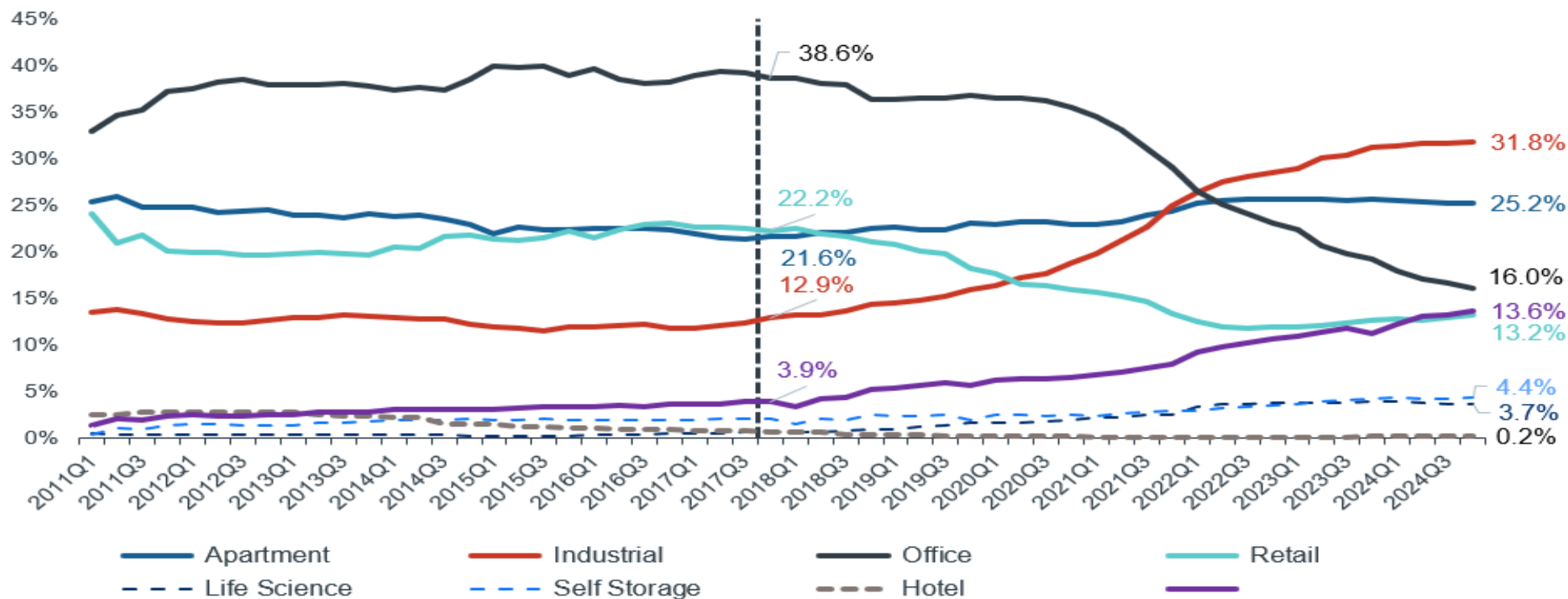


ODCE Witnessing a Sharp Increase in Investment in Alternatives

TAKEAWAY:

- Alternatives outperformance continues to drive capital flows and lead to ever growing share of the market

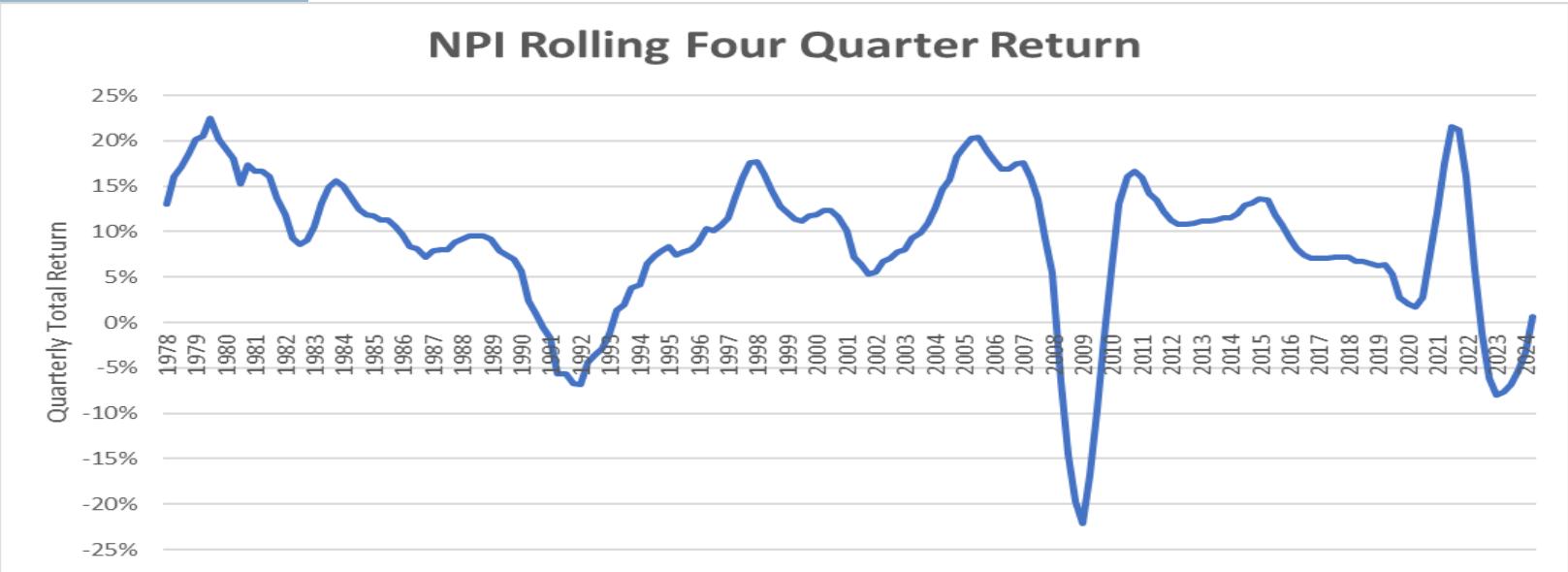
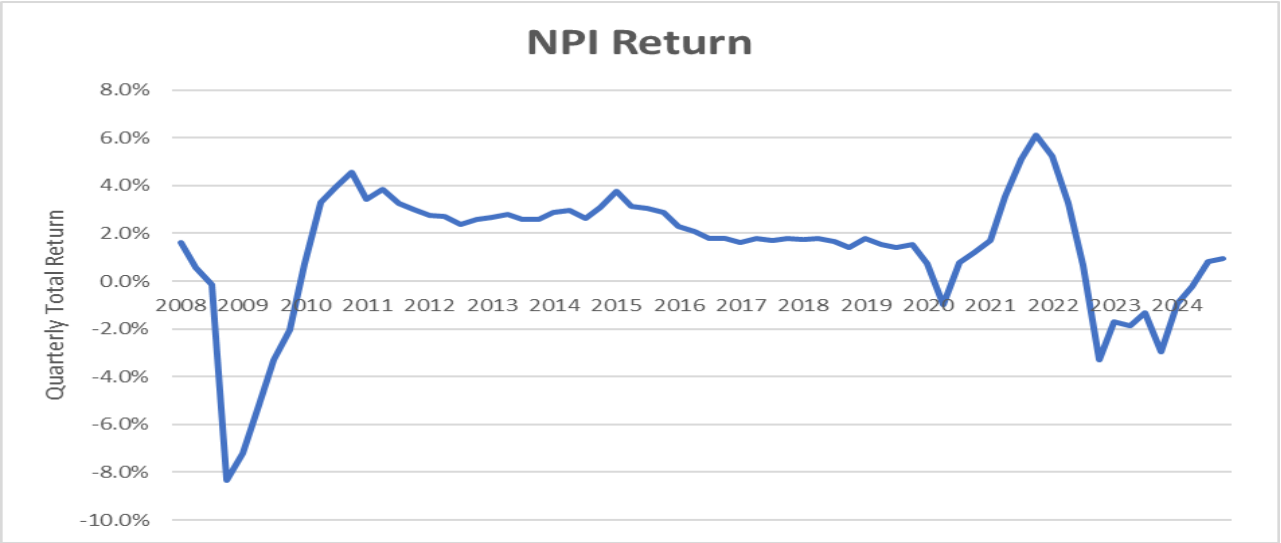
ODCE SECTOR ALLOCATION IN RECENT HISTORY



Source: NCREIF – NPI+, Clarion Partners Investment Research, Q4 2024.

Note: Alternatives include Life Sciences, Medical Office, Manufactured Housing, Single-Family Rental, Student Housing, Self-Storage, Data Center, Senior Housing and Land/Other. Past performance is not indicative of future results. Please see the important disclosures at the end of this presentation.

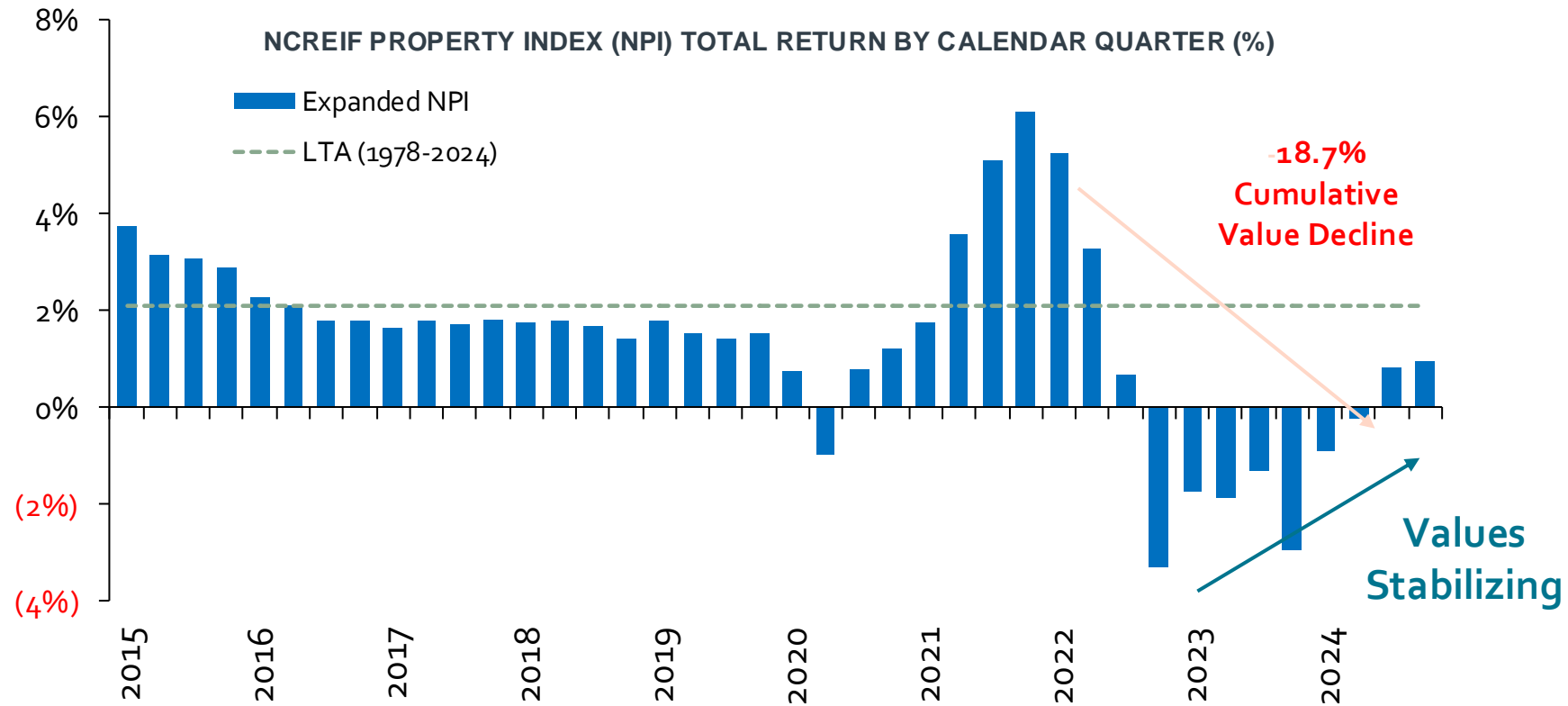
Returns (NPI Expanded) Positive for Year



NPI Appears to be Bottoming

TAKEAWAY:

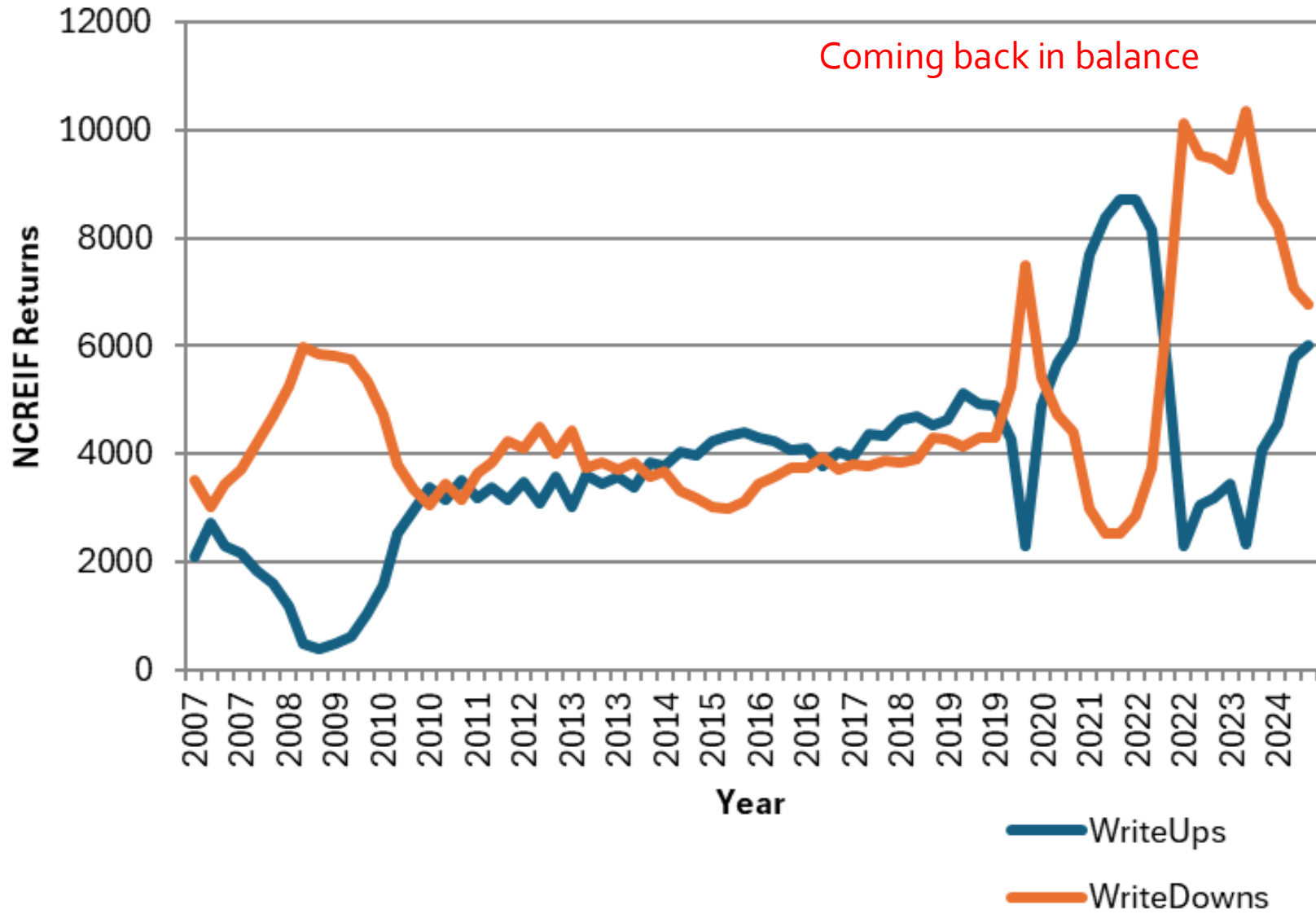
- Private values, as reflected in the expanded NPI index, declined by 18.7% from peak to trough
- Q4 positive total return of 0.94% was the second consecutive gain



