
Quarterly Webinar



NCREIF

NFI-ODCE

**PERFORMANCE ATTRIBUTION
REPORT REVIEW**

2024q1 Results

Tuesday,
June 18th, 2024

1:00PM CENTRAL TIME

Panelist Overview

Joe D'Alessandro

NCREIF Director of Real Estate Performance Measurement

Guest Hosts

Mike Acton

Head of Research at AEW Capital Management

Steve Reissfelder

CFO for AEW's NFI-ODCE fund



Agenda

- Overview of private and public performance
- The Expanded NPI and Expanded NPI-ODCE
- Changes to the ODCE Inclusion criteria
- ODCE allocations – old vs. new
- Performance attribution
- The impacts of leverage

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

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

QUARTERLY RETURNS	"Classic"-----						
Period	NPI Frozen	NPI-ODCE	Expanded NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
06/30/2023	-2.0%	-2.2%	-2.1%	-2.7%	1.2%	8.7%	1.2%
09/30/2023	-1.4%	-1.5%	-1.4%	-1.9%	-8.3%	-3.3%	1.3%
12/31/2023	-3.0%	-3.5%	-3.3%	-4.8%	18.0%	11.7%	1.4%
03/31/2024	-1.0%	-1.5%	-1.4%	-2.4%	-1.3%	10.5%	1.3%
ANNUALIZED RETURNS							
Period	NPI Frozen	NPI-ODCE	Expanded NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
1 year	-7.2%	-8.4%	-8.1%	-11.3%	8.0%	29.8%	5.3%
2	-4.4%	-5.7%	-5.4%	-7.3%	-6.7%	9.4%	3.9%
3	3.6%	2.9%	2.9%	3.4%	2.5%	11.5%	2.6%
4	3.8%	3.2%	2.7%	3.5%	4.0%	15.0%	2.0%
5	4.7%	4.3%	3.1%	4.7%	5.4%	14.1%	1.9%
10	6.4%	6.0%	6.0%	6.8%	6.9%	13.0%	1.3%
15	6.9%	6.8%	6.9%	6.9%	13.6%	15.6%	0.9%
20	7.5%	7.1%	7.2%	7.0%	7.6%	10.1%	1.5%
25	7.9%	7.4%	7.6%	7.4%	9.6%	7.8%	1.8%

Note: "NPI" includes "operating" properties only.

"Classic" = what was reported previously using old definitions of property types and subtypes

"NPI Classic" Big 5 Only = Apt, Hot, Ind, Off, & Ret

"ODCE Classic" Big 5 Only

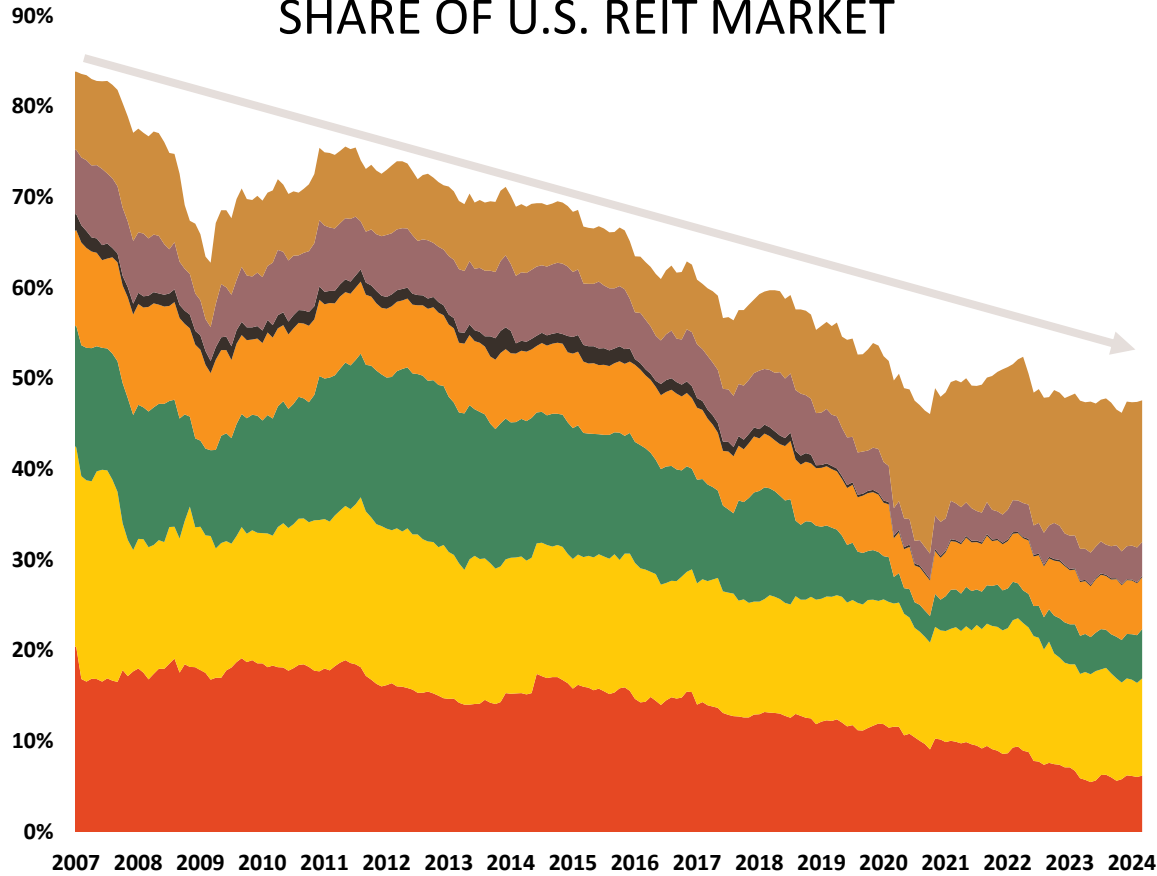
"Expanded" includes 6 new property subtypes, self storage, seniors housing and other property types.

