

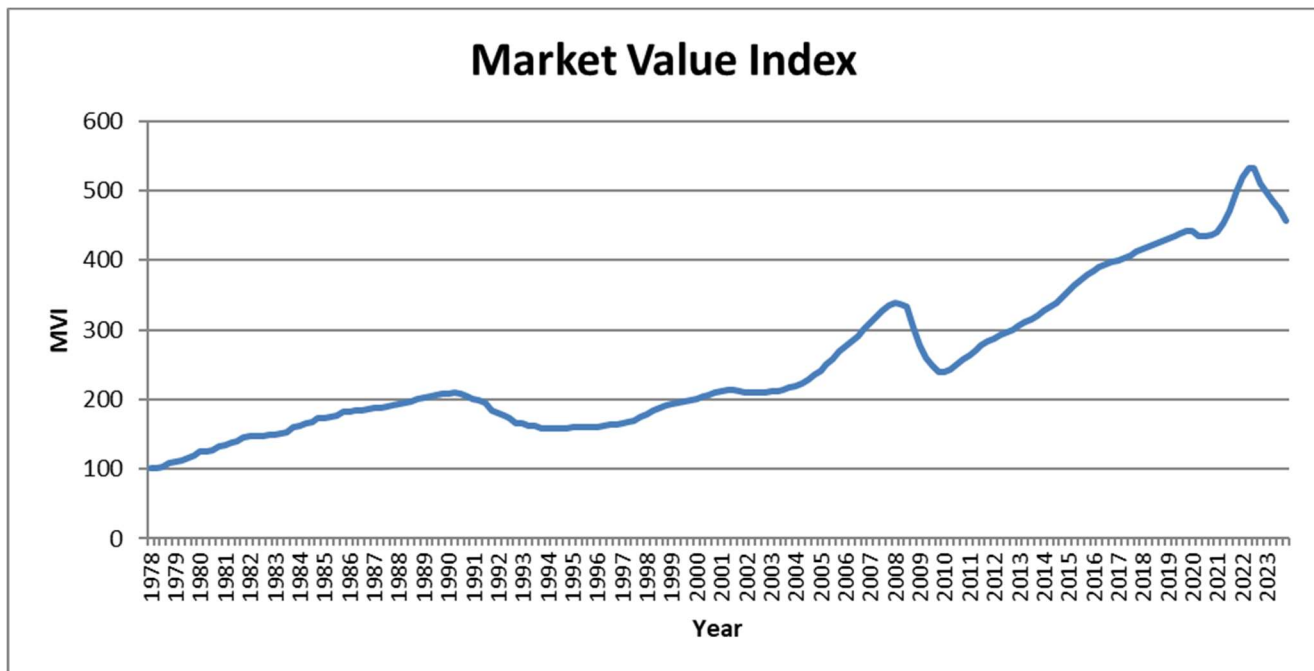


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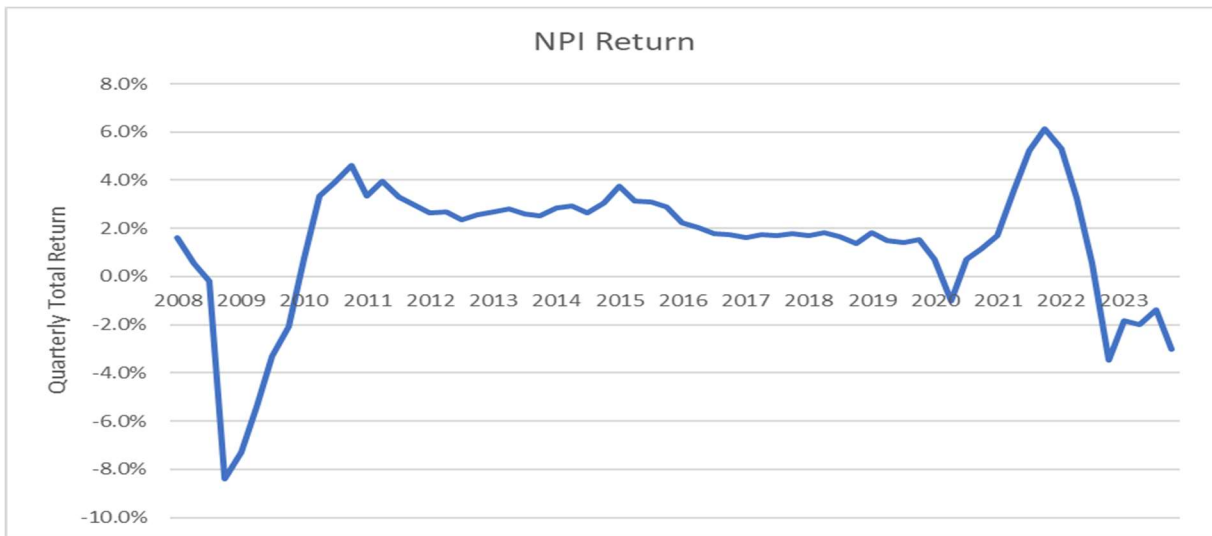
Institutional Property Values Decline for Sixth Straight Quarter