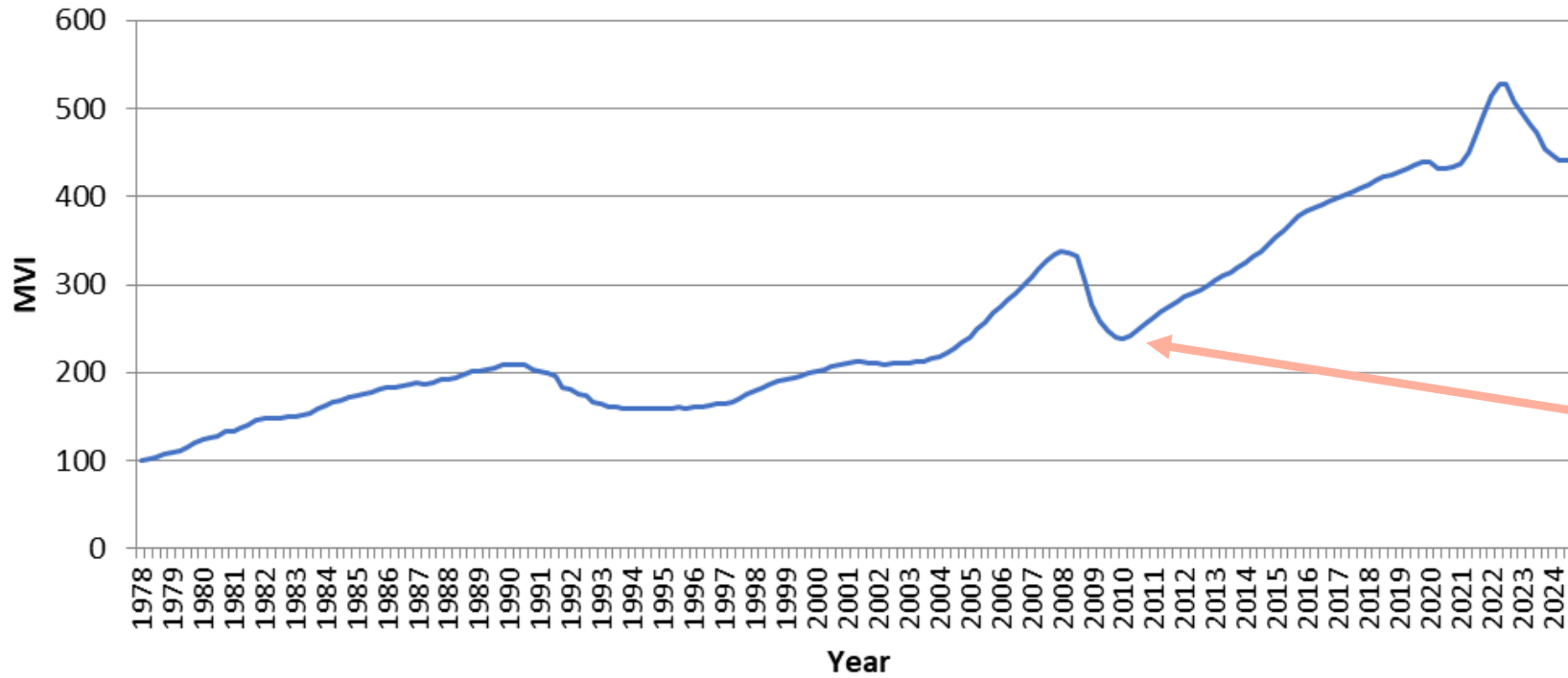
- Source: Moody's Analytics, NCREIF (as of Q4 2024); Clarion Partners Investment Research, as of February 2025. Expanded NPI includes all NPI properties and all qualified alternative assets. Past performance is not indicative of future results. Please see the important disclosures at the end of this presentation.



Writeups vs Writedowns



Market Value Index



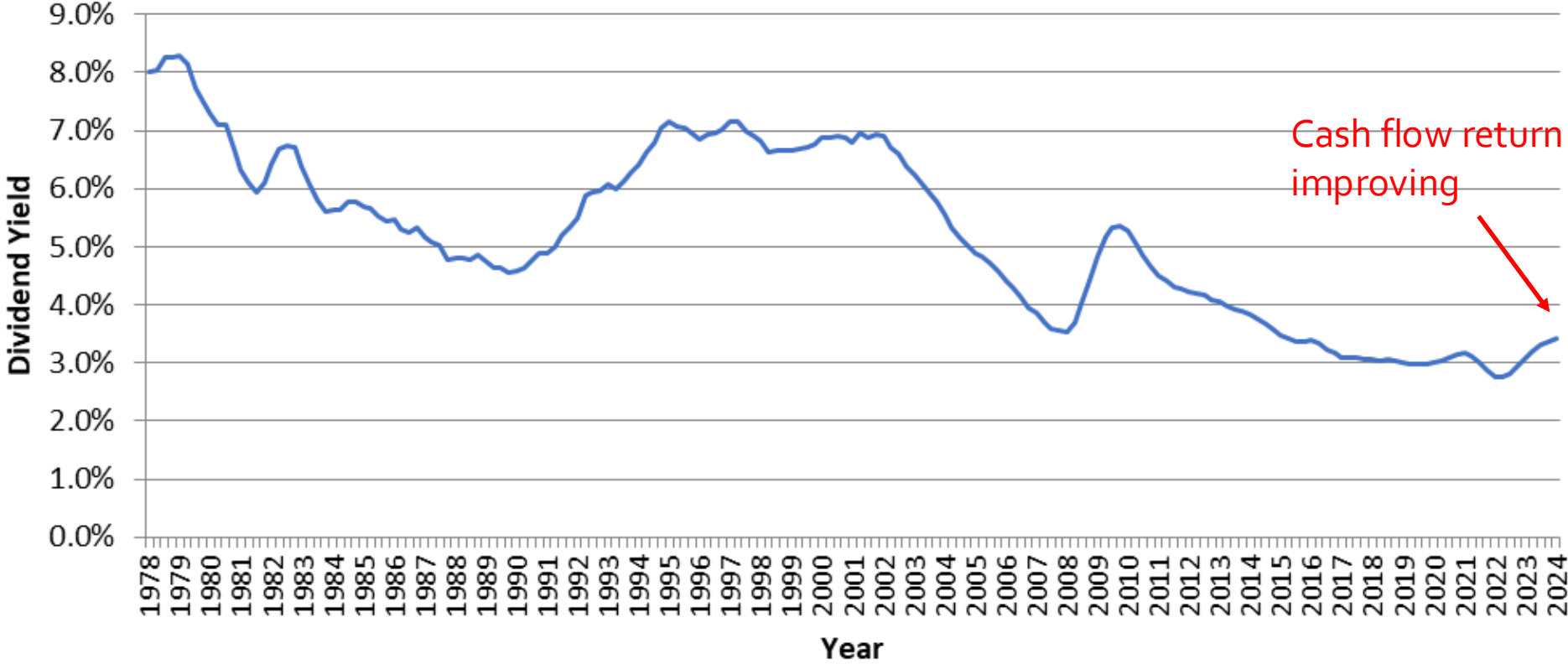
Market Value Index leveled off.

Market Values Down 16% from peak.

Drop from peak during the Financial Crisis was 30%.

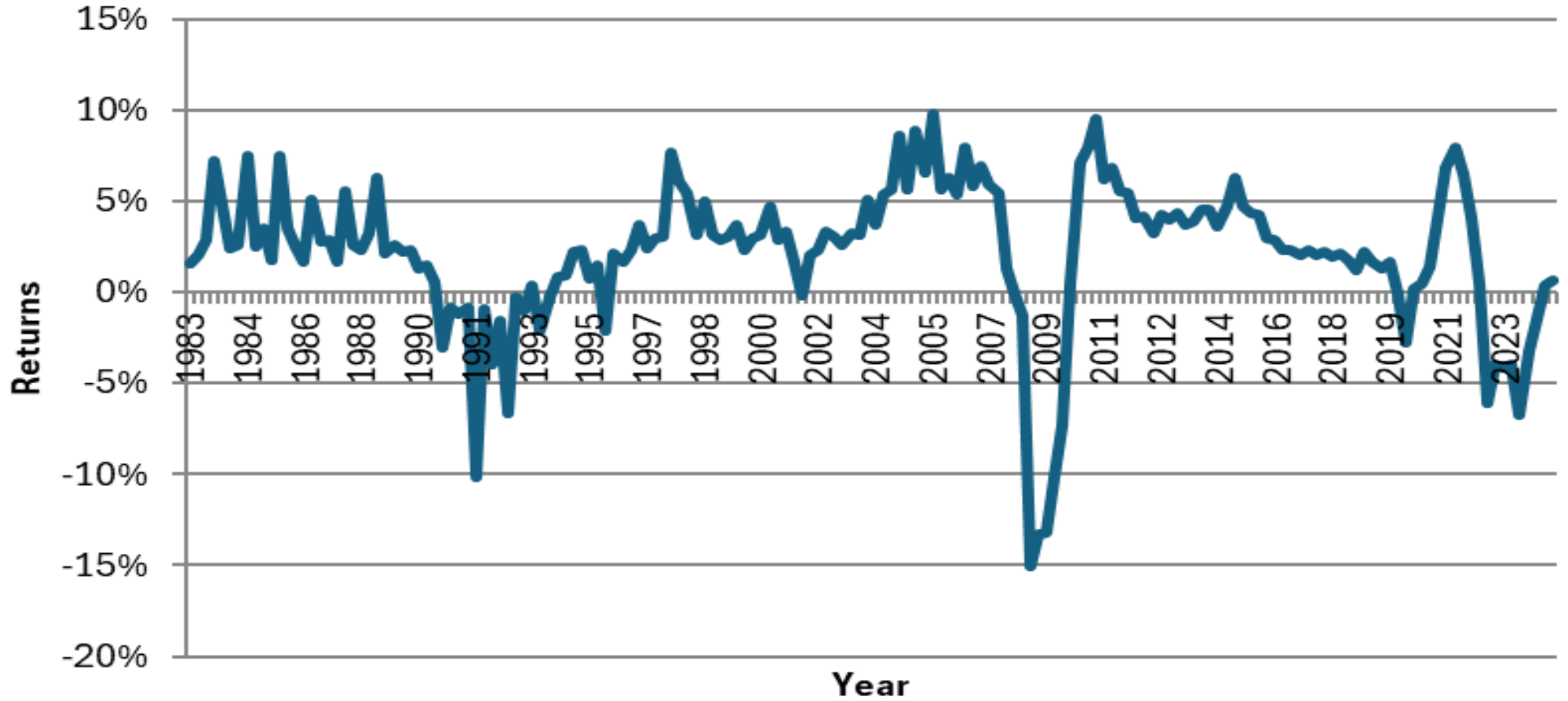


Cash Flow Return (Rolling 4 qtr total)