Expanded NPI

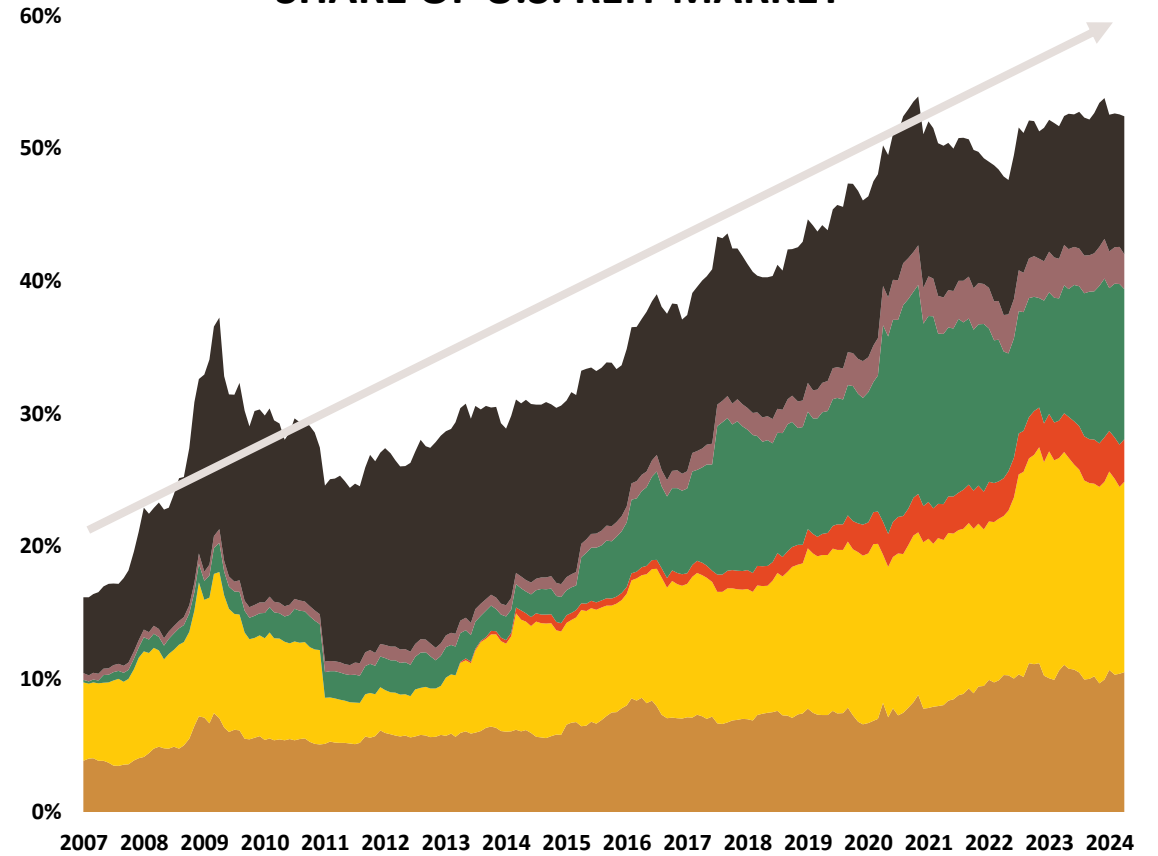
<ul style="list-style-type: none">1. Residential<ul style="list-style-type: none">a. Apartmentb. Studentc. Manufactured Housingd. Single Family2. Hotel<ul style="list-style-type: none">a. Full Serviceb. Limited Service3. Industrial<ul style="list-style-type: none">a. Manufacturingb. Flexc. Warehoused. Specializede. Life Science4. Office<ul style="list-style-type: none">a. Medicalb. Life Sciencec. CBDd. Urbane. Secondary Business Districtf. Suburban	<ul style="list-style-type: none">5. Retail<ul style="list-style-type: none">a. Streetb. Stripc. Mall6. Seniors Housing<ul style="list-style-type: none">a. Independent livingb. Assisted Livingc. Continuing Cared. Skilled Nursing7. Self-storage<ul style="list-style-type: none">a. No subtypes8. Other<ul style="list-style-type: none">a. Data Centerb. Operating Landc. Entertainmentd. Parkinge. Other
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Where the Enemy Sleeps – Listed Market

