

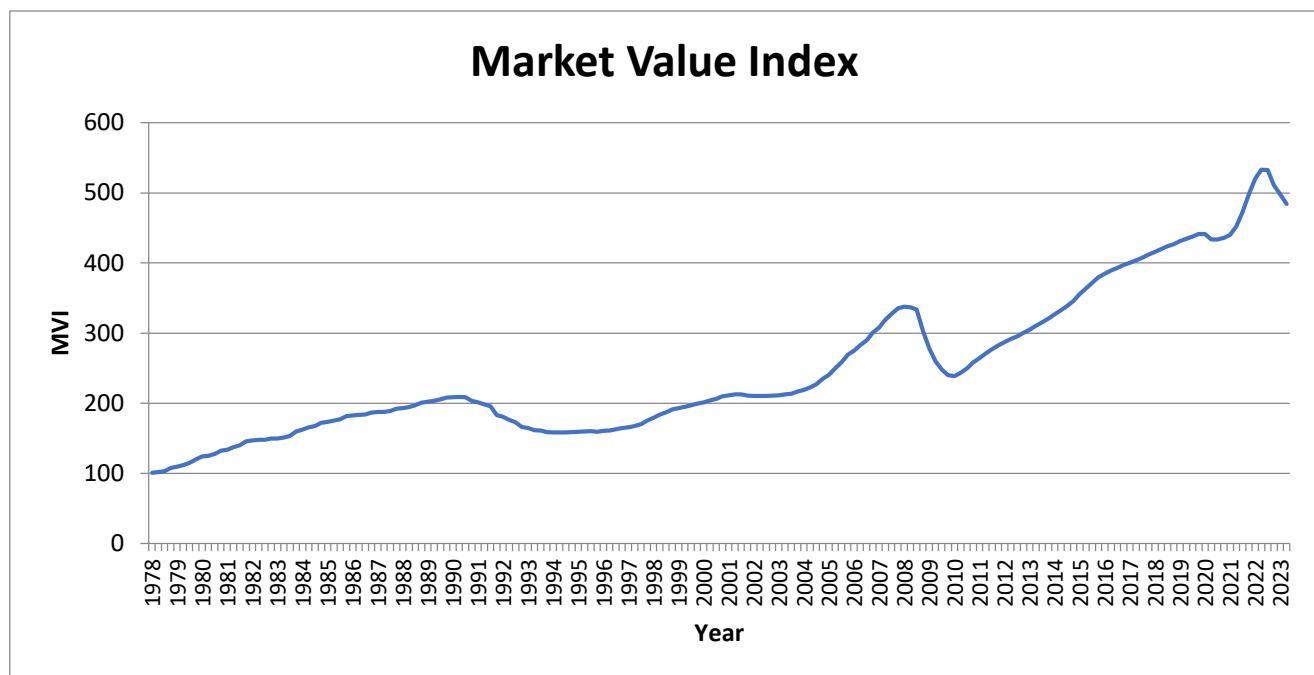


FOR IMMEDIATE RELEASE:

CONTACT:
Dan Dierking
312-819-5890

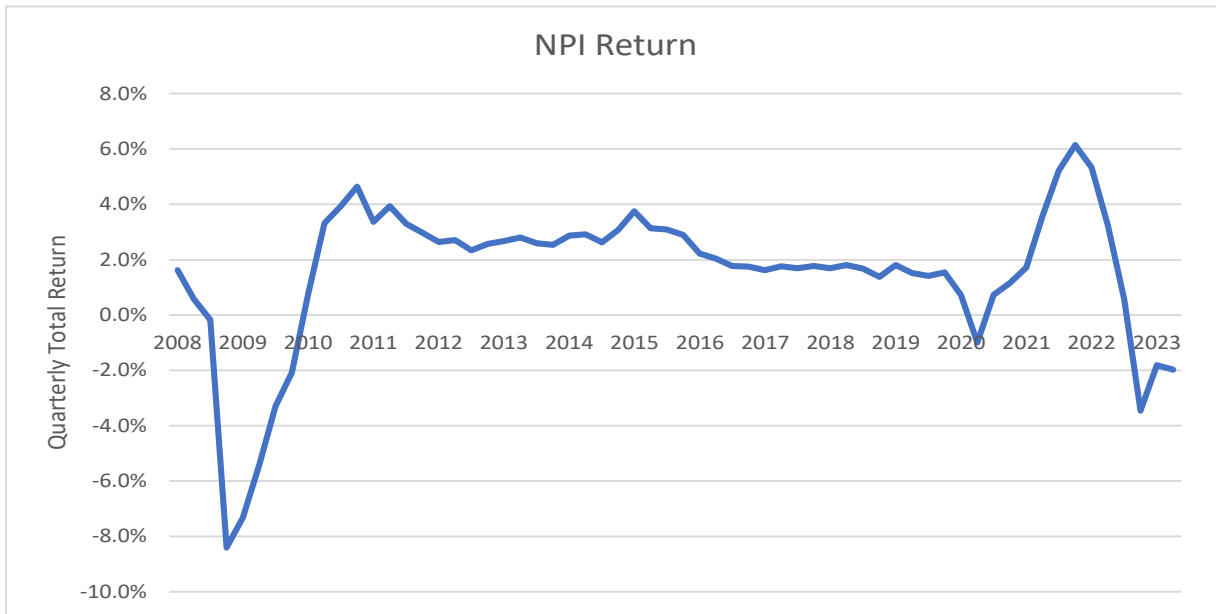
Institutional Property Values Decline for 4th Consecutive Quarter

CHICAGO, IL, July 25, 2023 – The National Council of Real Estate Investment Fiduciaries (NCREIF) has released second quarter 2023 results for the NCREIF Property Index (NPI). The NPI reflects investment performance for over 10,000 commercial properties, totaling \$895 billion in market value. The aggregate market value of the properties in the index declined for the fourth straight quarter and the returns were negative for the third straight quarter. The returns are detailed in the attached Snapshot Report.