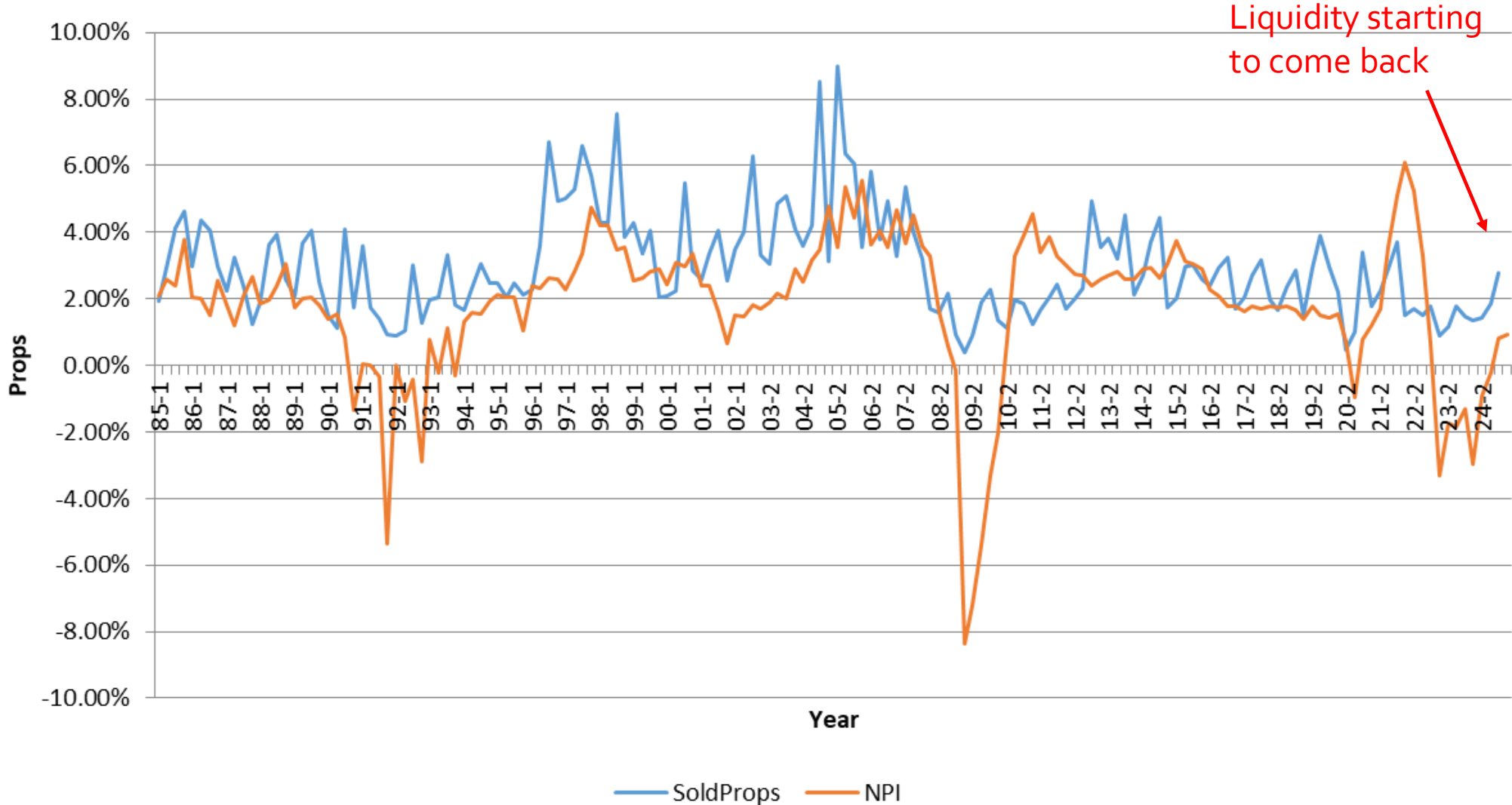


Leveraged Returns

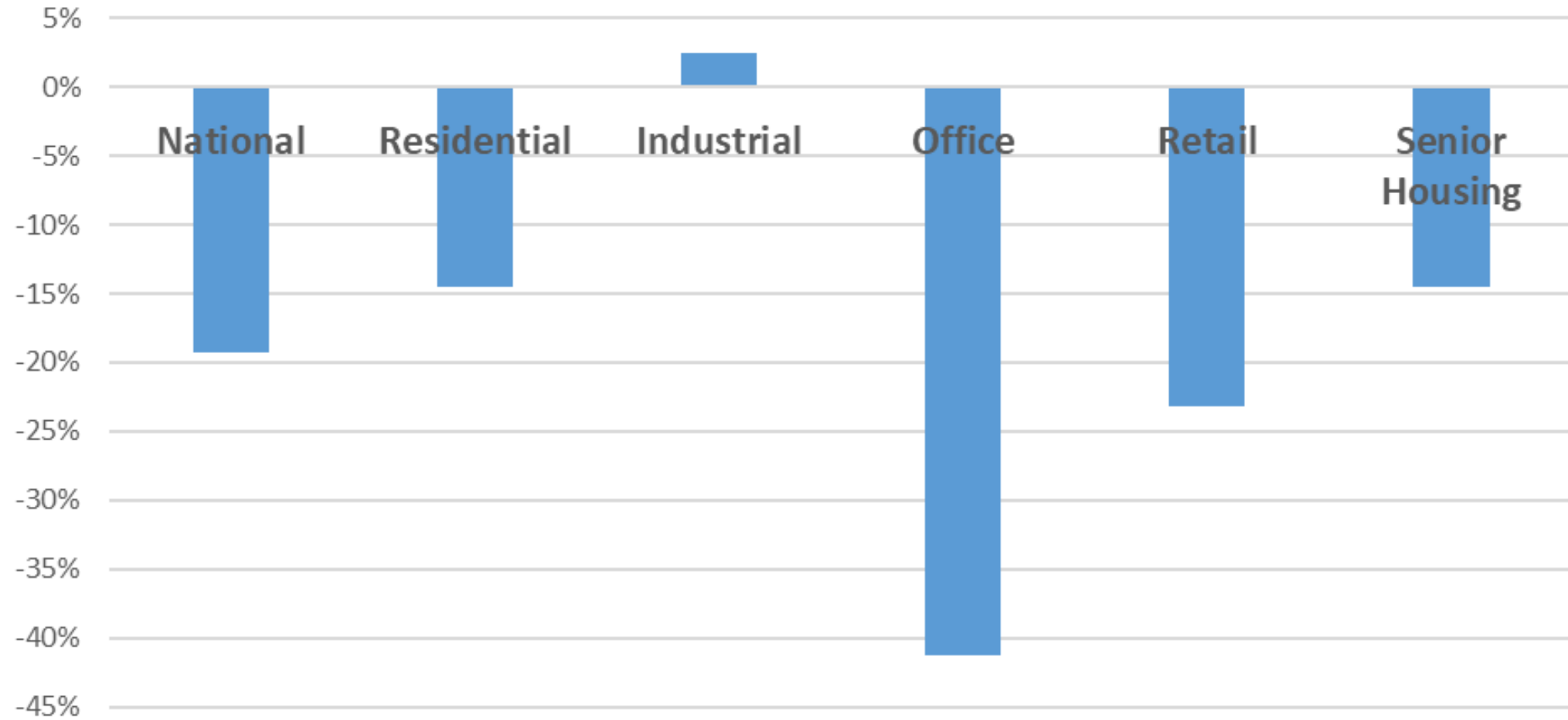
Leveraged returns
improving



Sold Props % of NPI Props



Sold Props Percent Decline in Value from Peak 2022-2



Question

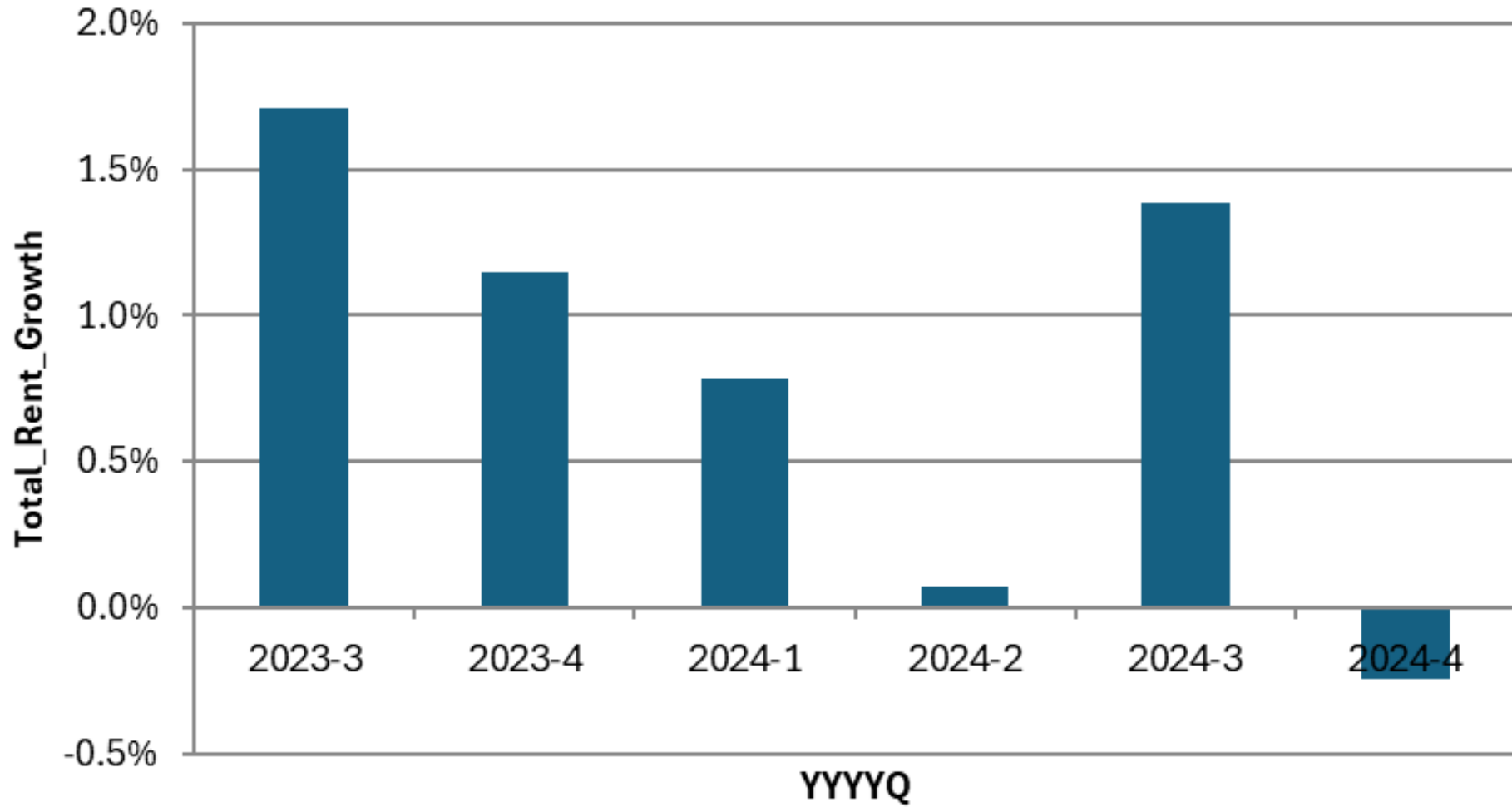


Where will NPI values be by the end of 2025?

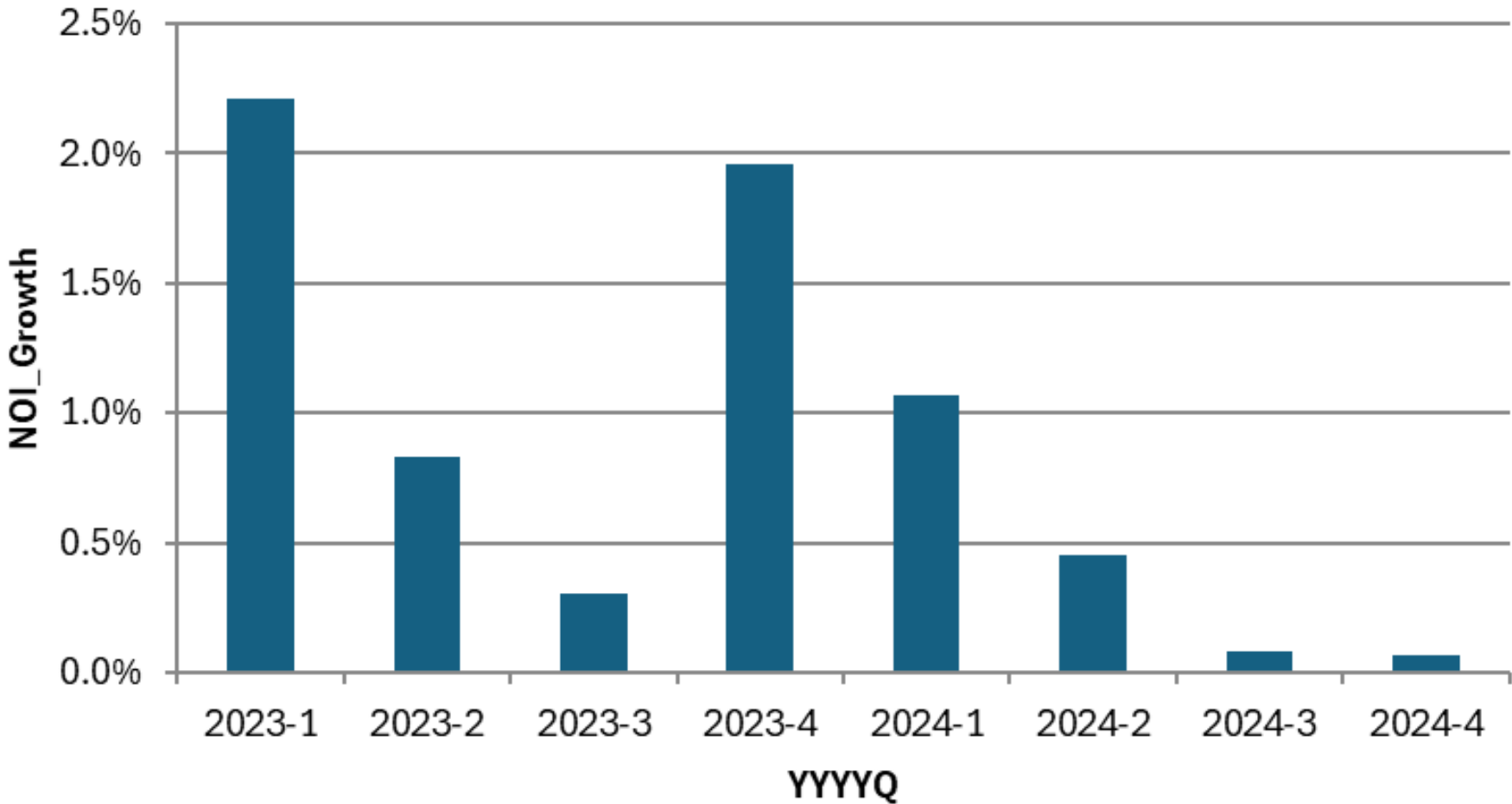
- A. Values will be lower than the current quarter.
- B. Values will stabilize at the current level
- C. Values will be higher than the current level.
- D. I have no idea!



