

NCREIF  
SUMMER WEBINAR SERIES

**2024**



# **Getting to know NCREIF, Digging into 2Q Data, and The Road to Price Discovery**

August 12, 2024

# Presented by the NCREIF Valuation Committee

*The Valuation Committee hosts this webinar which kicks off with Dan Dierking, President, giving a high-level overview of the organization, its goals and its inner workings. They then pivot to Brian Velky from Situs AMC and Robby Tandjung from Altus Group who are prepared to provide insights into the freshly released Q2 data.*

*Finally, Valuation Vice-Chair Andrew Sabatini will moderate a discussion with panelists Jay Marling from Capright and Paula Thoreen from Cushman & Wakefield. This panel will delve into why valuations matter and the road to recognizing price discovery.*

# NCREIF Valuation Committee

## Chair



Keith Strohl, MAI  
National Property Valuation Advisors  
Principal



Harris Markowitz, CPA  
Clarion Partners LLC  
Senior Vice President, Asset Management

## Vice Chairs



Andrew Sabatini, MAI, CRE  
SitusAMC  
Managing Director, Head of Equity Valuation  
Management Americas



# Getting To Know NCREIF



Dan Dierking

National Council of Real Estate Investment Fiduciaries

(NCREIF)

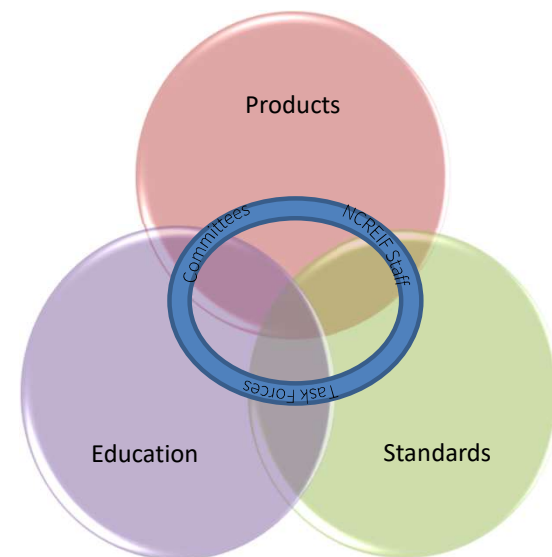
President



# NCREIF Overview

NCREIF is a member-driven, not-for-profit association that improves private real estate investment industry knowledge by providing transparent and consistent data, performance measurement, analytics, standards and education.

- Developing and producing performance measurement indices, benchmarks and actionable information related thereto;
- Encouraging industry, academic and member use of NCREIF data and information for objective analysis and superior decision making;
- Providing forums with strong educational content to address industry issues, offer professional development and to improve industry best practices;
- Publishing informed, industry-related articles and reports; and
- Contributing to the ongoing improvement of real estate Reporting Standards.



# History

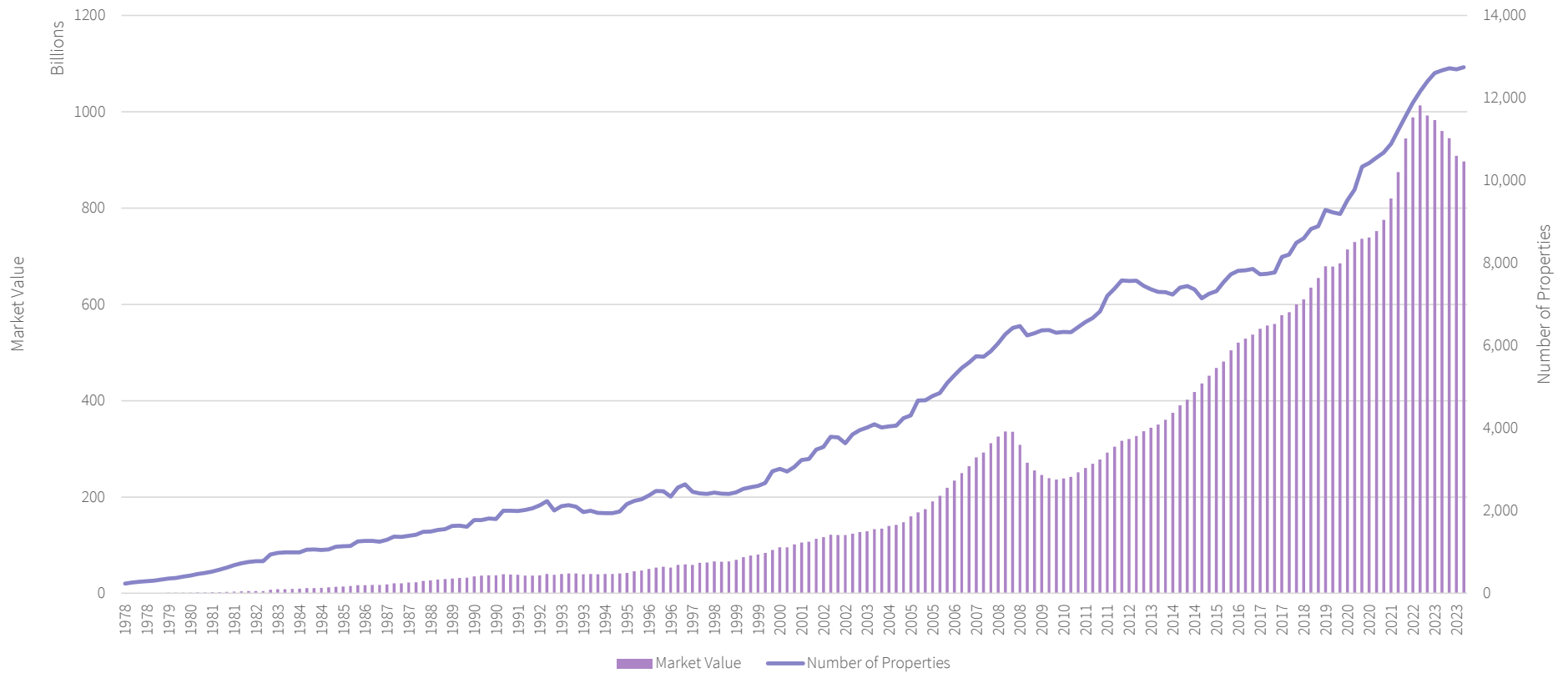
“Give me the equivalent of the S&P 500!”

- Established in 1982, formed specifically to respond to institutional investors needs for a measure of real estate performance
- Beginnings date back to the mid-1970s
  - Pension funds first began allocating capital to private commercial real estate
- Formed as a not-for-profit industry association with specific objective:
  - To develop a standard measure of investment performance reporting on privately-owned commercial real estate assets owned in a fiduciary environment

# History

- Initial support by Frank Russell Company and 14 real estate investment managers
  - NPI start date: December 31, 1977
    - Number of properties: 233
    - Market value: \$580.9 Million
- Today, membership includes institutional investors, real estate investment managers, consultants, academics, appraisers, CPAs and other service providers
  - Expanded NPI: Second Quarter 2024
    - Number of Properties: 12,789
    - Market Value: \$890 Billion

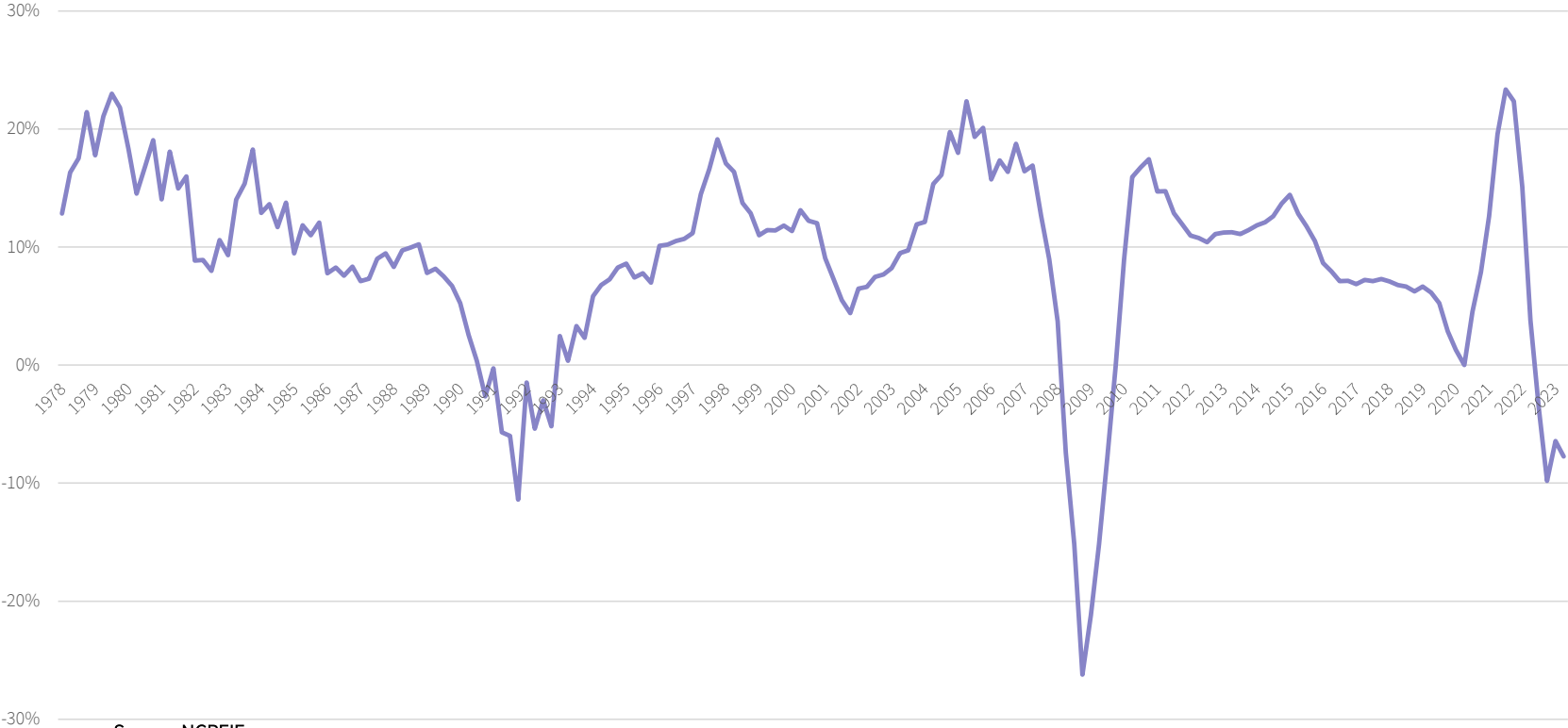
# 1977-2024: A Massive Asset Class





# Been a Long Ride

NPI Rolling Four Quarter Total Return

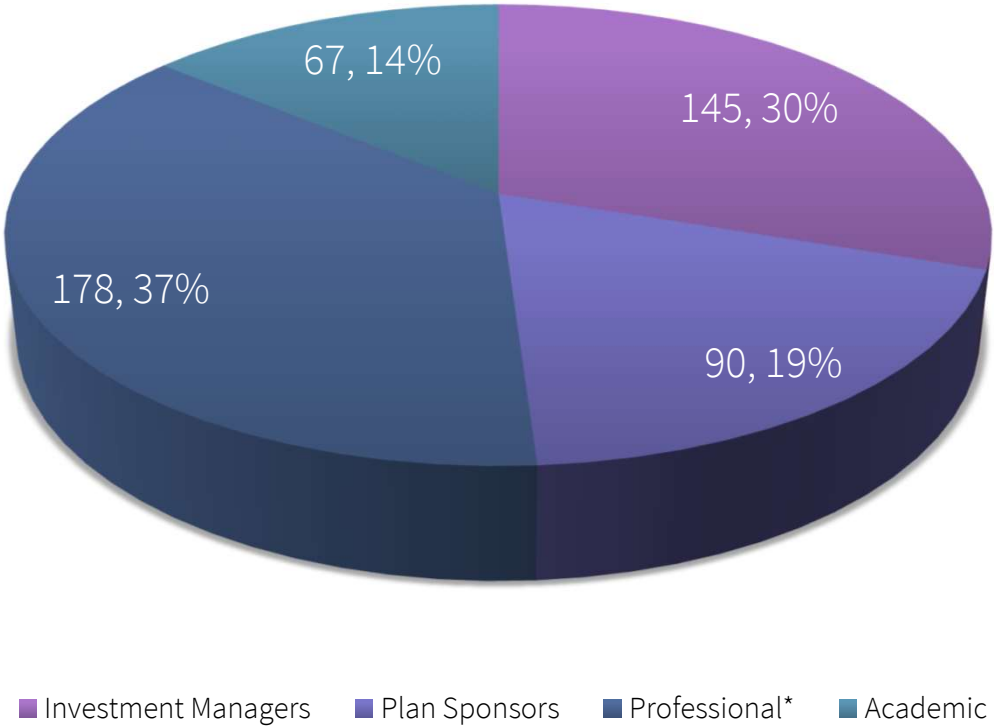


Source: NCREIF

## Where is NCREIF Now

- **Size of the Database:** Approximately 40,000 Unique Properties; Over \$800B Total Asset Value
- **Data Elements Collected:** Over 60 Property Fields and Over 100 Fund Fields Collected Quarterly
- **Number of Indexes and Universes Published:** Over 25 Official Indexes/Measures Produced Quarterly
- **Education Program:** Over 600 industry professionals currently enrolled in the NCREIF Professional Certificate Program, and 44 have completed the program