The market value index declined by 2.72% during the second quarter and 9.13% for the last four quarters. The total return for the quarter was -1.98% and the unleveraged return for the past 4 quarters was -6.55%.

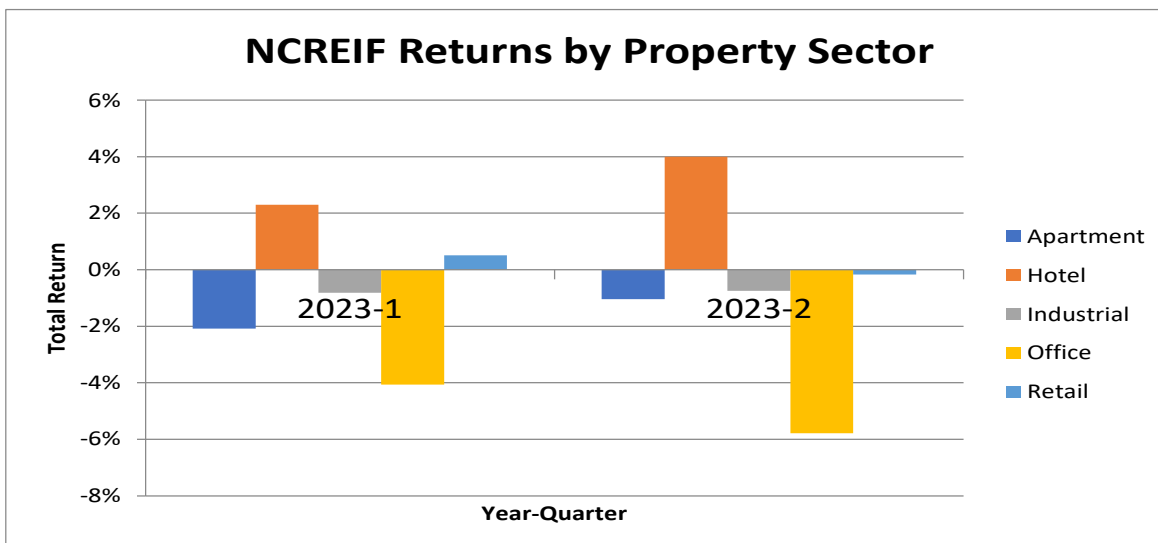
The negative 1.98% total quarterly return consisted of 1.04% from income and -3.02% from negative property appreciation. Appreciation is after the deduction of capital expenditures.



The -1.98% return is the unleveraged return for “operating properties” held by institutional investors throughout the U.S. As of quarter-end there were 4,687 properties with leverage and the weighted average loan to value ratio was 45%. Lower unleveraged returns coupled with higher interest rates magnified the negative return for those properties with leverage. Properties with leverage had a total quarterly return on equity of -4.33%. The average interest rate on the leveraged properties rose to 4.73% (annualized) for the second quarter, up slightly from 4.71% in the first quarter of 2023. A handful of properties had values which were equal to or less than their loan balance and a few additional properties were returned to the lender.

Hotels Buck the Trend

Hotels were the only sector to achieve a positive return for the quarter although there are very few hotels held in the funds in the NCREIF Property Index which are primarily CORE funds. Office had by far the most negative return at -5.79% as office continues to suffer from work-at-home trends.



Capitalization Rates and NOI Growth

Market value weighted capitalization (cap) rates based on appraisals for unsold properties in the index increased to 4.25% compared to 4.11% in the prior quarter. 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 5.26%. NOI growth declined to 0.97% down from 2.3% during the first quarter.

About the NCREIF Property Index

The NPI consists of 10,892 investment-grade, income-producing properties with a market value of \$895 billion. The market value breakdown by property type is about 24% office, 28% apartment, 14% retail, 34% industrial and less than 1% hotel. 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 August 10, 2023 at 1:00 CST (2:00 pm Eastern Standard Time) 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.

###

This press release contains information which is confidential and proprietary information of NCREIF. Information in this press release may only be reported in whole or in part with specific reference to NCREIF or the NCREIF Property Index as its source. Underlying data and text have been obtained from sources considered to be reliable; however, the information provided herein is provided "as is" and NCREIF does not guarantee and expressly disclaims the accuracy, adequacy, or completeness of any data or information contained in the press release. NCREIF shall not be responsible for any errors, omission, inaccuracies or other defects in the data and information contained herein, or for any actions taken in reliance thereon. NCREIF will not be liable for any direct, indirect, special, incidental, or consequential damages arising out of the use of or inability to use the data or information contained in this press release or for any loss or damage of any nature caused to any person because of that use or inability to use such data or information. This release is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security, or a recommendation of the services supplied by any money management organization.

Copyright NCREIF 2023. All Rights reserved. NCREIF - 105 W. Madison, Suite 1313, Chicago, IL 60602