
Fourth Quarter 2023



NCREIF

NFI-ODCE

**PERFORMANCE ATTRIBUTION
REPORT REVIEW WEBINAR**

March 19th, 2024

1:00PM CENTRAL TIME

Panelist Overview

Joe D'Alessandro

NCREIF Director of Real Estate Performance Measurement

Guest Host

Kevin White

Head of America's Real Estate Research for DWS



Agenda

- Overview of private and public performance
- Introducing the Expanded NPI-ODCE
- Detailed comparison to public equity and debt
- Appraisal component attribution
- Build-up of ODCE fund level returns
- The impacts of leverage
- Sector returns, vacancy, NOI growth
- Sector contribution to return and allocations

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

ODCE has recently underperformed

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

QUARTERLY RETURNS							
Period	NPI Frozen	NPI-ODCE	Expanded NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
03/31/2023	-1.8%	-2.4%	-2.3%	-3.2%	1.7%	7.5%	1.1%
06/30/2023	-2.0%	-2.2%	-2.0%	-2.7%	1.2%	8.7%	1.2%
09/30/2023	-1.4%	-1.6%	-1.5%	-1.9%	-8.3%	-3.3%	1.3%
12/31/2023	-3.0%	-3.5%	-3.4%	-4.8%	18.0%	11.7%	1.4%
ANNUALIZED RETURNS							
Period	NPI Frozen	NPI-ODCE	Expanded NPI-ODCE	NFI-ODCE	NAREIT	SP 500	T-Bill
1 year	-7.9%	-9.3%	-8.8%	-12.0%	11.4%	26.3%	5.1%
2	-1.4%	-2.3%	-1.7%	-2.8%	-8.6%	1.7%	3.2%
3	4.6%	4.0%	4.8%	4.9%	5.7%	10.0%	2.1%
4	4.3%	3.8%	4.1%	4.2%	7.6%	15.7%	1.8%
5	5.0%	4.7%	4.4%	5.3%	5.9%	13.4%	1.7%
10	6.8%	6.4%	6.9%	7.3%	7.9%	12.0%	1.2%
15	6.4%	6.1%	6.3%	6.1%	10.8%	14.0%	0.8%
20	7.7%	7.3%	7.4%	7.2%	8.3%	9.7%	1.4%
25	8.0%	7.6%	NA	7.7%	9.5%	7.6%	1.8%

	NFI-DP, net (Daily Priced) (90/10 alloc)	Implied Private RE, Gross	NAREIT
1/31/2024	-0.71%	-0.30%	-4.15%
2/29/2024	-0.66%	-0.92%	2.03%
Two Months	-1.37%	-1.21%	-2.20%
3/31/2024	?	?	