# Membership Overview



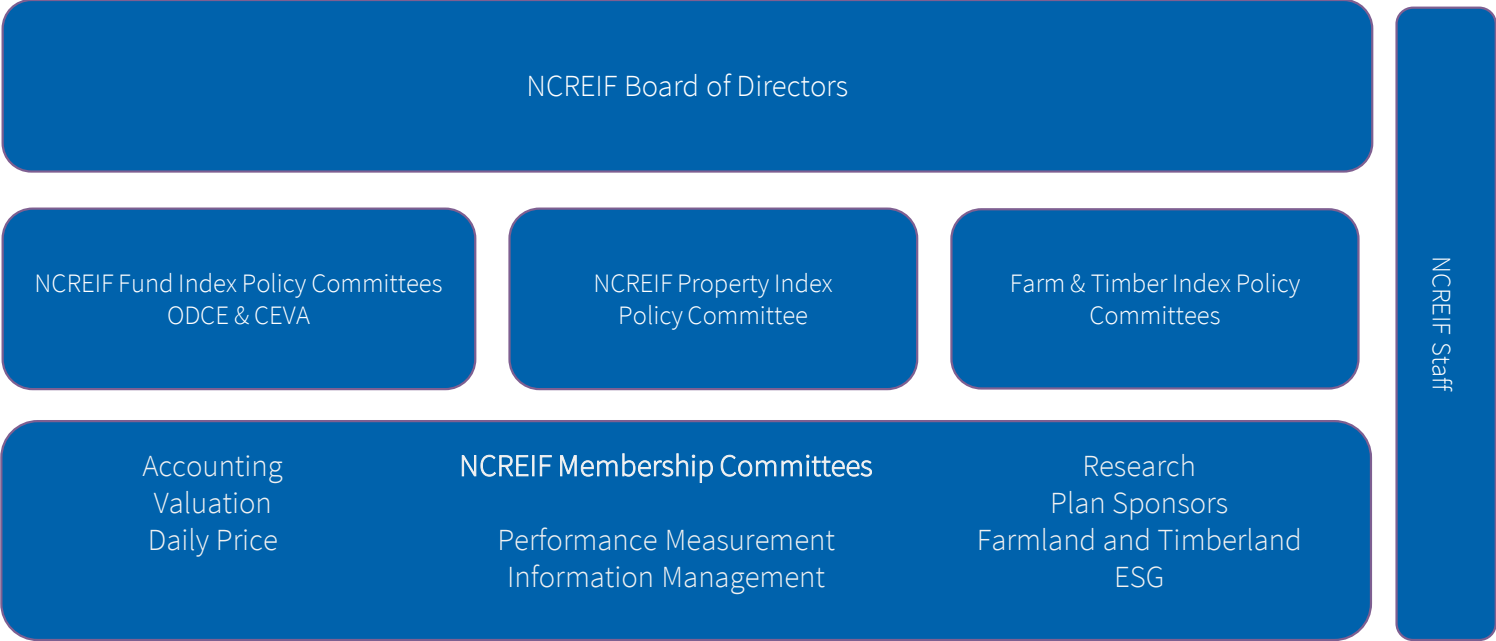
# Standing Committees

“Our Committee Structure is the Organization’s Backbone”

- NCREIF’s Mission is achieved through its committee structure;
- Members meet to address industry concerns;
- Work to implement consistent reporting methodologies;
- Advance NCREIF products;
- Working sessions to provide industry white papers, guidance and manuals

Everyone is welcome

# NCREIF Membership Structure



# Classic & Expanded

Classic NPI Qualifying Property Types

- Apartment
- Hotel
- Industrial
- Office
- Retail



Expanded NPI Qualifying Property Types

- Residential
- Hotel
- Industrial
- Office
- Retail
- Self-Storage
- Seniors Housing
- Other

## Key NCREIF Initiatives

- Product and Service Expansion
  - Debt Funds
  - Valuation Trends
- Advance Technology
  - Improved Collection System
  - Refined Output Strategy
  - APIs
- Strategic Planning
- Continued Membership Expansion
- Global Alliance
  - Indices / Research / Reporting Standards

# Education Program – NCREIF Academy

NCREIF offers educational opportunities in support of our mission and industry

- NCREIF provides a forum through its conferences and committee structure to allow newcomers to the industry an opportunity to learn from their peers and seasoned veterans.
- NCREIF offers a Professional Certificate Program in Institutional Real Estate with courses offered each summer at Southern Methodist University (SMU) in Dallas, as well as in conjunction with NCREIF conferences. We also offer some courses virtually.
- Academy courses provide both:
  - In-depth practical knowledge to help you in your day job.
  - Overviews of the various disciplines integral to the institutional real estate sector.



# 2024 Education Schedule

**Performance Measurement & Benchmarking**  
March 25 - Phoenix

**Performance Reporting & Manager Evaluation**  
March 28 – Phoenix

**Investment Vehicles: Key Terms & Fee Structures**  
April 22, 24, 29, May 1 – Virtual

**Introduction to Reporting Standards**  
June 11-12- Virtual

**Essentials of Institutional Real Estate**  
June 24-25 – SMU Dallas

**Institutional Portfolio Construction & Strategy**  
June 26 – SMU Dallas

**Space Markets Analysis**  
June 27 – SMU Dallas

**Asset and Debt Valuation**  
June 27 – SMU Dallas

**Real Estate Fund Formation**  
July 15-18 – Virtual

**Attribution and Risk Analysis**  
October 14 – Hollywood, FL

**Creating Value Through Sustainability**  
October 14 – Hollywood, FL

**Investment Analysis & Due Diligence**  
October 17 – Hollywood, FL

**Digging into Reporting Standards**  
October 17 – Hollywood, FL



# Poll Question

What is your most valued benefit of NCREIF membership?

- a) Data, Indices, and Reports
- b) Conference Content
- c) Committee and Task Force Involvement
- d) Education Classes and Webinars
- e) I am not a member

# NCREIF Staff Structure

NCREIF Board of Directors – Chair: Candice Todd

Dan Dierking  
President

Technology

Technology Infrastructure

Data Security

IT Operations

Data & Products

Data Collection & Validation

Product Operations

Product Development

Operations

Business Operations

Compliance

Communications

Event Planning

Marketing

Member Services

Business Development

Member Relations

Member Program Management

Education Services

Conferences

Committee Management

# Digging into 2Q Data



Brian Velky, CFA, CRE, MAI  
SitusAMC  
Managing Director, Head of Real Estate  
Valuation Services



Robby Tanjung, MAI, CRE, FRICS  
Altus Group  
Executive Vice President, Global Head –  
Valuation Advisory

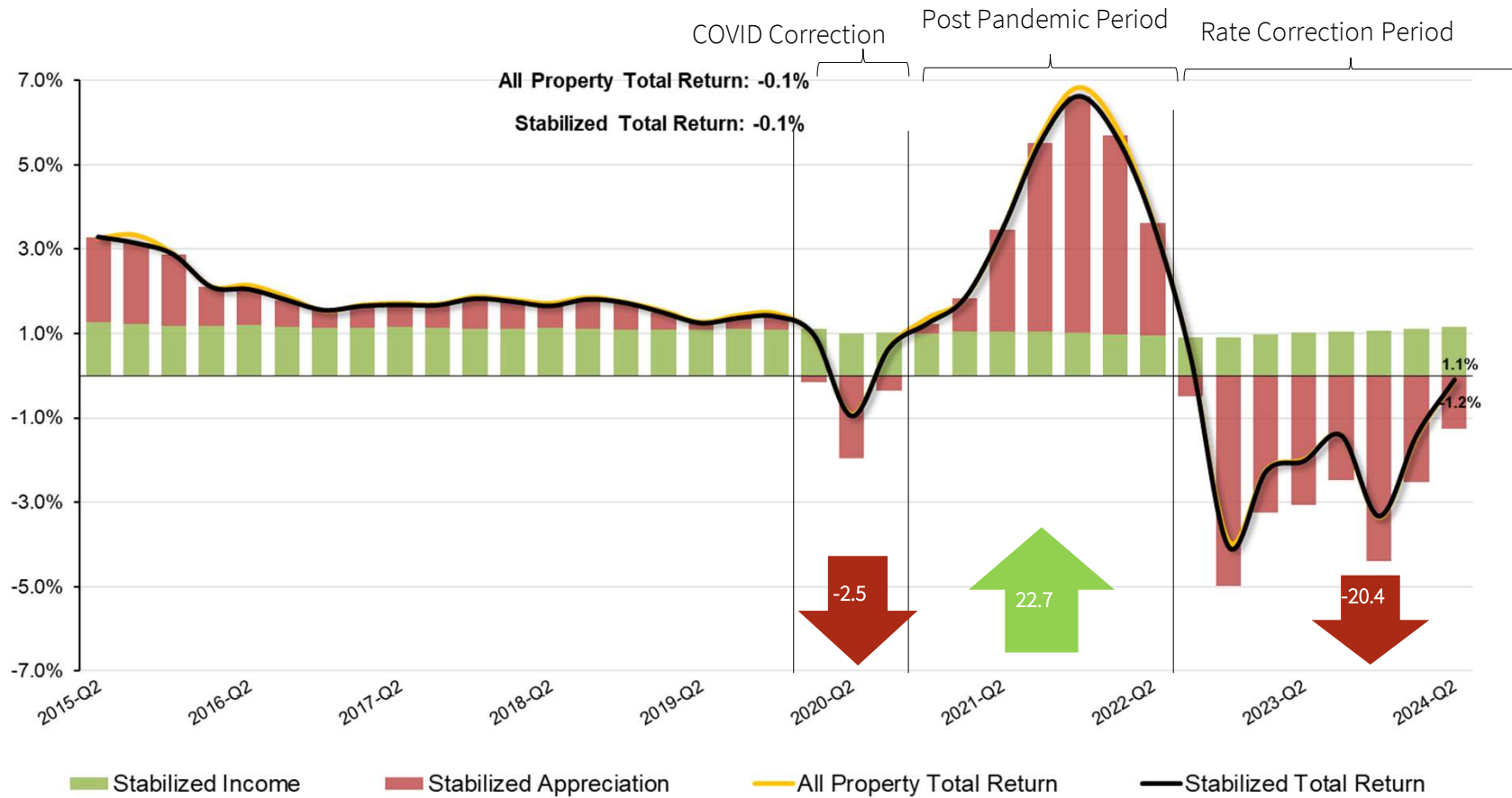


## Poll Question

Excluding office, there is increasing sentiment that values have bottomed. Do you believe this sentiment within the context of values within ODCE, which reflect a weighted average cap rate of 4.63% as of 2Q24?