“TRADITIONAL” PROPERTY SECTORS
SHARE OF U.S. REIT MARKET



“NON-TRADITIONAL” PROPERTY SECTORS
SHARE OF U.S. REIT MARKET



OFFICE APARTMENT REGIONAL MALL SHOPPING CENTER DIVERSIFIED HOTEL INDUSTRIAL

STORAGE NET LEASE SF RENTAL DATA CENTER MFG. HOUSING HEALTH CARE

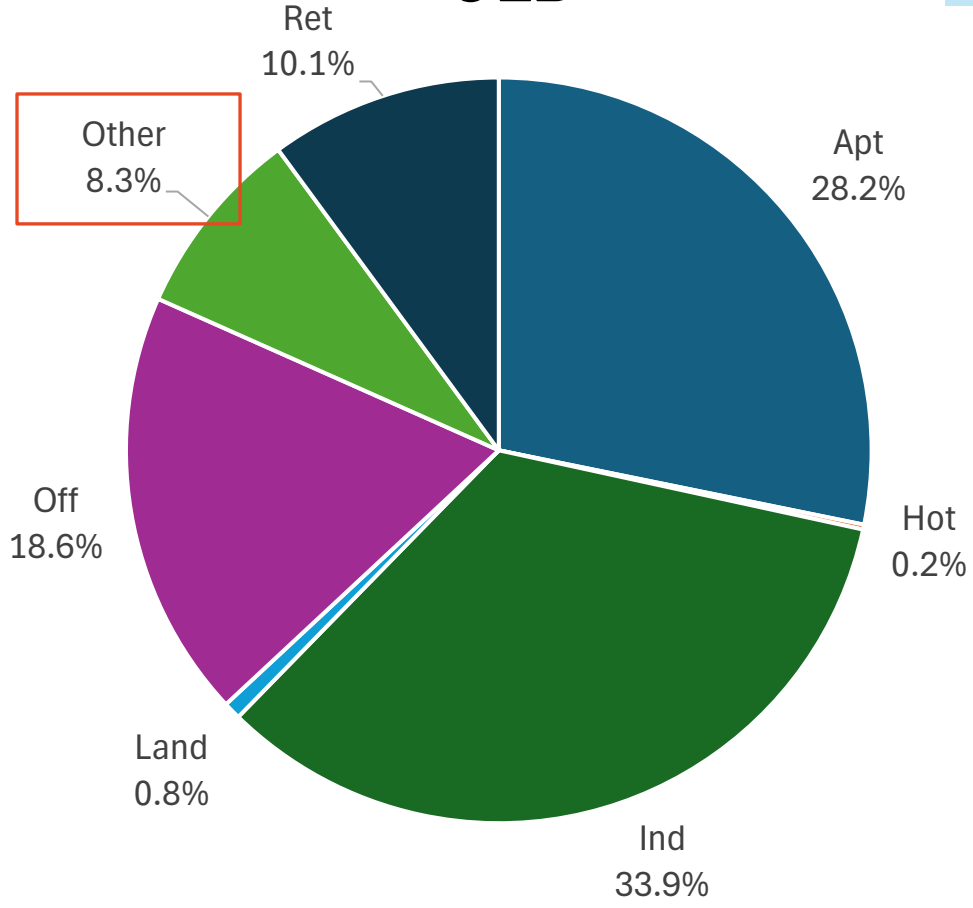
Update to NFI-ODCE Inclusion Criteria

- I. NCREIF Board of Directors met in March 2024 and approved the following changes.
 - A. New six expanded property subtypes will count towards the existing 75% Property Type test.
 - i. **Single family rental, manufactured housing, student housing, industrial life science, office life science, and medical office.**
 - ii. New Property Type test
 - 1. At least 75% of the fund's aggregate gross market value of real estate at effective ownership share are invested in office, industrial, **residential**, and retail property types. For the purposes of this test, the fund is allowed to include the value of a loan investment if the underlying collateral is one of the four property types mentioned. These four property types are as defined by the Expanded NCREIF Property Index.
- II. New policy test to limit the new six property subtypes.
 - A. A maximum of 25% of the fund's aggregate gross market value of real estate at effective ownership share can be invested in the six expanded property subtypes noted above.
- III. New review policy.
 - A. NCREIF Board of Directors will review the NFI-ODCE Inclusion Policy at a minimum of every three years to ensure industry alignment and adjust as necessary.