Rent growth



NOI Growth



Real Estate Pricing

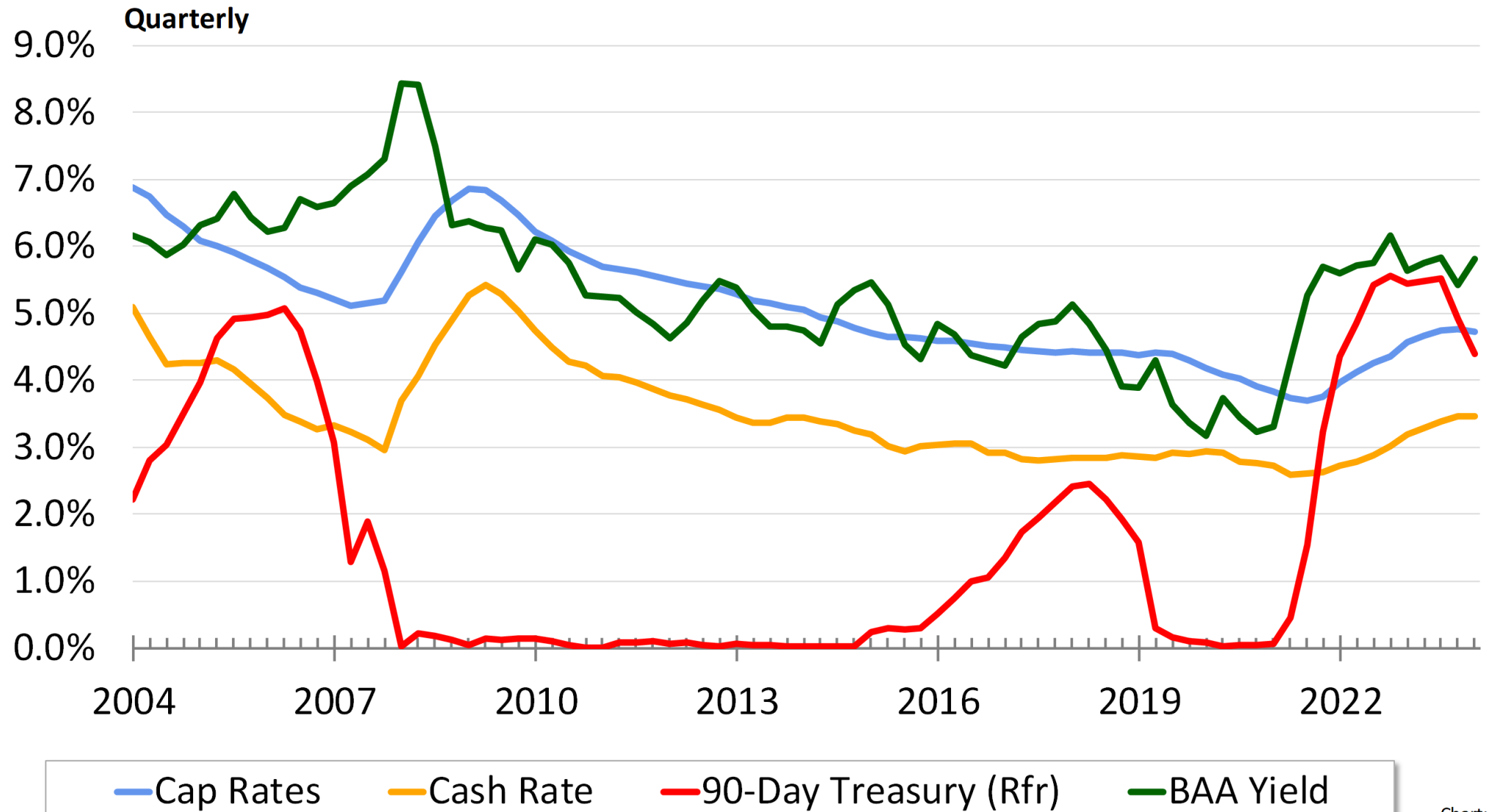
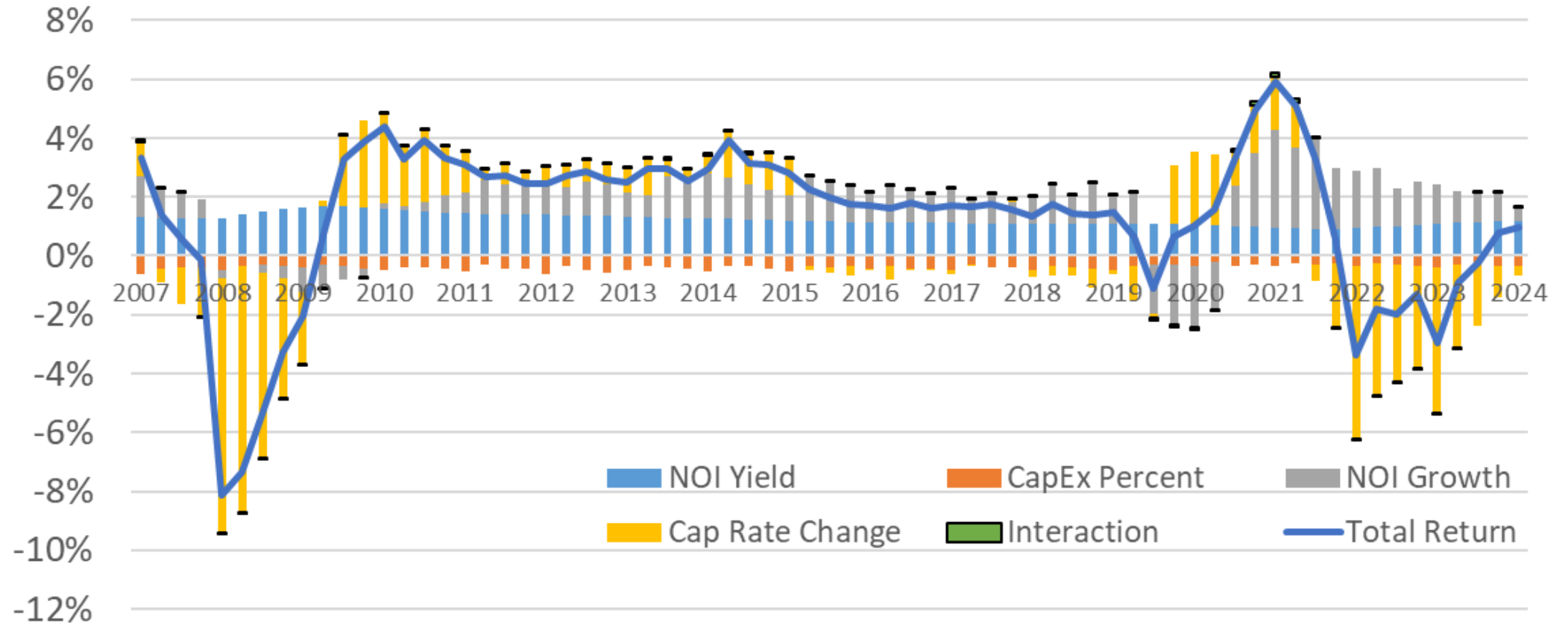
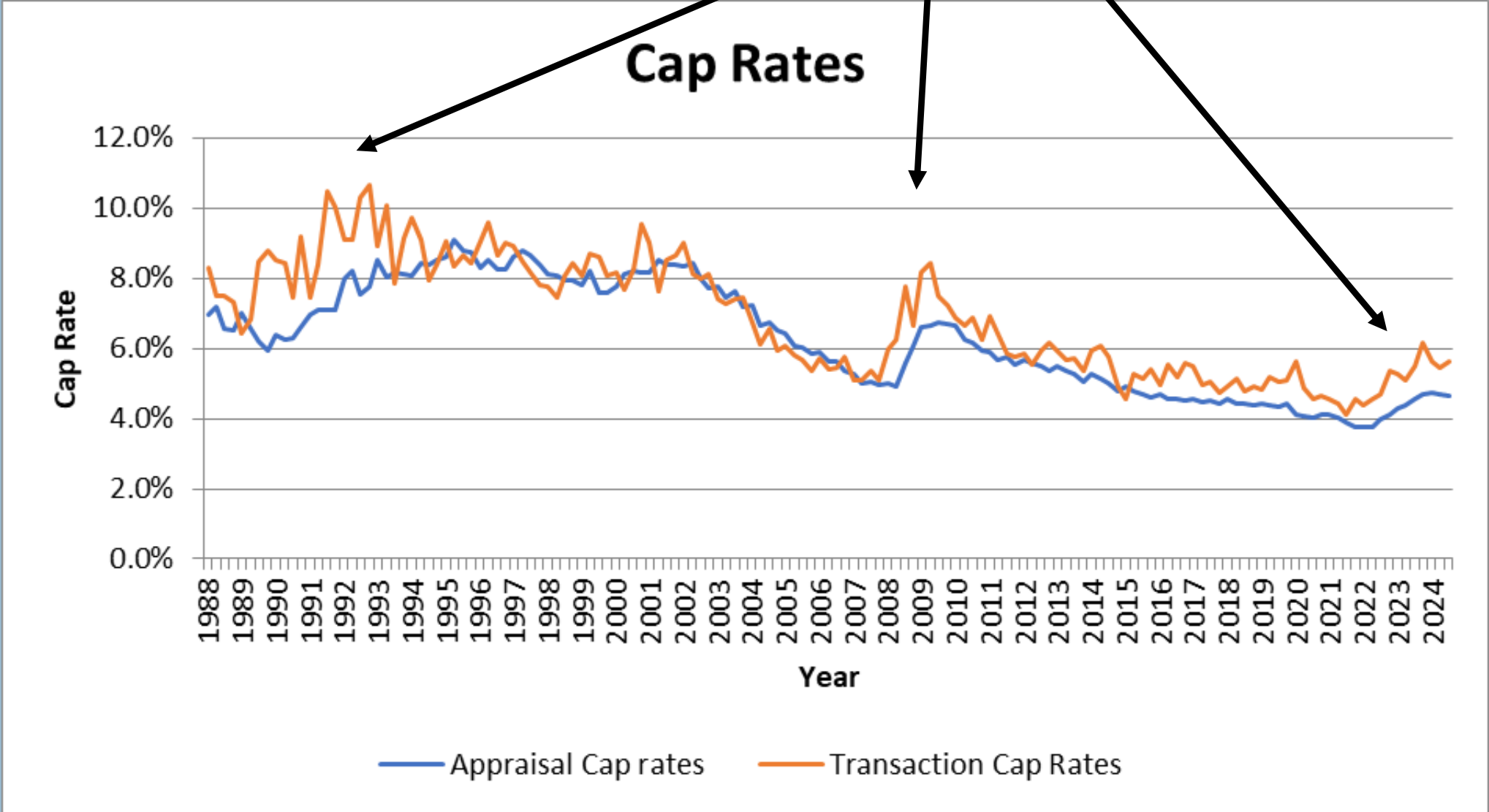


Chart: C-003-2501

Return Components (Quarterly)







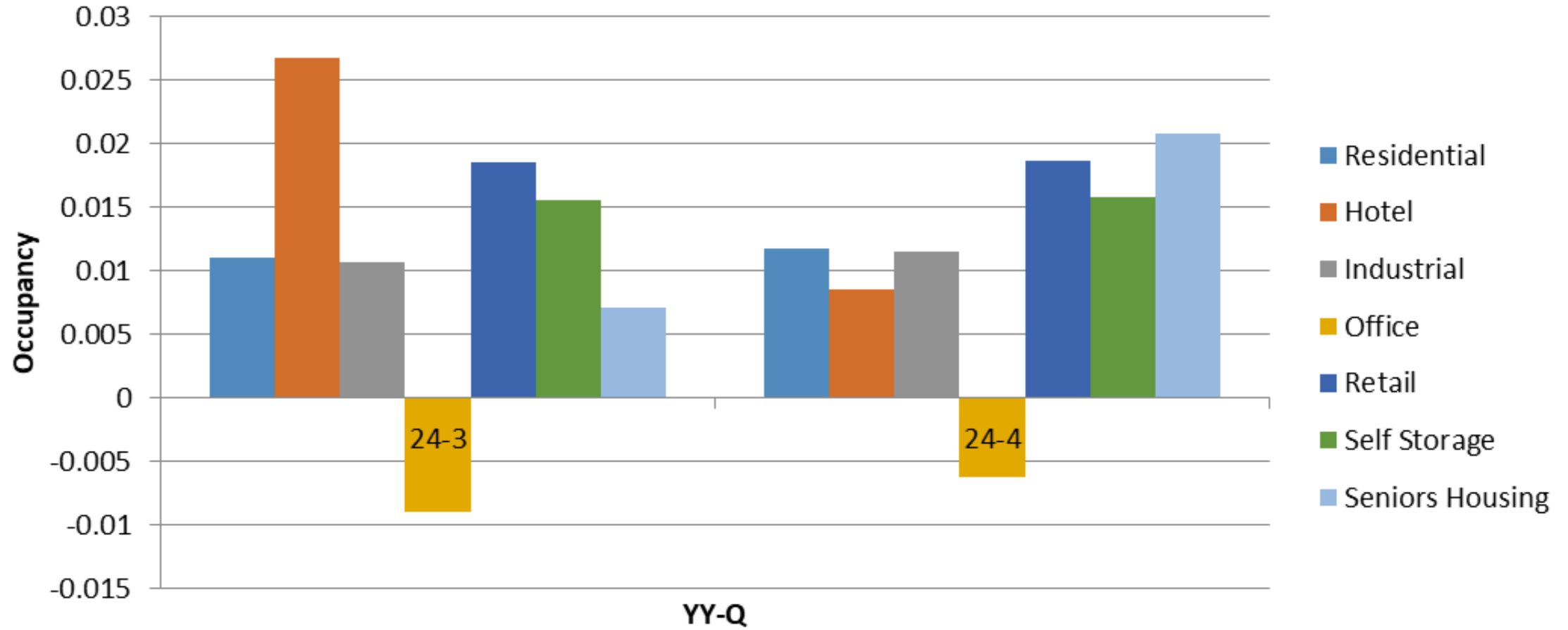
Question

What will be the return for the NPI for calendar year 2025 (annual return)?

- A. Below zero
- B. Zero to 3% .
- C. 3% to 6%.
- D. Greater than 6%.



NPI by Property Type

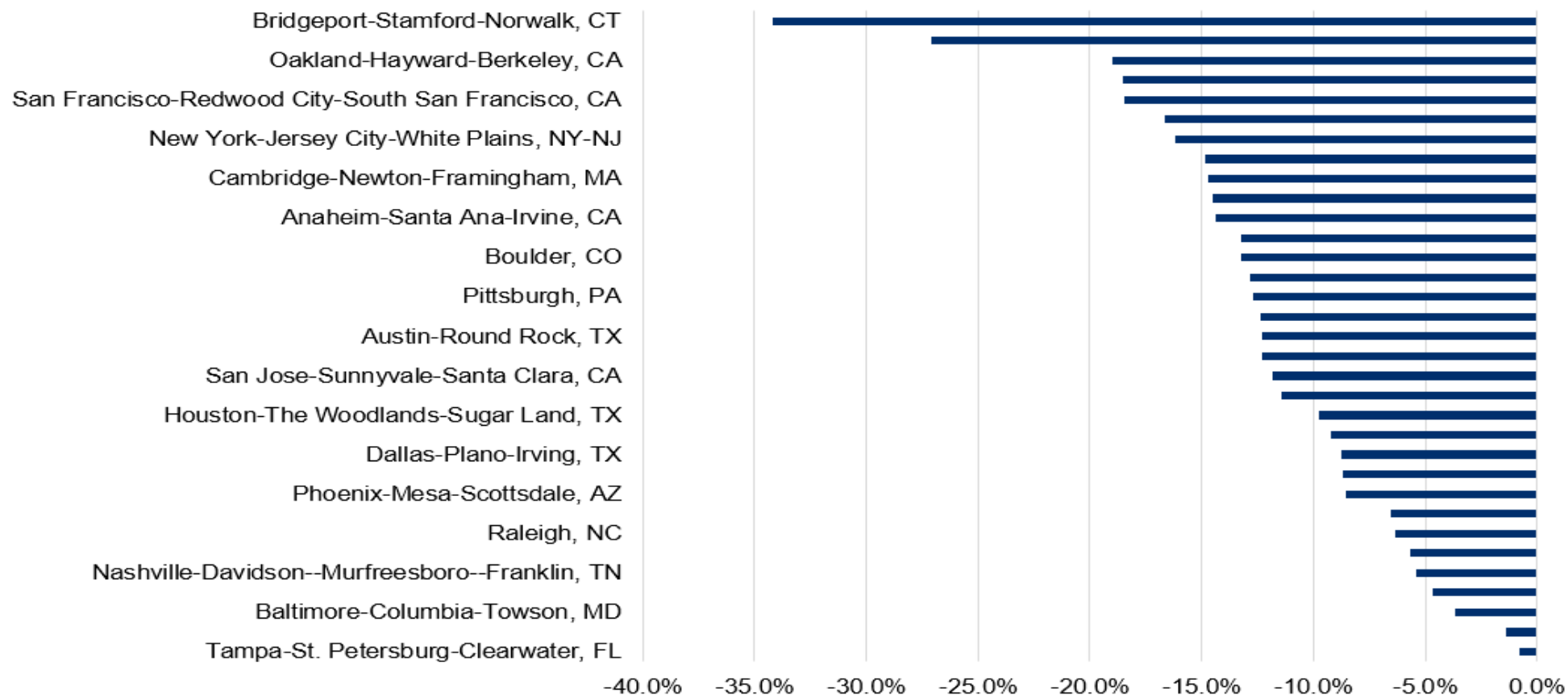


Office: Still Negative But a Wide Dispersion of Returns

TAKEAWAY:

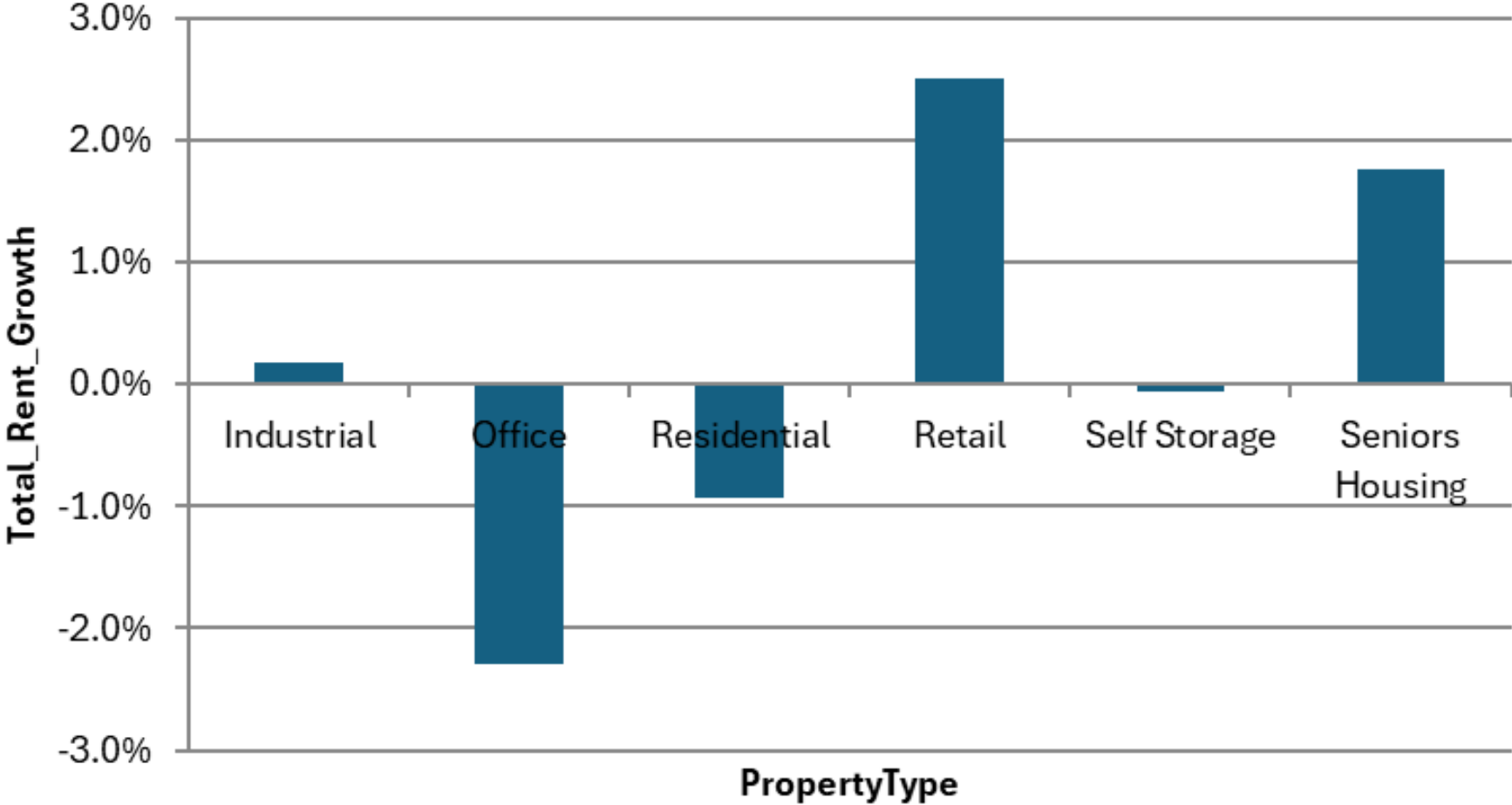
- Office values broadly declined but the delta between top and bottom was very large

