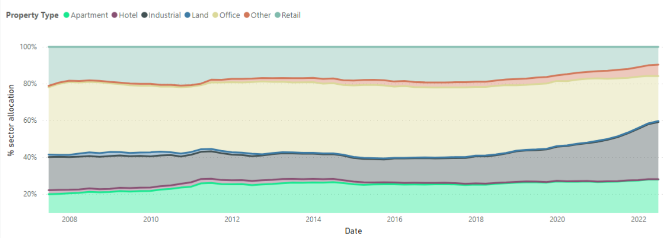
ODCE

NFI-ODCE REMAINS RESILIENT IN 2Q 2022

In the second quarter of 2022, the returns of the NFI-ODCE (the "Index") remained resilient despite pervasive macroeconomic uncertainty. The quarterly income returns ticked down six basis points ("bps") to 0.87% and quarterly capital appreciation notched down 245 bps to 3.90%, marking a total return of 4.77% for the quarter. The trailing one-year annualized return of 29.51% was comprised of 3.83% in income and 24.95% in capital appreciation. Performance in the Index continued to be forked, as industrial and apartments generated most of the capital appreciation, while office and retail property types continued to lag. Mark-to-market of debt instruments contributed 1.14% to total return, which is notably higher than historical averages, as interest rates rose swiftly during the first six months of the year.

The most remarkable evolution of the Index has been an accelerated shift in sector allocations. On June 30, 2007, the Index was comprised of 37% office, 21% retail, 20% apartments, 18% industrial, and 4% other. Nearly 58% of the Index was concentrated in office and retail. Today, these themes have completely reversed with approximately 59% of the Index in industrial and apartments. On June 30, 2022 – exactly 15 years later – the Index is 31% industrial, 29% apartments, 23% office, 10% retail, and 7% other. Notable in these figures is also the doubling of the "other" property type as ODCE funds continue to add self-storage, healthcare, and other historically "alternative" sectors. How we are using real estate is changing and the progression of the NFI-ODCE reflects these changes.

NFI-ODCE Diversification over Time (2005-2022)



Source: NCREIF, CBRE Investment Management

Though cap rate compression drove commercial real estate returns over the past decade, income growth has emerged as a strong foothold in a high-inflation environment. All reported property types in ODCE averaged 9.7% NOI growth on a same-store basis over the past 12 months. Retail has shown the most robust same-store NOI growth as rent deferrals have been mostly resolved and pandemic-related closures have moved into the rearview. Strong fundamentals in apartments and industrial have led to 18.4% and 8.5% same-store NOI growth respectively, rounding out the key contributors to income increases. Office has remained a laggard in income growth at only 1.0% as a backlog of subleases and work-from-home trends restrained rent growth, while elevated inflation increased operating expenses.

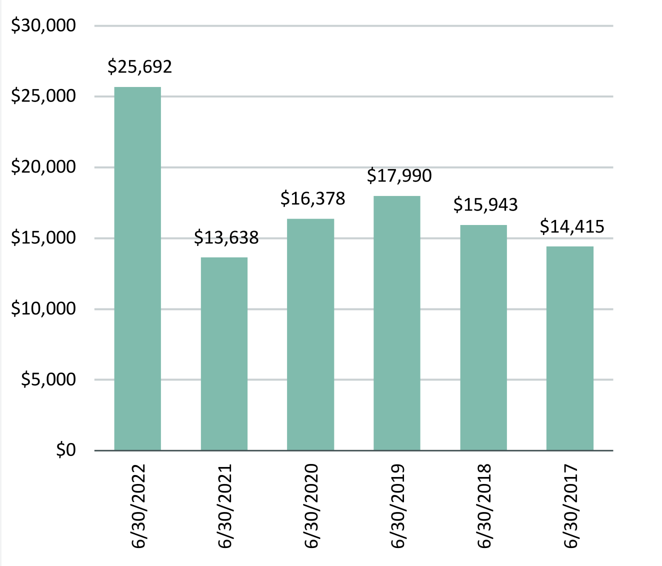
NFI-ODCE 12-Month Same-Store NOI Growth

Sector	Same-Store NOI Growth (12 Months)
Retail	21.1%
Apartments	18.4%
Industrial	8.5%
Office	1.0%
Total	**9.7%**

Source: NCREIF, CBRE Investment Management

In terms of capital flows, contributions over the past four quarters totaled almost $26 billion, an all-time high for the Index. The overall size of gross assets has continued to grow from $225 billion in 2017 to $353 billion in 2022. U.S. core real estate continues to show its strength as a foundation to any real assets allocation.

NFI-ODCE Trailing 12-Month Contributions ($ Millions)



Source: NCREIF, CBRE Investment Management

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