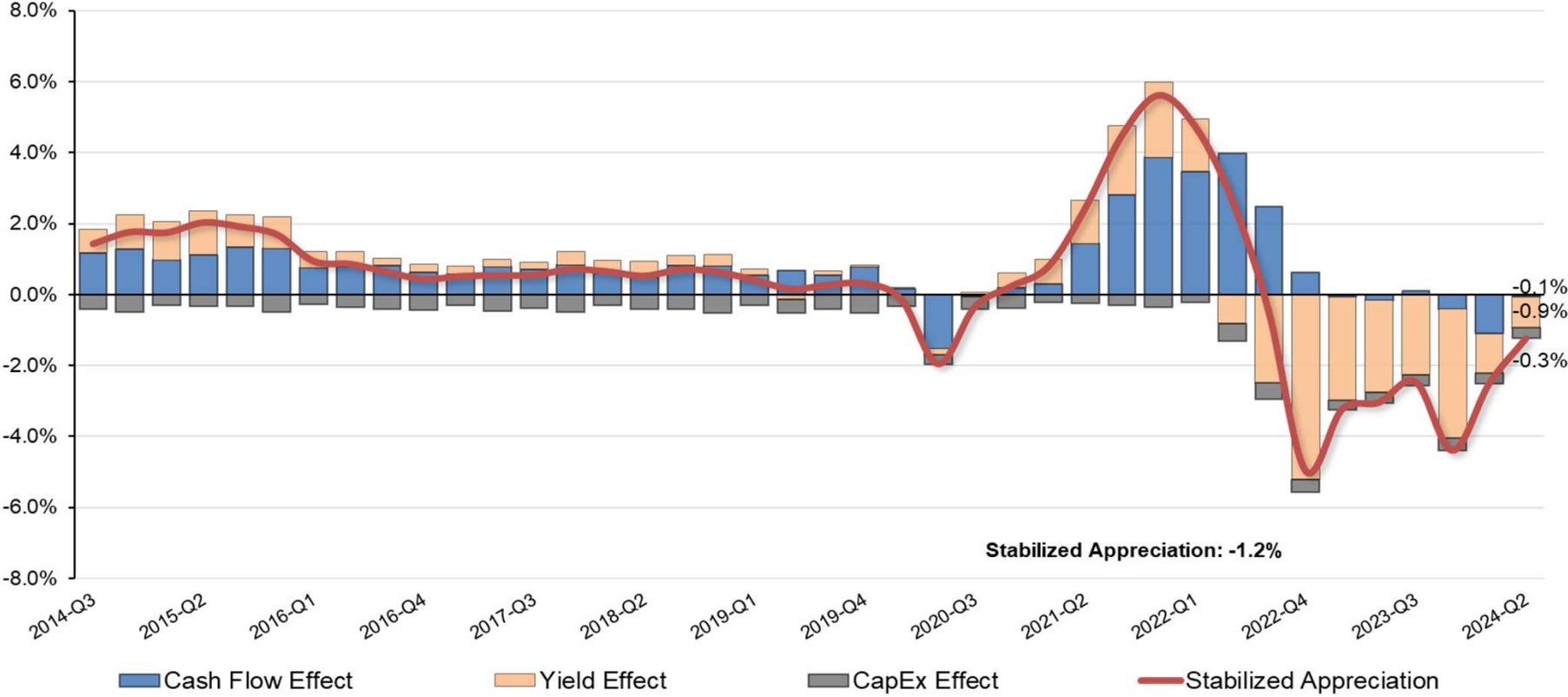
- a) Yes
- b) No

# All Property Quarterly Returns



\*Returns based on NCREIF ODCE performance data

# Drivers of Stabilized Appreciation Returns



\*Returns based on NCREIF ODCE performance data

# Headline Returns – Quarterly to Q2 2024

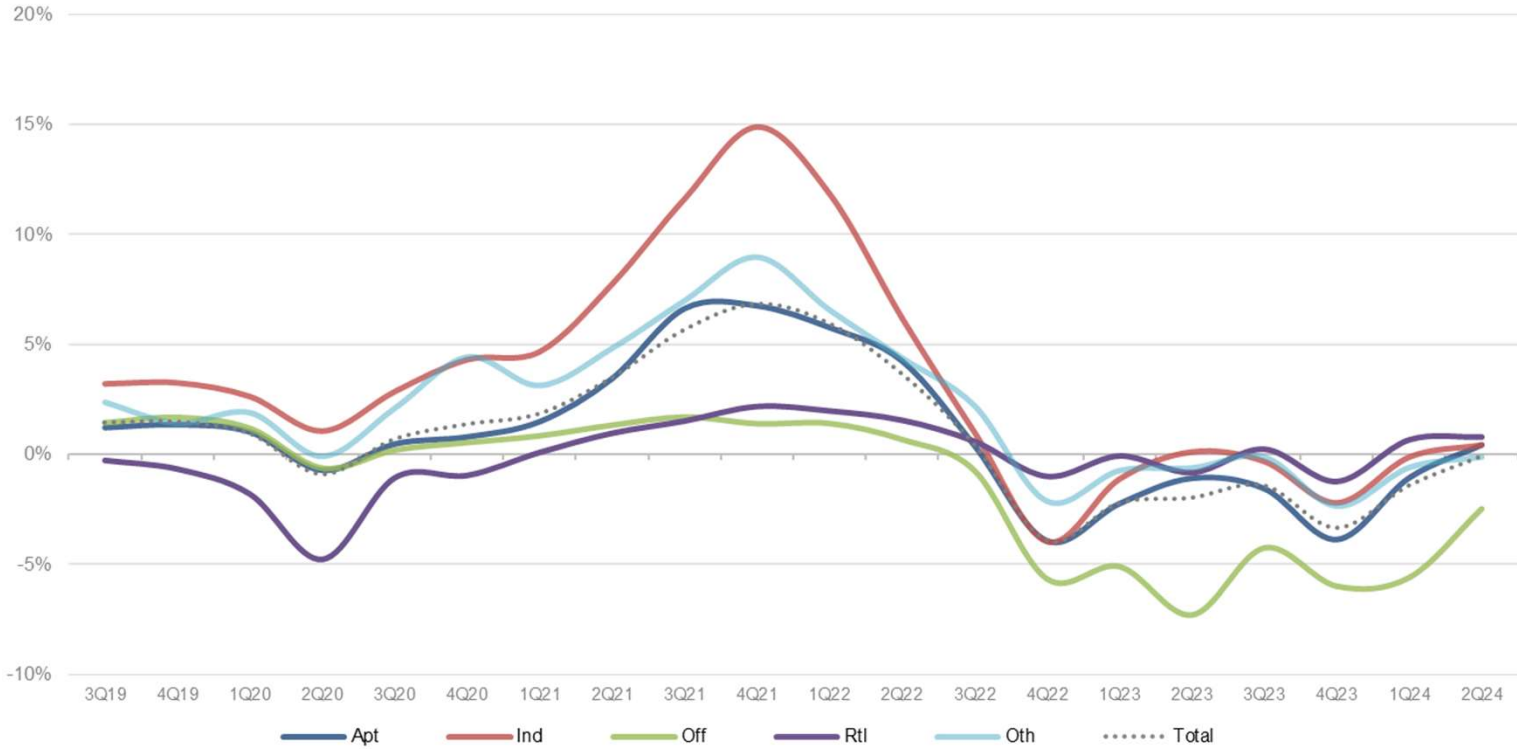
Unleveraged Returns	Quarterly Total Returns										
	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
<b>All Sectors</b>	6.8%	6.0%	3.7%	0.5%	-3.9%	-2.2%	-2.0%	-1.4%	-3.4%	-1.4%	-0.1%
All Sector Stab.	6.6%	5.7%	3.6%	0.4%	-4.1%	-2.3%	-2.0%	-1.4%	-3.3%	-1.4%	-0.1%
Apartments	6.8%	5.6%	4.3%	0.4%	-4.1%	-2.3%	-1.2%	-1.5%	-3.8%	-1.1%	0.4%
Industrial	14.6%	11.5%	6.1%	1.0%	-4.1%	-1.0%	0.2%	-0.3%	-2.2%	-0.1%	0.5%
Office	1.3%	1.3%	0.6%	-0.8%	-5.8%	-5.3%	-7.3%	-4.5%	-6.1%	-5.7%	-2.5%
Retail	1.5%	2.1%	1.7%	0.6%	-1.0%	-0.1%	-0.7%	0.3%	-1.1%	0.8%	0.9%
Other	9.0%	6.7%	4.3%	2.3%	-2.1%	-0.8%	-0.6%	-0.1%	-2.2%	-0.4%	-0.1%

<i>Sector Return Spread</i>	13.3%	10.3%	5.5%	3.1%	4.9%	5.2%	7.5%	4.8%	5.1%	6.5%	3.4%
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*\*Returns based on NCREIF ODCE performance data*

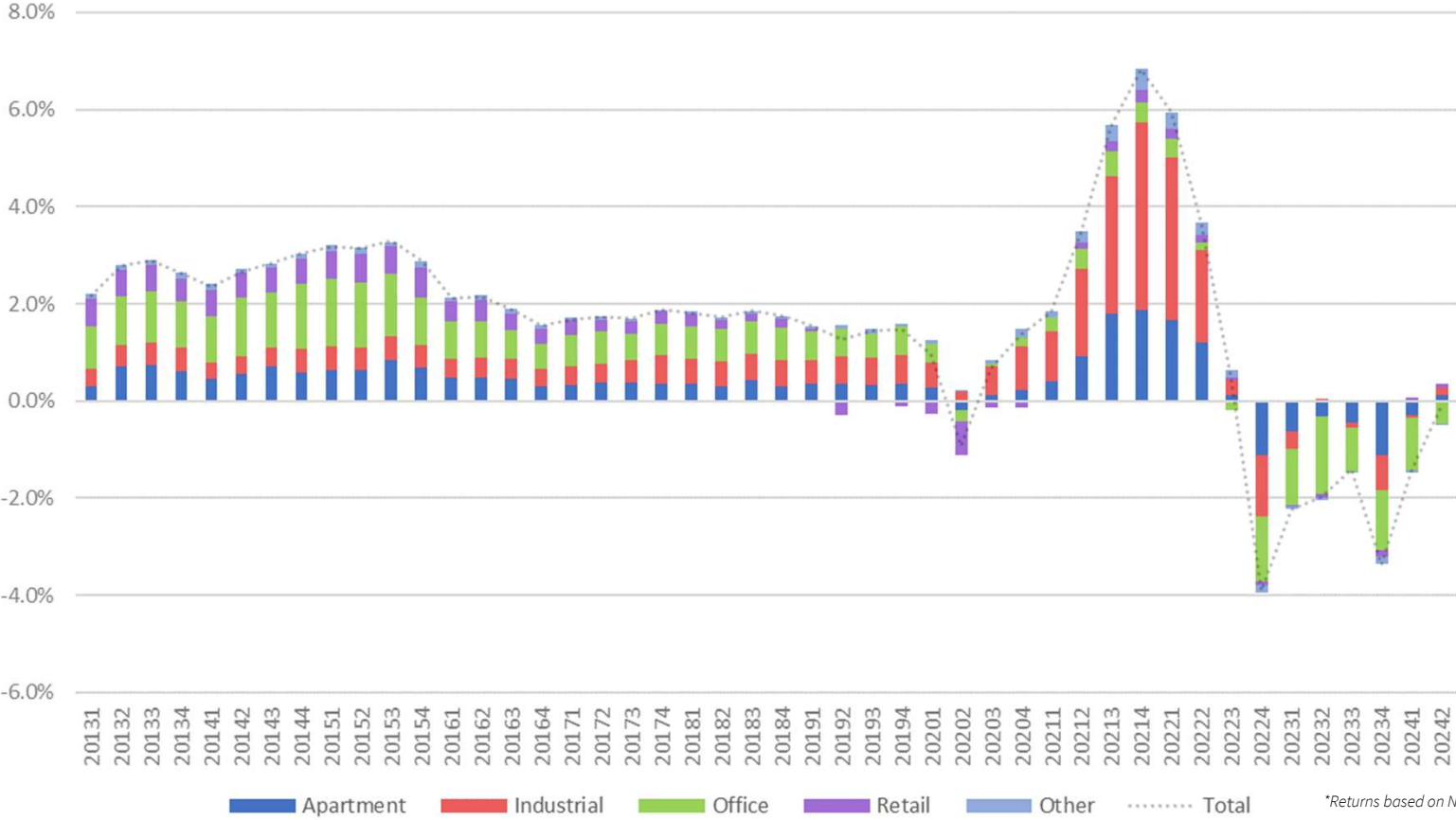


# Sector Returns – Quarterly to Q2 2024



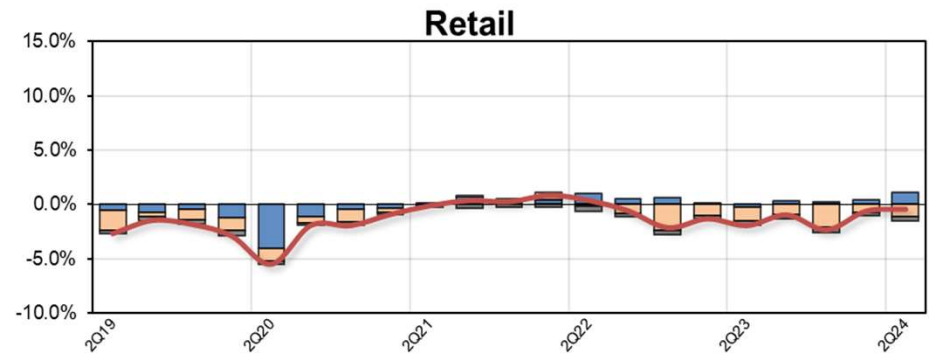
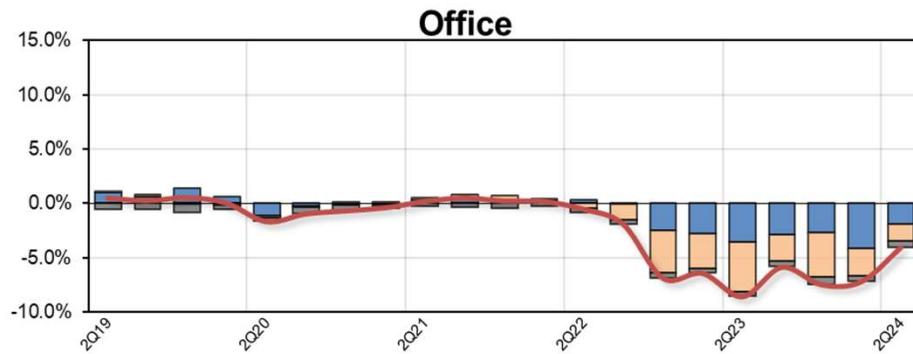
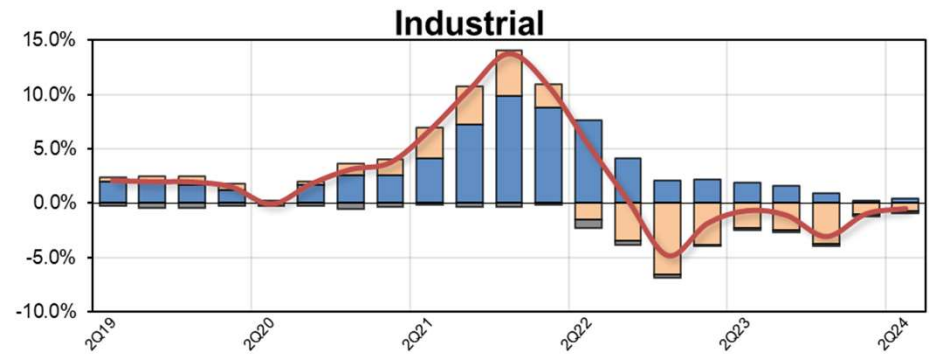
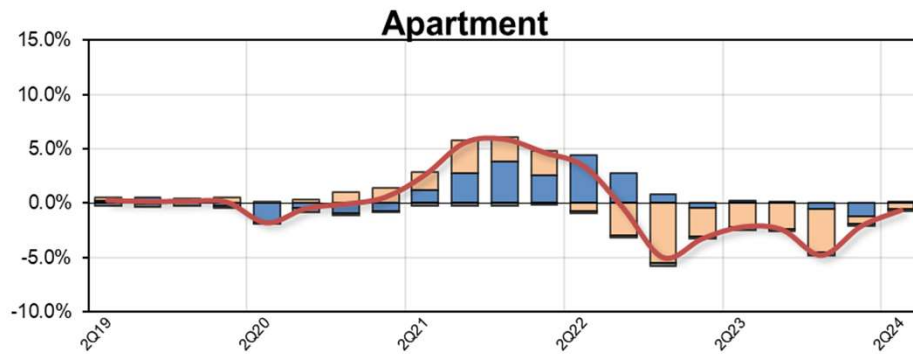
\*Returns based on NCREIF ODCE performance data