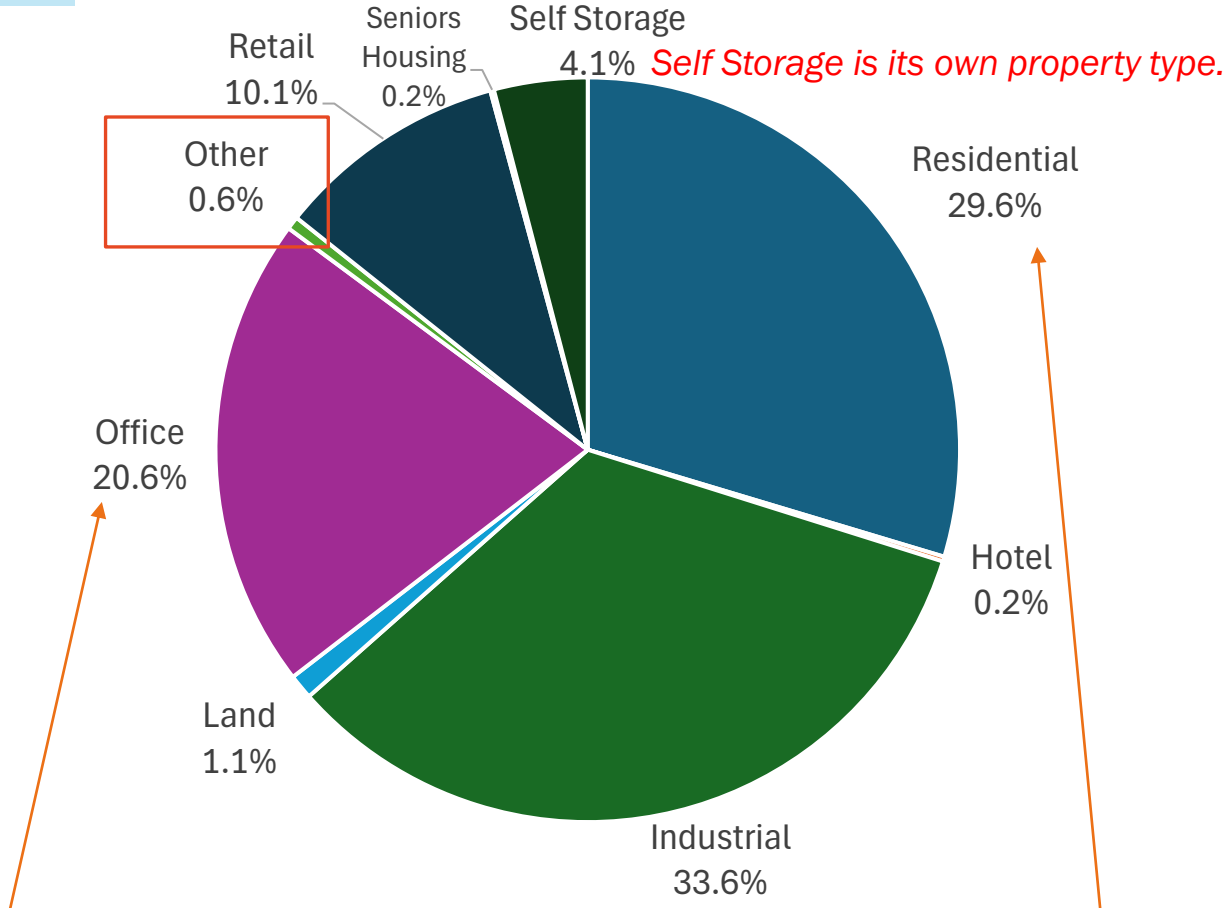
ODCE Market Value Allocations 3/31/24

\$ 283,445,484,307

OLD



NEW



Self Storage is its own property type.

Office includes medical and life science.

Residential includes student housing, single family rental and manufactured housing