Cap rates have been the primary driver

NOI growth has been sturdy

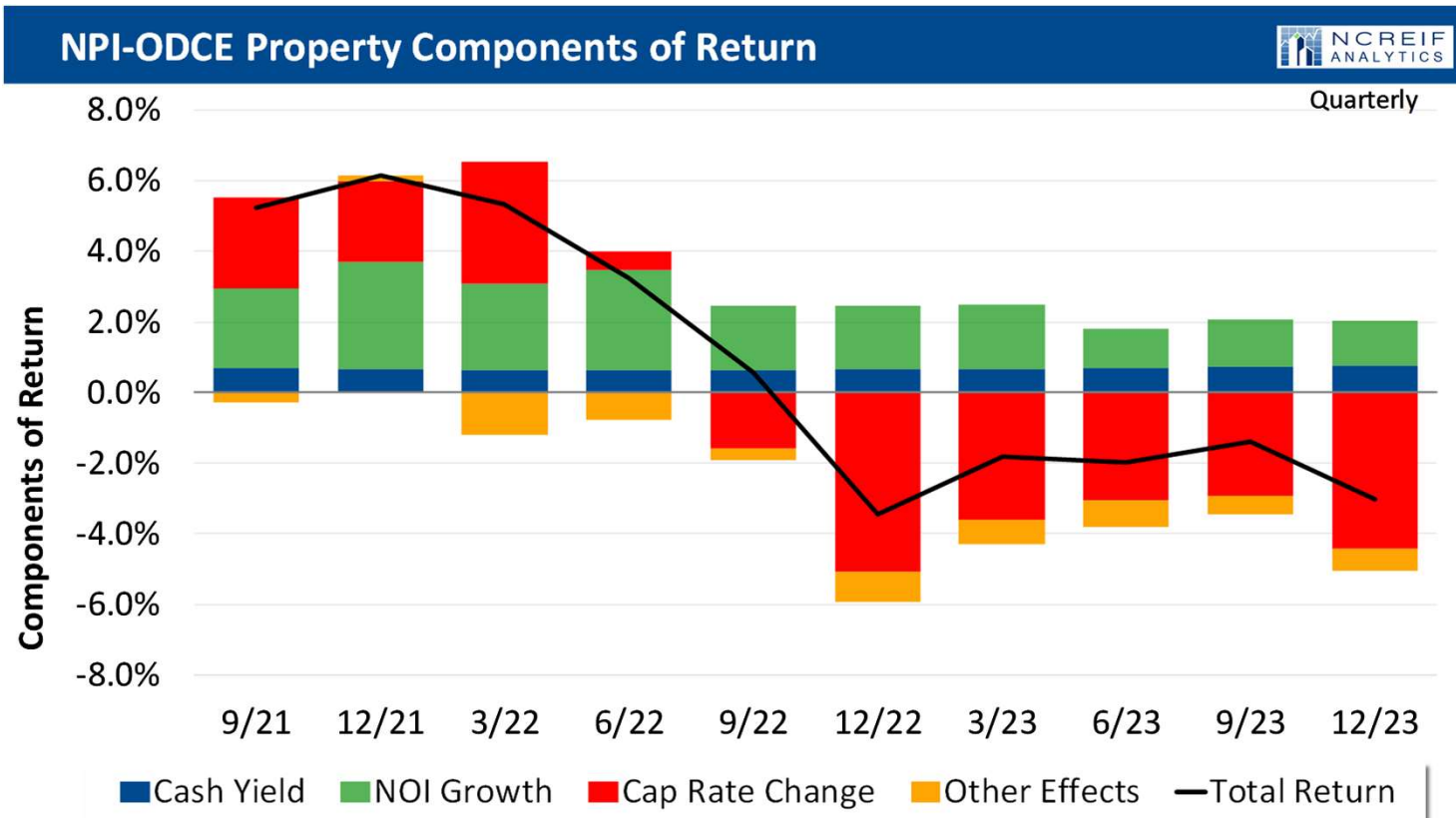
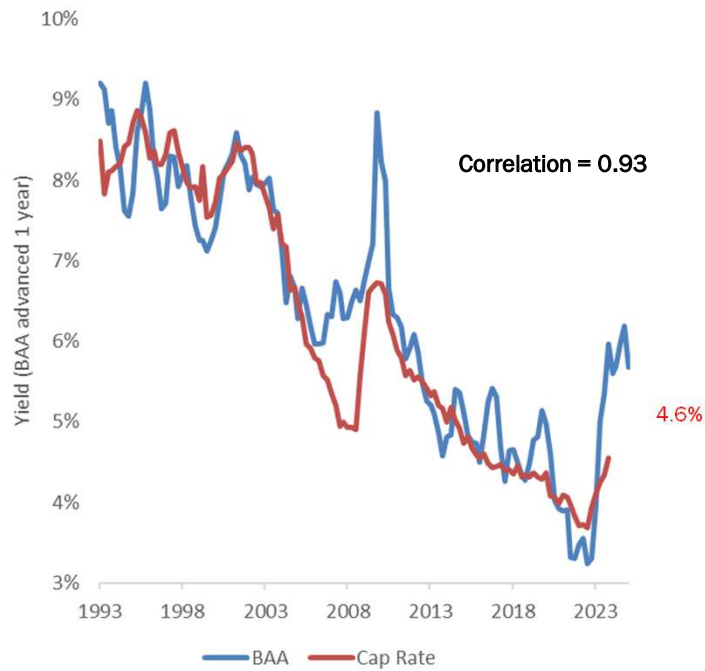