# Weighted Contribution to Returns – Quarterly to Q4 2023



\*Returns based on NCREIF ODCE performance data

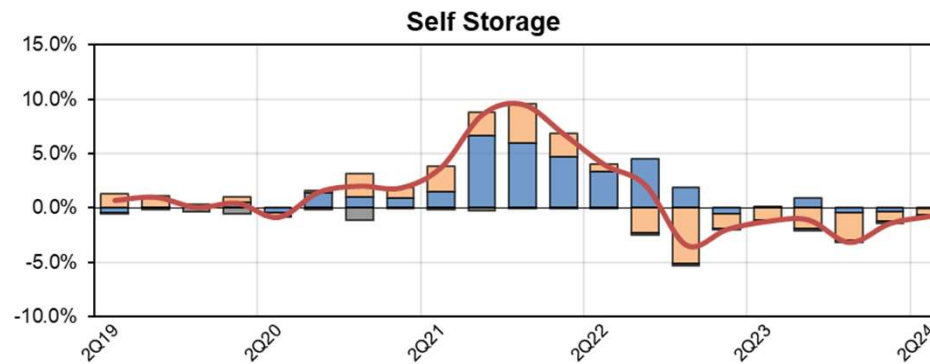
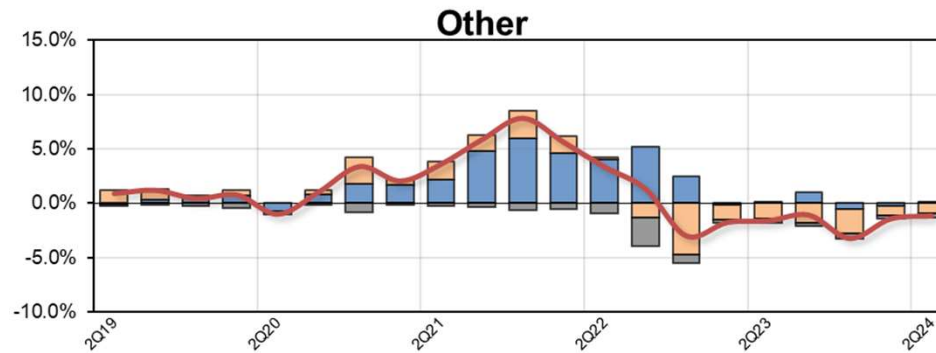
# Attribution of Appreciation Returns



■ Cash Flow Effect   
 ■ Yield Effect   
 ■ CapEx Effect   
 — Appreciation Return

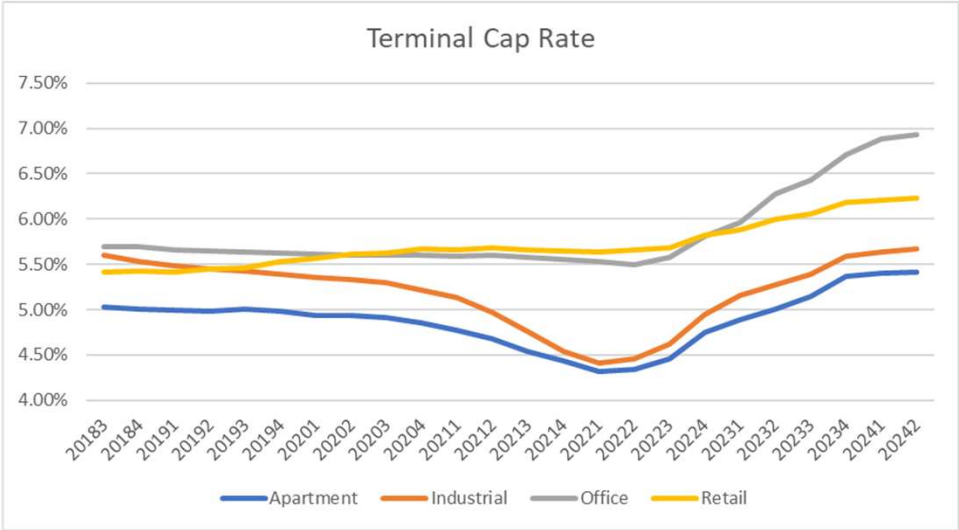
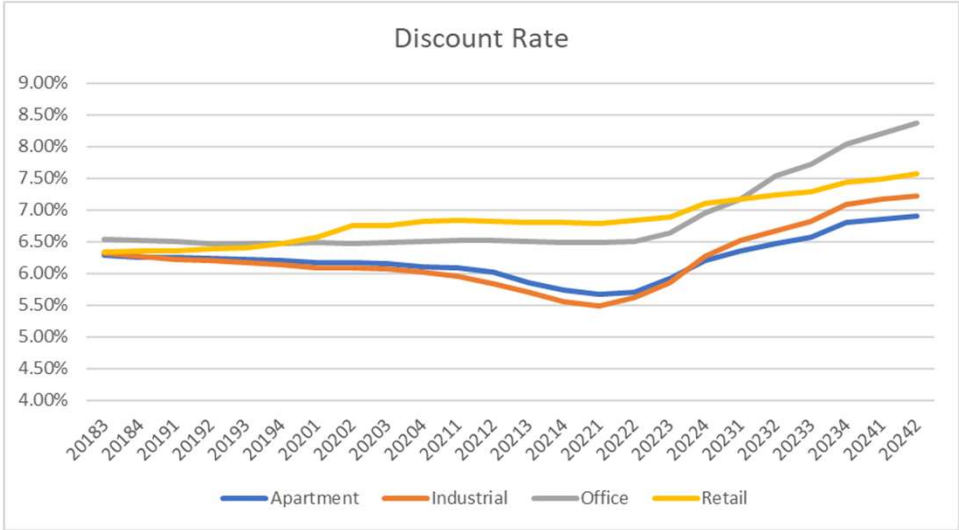
*\*Returns based on NCREIF ODCE performance data*

# Attribution of Appreciation Returns

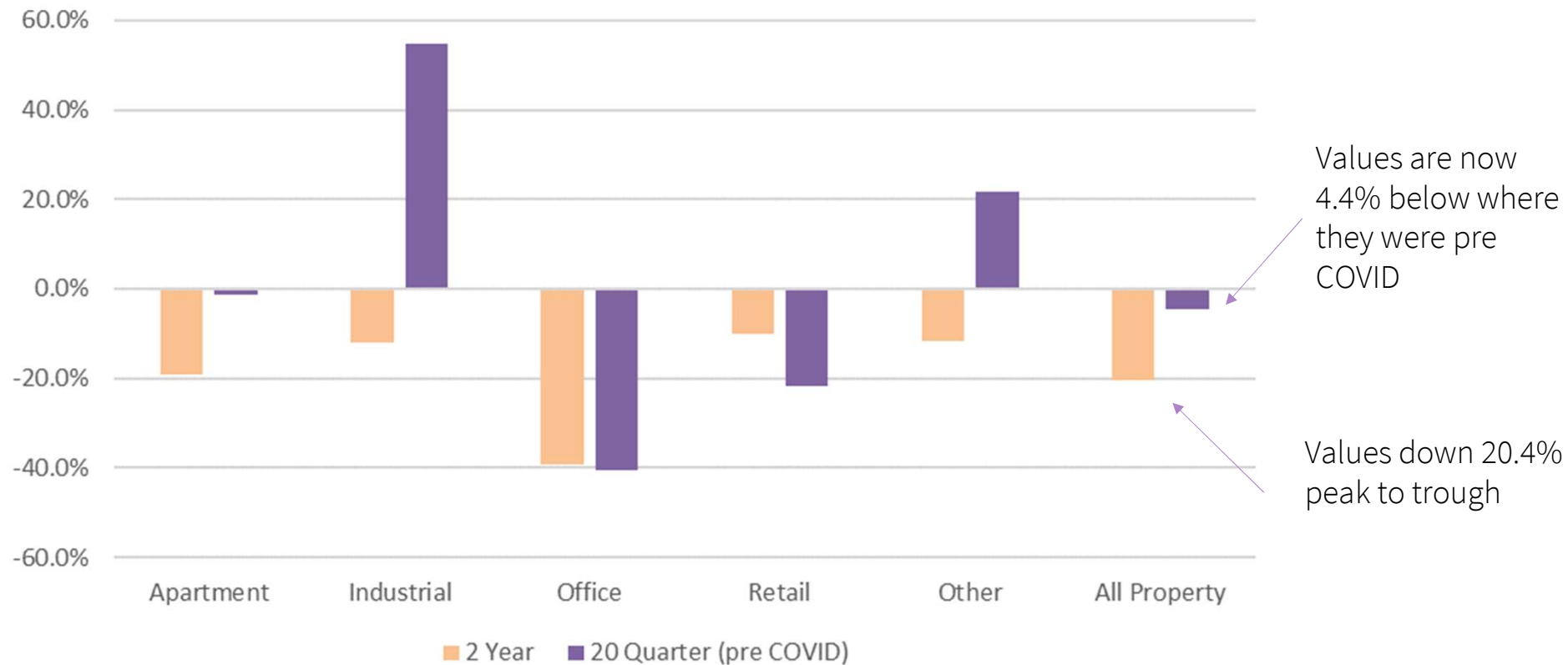


\*Returns based on NCREIF ODCE performance data

# Change in Valuation Yields



# Appreciation to 2Q 2024 – From Peak versus Pre-COVID Change



# Sector CBSA – Total 2024 Q2 Return and Quarterly Difference

## Stabilized

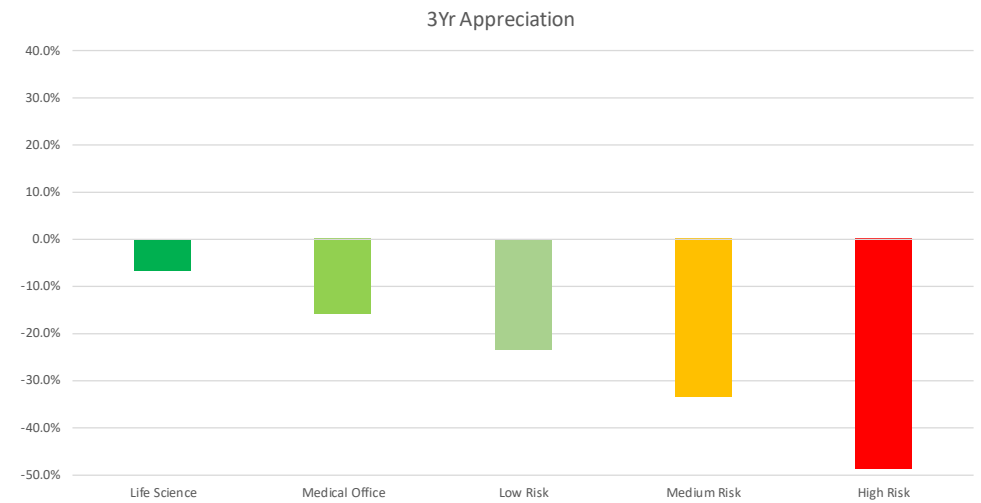
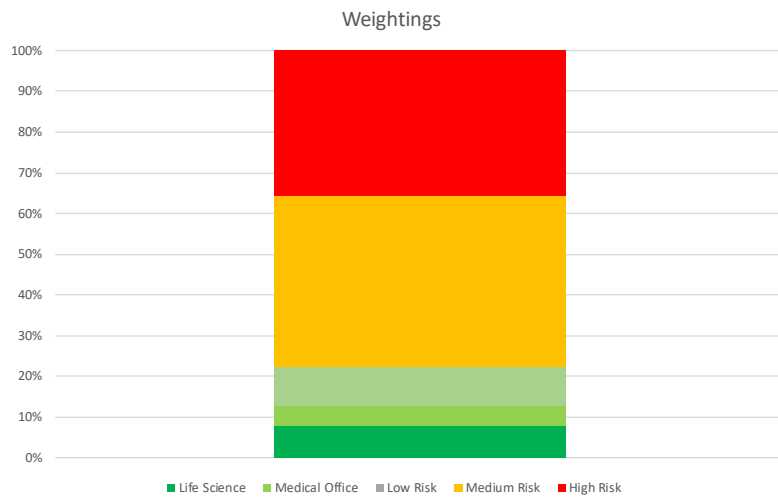
Return Q2	2Q24	SEA	SF-OAK	LA	IE	SD	PHX	DEN	DFW	HOU	CHI	MIA	ATL	DC	NYC	BOS	OTH	Total
	APT	0.4%	-0.2%	0.2%	0.1%	1.0%	1.2%	-0.1%	0.5%	2.0%	1.3%	0.6%	-0.4%	1.1%	0.9%	0.5%	0.2%	0.4%
	IND	-0.5%	0.8%	-1.5%	-1.5%	0.0%	0.6%	1.5%	2.7%	1.0%	1.6%	2.1%	1.0%	1.9%	1.4%	1.4%	1.0%	0.5%
	OFF	-3.5%	-2.8%	-3.0%	-	-	-	-2.8%	-1.3%	-0.3%	-1.9%	-3.0%	-0.4%	-4.0%	-2.3%	-2.2%	-2.2%	-2.5%
	RTL	1.7%	0.2%	0.0%	5.4%	3.0%	2.4%	-3.1%	4.3%	1.5%	-3.9%	0.5%	-2.3%	0.3%	-0.3%	-3.1%	1.4%	0.9%
	OTH	0.2%	0.1%	1.9%	0.4%	1.6%	0.8%	-3.9%	2.0%	1.1%	1.2%	-1.7%	-0.2%	0.7%	1.2%	-3.2%	0.3%	-0.1%
<b>Total</b>	<b>-0.6%</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>-0.9%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>-0.7%</b>	<b>1.9%</b>	<b>0.9%</b>	<b>0.2%</b>	<b>0.7%</b>	<b>-0.2%</b>	<b>-0.2%</b>	<b>0.2%</b>	<b>-1.3%</b>	<b>0.4%</b>	<b>-0.1%</b>	

Return Q1	1Q24	SEA	SF-OAK	LA	IE	SD	PHX	DEN	DFW	HOU	CHI	MIA	ATL	DC	NYC	BOS	OTH	Total
	APT	-1.2%	-1.5%	-2.1%	-0.9%	-1.7%	-2.0%	-1.2%	0.1%	-0.7%	-1.1%	-0.2%	-0.8%	-0.5%	-1.0%	-0.2%	-1.2%	-1.1%
	IND	1.0%	-0.5%	-2.3%	-1.3%	-0.8%	-0.6%	-1.8%	1.0%	-0.5%	1.3%	1.6%	2.1%	2.2%	1.0%	-0.1%	0.3%	-0.1%
	OFF	-6.0%	-5.2%	-7.2%	-	-	-	-2.6%	-2.7%	-4.3%	-9.9%	-3.9%	-3.5%	-6.3%	-8.0%	-5.4%	-2.8%	-5.7%
	RTL	0.0%	0.3%	0.8%	1.8%	0.9%	3.1%	-2.9%	1.2%	-1.6%	-4.0%	1.6%	2.2%	2.6%	-4.9%	-0.3%	1.5%	0.8%
	OTH	-2.1%	0.9%	1.1%	-0.5%	-0.4%	0.0%	-2.3%	1.8%	-0.7%	2.0%	-1.7%	-2.2%	-1.1%	0.4%	-1.4%	-0.4%	-0.4%
<b>Total</b>	<b>-1.3%</b>	<b>-2.7%</b>	<b>-2.7%</b>	<b>-1.1%</b>	<b>-0.9%</b>	<b>-0.9%</b>	<b>-1.7%</b>	<b>0.4%</b>	<b>-1.9%</b>	<b>-3.0%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>-1.4%</b>	<b>-2.3%</b>	<b>-2.8%</b>	<b>-0.3%</b>	<b>-1.4%</b>	

