NCREIF

Announcing the Expanded NPI!

Effective 1Q2024

Significant Changes to the NPI (NCREIF Property Index)

Introducing "The Expanded NPI"

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Introducing "The Expanded NPI"

The What
The Why
The Impact
The Transition

What – 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

What – New Subtypes

1. Residential
   a. Apartment
   b. Student
   c. Manufactured Housing
   d. Single Family
2. Hotel
   a. Full Service
   b. Limited Service
3. Industrial
   a. Manufacturing
   b. Flex
   c. Warehouse
   d. Specialized
   e. Life Science
4. Office
   a. Medical
   b. Life Science
   c. CBD
   d. Urban
   e. Secondary Business District
   f. Suburban
5. Retail
   a. Street
   b. Strip
   c. Mall
6. Seniors Housing
   a. Independent living
   b. Assisted Living
   c. Continuing Care
   d. Skilled Nursing
7. Self-storage
   a. No subtypes
8. Other
   a. Data Center
   b. Operating Land
   c. Entertainment
   d. Parking
   e. Other

What – NPI Inclusion Methodology

	Classic	Expanded
Property Type	• Apartment, Hotel, Industrial, Office, Retail	• _**Residential**_, Hotel, Industrial, Office, Retail, Self-Storage, Seniors Living, Other
Investor Type	• Non-taxable • Mix of Taxable and non-taxable	• Non-taxable • Mix of Taxable and non-taxable
Accounting Basis	• Market Value Accounting • Reported at fair value.	• Market Value Accounting • Reported at fair value.
Lifecycle	• Property is Operating.	• Property is Operating. • _**Must be operating at beginning and end of the quarter.**_

Why – Reason for Change

- Expand transparency with the NCREIF Property Index to align with the larger industry investable property sectors.

- Align performance measurement with capital flows.

- Assist with growing investment diversification demands.

- Enhanced NCREIF Property Index Inclusion Methodology.

Support NCREIF's mission through increased transparency.

Impact - Increases in Total Count & Value

NPI - Market Vaue $Bil			
2024 Q1	Classic	Expanded	Difference
Hotel	3	3	0
Industrial	292	288	-5
Office	179	195	16
Residential#	239	246	8
Retail	118	118	0
Self Storage	0	23	23
Seniors Housing	0	11	11
Other	0	12	12
TOTAL	**832**	**897**	**65**
# = Classic NPI Apartment			

NPI - Counts			
2024 Q1	Classic	Expanded	Difference
Hotel	73	73	0
Industrial	5,482	5,443	-39
Office	1,728	1,961	233
Residential#	2,361	2,645	284
Retail	1,165	1,165	0
Self Storage	0	1,104	1,104
Seniors Housing	0	217	217
Other	0	137	137
TOTAL	**10,809**	**12,745**	**1,936**
# = Classic NPI Apartment			

NPI - Market Vaue %			
2024 Q1	Classic	Expanded	Difference
Hotel	0%	0%	0.0%
Industrial	35%	32%	-3.0%
Office	22%	22%	0.2%
Residential#	29%	27%	-1.2%
Retail	14%	13%	-1.0%
Self Storage	0%	3%	2.5%
Seniors Housing	0%	1%	1.2%
Other	0%	1%	1.3%
TOTAL	100.0%	100%	
# = Classic NPI Apartment			

Impact - Returns

Total NPI 2024 Q1	Classic	Expanded	Difference (bps)
Current Q	-1.0%	-0.9%	6
One-Yr	-7.2%	-6.9%	30
Five-Yr	3.8%	3.9%	12
Fifteen-Yr	6.9%	7.0%	9
Forty-Yr	7.5%	7.6%	6

Hotel 2024 Q1	Classic	Expanded	Difference (bps)
Current Q	0.8%	0.8%	0
One-Yr	8.7%	8.6%	-9
Five-Yr	-0.2%	-0.1%	6
Fifteen-Yr	4.1%	4.0%	-11
Forty-Yr	6.4%	6.4%	1

Industrial 2024 Q1	Classic	Expanded	Difference (bps)
Current Q	0.1%	0.1%	-1
One-Yr	-3.1%	-3.2%	-1
Five-Yr	14.2%	14.1%	-10
Fifteen-Yr	11.7%	11.6%	-6
Forty-Yr	9.7%	9.6%	-2

Office 2024 Q1	Classic	Expanded	Difference (bps)
Current Q	-3.8%	-3.6%	18
One-Yr	-17.4%	-16.7%	72
Five-Yr	-2.8%	-2.4%	44
Fifteen-Yr	3.9%	4.1%	20
Forty-Yr	5.5%	5.6%	10