CHICAGO, IL, January 25, 2024 – The National Council of Real Estate Investment Fiduciaries (NCREIF) has released fourth quarter 2023 results for the NCREIF Property Index (NPI). The NPI reflects investment performance for just under 11,000 commercial properties, totaling \$848 billion in market value. The aggregate market value of the properties in the index declined for the sixth straight quarter and the returns were negative for the fifth straight quarter. The returns are detailed in the attached Snapshot Report.



The market value index declined by 3.74% during the fourth quarter and 14.39% since the peak in the 2nd quarter of 2022. The total return for the quarter was -3.02% and the unleveraged return for the past 4 quarters was -7.95%.

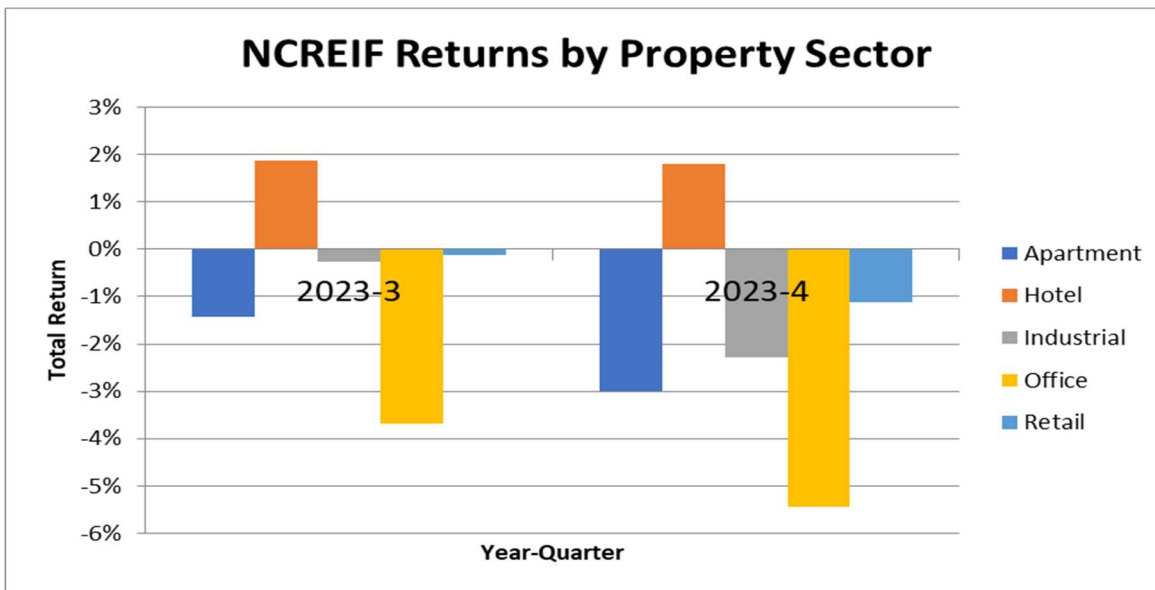
The negative 3.02% total quarterly return consisted of 1.11% from income and -4.13% from negative property appreciation. Appreciation is after the deduction of capital expenditures.



The --3.02% return is the unleveraged return for “operating properties” held by institutional investors throughout the U.S. As of quarter-end there were 4,673 properties with leverage and the weighted average loan to value ratio was 47%. Lower unleveraged returns coupled with higher interest rates magnified the negative return for those properties which resulted in a leveraged total quarterly return on equity of -6.87%. The average interest rate on the leveraged properties rose slightly to 4.87% (annualized) for the fourth quarter, up from 4.82% in the third quarter of 2023. About 90 properties had values which were equal to or less than their loan balance and a few additional properties were returned to the lender.

Hotels Continue to Buck the Trend

Hotels were the only sector to achieve a positive return for the second straight quarter although there are very few hotels in the NCREIF Property Index which are primarily core funds. Office had by far the most negative return at -5.45% 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 4.55% compared to 4.34% 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 5.47%, up from 5.08% the prior quarter. NOI growth during the fourth quarter was surprisingly positive at 2.12%, up from 0.66% during the third quarter.

About the NCREIF Property Index

The NPI consists of 10,851 investment-grade, income-producing properties with a market value of \$848 billion. The market value breakdown by property type is about 22% office, 29% apartment, 14% retail, 35% 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 February 13, 2023 at 1:00 CST 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.

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