Q2 – Q1	Δ	SEA	SF-OAK	LA	IE	SD	PHX	DEN	DFW	HOU	CHI	MIA	ATL	DC	NYC	BOS	OTH	Total
	APT	1.5%	1.4%	2.2%	1.0%	2.7%	3.2%	1.1%	0.5%	2.7%	2.4%	0.8%	0.5%	1.5%	1.8%	0.7%	1.4%	1.5%
	IND	-1.5%	1.3%	0.8%	-0.1%	0.8%	1.2%	3.3%	1.8%	1.4%	0.3%	0.4%	-1.1%	-0.3%	0.4%	1.5%	0.6%	0.5%
	OFF	2.5%	2.4%	4.2%	-	-	-	-0.3%	1.3%	4.0%	8.0%	0.9%	3.1%	2.3%	5.7%	3.1%	0.6%	3.2%
	RTL	1.7%	0.0%	-0.7%	3.6%	2.1%	-0.6%	-0.2%	3.2%	3.1%	0.0%	-1.1%	-4.5%	-2.2%	4.5%	-2.8%	-0.1%	0.1%
	OTH	2.3%	-0.8%	0.8%	0.9%	2.0%	0.8%	-1.6%	0.2%	1.8%	-0.8%	-0.1%	2.0%	1.8%	0.8%	-1.8%	0.7%	0.3%
<b>Total</b>	<b>0.7%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>0.2%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>1.6%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>0.4%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>2.5%</b>	<b>1.5%</b>	<b>0.7%</b>	<b>1.3%</b>	

\*Returns based on NCREIF ODCE performance data

# Office Q2 2024 – Fund Groupings By Risk Banding



Low Risk ■ (>95% leased with WALT >7)

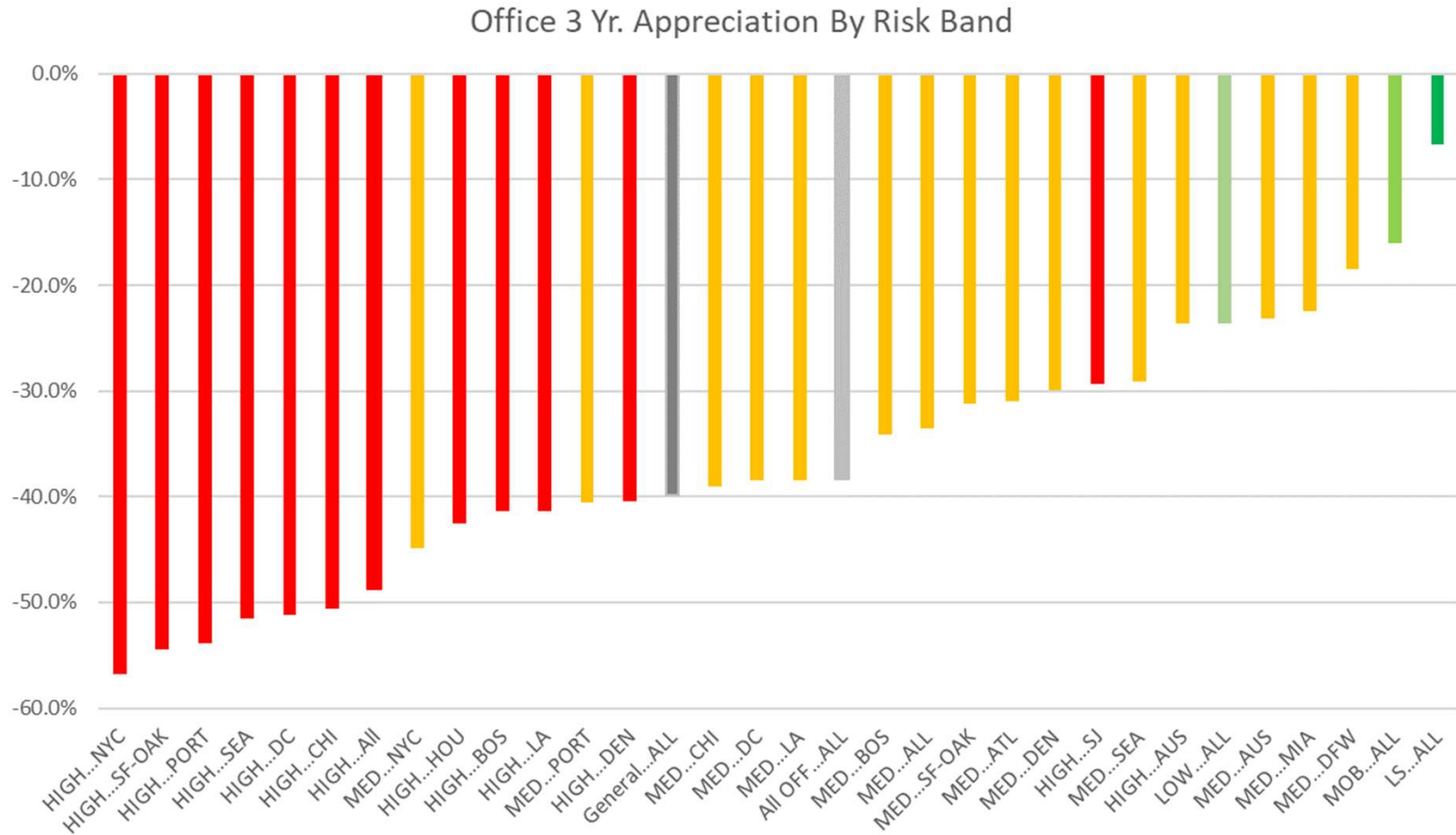
Medium Risk ■ (>70% leased with WALT <7)

High Risk ■ (<70%; and 70% - 85% leased with WALT <7 in challenging markets)

*Challenging markets – Chicago, Denver, Houston, Los Angeles, New York, Phoenix  
San Francisco, Seattle, DC Portland*

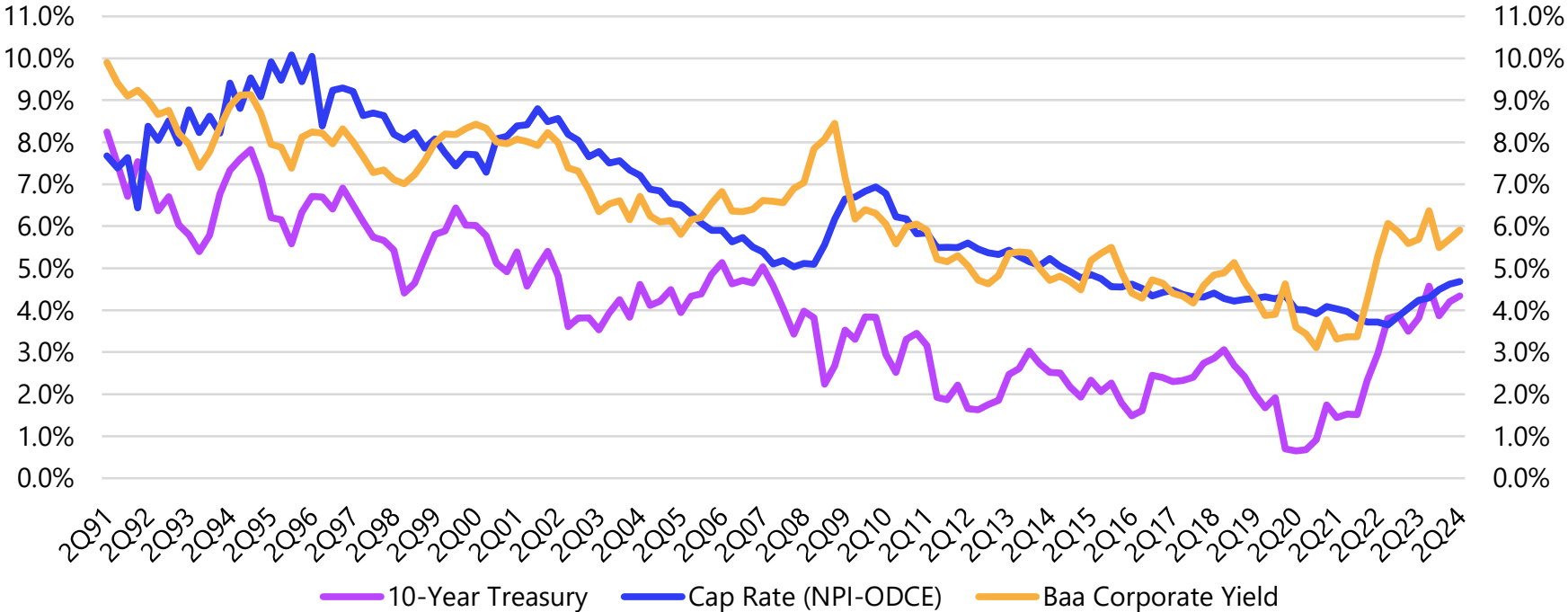


# CBSA Office Groupings By Risk Banding, 3-year appreciation



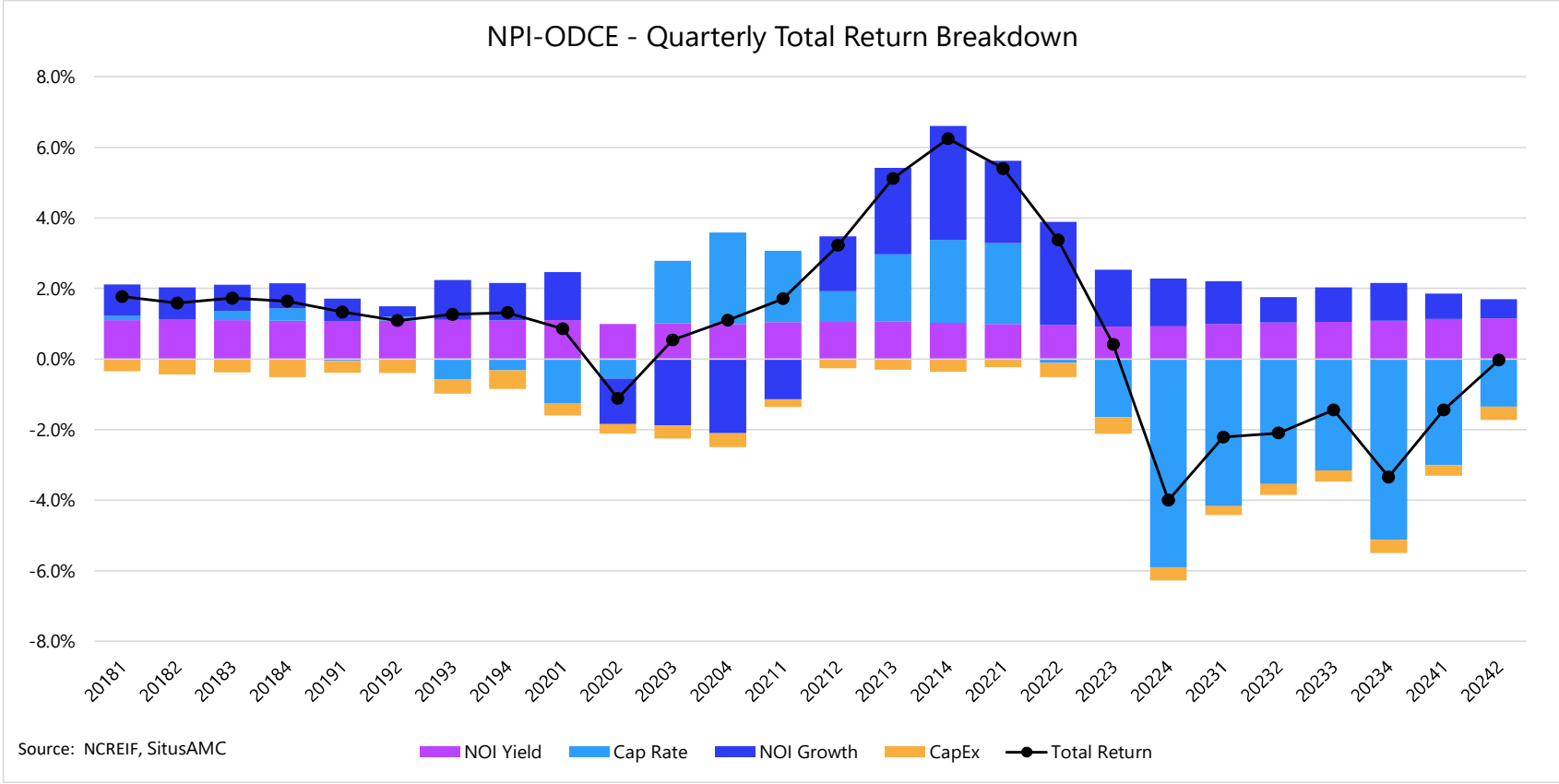
# Persistent Rate Pressure – In Spite of Expected Rate Declines