TOTAL RETURNS, OFFICE, 1 YEAR TRAILING

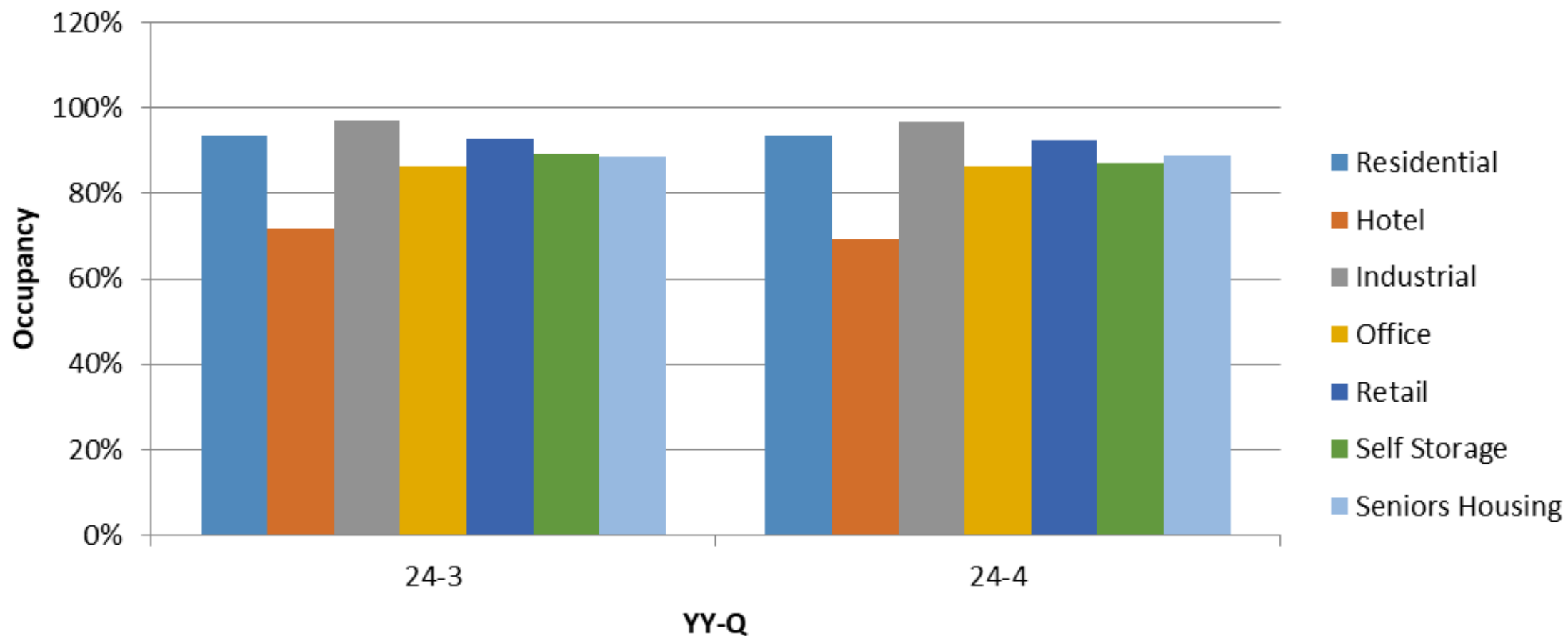


Source: NCREIF, Clarion Partners Investment Research, Q4 2024. Note: Past performance is not indicative of future results. Please see the important disclosures at the end of this presentation.