NFI-ODCE Performance Attribution

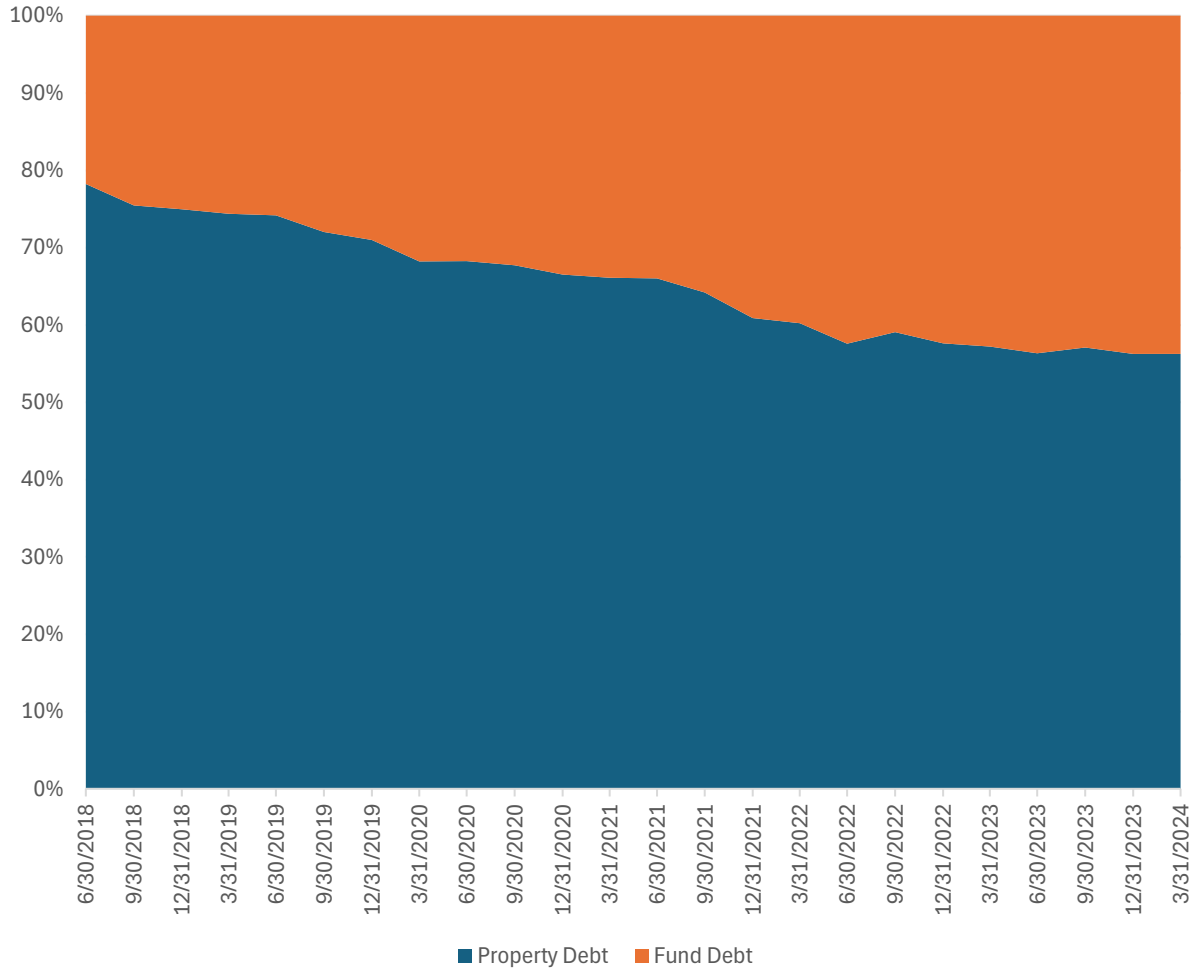
	12/31/23	3/31/24	1 Yr	3 Yr	5 Yr	7 Yr
NFI-ODCE Unleveraged Property-level Total Return at Ownership Share	-3.35%	-1.43%	-7.95%	3.69%	3.85%	4.80%
Leverage	-1.61%	-1.02%	-3.71%	0.00%	-0.07%	0.20%
Acquisitions (partial period)	0.05%	0.03%	0.08%	-0.03%	-0.02%	-0.01%
Other Non-Property Equity Investments	0.00%	0.02%	0.06%	0.09%	0.04%	0.05%
Cash Balances	0.11%	0.07%	0.27%	-0.11%	-0.09%	-0.14%
Other Assets and Liabilities	-0.06%	-0.03%	-0.13%	0.03%	0.04%	0.06%
Fund Costs	-0.02%	-0.02%	-0.08%	-0.08%	-0.10%	-0.10%
Other (includes Joint Venture Deal Structuring)	0.06%	0.02%	0.17%	-0.22%	-0.20%	-0.18%
Total Return Gross of Fees	-4.83%	-2.37%	-11.29%	3.37%	3.46%	4.68%