## Cap Rate (NPI-ODCE) vs. Bond Yields

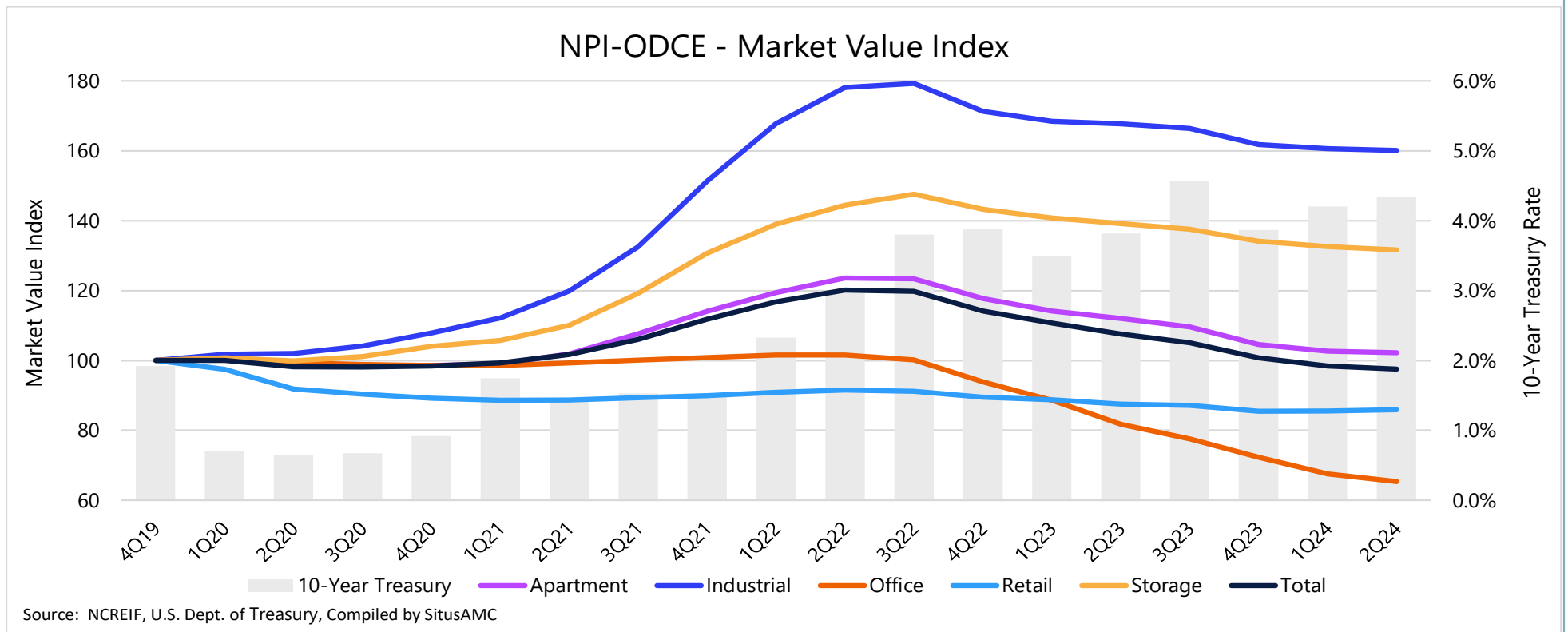


Source: NCREIF, U.S. Dept. of Treasury, Moody's, Compiled by SitusAMC

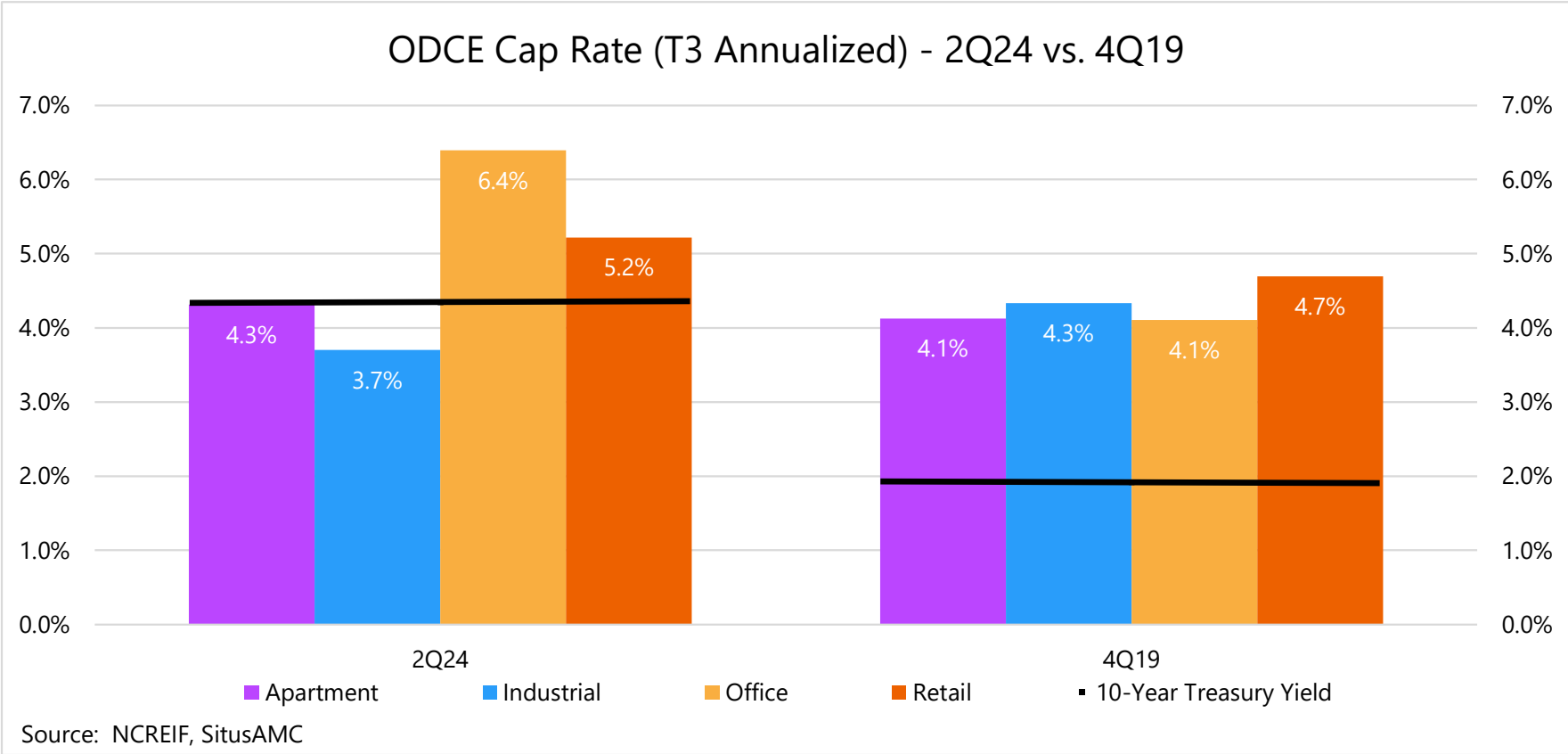
# Influencers of Total Return – Cap Rates Continue to Rise



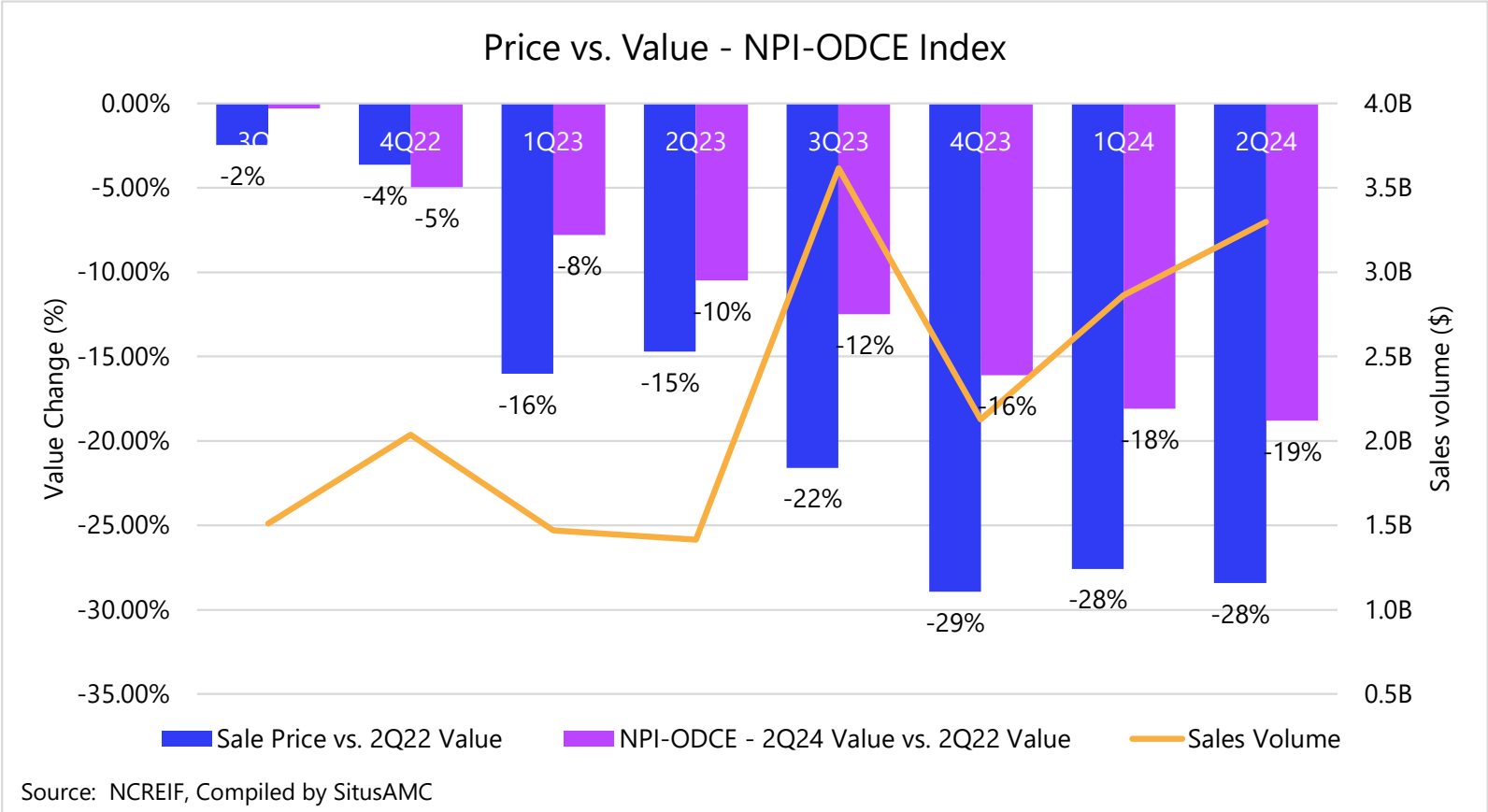
# Market Value Change (4Q19 – 2Q24) – Material Divergence in Property Type Performance



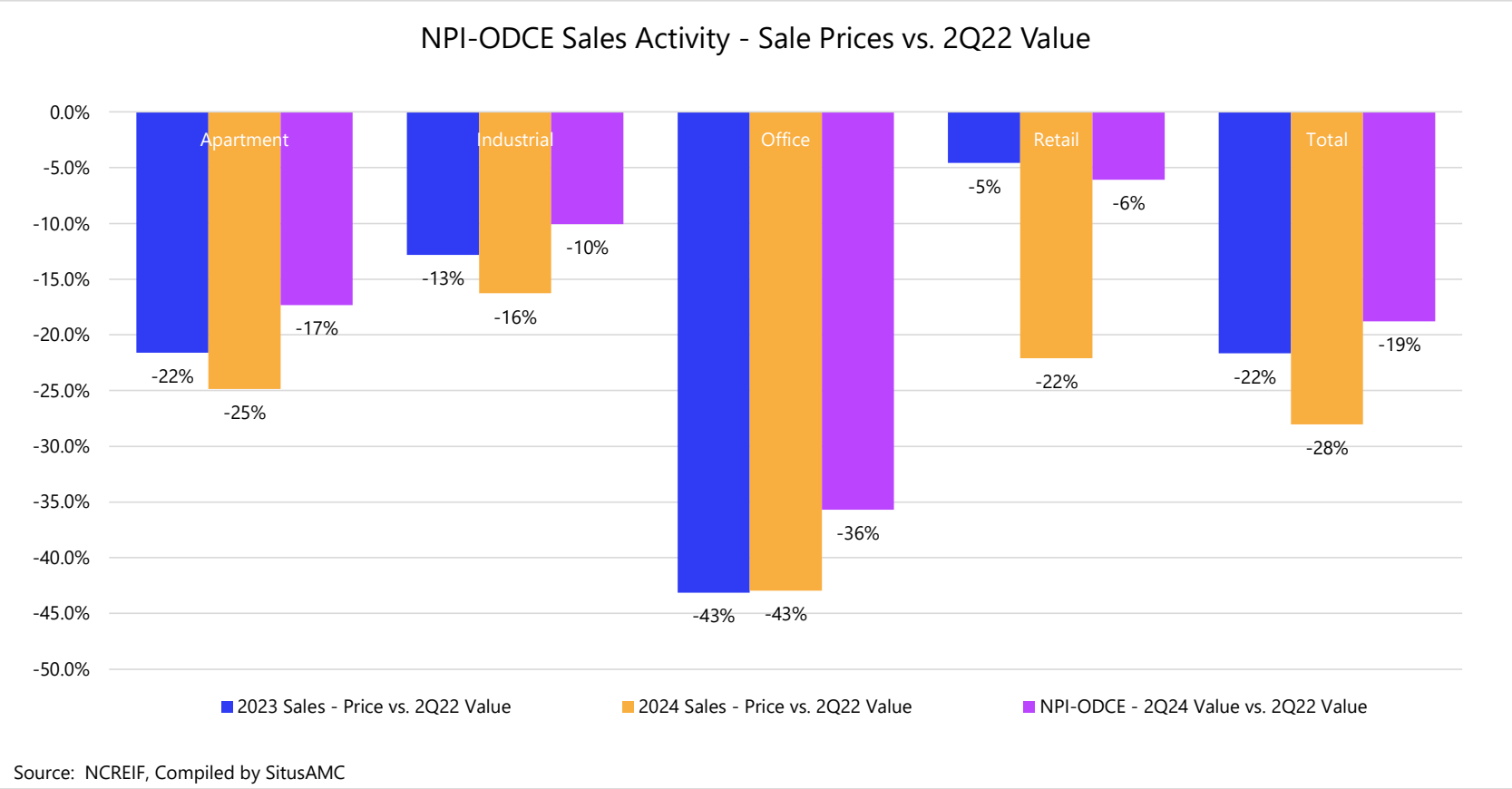
# History Shines Light on Rate Concerns (Particularly Office)