Rent growth by property type

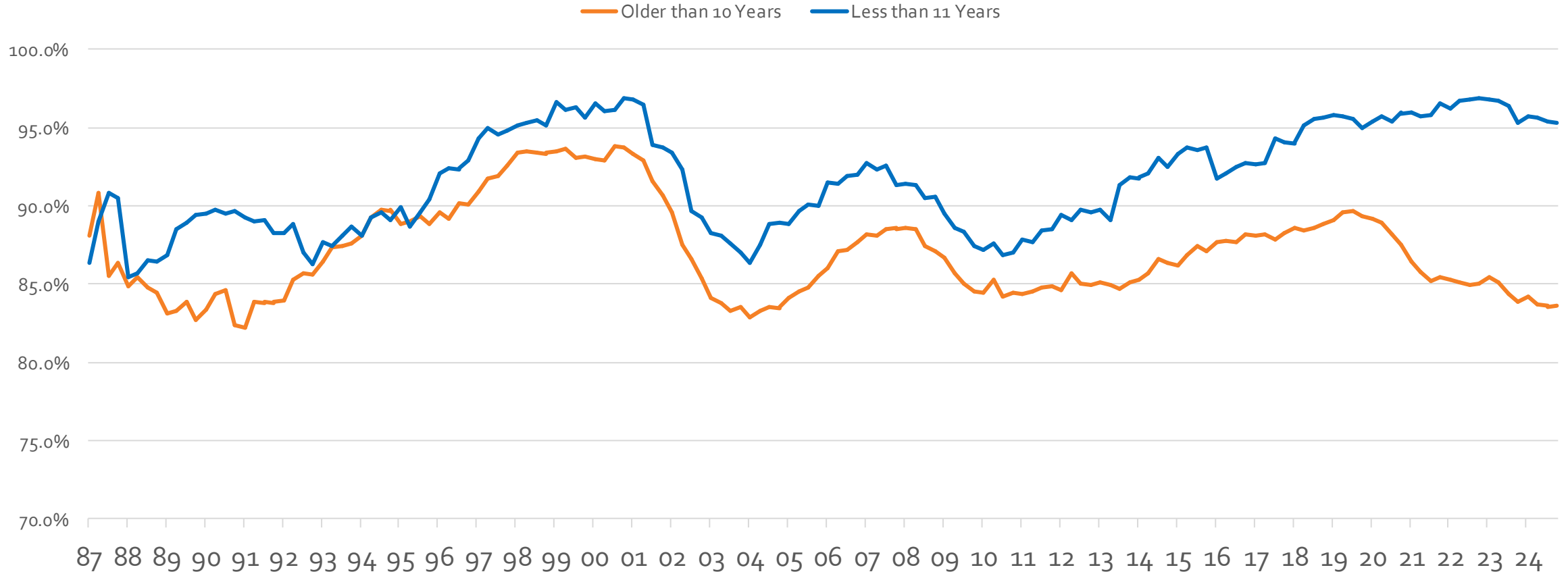


NCREIF Percent Leased by Property Type



Younger Office Properties Continue to Have High Occupancy Rates

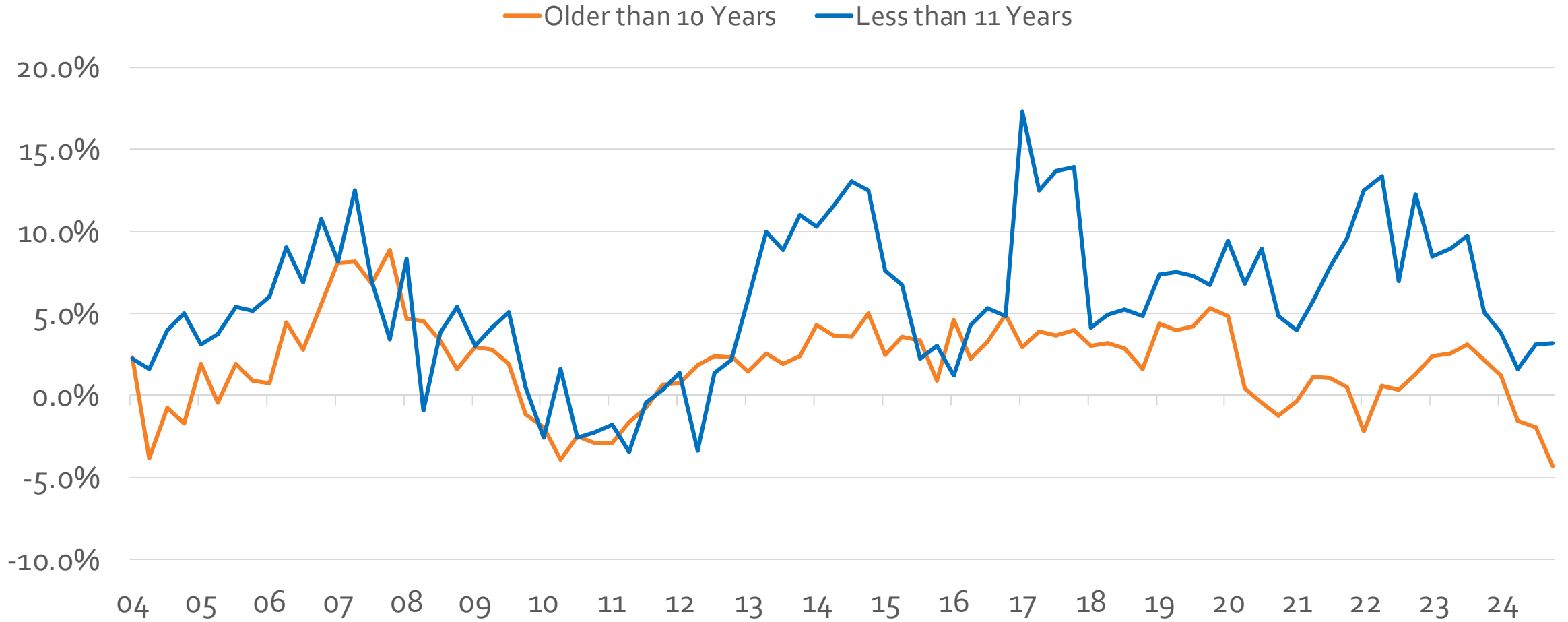
NPI Office Occupancy Rates by Age



• Sources: NCREIF; Hines Research; as of 2024Q4

Younger Office Properties Continue to See Rent Growth

NPI Office Annual Rent Growth by Age

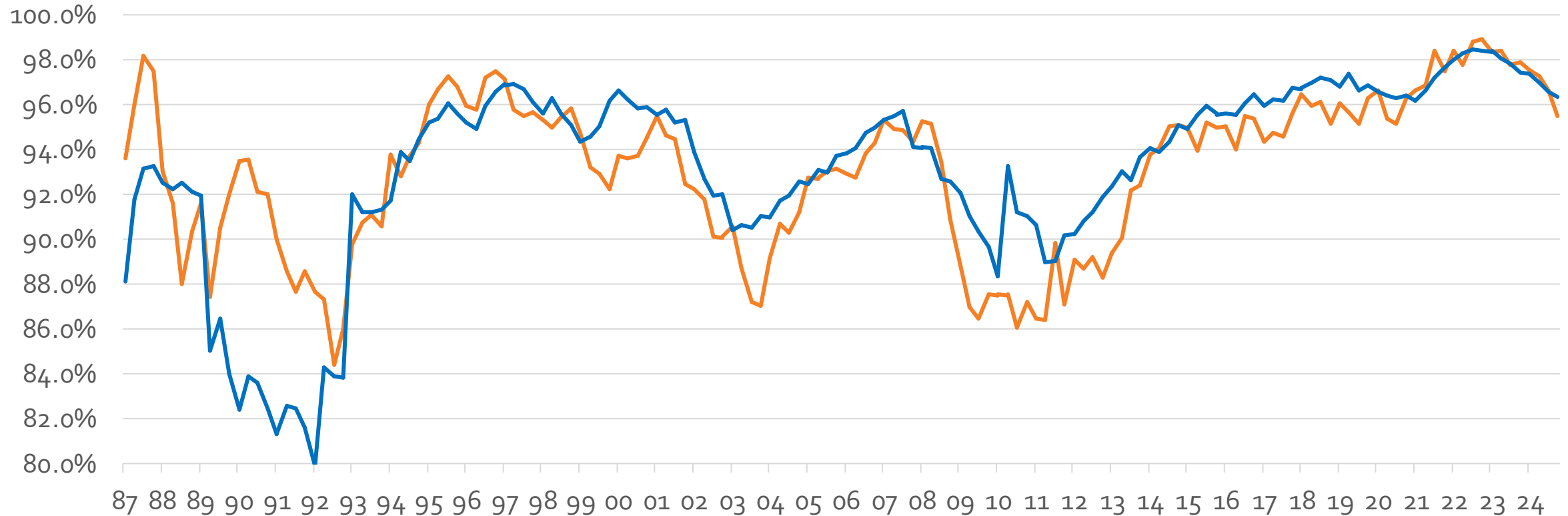


• Sources: NCREIF; Hines Research; as of 2024Q4

Occupancy Trending Down for Both Large and Smaller Warehouses

NPI Warehouse Occupancy Rates by Size of Shed

— > 1 MSF — <250 KSF

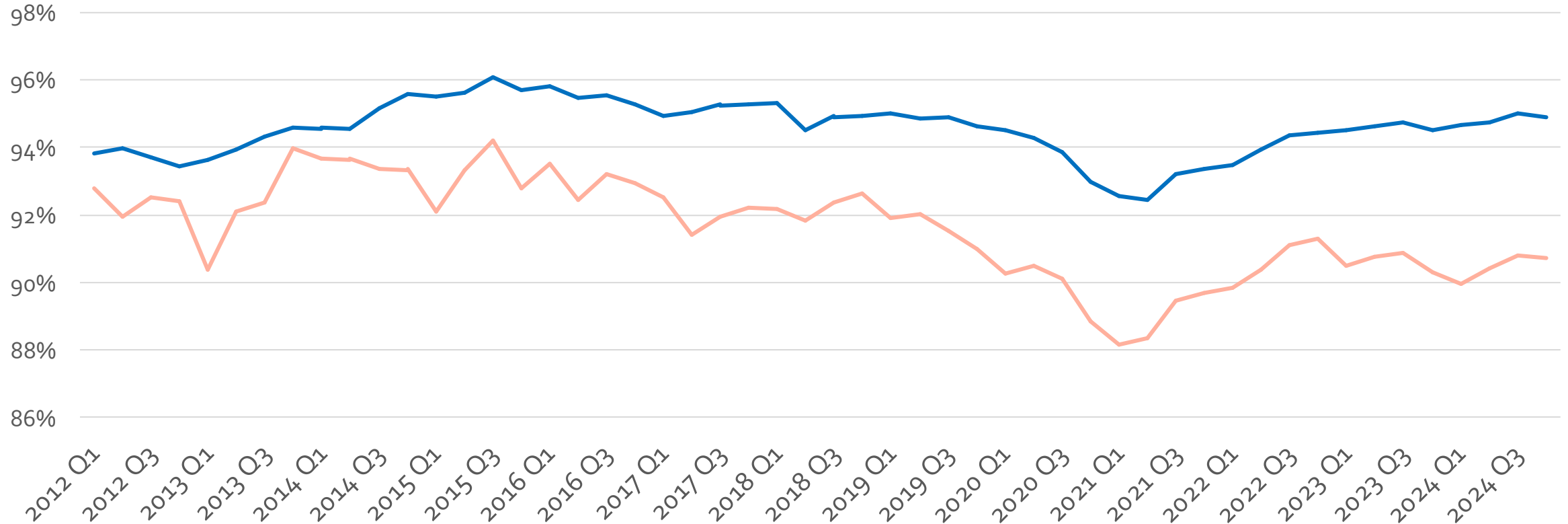


- Sources: NCREIF; Hines Research; as of 2024Q4

The Presence of a Grocer Adds about 500 bps to Retail Occupancy Rates

Open Air Retail Occupancy

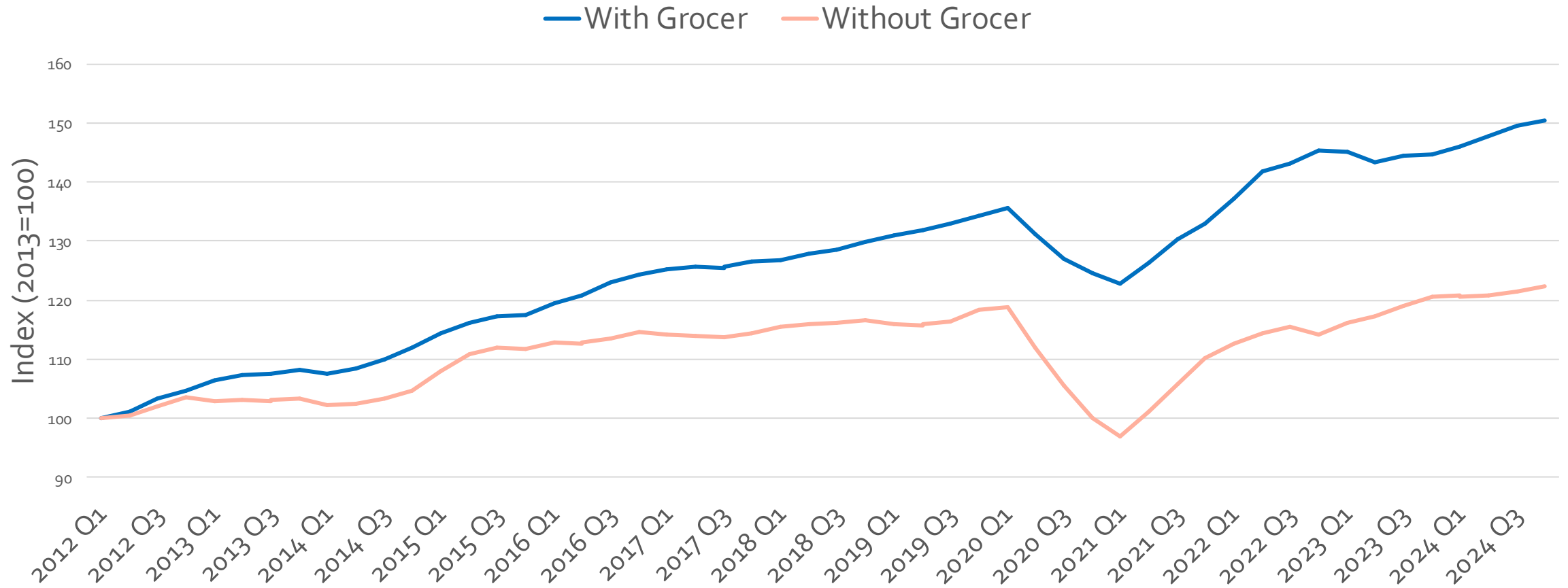
— With Grocer — Without Grocer



• Sources: NCREIF; Hines Research; as of 2024Q4

Grocers Dramatically Improve Long-term Income Growth

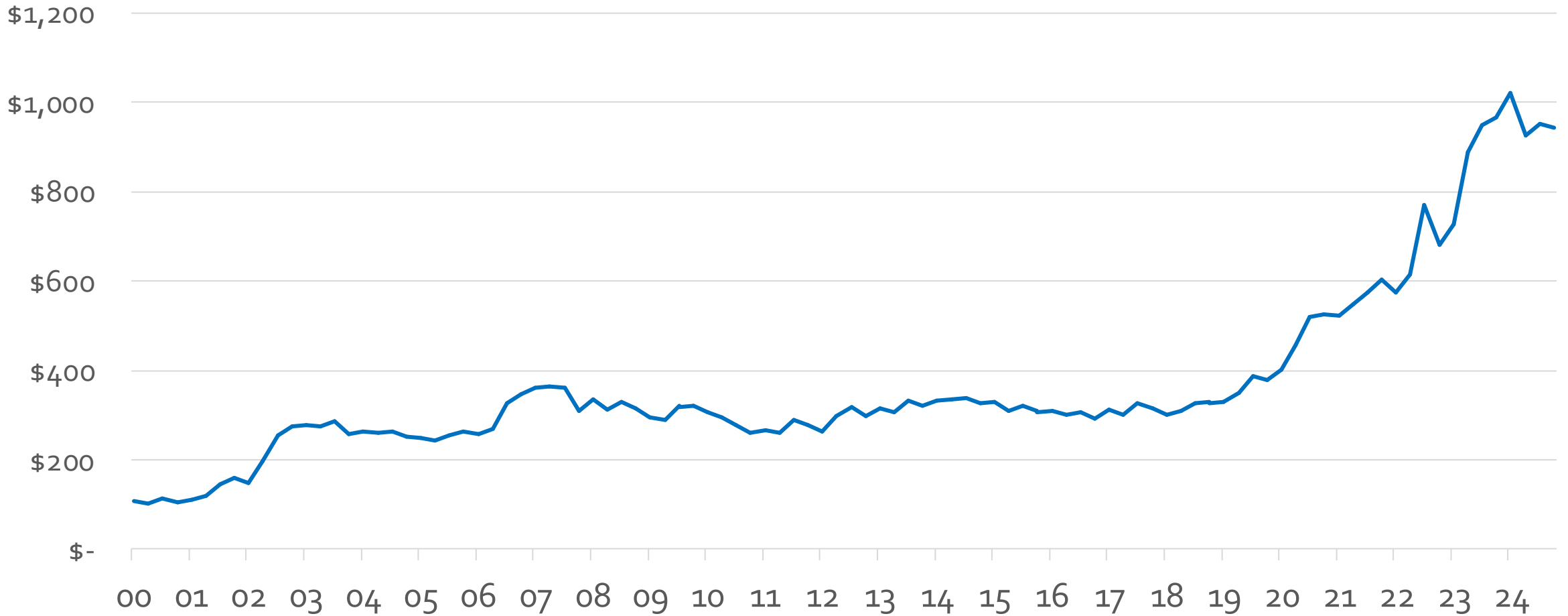
Open Air Retail NOI Index



• Sources: NCREIF; Hines Research; as of 2024Q4

The Insurance Spike Eased a bit in 2024

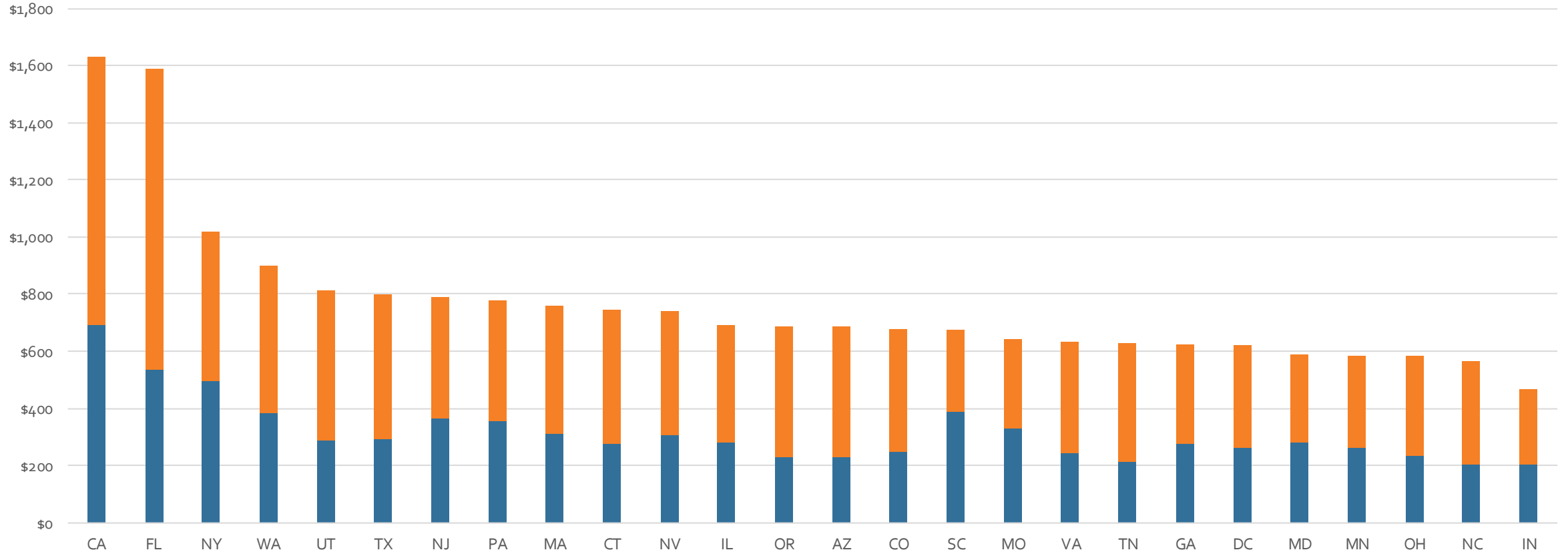
Annualized NPI Insurance Costs per Apartment Unit



Two of These States are Not Like the Others

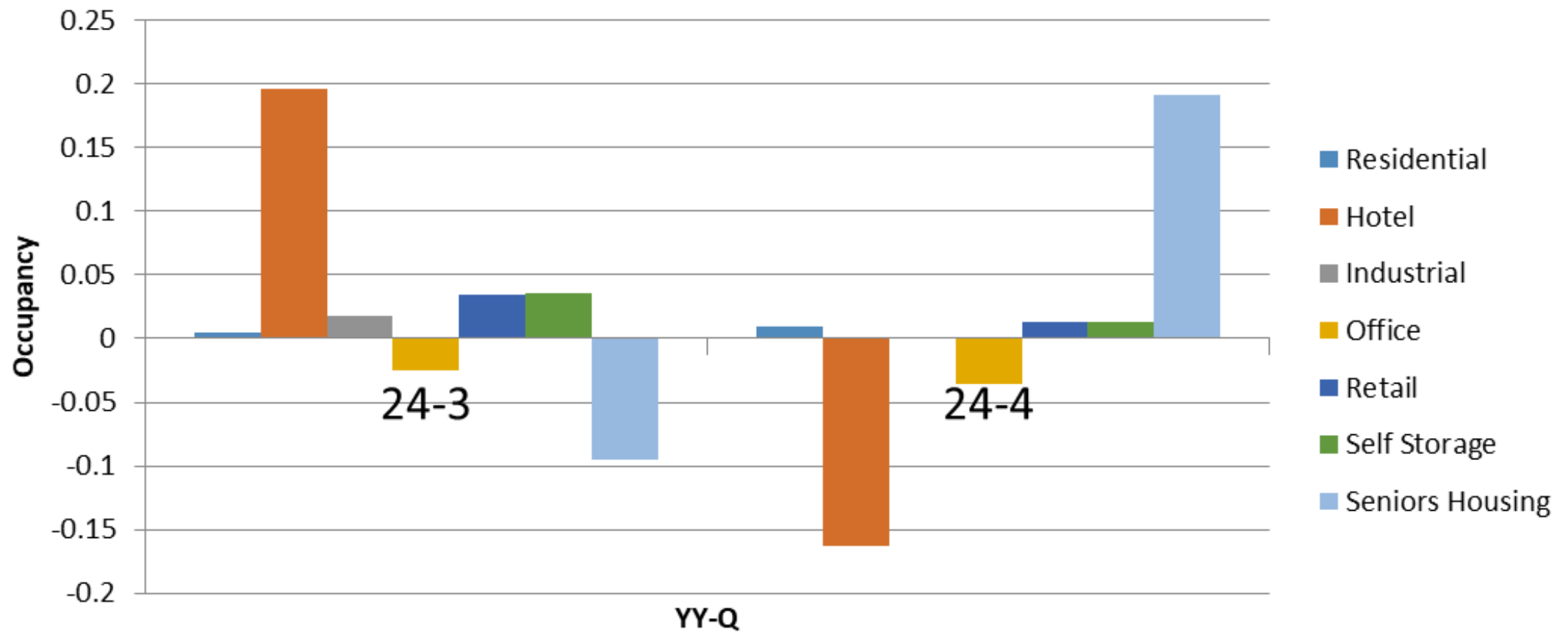
NPI Apartment Insurance Costs per Unit by State