Chart: C-015-2401

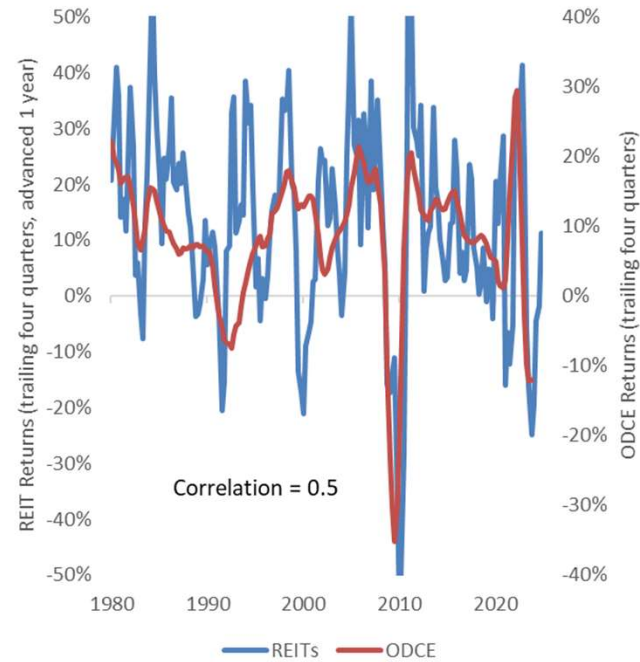
Real estate follows public markets with a lag

Scope for optimism?

Cap Rate vs BAA Yield



REIT vs ODCE Returns



Past performance is not indicative of future results.

Sources: NCREIF (cap rate, ODCE returns); Federal Reserve (BAA); NAREIT (REITs); As of December 2023.

NFI-ODCE Performance Attribution

Leverage and “Other” impact fund-level returns

	9/30/23	12/31/23	1 Yr	3 Yr	5 Yr	7 Yr
NFI-ODCE Unleveraged Property-level Total Return at Ownership Share	-1.42%	-3.35%	-8.69%	4.82%	4.47%	5.26%
Leverage	-0.56%	-1.61%	-3.73%	0.51%	0.15%	0.41%
Acquisitions (partial period)	0.00%	0.05%	0.06%	-0.04%	-0.03%	-0.01%
Other Non-Property Equity Investments	0.01%	0.00%	0.05%	0.09%	0.03%	0.05%
Cash Balances	0.05%	0.11%	0.28%	-0.17%	-0.12%	-0.17%
Other Assets and Liabilities	-0.02%	-0.06%	-0.13%	0.05%	0.05%	0.07%
Fund Costs	-0.03%	-0.02%	-0.08%	-0.09%	-0.10%	-0.10%
Other (includes Joint Venture Deal Structuring)	0.06%	0.06%	0.23%	-0.27%	-0.22%	-0.21%
Total Return Gross of Fees	-1.90%	-4.83%	-12.02%	4.92%	4.25%	5.30%

Leverage has recently dragged on performance

Amplifies shifts in underlying returns

ODCE Funds Total Leverage====>	23.8%	24.5%	25.0%	26.2%	
	3/31/23	6/30/23	9/30/23	12/31/23	1 YR
Property-level leverage at principal balance	-0.49%	-0.47%	-0.39%	-0.72%	-1.90%
Property-level leverage marked to market	0.00%	0.03%	0.08%	-0.08%	0.02%
Fund-level leverage at principal balance	-0.51%	-0.48%	-0.39%	-0.77%	-1.97%
Fund-level leverage marked to market	-0.07%	0.10%	0.14%	-0.04%	0.12%
Total effects of leverage	-1.07%	-0.82%	-0.56%	-1.61%	-3.73%
Total leverage at principal balance	-1.00%	-0.95%	-0.78%	-1.49%	-3.87%
Total leverage marked to market	0.07%	0.13%	0.22%	-0.12%	0.14%
Total Return Gross of Fees	-3.17%	-2.68%	-1.90%	-3.35%	-12.02%
10 yr Treasury Rates Annualized	3.5%	3.8%	4.6%	3.9%	

