The total quarterly return for the NCREIF Property Index (NPI) was 1.55% in the fourth quarter which was an increase from the 1.41% return for the prior quarter. The return was also higher than the fourth quarter of 2018 which was 1.37%. In general, returns have been remarkably stable for the past three years although as discussed below, this disguises the dynamics within different property sectors.

**NPI Total Returns**

![NPI Returns Graph]

The total return of 1.55% consisted of an income return of 1.10% from net operating income (NOI) and a capital return (change in value net of capital expenditures) of 0.45%.

**Market Value Index Reaches Another New High**

Market values reached another new high as indicated by the NCREIF Market Value Index (MVI). The MVI tracks how estimated sale prices are changing over time for properties in the NCREIF Property Index. Capital expenditures are in effect added back to the NPI capital return which is net of capex. But properties with significant capex are excluded for that quarter in order to remove the impact of new investment on the price index. The MVI has been rising steadily since the recovery from the great recession began in 2010.

**Mixed Results by Property Type**

Results for the total return were mixed when viewed by property type. Apartment returns had the strongest increase to 1.46% this quarter, up from 1.18% last quarter. This was followed by office returns which increased to 1.70% this quarter from 1.45% last quarter. Industrial properties continued to have the highest return this quarter with the return virtually unchanged at 3.15% this quarter versus 3.16% last quarter. Retail returns eked out a positive return of 0.05% for the quarter, down from 0.22% last quarter. Hotel returns dropped the most this quarter, declining from 1.77% last quarter to 0.17% this quarter.

**NPI Total Returns by Property Type**

![NPI Returns by Property Type Graph]

The returns by property type for properties in the ODCE index were similar to the results for the broader NPI with the main difference being for the retail sector where the retail properties in the ODCE index were negative the past two quarters whereas they were positive in the NPI.

**ODCD Returns by Property Type**

![ODCD Returns by Property Type Graph]

As noted above, the returns for the NPI have
been remarkably stable in the past 3 years. This disguises the changes occurring across different property sectors with industrial returns increasing to offset the decline in the returns for retail properties. The spread between the returns for industrial and retail properties in shown in the graph below.

**Conclusion**

Market values reached another new high this quarter. Returns for the NPI ended the year higher than the prior quarter and higher than the fourth quarter last year. Returns on all property types remain positive. Industrial still has the highest return although down slightly from last quarter. The apartment and office sectors had the greatest increase from last quarter. Retail just barely eked out a positive return. Cap rates continue to be at all time low levels while occupancy continues near all-time high levels.

**NOI Growth Mixed**

NOI grew the most for apartments this quarter, followed by industrial properties. Office and retail properties had negative NOI growth this quarter.

**Occupancy Remains High**

Occupancy remains high on all property types including retail. Occupancy was virtually unchanged from last quarter.