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Core real estate fund total returns still negative but improving

CHICAGO, IL, July 30, 2024 – The National Council of Real Estate Investment Fiduciaries (NCREIF) released second quarter 2024 results for the NCREIF Fund Index – Open-end Diversified Core Equity (NFI-ODCE). The NFI-ODCE consists of 25 funds totaling \$284.3 billion of gross real estate assets and \$230.7 billion of net real estate assets.

NFI-ODCE total return gross of fees for second quarter 2024 was -0.45%, up from -2.37% in the previous quarter, and up from -2.68% a year ago in second quarter 2023. The income return was 1.02%, slightly above 0.99% in the previous quarter, and up from 0.87% in the second quarter 2023. The appreciation return was -1.46% for the quarter, above the previous quarter's -3.35%, and up from the 2023 second quarter's -3.55%. This is the eighth consecutive quarter of negative appreciation returns. The average quarterly income and appreciation returns are 1.65% and 0.34%, respectively, since inception of March 31, 1978.

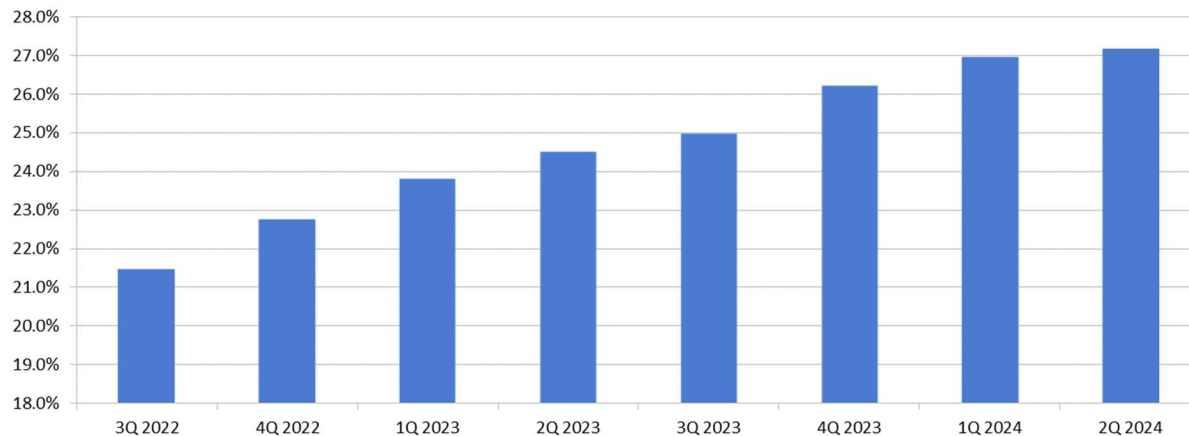
Quarterly NFI-ODCE Gross Total Return Trends



For the one-year ended June 30, 2024, the NFI-ODCE total return gross of fees was -9.25% comprised of 3.92% income and a -12.78% appreciation return, up from last quarter's -14.62%.

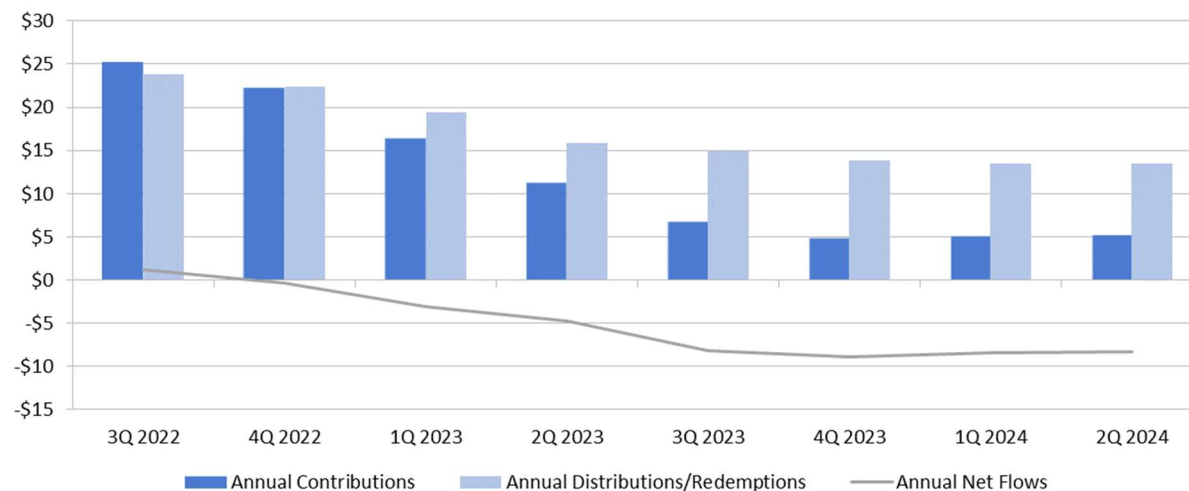
NFI-ODCE returns measure fund-level performance and therefore can reflect leverage and other investments beyond properties, including cash balances. Leverage is conservative among these funds given their core strategies, ranging from 15% to 34% over the quarterly series history beginning in 2000. NFI-ODCE leverage is above the 22.0% average since 2000, registering 27.2% as of current quarter-end, up from 26.9% the previous quarter. Rising leverage is due primarily to declining market values.

NFI-ODCE Leverage Trends (% of total assets)



Quarterly investor net cash flows (investor contributions less distributions and redemptions) were negative \$2.4 billion compared to last quarter’s negative \$1.4 billion, and second quarter 2023’s negative \$2.5 billion. Year-over-year, contributions dropped 54.0%, an improvement over last quarter’s 68.9% drop. For the one-year ended June 30, 2024, contributions were \$5.2 billion, and distributions and redemptions were \$13.5 billion, resulting in an annual investor net cash flow of negative \$8.4 billion, the same as last quarter’s annual investor net cash flow.

NFI-ODCE Investor Cash Flow Trends (4Q Rolling Total, Billions)



About the NFI-ODCE Index

The NFI-ODCE Index is a capitalization-weighted, gross of fees, time-weighted return index with an inception date of January 1, 1978. Published reports may also contain equal-weighted and net of fees information. Open-end Funds are generally defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests, thereby providing a degree of potential investment liquidity. The term Diversified Core Equity style typically reflects lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable US operating properties.

Webinar

NCREIF will hold a webinar on Friday August 9, 2024 at 1:00 pm CST (2:00 pm Eastern Standard Time) to discuss an overview of the NCREIF Property Index (NPI) and the NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE), the Farmland and Timberland Indices, as well as a detailed discussion of the results and interesting data from the NCREIF Property Value Trends report. The conference call is being webcast live and can be accessed [here](#). 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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