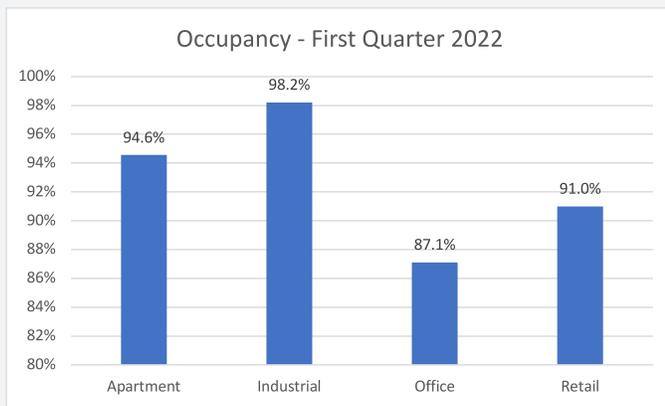


ODCE

NFI-ODCE STARTS OFF STRONG IN 2022!

In the first quarter of 2022, NFI-ODCE generated 0.93% income and 6.44% appreciation, for a total gross return of 7.37%. Over the trailing twelve months, the index generated a total gross return of 28.47%. As the US economy recovers from the pandemic, US commercial real estate continues to benefit from increasing leasing momentum and capital inflows, resulting in record valuations in the first quarter. Performance across the index remains bifurcated, with the industrial and apartment sectors driving most of the index appreciation.

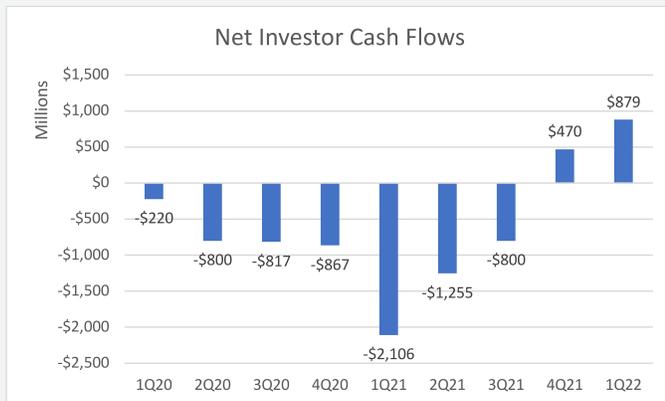
Significant absorption in the industrial sector drove overall commercial real estate occupancy to 94.4% in the first quarter. Industrial occupancy increased to 98.2% as tenant demand for the sector remains elevated. In many markets, tenant demand is so high that industrial in-place rents are well below market rents, supporting higher rent growth potential as existing leases expire. Meanwhile, office and retail occupancy levels remain below pre-pandemic levels. Physical occupancy in the office sector has started to improve as some corporations return to the office, but many employers are still navigating the new hybrid work environment and office space needs remain unclear.



Source: NCREIF

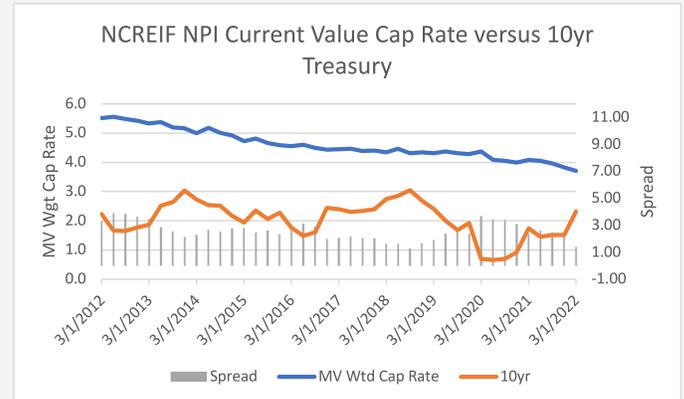
Net investor cash flows were \$879m in the first quarter of 2022. Contributions to NFI-ODCE have been steadily increasing since 2020, with the index receiving over \$7 billion of contributions during the quarter. Investor interest remains elevated in core real estate as the index continues to generate strong appreciation.

Cap rates continued to compress in the first quarter, with industrial and multifamily fundamentals driving significant capital



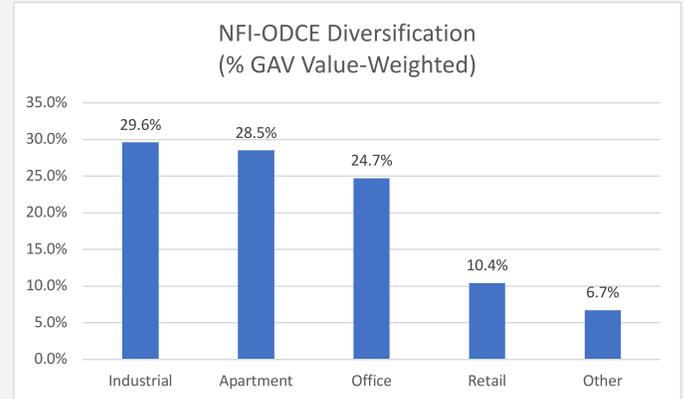
Source: NCREIF

flows and higher pricing. Industrial cap rates reached 3.0% at the end of the quarter, a historical low for the sector. However, the 10-year treasury yield increased significantly at the beginning of the year as the Fed began raising the federal funds rate. As a result, the overall spread between cap rates and the 10-year note declined to approximately 140bps at the end of the first quarter. Given the current inflationary environment, it is widely anticipated that the Fed may continue to increase rates throughout the year. Historically, cap rates have risen when the spread between cap rates and the 10-year treasury note fell below 100bps.



Source: NCREIF, St. Louis Fed.

As a result of strong performance in the industrial and apartment sectors, NFI-ODCE index property type diversification continues to evolve. Industrial is now the largest sector in the index at 29.6% GAV, followed by Apartment at 28.5%. As a result, the office and retail sectors have declined to 24.7% GAV and 10.4% GAV, respectively. Outside of the main four property types, exposure to other sectors continued to grow as portfolio managers seek higher income and growth fundamentals being exhibited in alternative property types.



Source: NCREIF

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