Leverage has recently dragged on performance

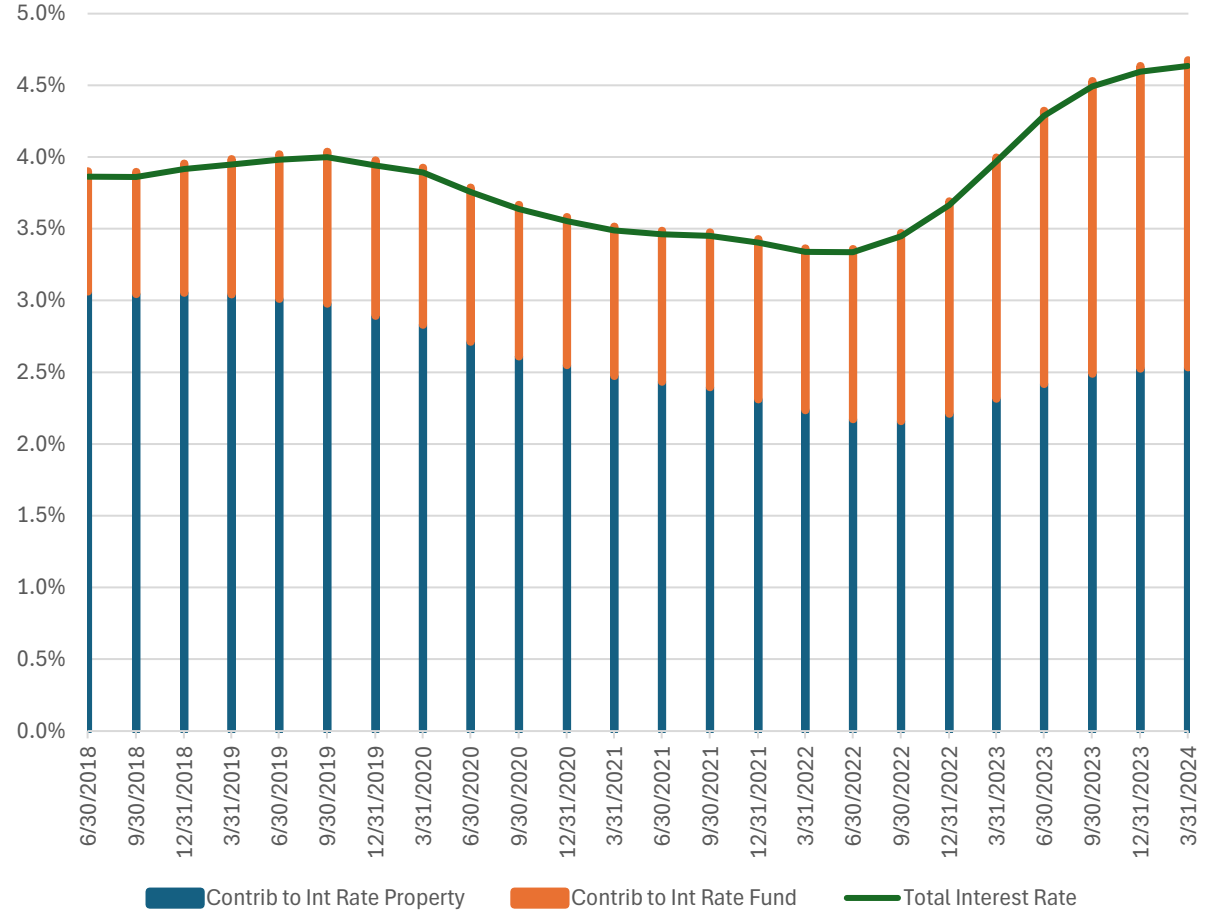
ODCE Funds Total Leverage==>	24.5%	25.0%	26.2%	26.9%				
	6/30/23	9/30/23	12/31/23	3/31/24	1 YR	3 Yr	5 Yr	7 Yr
Property-level leverage at principal balance	-0.47%	-0.39%	-0.72%	-0.43%	-1.86%	-0.11%	-0.07%	0.14%
Property-level leverage marked to market	0.03%	0.08%	-0.08%	-0.01%	0.02%	0.18%	0.08%	0.06%
Fund-level leverage at principal balance	-0.48%	-0.39%	-0.77%	-0.49%	-1.97%	-0.36%	-0.23%	-0.11%
Fund-level leverage marked to market	0.10%	0.14%	-0.04%	-0.09%	0.10%	0.29%	0.14%	0.11%
Total effects of leverage	-0.82%	-0.56%	-1.61%	-1.02%	-3.71%	0.00%	-0.07%	0.20%
Total leverage at principal balance	-0.95%	-0.78%	-1.49%	-0.92%	-3.83%			
Total leverage marked to market	0.13%	0.22%	-0.12%	-0.10%	0.12%			
NFI-ODCE Total Return Gross of Fees	-2.68%	-1.90%	-4.83%	-2.37%	-11.29%			
10 yr Treasury Rates Annualized	3.8%	4.6%	3.9%	4.2%				