2024 Average 2019 Average

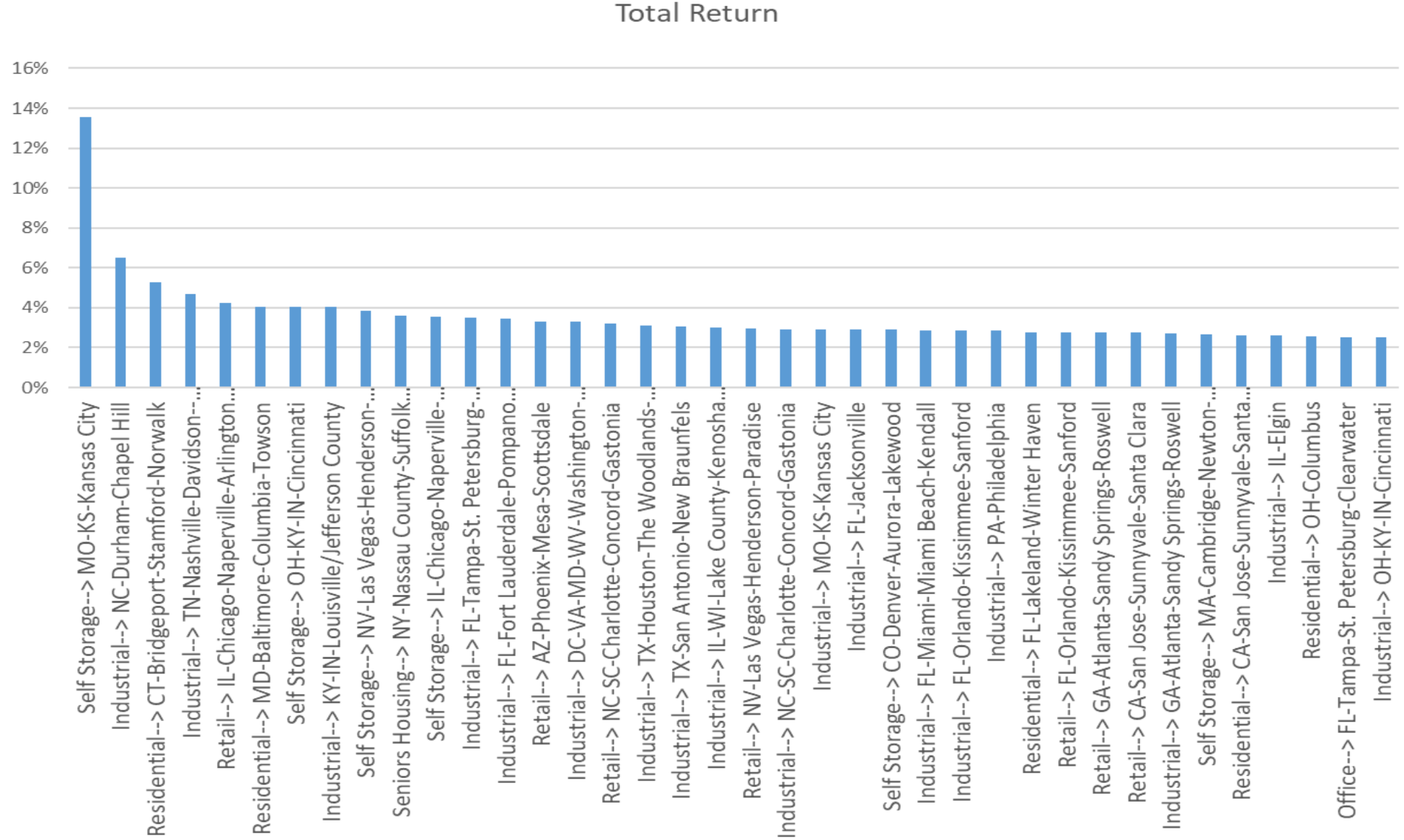


Sources: NCREIF; Hines Research; as of 2024Q4

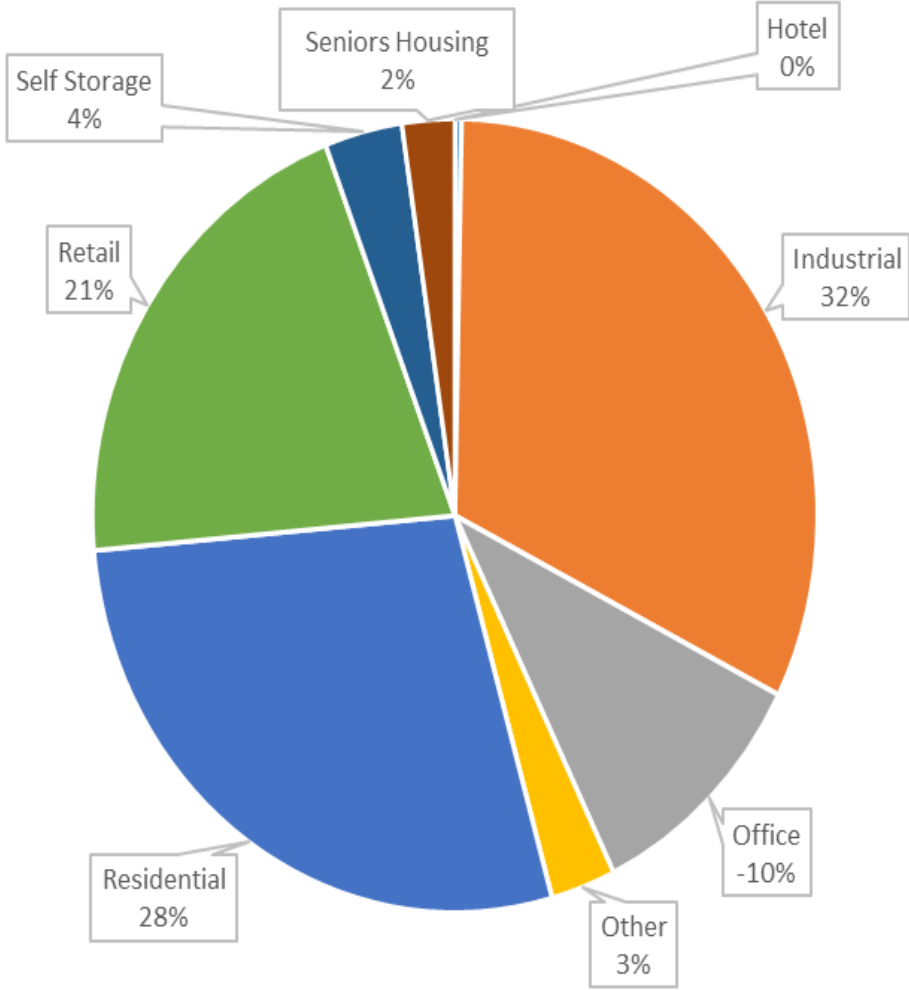
NOI Growth by Property Type



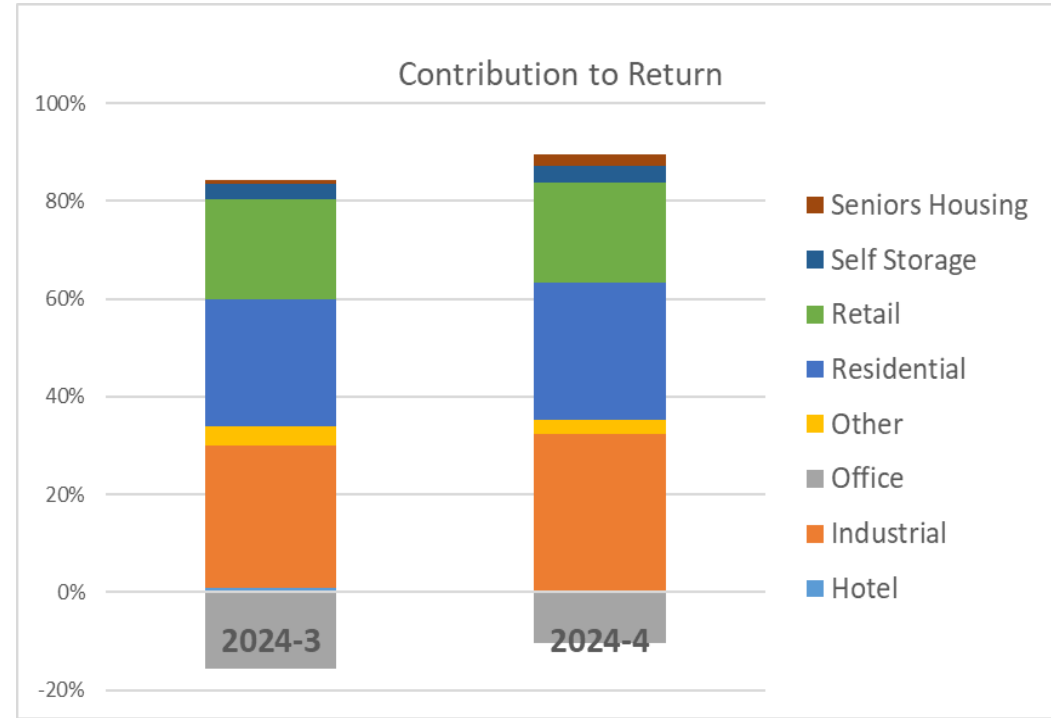
Highest returns by Property Type and CBSA



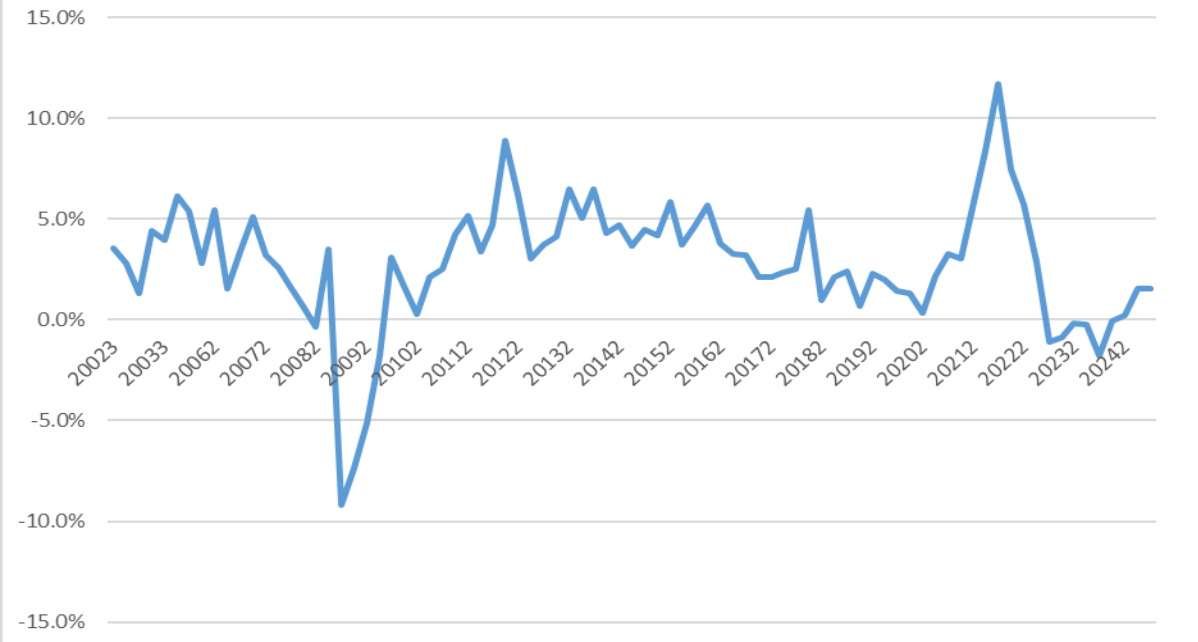
Contribution to Return



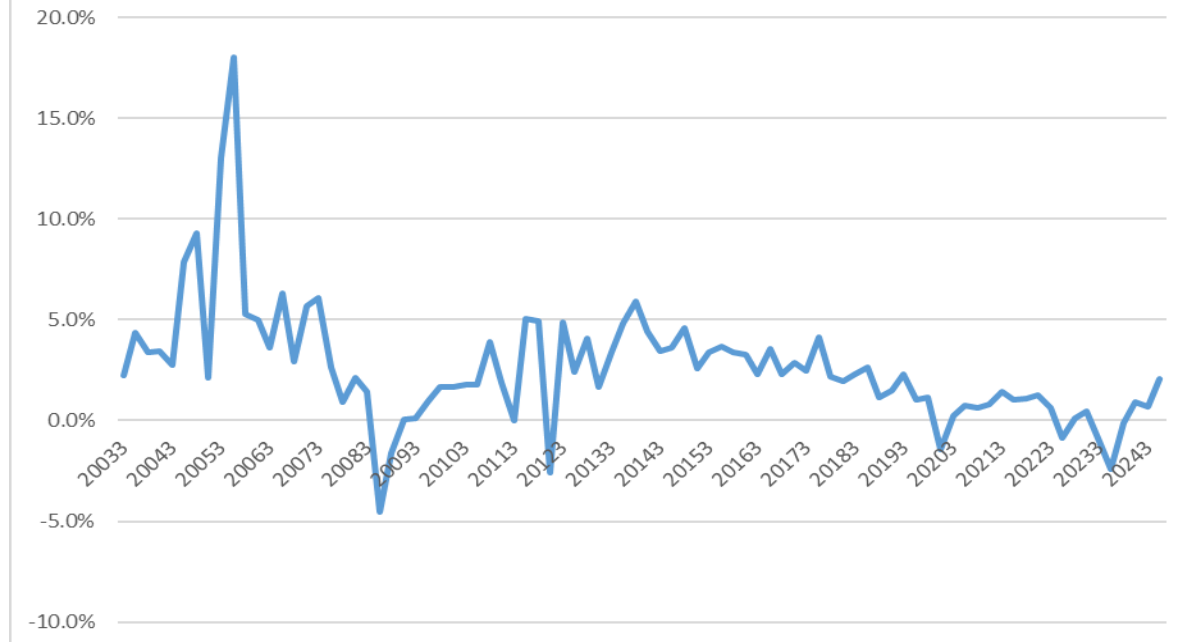
Contribution to Return



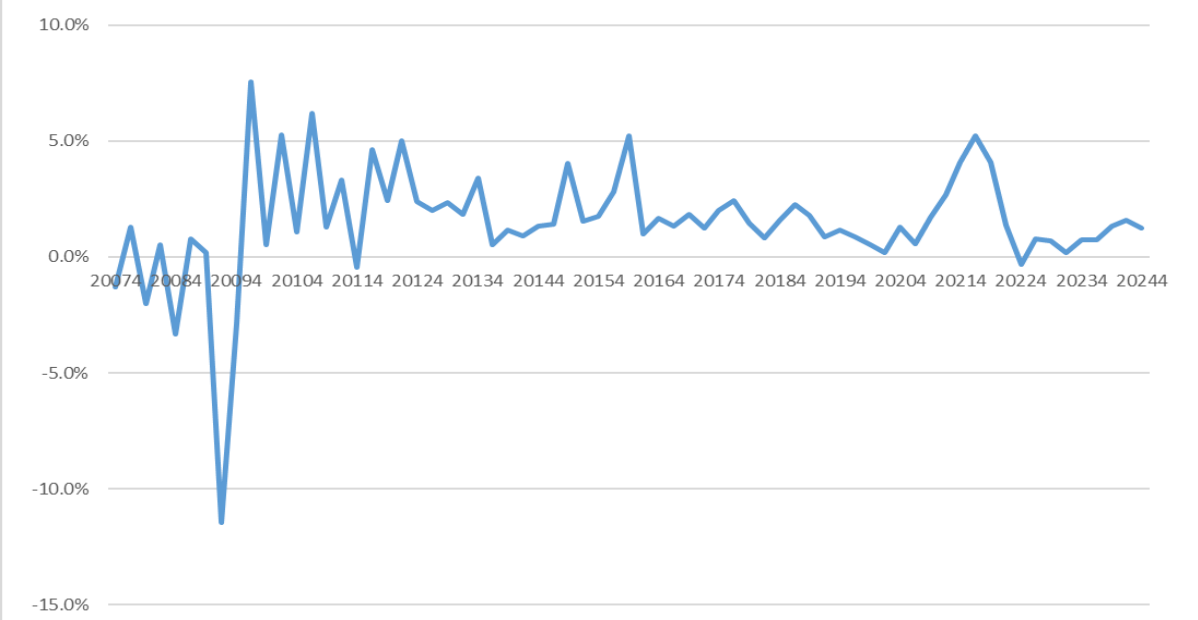
Self Storage Total_Return



Seniors Housing Rental Total_Return



Student Housing Total_Return



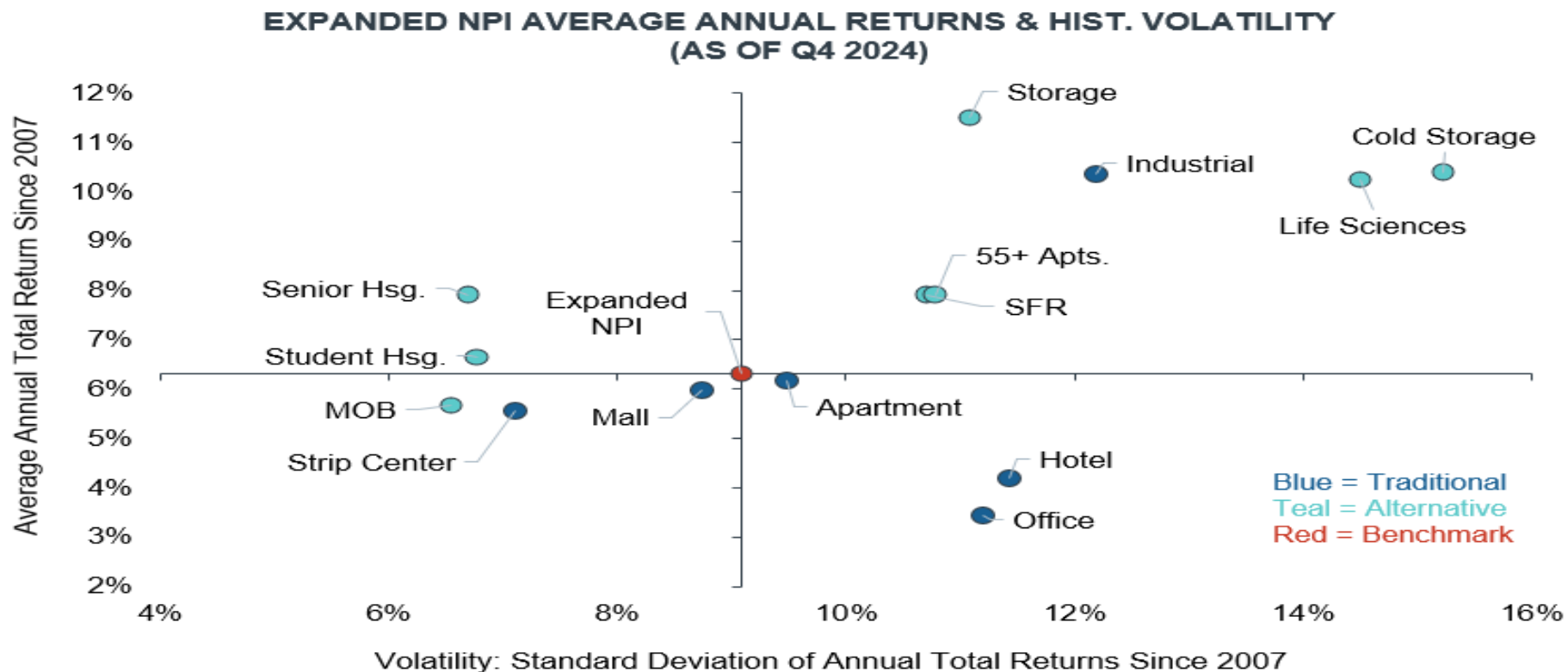
Data Centers Total_Return



Seniors, Student, and Self-Storage Have Generated the Highest Historical Risk-Adjusted Return

