Today’s Panelists

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Disclaimer

All comments about future expectations are the personal views of the speakers and NOT a “NCREIF opinion” or forecast, and should not be relied upon for investment decisions.

NCREIF Does NOT Forecast Returns
Bottomed in same quarter?

REITs led to upside by one quarter?

REITs dropped to 0.23% but that was followed by a 16.17% return

Both drop in same quarter?
Implied Cap Rates – Public vs. Private

Sources: NCREIF, Green Street, Affinius Capital Research
Market Values Drop for Third Straight Quarter
Returns Continue in Negative Territory

NPI Return

Quarterly Total Return

Year: 2008 to 2023
Write-Downs Remain Elevated

Write-ups vs Write-downs for NPI

Year

Percent of Properties

0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

UP
No Change
Down
Write-ups vs Write-downs for ODCE

Percent of Properties

Year

UP
No Change
Down

Classification: Personal
Question

Where will institutional real estate values be by the end of 2023 compared to now?

- A. Values will be somewhat lower by the end of 2023.
- B. Values will stabilize at the current level
- C. Values will be somewhat higher by the end of 2023.
- D. I have no idea!
Retail and Hotels Buck the Trend

NCREIF Returns by Property Sector

- Apartment
- Hotel
- Industrial
- Office
- Retail

Year-Quarter

Total Return

-6% -5% -4% -3% -2% -1% 0% 1% 2% 3% 4%
Rent and NOI Growth Holding Steady
Effective Rents Are Trending Downward In the Office Space
Occupyancy by Property Type

Property Type
- Apartment
- Hotel
- Industrial
- Office
- Retail
There Is Some Nuance to Office Fundamentals

Absorption Rate, Q1 2020 to Present

- Cherry Creek
- East
- Fulton Market/Far West Loop
- Penn Plaza
- Seaport

Submarket:
- Denver, Cherry Creek
- Austin
- Chicago
- Manhattan
- Boston

Market:
• NPI industrial vacancy rate at 1.5%, vs. 10-year average of 4.1%.
• Of the 46 CBSAs reporting in Q1 2023
  • 30 CBSAs <2.0%
  • 42 CBSAs <3.0%

Sources: NCREIF, Affinius Capital Research
Question

• What Property Sector do you think will perform best (highest total return) for all of 2023?
  • A. Apartment
  • B. Hotel
  • C. Industrial
  • D. Office
  • E. Retail
Appraisal vs Transaction Cap Rates

Year

CapRate


0% 2% 4% 6% 8% 10% 12%

Appraisal CapRate
Transaction Cap Rates
Sunbelt Continued to Outperform in 2022, While Most Gateway Markets Kept Lagging

- Riverside, Fort Lauderdale, Miami, Baltimore and West Palm Beach the top performers for total return although office weak for all.

- New York, Chicago, Washington DC, Boston, and San Francisco were among the bottom performers for most sectors.

### Total Return Index

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Average: -0.8 -0.4 2.3 -6.4 1.1

Sources: NCREIF, Berkshire Research.
Over past 3 years, life science & medical office have outperformed other office subtypes by a wide margin.

CBD & Urban office have seen weakest performance recently.

NPI 1- & 3-year returns are annualized.

Sources: NCREIF, Affinius Capital Research
Question

• What will be the return for the NPI for calendar year 2023 (annual return)?
  • A. Lower than negative 5%
  • B. Zero to negative 5%
  • C. Positive but under 10%
  • D. 10% or more
Summary of 1st Quarter 2023

- Returns negative for second straight quarter
- Market values fall for third straight quarter
- Hotels and Retail have positive returns
- Office is biggest drag on returns
- Rent and NOI growth holding up
- Cap rates continue rising