3/18/24 rate was 4.2%

Sector dispersion has revived

Performance gap is widening again

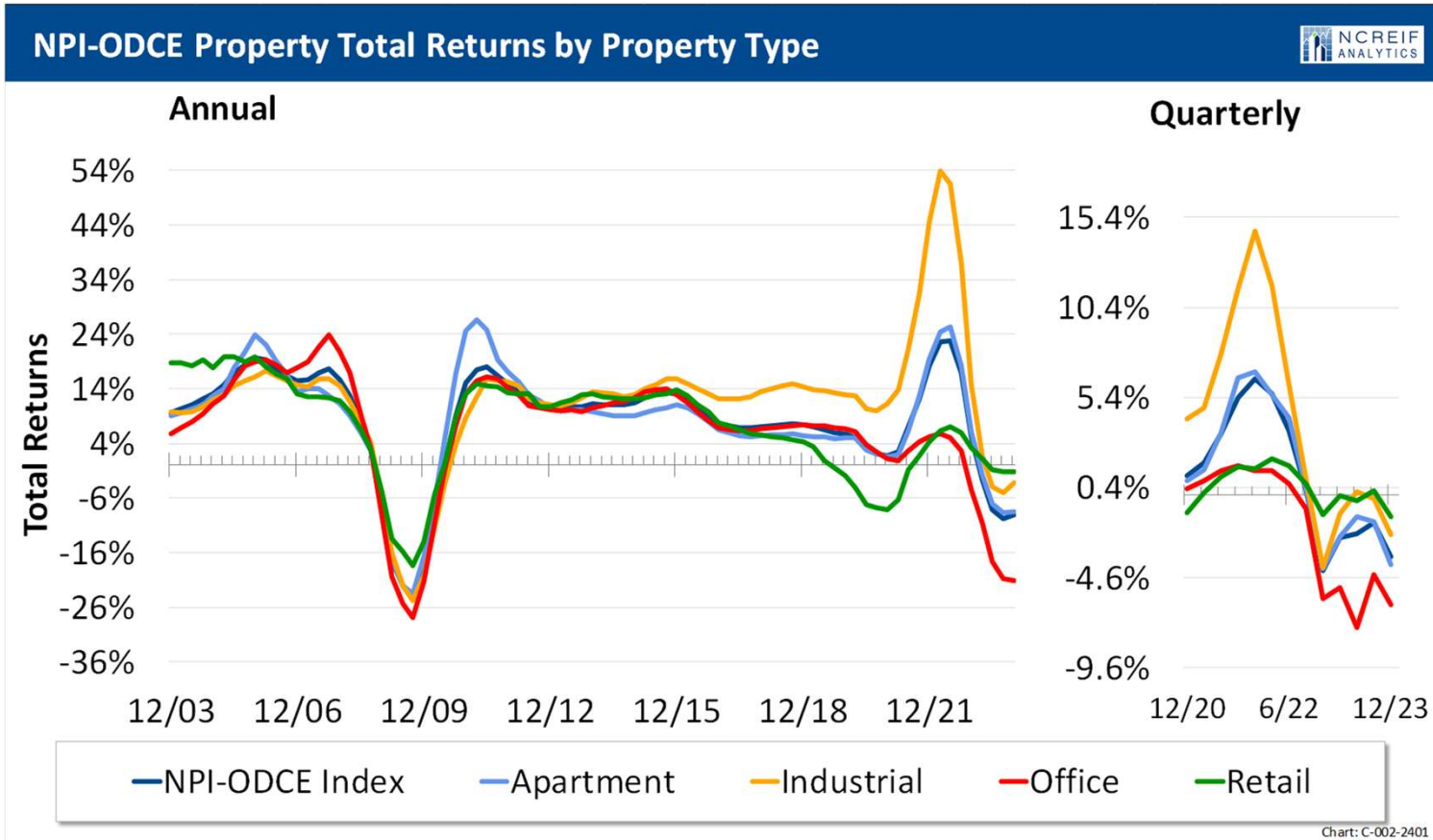
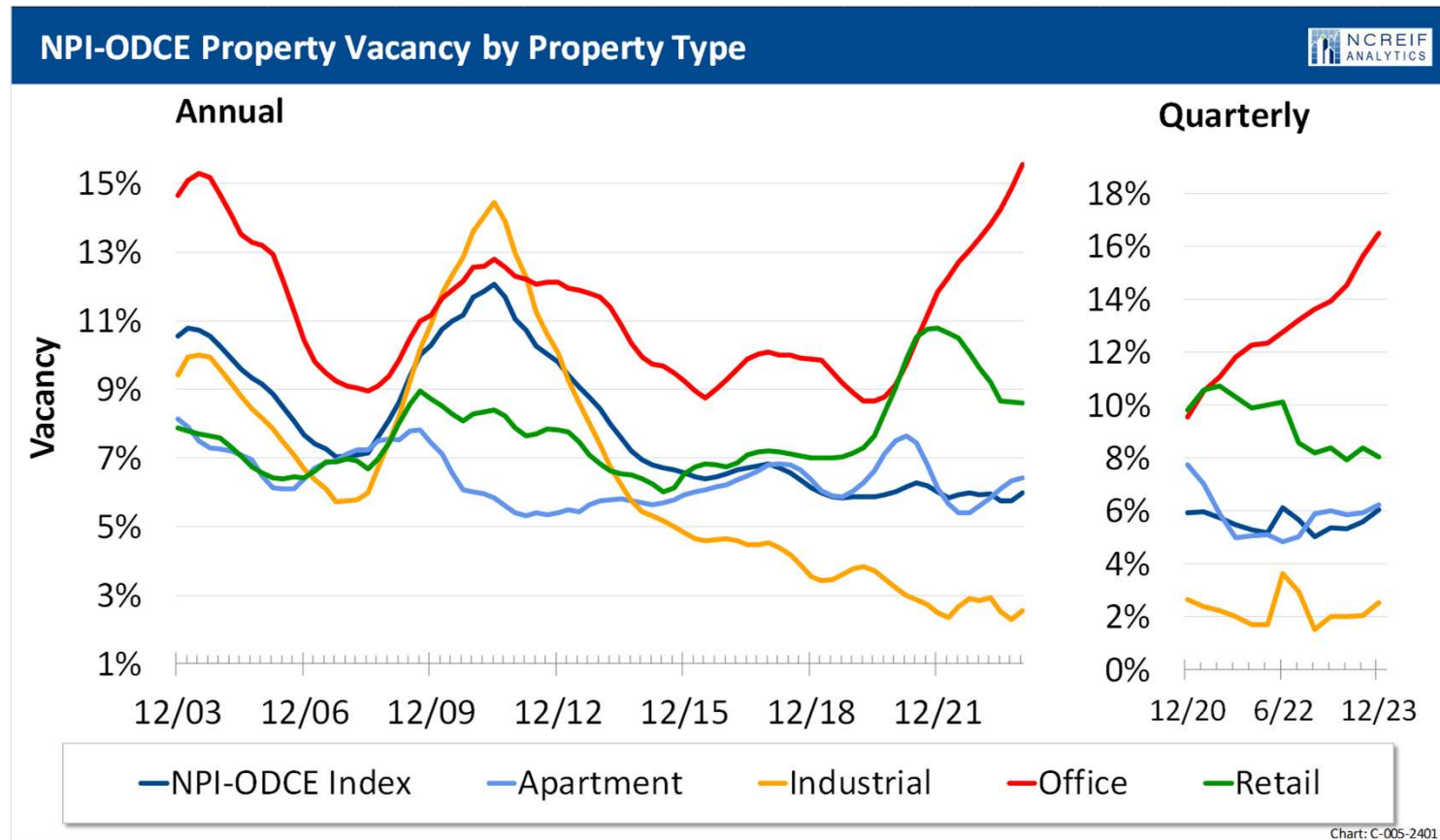