Residential# 2024 Q1	Classic	Expanded	Difference (bps)
Current Q	-1.0%	-0.9%	5
One-Yr	-6.3%	-6.1%	19
Five-Yr	4.6%	4.6%	6
Fifteen-Yr	7.3%	7.2%	-2
Forty-Yr	8.3%	8.3%	1

 # = Apartment only for Classic

Retail 2024 Q1	Classic	Expanded	Difference (bps)
Current Q	0.6%	0.6%	1
One-Yr	-0.8%	-0.7%	6
Five-Yr	-0.2%	-0.3%	-3
Fifteen-Yr	5.8%	5.8%	0
Forty-Yr	8.0%	8.0%	0

Impact – Opportunity for Data Accuracy

- Extensive Data clean-up on Expanded NPI and Classic NPI Research

  - Expanded NPI data set is a copy of Classic NPI Research as of 2023q4
  - Focus was on the 16k active Properties for the 2024q1 rollout
  - All updates were done to both Classic NPI Research and Expanded NPI with a focus on NPI Inclusion fields:
    - Props with multiple Property Types or Subtypes within same PropertyID
    - Props submitted in Classic NPI with a different Prop/Subtype then submitted Expanded NPI value
      - Analysis based on Expanded Supplemental collection identifying the new property type and design/usage fields
    - Lifecycle Clean-up
      - If props were submitted as Operating for a quarter (in error), and then next quarter submitted as the correct value, the property remains in the NPI, based on inclusion criteria and how the system assigns the NPI Inclusion flag. Clean-up tasks corrected those values and reassigned the flag.

  - Other fields reviewed and cleaned include zip code and number of floors.

Transition – Reports & Products

PRODUCTS

EXPANDED PROPERTY

Expanded NCREIF Property Index (NPI)
(New)

Released: 04/25/24
Next Release: 07/25/24

- PDF (5 MB) — 1q2024 Expanded NPI Detail Report
- XLS (25 MB) — 1q2024 Expanded NPI Detail Spreadsheet
- XLS (72 MB) — 1q2024 Expanded NPI Annualized Spreadsheet
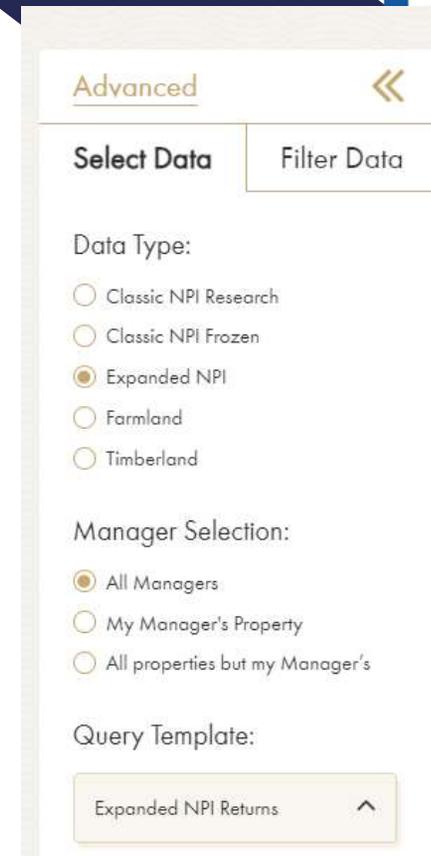- PDF (399 KB) — 1q2024 Expanded NPI Snapshot

CLASSIC PROPERTY

Classic NCREIF Property Index (NPI)

Released: 04/25/24
Next Release: 07/25/24

- PDF (4 MB) — 1q2024 Classic NPI Detail Report
- XLS (18 MB) — 1q2024 Classic NPI Detail Spreadsheet
- XLS (66 MB) — 1q2024 Classic NPI Annualized Spreadsheet
- XLS (10 MB) — 1q2024 Classic NPI Spreadsheet for props held in ODCE Funds
- XLS (12 MB) — 1q2024 Classic NPI Spreadsheet for props held in Open End Funds
- PDF (345 KB) — 1q2024 Classic NPI Snapshot
- XLS (30 KB) — 1q2024 Market Indices Spreadsheet
- PDF (9 MB) — 4q2023 Classic NPI Performance Report

Transition – Query Tool

- **Classic NPI Research Data Type** – Includes data received from contributing members regardless of whether those properties qualify for inclusion in the Classic NPI. The Classic NPI Research Database includes all revisions made to originally contributed data. This data set includes the property types of: Apartment, Hotel, Office, Industrial, Retail

- **Classic NPI Frozen Data Type** – Includes only data contributed for properties that qualify for inclusion in the Classic NPI. This data is "frozen" in that it does not reflect any subsequent revisions to contributed data. Classic NPI will continue to have only five property types and will only have the traditionally available subtypes. To qualify for inclusion in the Classic NPI, a property is:
    - Operating
    - Acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary environment.
    - In the Apartments, Hotel, Industrial, Office, or Retail property types.
    - Reported (accounted for) at fair value.