6/14/24 rate was 4.2%

Changing nature of NFI-ODCE debt

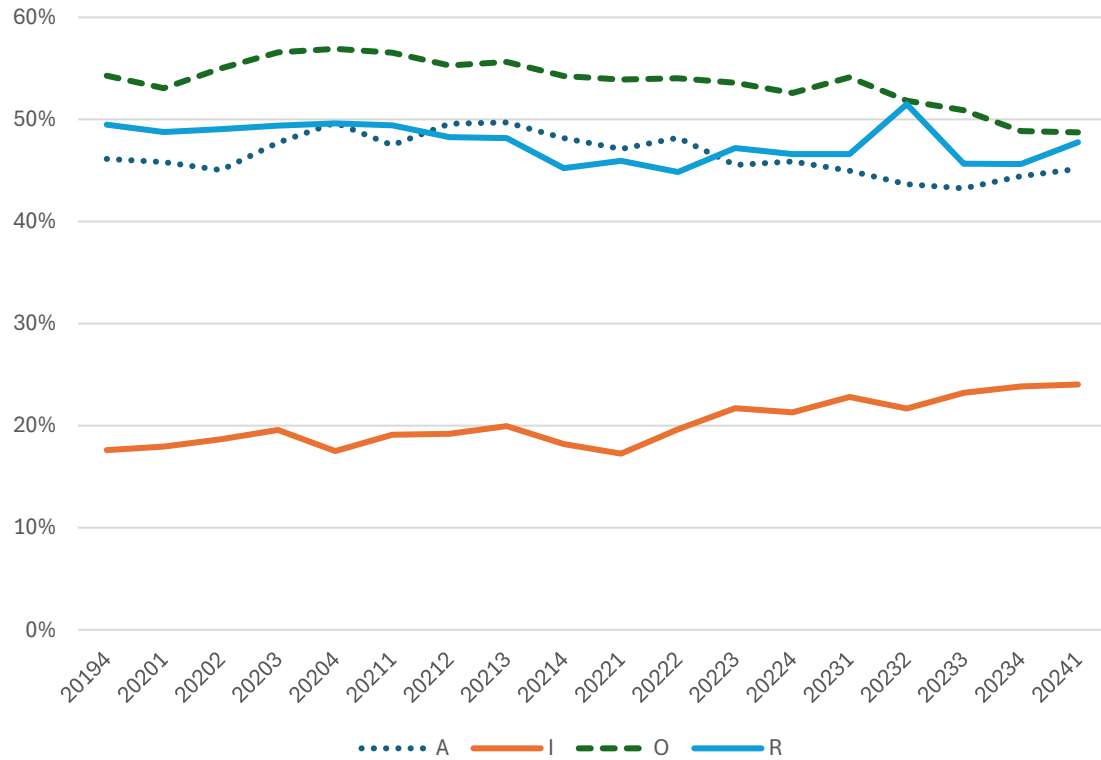


Interest Rate 4 Quarter Trailing
Cost of Debt

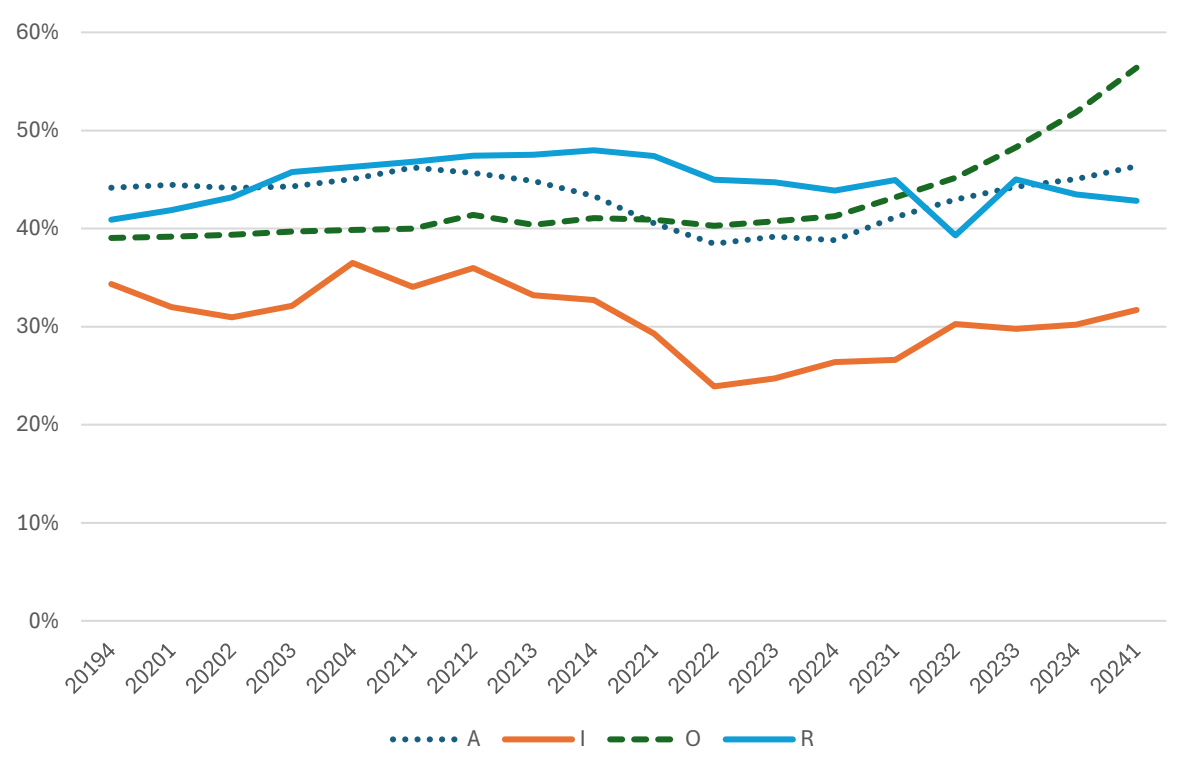


ODCE Property Leverage at Ownership Share

SHARE OF PROPERTIES USING LEVERAGE

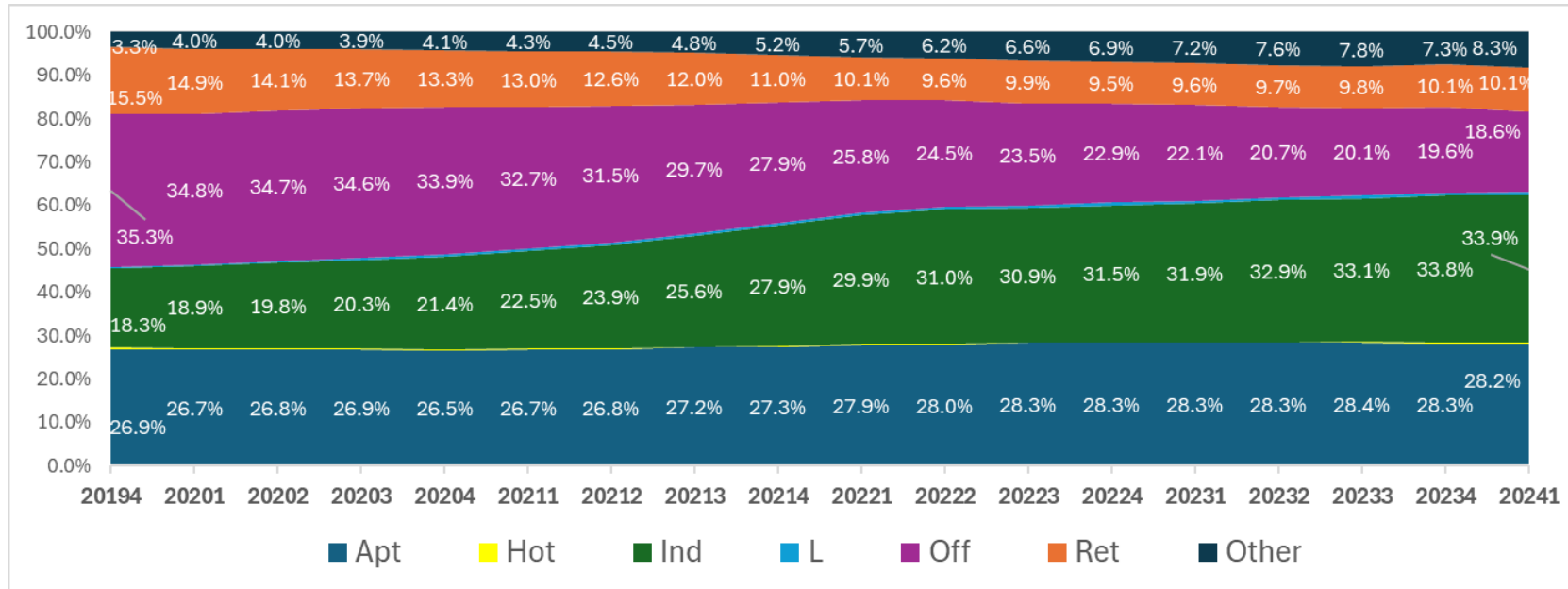


AVERAGE LTV FOR PROPERTIES USING LEVERAGE



Sector Contributions to Returns

	Avg. Weights		Contribution to Return						
	1 Yr	1 Yr	6/30/23	9/30/23	12/31/23	3/31/24	1 YR	3 Yr	5 Yr
Apartment	28.2%	-7.44%	-0.30%	-0.45%	-1.11%	-0.30%	-2.09%	1.13%	1.06%
Industrial	32.9%	-2.41%	0.04%	-0.09%	-0.72%	-0.03%	-0.77%	4.04%	3.47%
Office	20.5%	-21.29%	-1.61%	-0.88%	-1.21%	-1.09%	-4.66%	-2.24%	-0.95%
Retail	9.7%	-1.13%	-0.08%	0.02%	-0.12%	0.07%	-0.11%	0.28%	-0.15%
Hotel	0.2%	4.84%	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	-0.01%
Land	0.7%	-9.30%	0.00%	-0.01%	-0.03%	-0.03%	-0.07%	0.02%	0.02%
Other	7.7%	-3.47%	-0.04%	-0.01%	-0.17%	-0.05%	-0.26%	0.46%	0.41%
Unlev Prop Tot Ret	100.0%		-1.98%	-1.42%	-3.35%	-1.43%	-7.95%	3.69%	3.85%



Conclusion



1. Changes to property types and subtype have come to fruition after many years



2. Result will be more diverse investing, more alignment with public markets. More education is likely needed



3. Changes impact the ODCE inclusion criteria. No ODCE funds are out of compliance as a result of these changes



4. Quarter performance is negative, primarily due to office and apartments (aka residential)



5. Leverage continues to amplify the negative returns

NCREIF Upcoming Events

Visit our
Website for
More
Information!

www.NCREIF.org

NCREIF Fall Conference 2024

DIPLOMAT RESORT | OCTOBER 15-17 | HOLLYWOOD, FL



June 24-27 – NCREIF Academy Week at the SMU Campus in Dallas, TX

July 15-18 – NCREIF Academy Virtual Course: Real Estate Fund Formation

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



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**PERFORMANCE ATTRIBUTION
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**THANK YOU FOR
YOUR ATTENDANCE!**

Joe D'Alessandro



JoeD@NCREIF.org