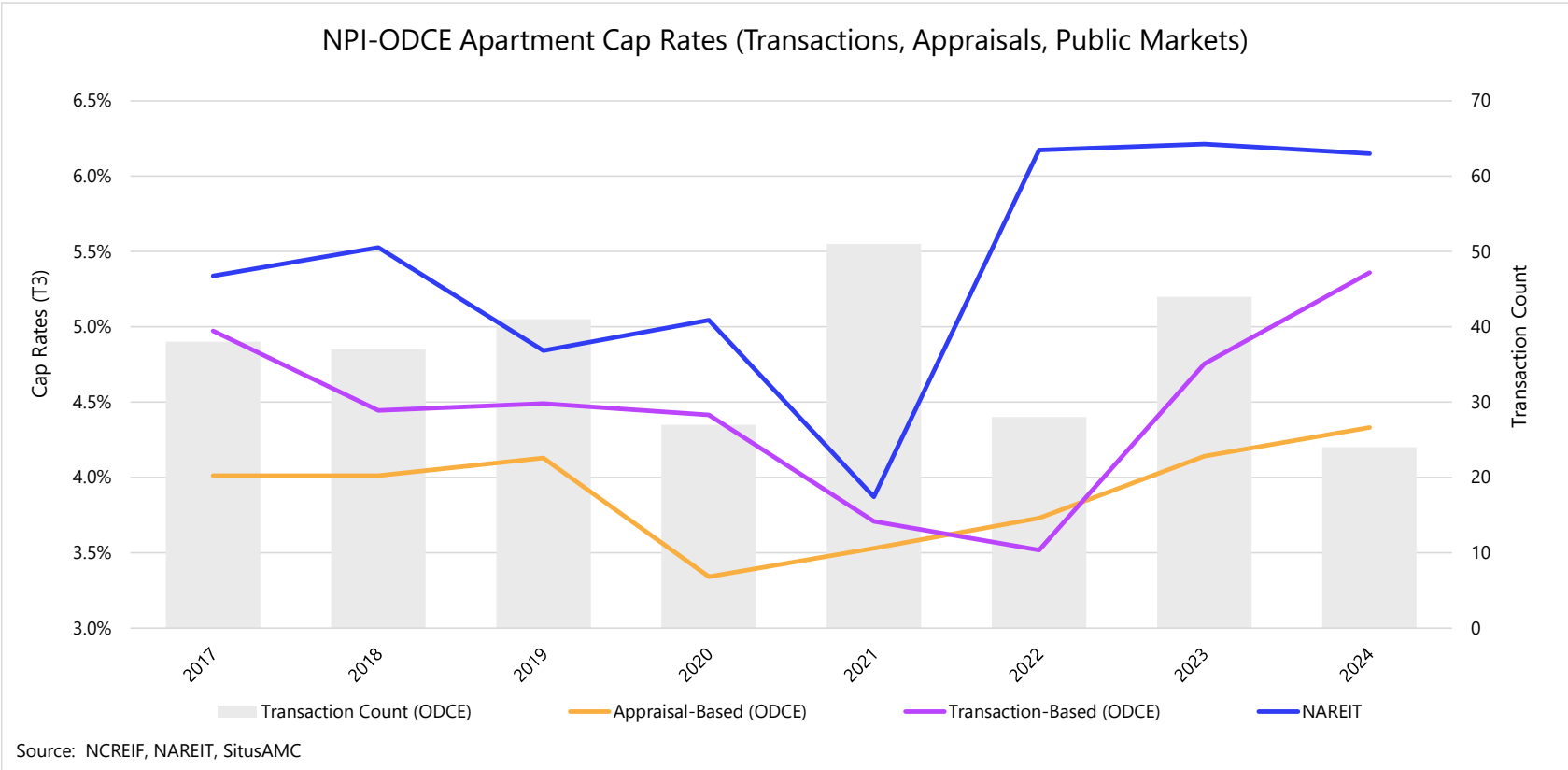
# ODCE Price vs. Value – Stability in Aggregate Prices