Chart: C-002-2401

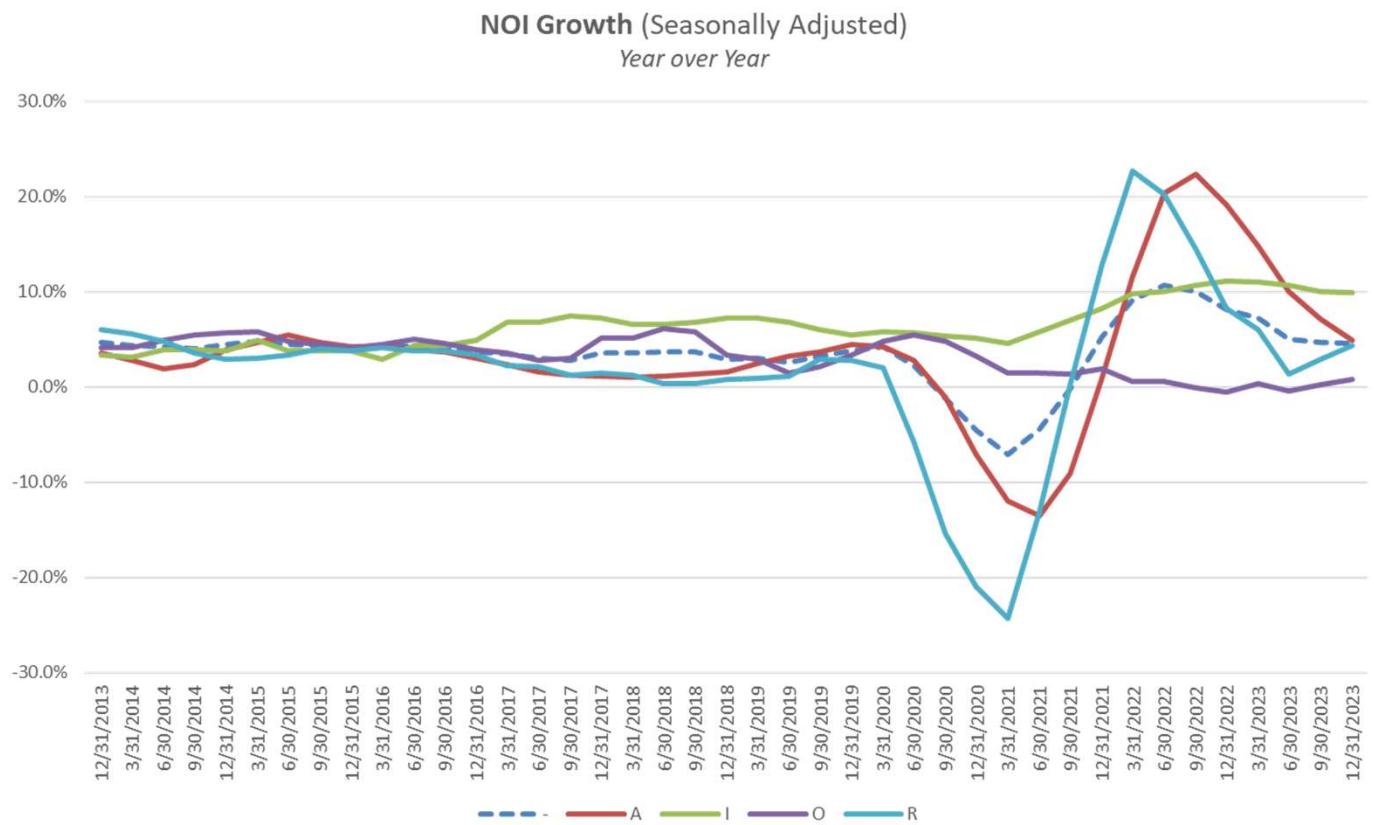
Differences largely driven by fundamentals