- **Expanded NPI Data Type** – Includes data received from contributing members regardless of whether those properties qualify for inclusion in the Expanded NPI. This data set includes all revisions made to originally contributed data. To qualify for inclusion in the Expanded NPI, a property is:
    - Fair Value based on internal or external valuation for both the Beginning and Ending Market Values, with both values based on Lifecycle Operating
    - Acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary environment.
    - Reported (accounted for) at fair value.
    - The property and subtypes include in the expanded NPI include:

Advanced «

Select Data | Filter Data

Data Type:
○ Classic NPI Research
○ Classic NPI Frozen
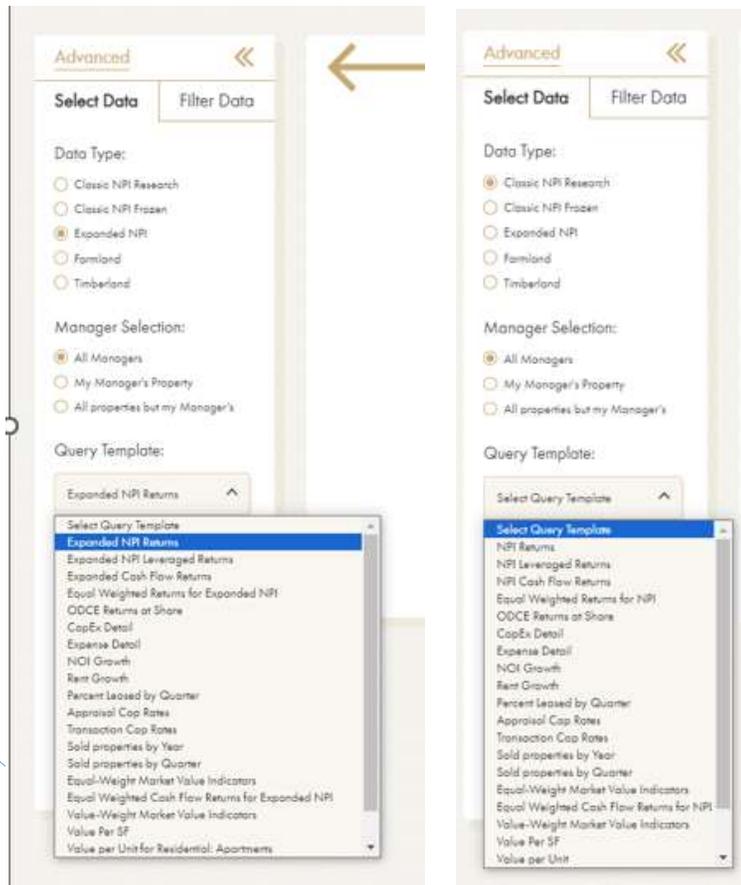◉ Expanded NPI
○ Farmland
○ Timberland

Manager Selection:
◉ All Managers
○ My Manager's Property
○ All properties but my Manager's

Query Template:

Expanded NPI Returns ⌃

Transition – Query Tool

- Query Templates will populate based on your Data Type selection

- The Classic Templates have been replicated to run with the expanded Data Type
  - All fields are the same name except for:
    - PropertyType = Exp_PropertyType
    - PropertySubtype = Exp_PropertySubType

- The Query Manual has been updated to reflect the new Expanded Data Type fields

Transition – Allow Industry to Adapt

- Transition phase to last at least one year.

- Allows time for industry to realign existing contracts and operations.

- Expanded NPI will remain unfrozen during transition period.
  - Decision to freeze will be a membership effort.

- Reports and additional performance measures to increase with each quarter.

Transition – ODCE Inclusion Policy

Property Type Diversification policy revised as follows:

*Property Types – 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 NCREIF Property Index.*

Two New Policies added:

- Property Subtypes – 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 that are single family rental, manufactured housing, student housing, industrial life science, office life science, and medical office.

- The 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.

Transition – ODCE Inclusion Policy

- NFI-ODCE inclusion policy modification approved in March 2024 related to the allocation of six property subtypes: *single family rental, manufactured housing, student housing, industrial life science, office life science, and medical office.*

Drivers for Change:

- Alignment around property types between the NPI and ODCE.

- Confirmation that the new subtypes fall within the inclusion criteria.

- Maximum cap placed on the subtypes are designed to allow ODCE managers advancement and flexibility to invest, but still be diversified.

Questions?

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