# ODCE Sales Activity – Price vs. Value Gap Remains

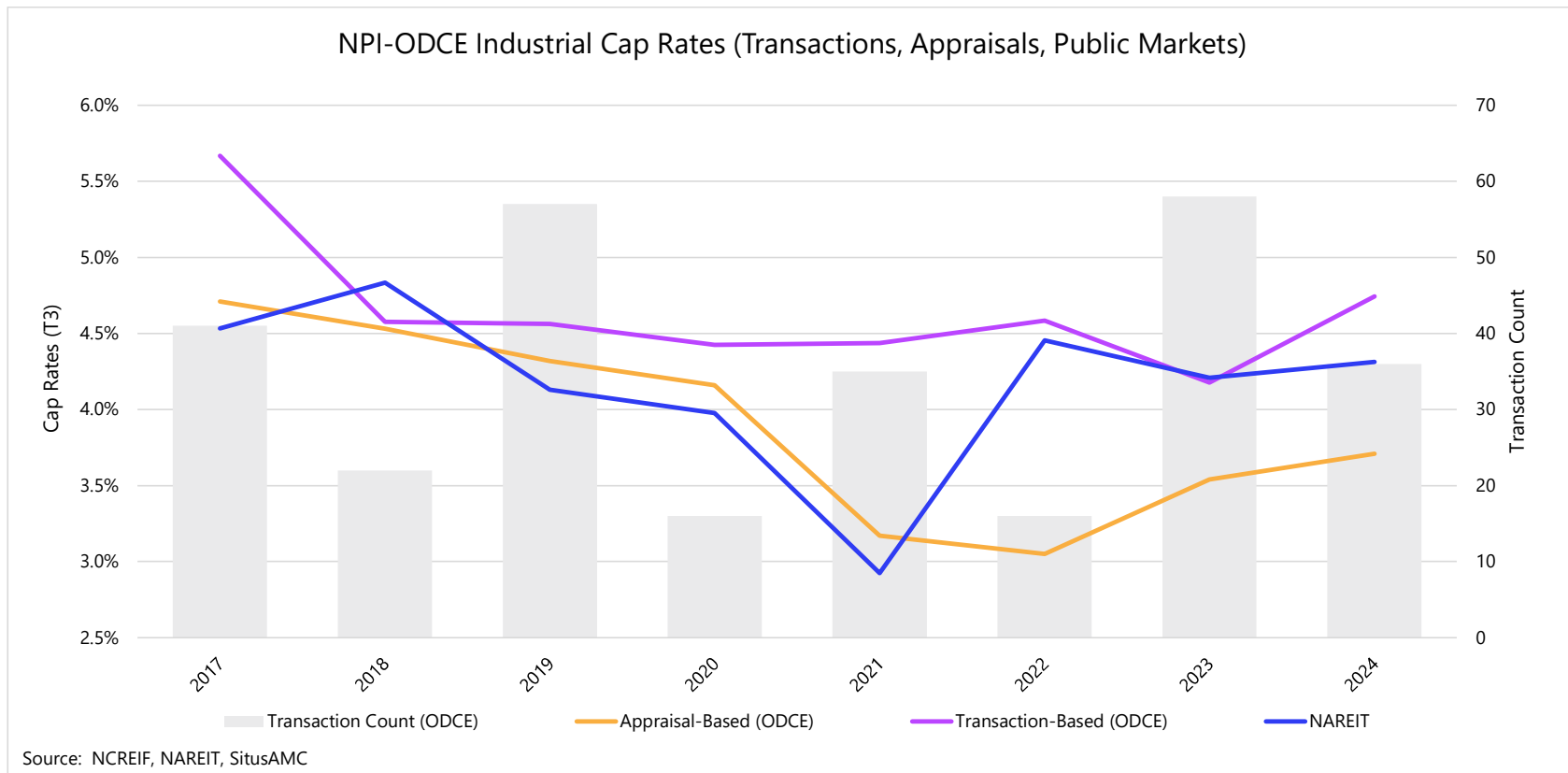


# Apartment Cap Rates (ODCE)

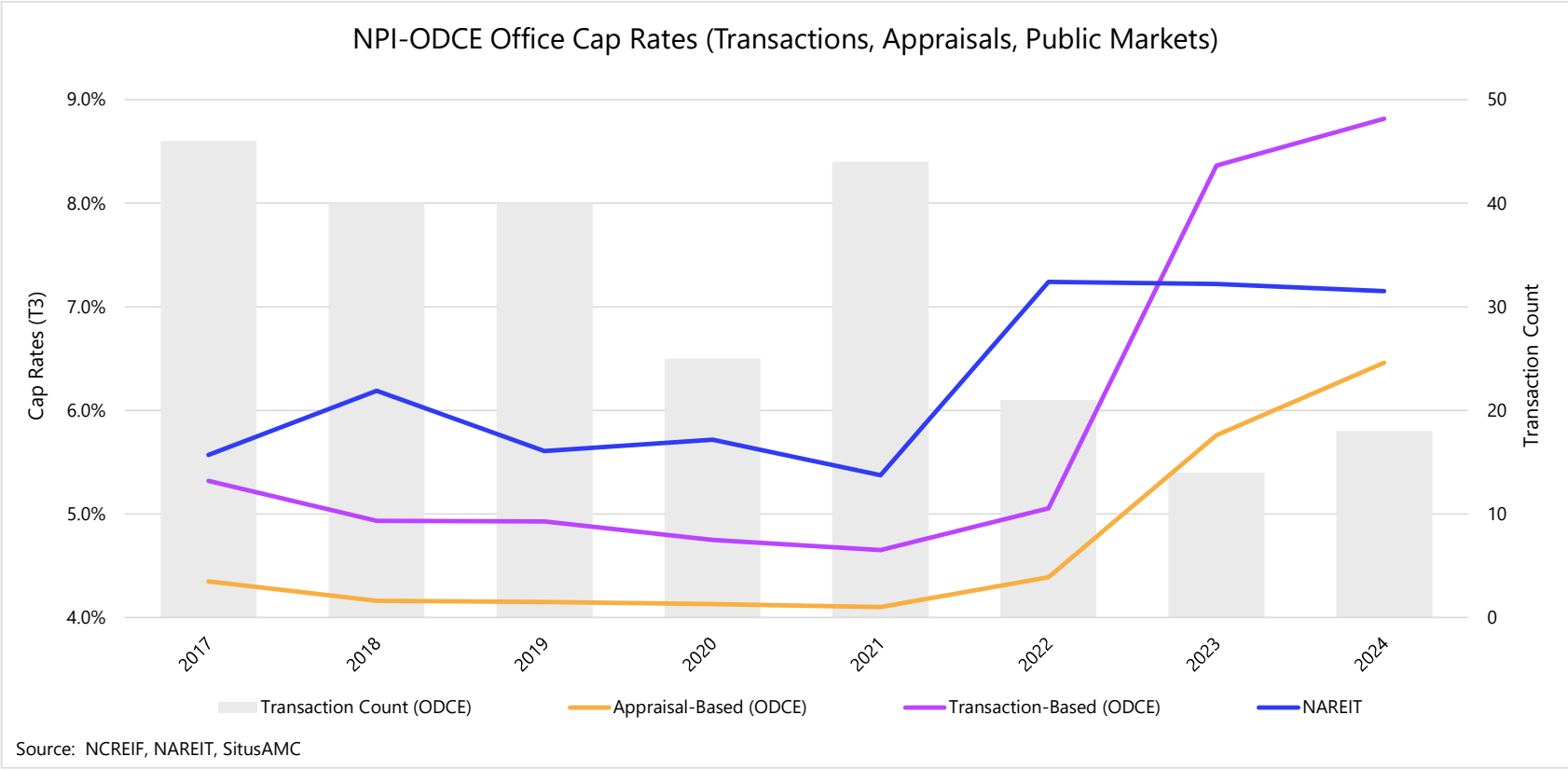




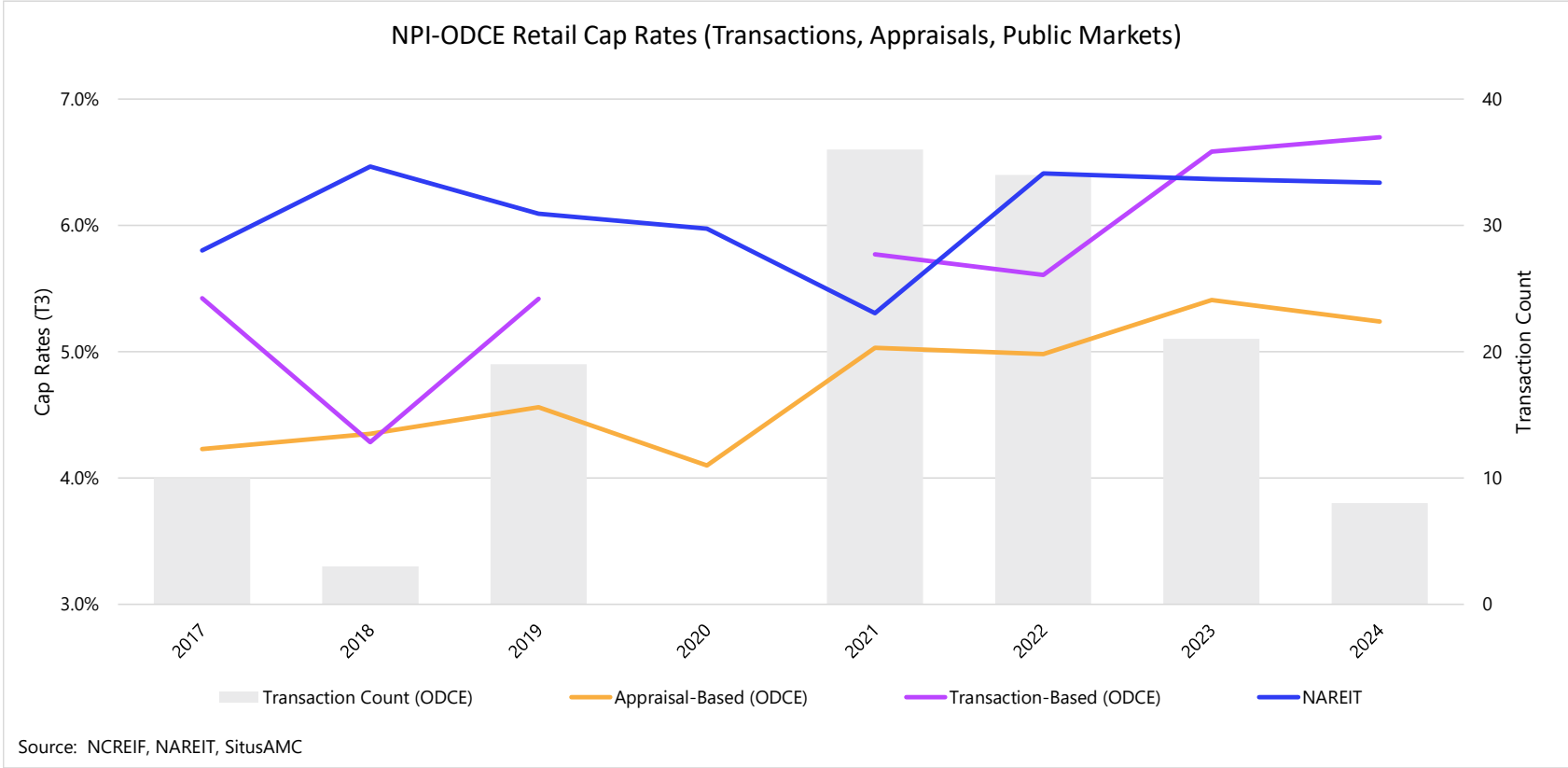
# Industrial Cap Rates (ODCE)



# Office Cap Rates (ODCE)



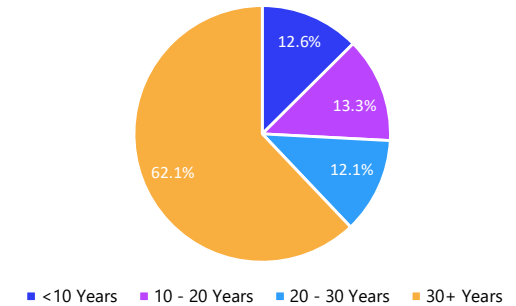
# Retail Cap Rates (ODCE)



# Office Occupancy by Age (ODCE)... Office Isn't Aging Well!

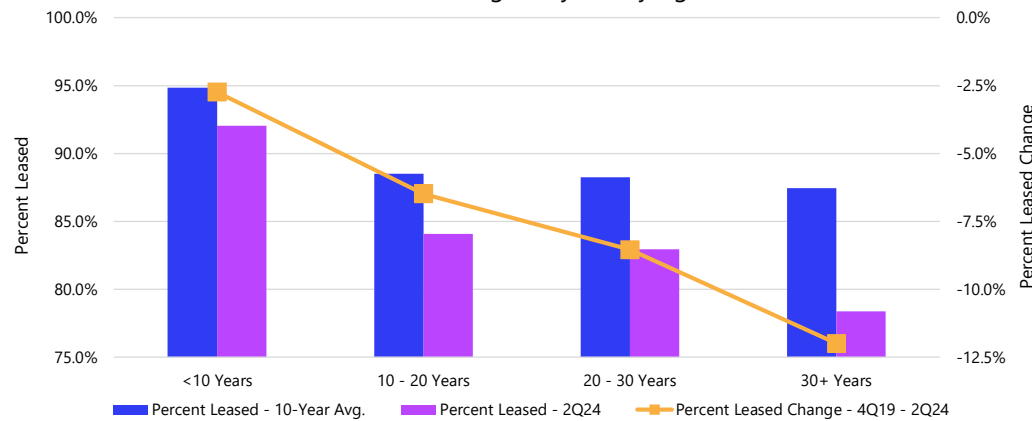
	<10 Years	10 - 20 Years	20 - 30 Years	30+ Years
Percent Leased - 10-Year Avg.	94.9%	88.5%	88.2%	87.4%
Percent Leased - 2Q24	92.0%	84.1%	82.9%	78.4%
Percent Leased Change - 4Q19 - 2Q24	-2.7%	-6.5%	-8.5%	-12.0%

NPI-ODCE - Office Allocation by Age (By MV)



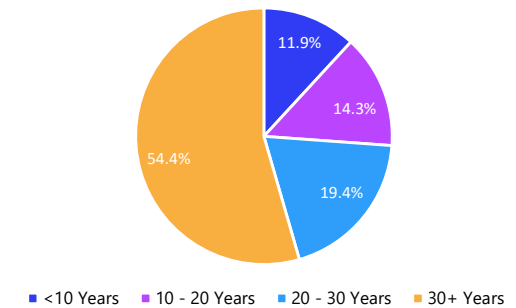
Source: NCREIF, SitusAMC

Office Leasing Analysis - By Age



Source: NCREIF, SitusAMC

NPI-ODCE - Office Allocation by Age (By Count)



Source: NCREIF, SitusAMC

# The Road to Recognizing Price Discovery



## Panelists

Paula Thoreen, MAI, CRE  
Cushman & Wakefield  
Executive Managing Director, Strategic Accounts &  
Client Development Lead



Jay H. Marling IV, MAI, CRE, FRICS  
Capright  
CEO & Managing Principal



## Moderator

Andrew Sabatini, MAI, CRE  
SitusAMC  
Managing Director, Head of Equity Valuation  
Management Americas

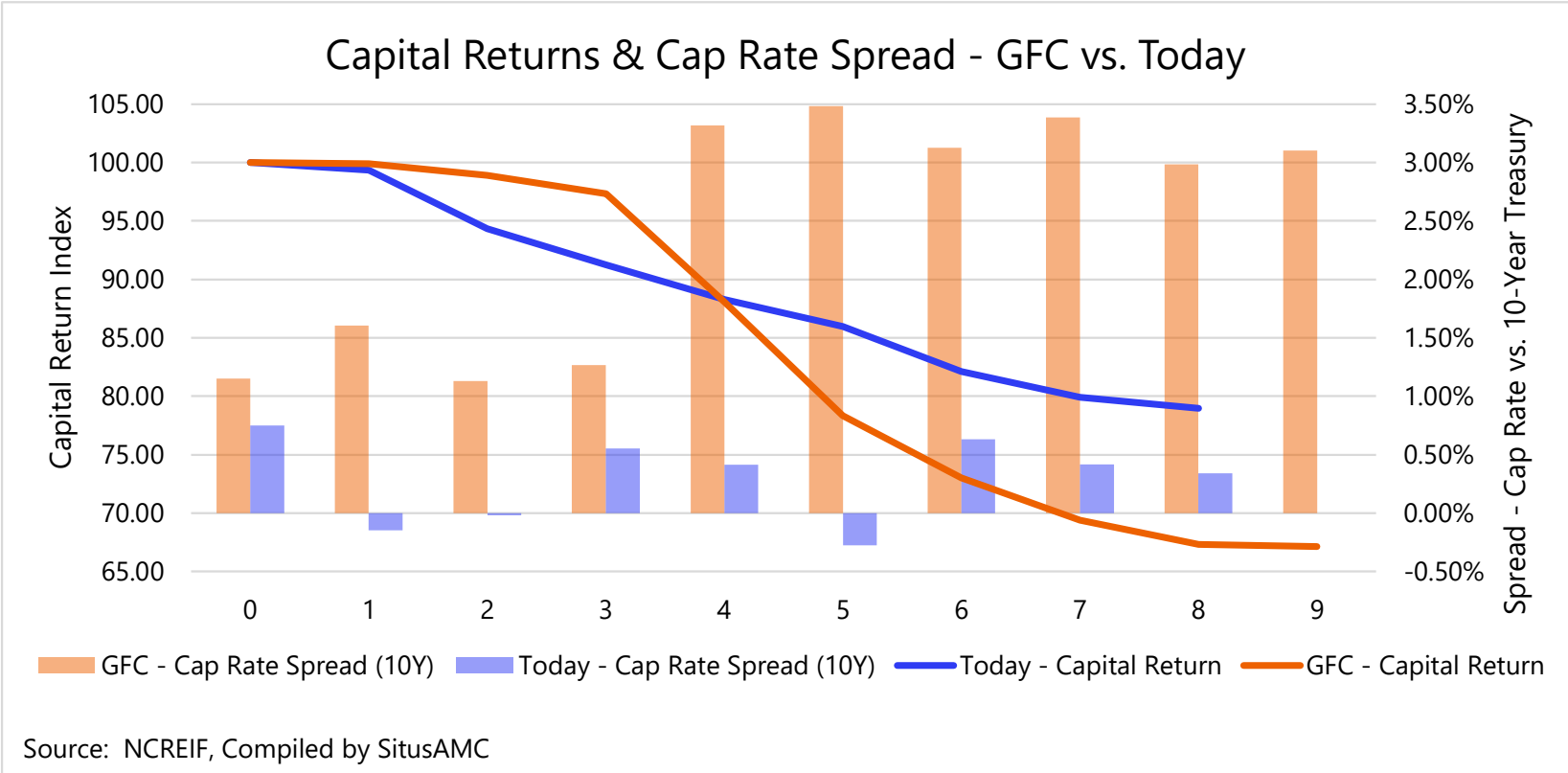


## Poll Question

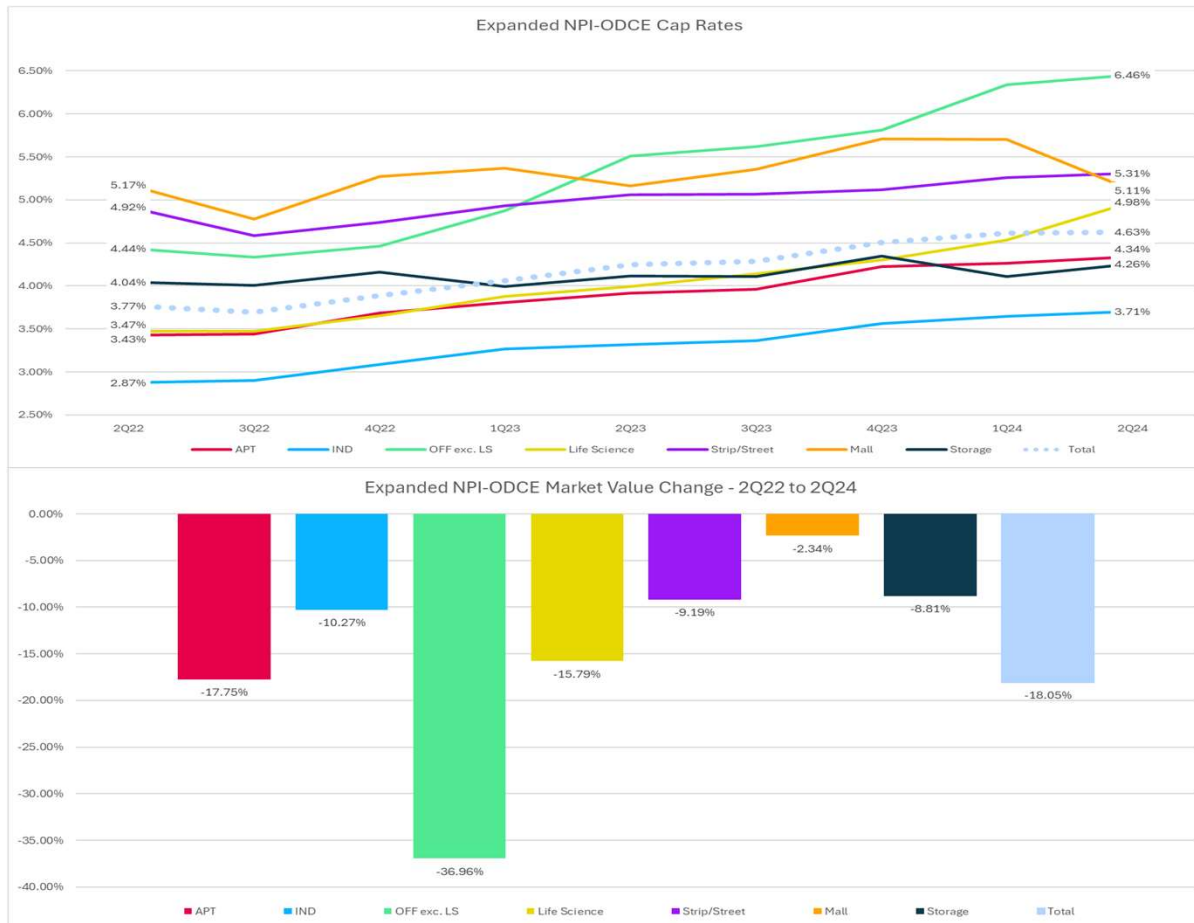
After eight quarters of negative appreciation, the cap rate spread to the 10 Year Treasury was approximately 25 basis points at the end of 2Q24. Approximately how much was the cap rate spread after eight quarters of negative appreciation during the GFC?

- a) 150 bps
- b) 75 bps
- c) 300 bps
- d) 25 bps

# GFC vs. Today



# Expanded NPI-ODCE Market Value Change & Cap Rates



Note: NCREIF Cap Rates are based on trailing 3-month annualized net operating income

Note: "Market Value Change" excludes the effects of capital expenditures, which are included as a component of capital appreciation



# Thank you!

NCREIF Valuation Committee

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



**NCREIF**

national council of real estate  
investment fiduciaries