Office and Industrial are at opposite ends of the spectrum



NOI growth is moderating

Industrial remains robust

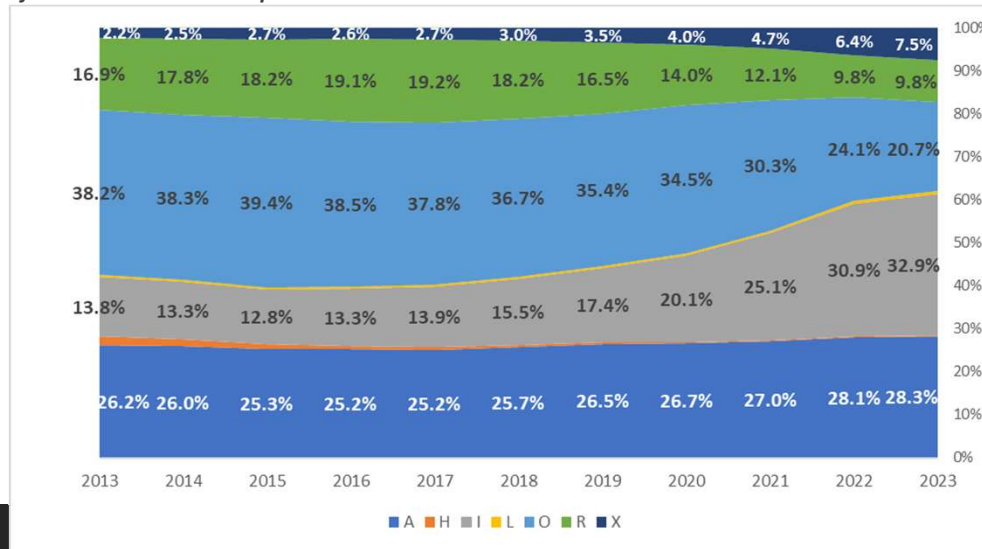


Sector Contributions to Returns

Retail is helping, Office hurting

	Avg. Weights	Return	Contribution to Return				1 YR
	1 Yr	1 Yr	3/31/23	6/30/23	9/30/23	12/31/23	
Apartment	28.2%	-8.55%	-0.63%	-0.30%	-0.45%	-1.11%	-2.41%
Industrial	32.4%	-3.38%	-0.35%	0.04%	-0.09%	-0.72%	-1.07%
Office	21.4%	-20.87%	-1.17%	-1.61%	-0.88%	-1.21%	-4.72%
Retail	9.6%	-1.83%	0.00%	-0.08%	0.02%	-0.12%	-0.17%
Hotel	0.2%	3.63%	0.00%	0.00%	0.00%	0.00%	0.01%
Land	0.7%	-8.92%	-0.03%	0.00%	-0.01%	-0.03%	-0.07%
Other	7.5%	-3.58%	-0.05%	-0.04%	-0.01%	-0.17%	-0.26%
Unlev Prop Tot Ret	100.0%		-2.22%	-1.98%	-1.42%	-3.35%	-8.69%

Page 4 of the NFI-ODCE Performance Attribution Report



Conclusion



ODCE returns were down sharply in 4Q23, while listed markets (REITs and S&P) rebounded.



Cap rate shifts have been the principal cause of value declines.



Leverage has amplified the effects of falling asset values on fund returns.



Sector dispersion is increasing again, driven by fundamentals.



Office is a drag, but it's a shrinking piece of the real estate pie.

NCREIF Upcoming Events

Visit our
Website for
More
Information!

www.NCREIF.org



NCREIF Spring Conference 2024
Arizona Biltmore - Phoenix, AZ
March 25-28

March 25 – NCREIF Academy Course: Performance Measurement & Benchmarking

March 28 – NCREIF Academy Course: Performance Reporting & Manager Evaluation

April & May – NCREIF Academy Virtual Course: Investment Vehicles: Key Terms & Fee Structures

June 11-12 – NCREIF Academy Virtual Course: Introduction to Reporting Standards

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

Fourth Quarter 2023



NCREIF
NFI-ODCE
PERFORMANCE ATTRIBUTION
REPORT REVIEW WEBINAR

**THANK YOU FOR
YOUR ATTENDANCE!**

Joe D'Alessandro



JoeD@NCREIF.org