TAKEAWAY:

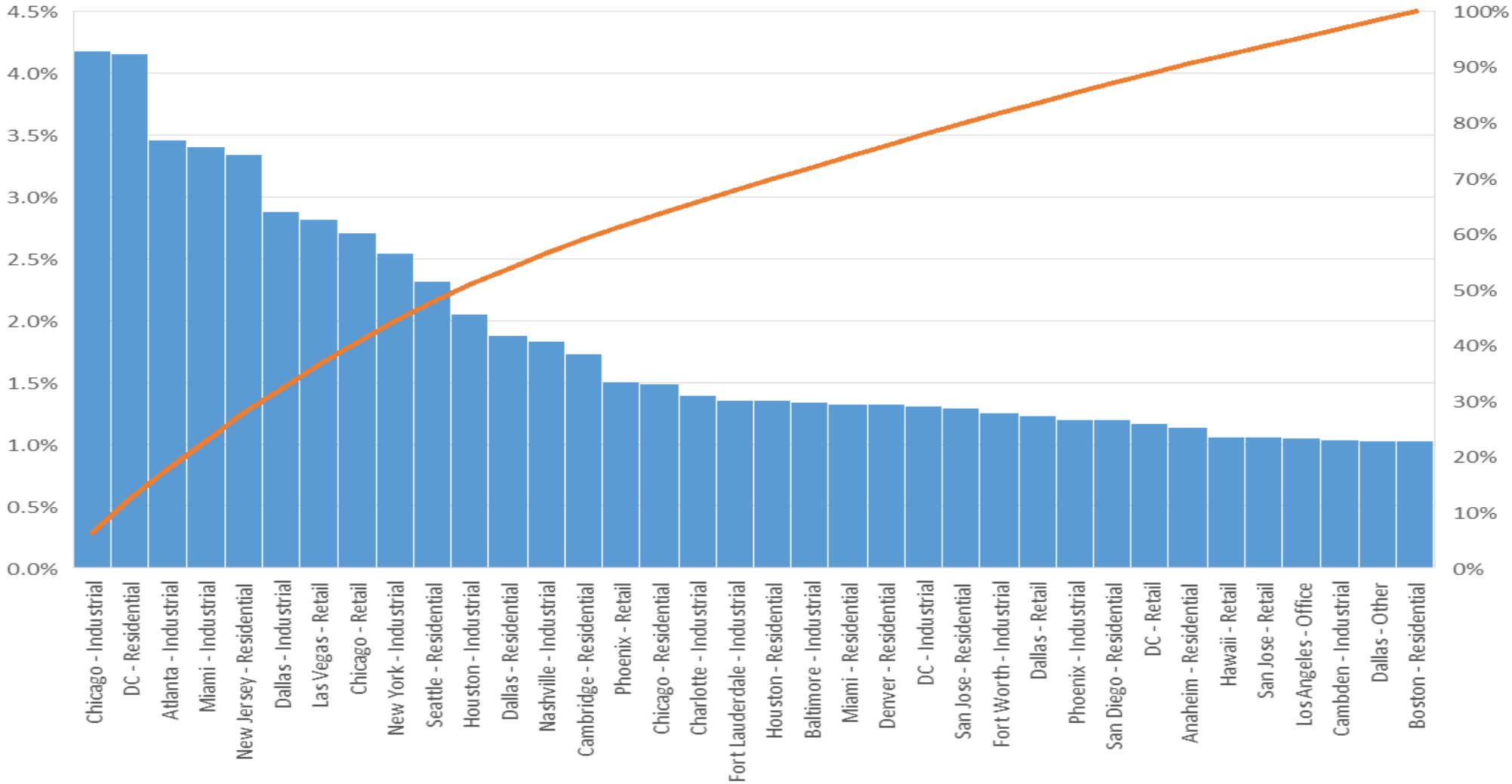
- Among traditional property types, industrial accounted for the highest risk-adjusted return since 2007



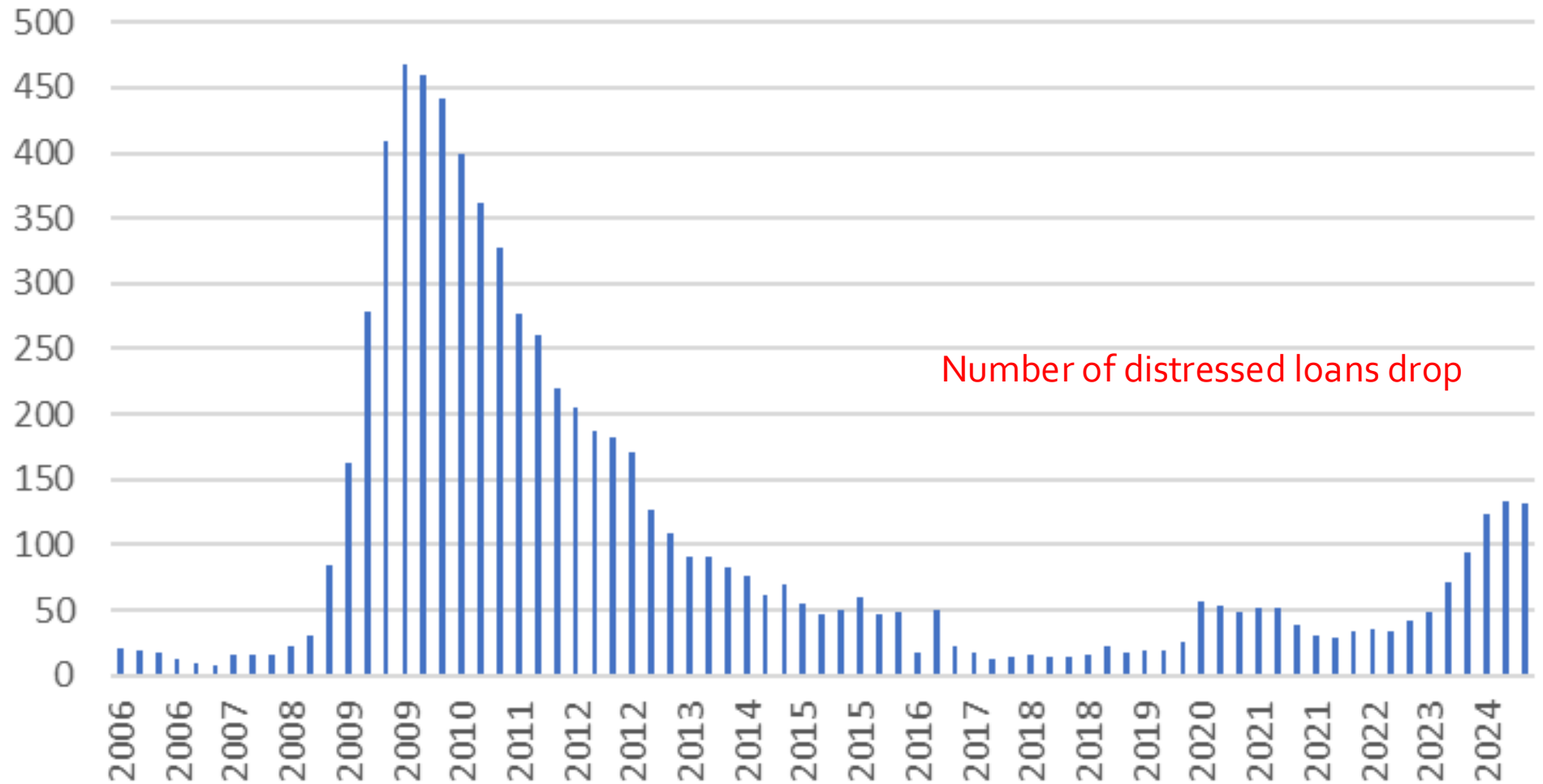
Source: NCREIF, Clarion Partners Investment Research, Q4 2024.

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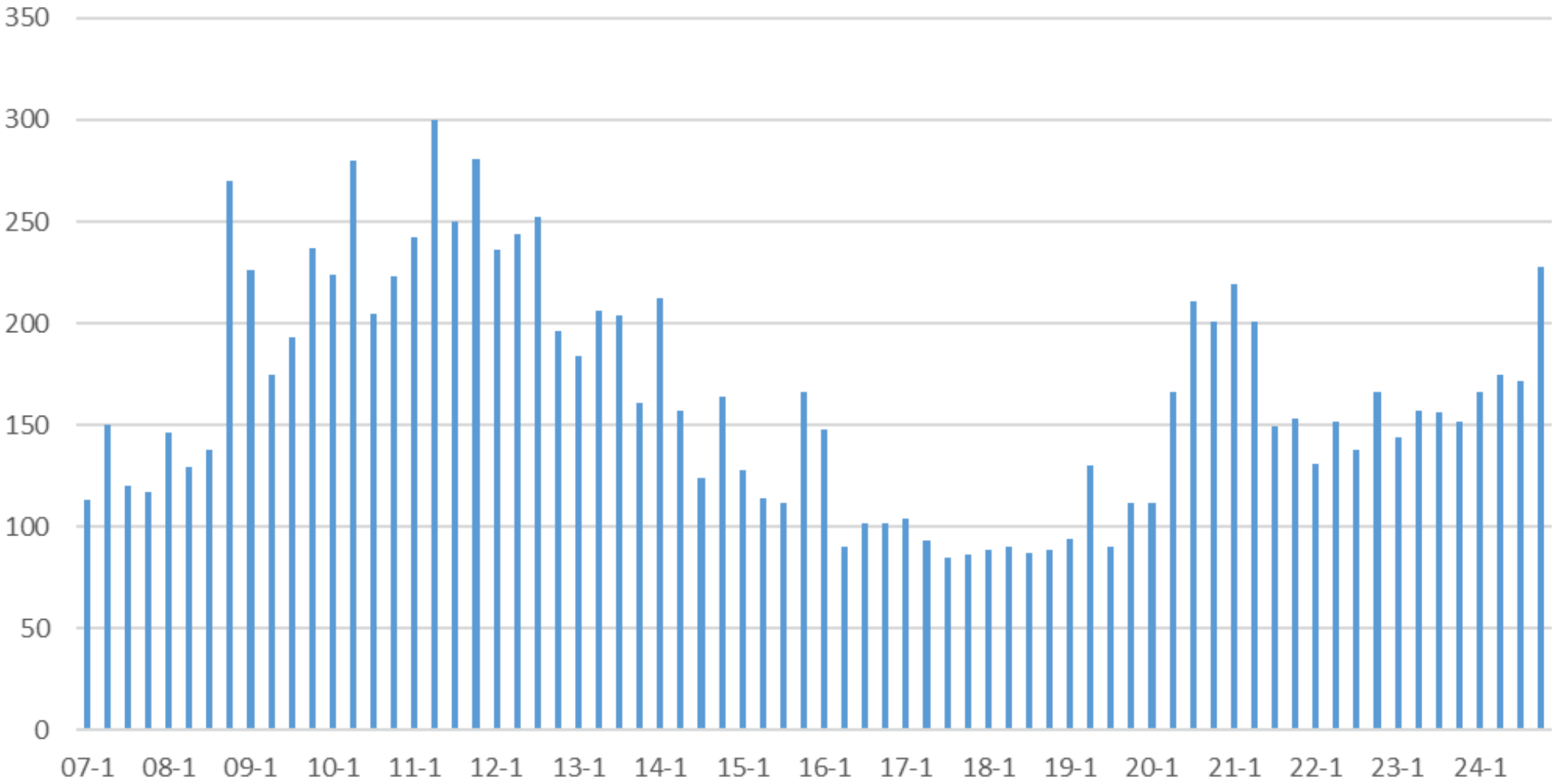
Top Contributions to Return



Loans with LTV ≥ 1



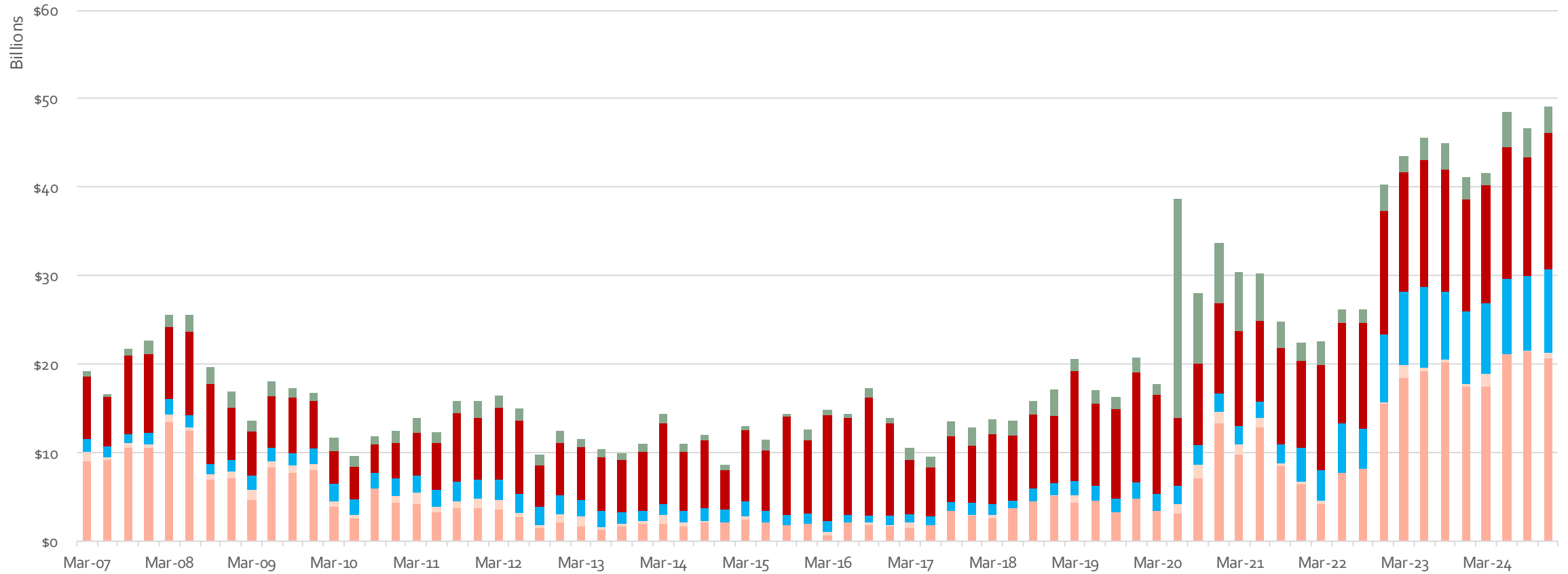
Loans with NOI < Principal (DSCR < 1)



Still a Lot of Problematic Loans Out There

Market Value of NPI Properties with DSCR < 1

Apartment Hotel Industrial Office Retail



Source: NCREIF, Hines Research; as of 2024Q4

Question

- What Property Sector do you think will perform best (highest total return) for 2025?
 - A. Residential
 - B. Office
 - C. Industrial
 - D. Retail
 - E. Alternatives (next slide)



Question

- What Property Sector do you think will perform best (highest total return) for 2025?
 - A. Data centers
 - B. Self storage
 - C. Senior housing
 - D. Medical Office
 - E. Hotel



Summary of 4th Quarter 2024



- Returns positive for second straight quarter
- Returns turn positive for all of 2024
- Market values rise slightly
- Returns positive for all sectors except office.
- Rent growth turns slightly negative
- NOI growth still slightly positive
- Percent leased stable
- Cap rates relatively flat
- Props with a market value less than the loan balance decrease
- Leverage back in positive territory.
- Liquidity slowly improving



Thank you

For more information on NCREIF or the NCREIF data and indices, as well as the NCREIF Academy and upcoming conference, please visit:

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Also, for those interested, there will be a webinar next week to introduce the new NCREIF API.

