

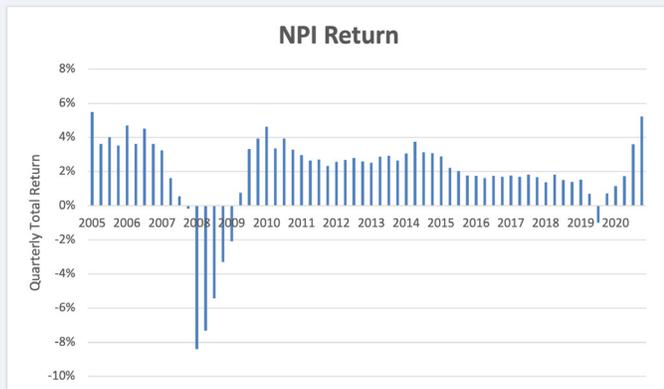
HIGHEST NPI RETURN IN FIFTEEN YEARS

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The total return for the NCREIF Property Index (NPI) increased again during the third quarter 2021, taking it to the highest return in the past 15 years. The NPI has grown to 9,703 commercial properties, totaling \$785 billion of market value.

The quarterly total return was 5.23%, up from 3.59% in the prior quarter. This is the highest return since the 4th quarter of 2005 when the return was 5.48%. These are unleveraged returns for what is primarily “core” real estate held by institutional investors throughout the US. Properties with debt financing had a leveraged total quarterly return of 6.95%. As of quarter-end there were 4,126 properties with leverage and the weighted average loan to value ratio was 45%.

NPI Unleveraged Total Quarterly Returns

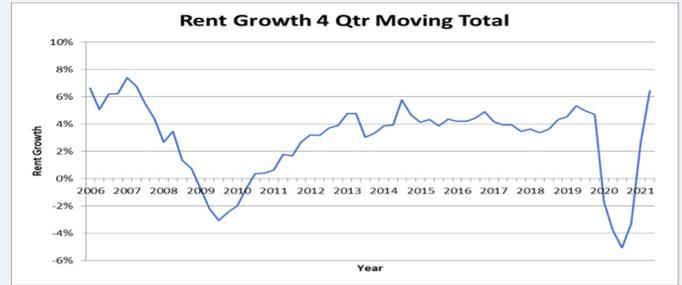


The total return of 5.23% for the quarter consisted of 1.05% of income and 4.18% of appreciation. Appreciation is after the deduction of capital expenditures.

Rent Growth

Rent growth for the NPI has recovered from the dip into negative territory that occurred due to COVID. In fact, rent growth on a four-quarter moving total basis is now above the pre-covid growth rates.

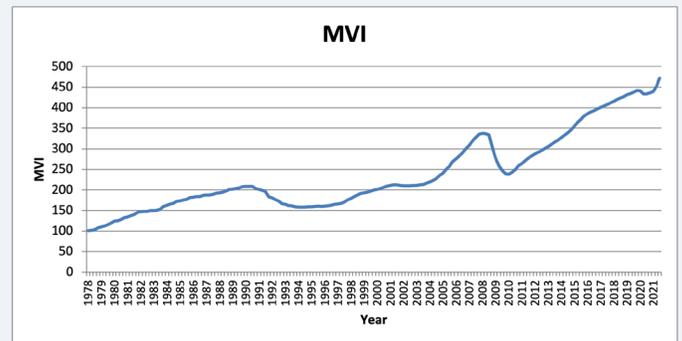
Rental Growth



Market Value Index

The market values increased by 4.44% this quarter before any deduction for capital expenditures, setting a record high in the level of the index since inception in 1978.

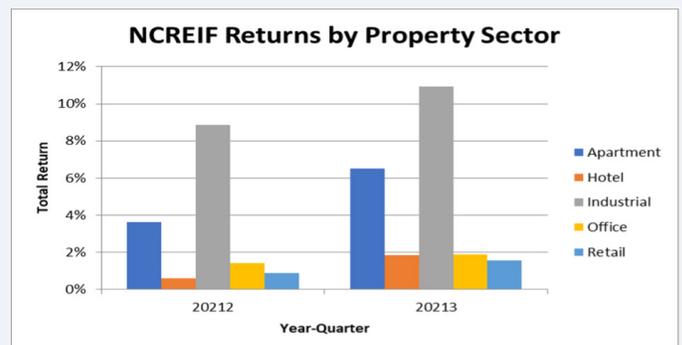
NCREIF Market Value Index



All Property Sectors Improved

All property sectors improved this quarter compared to the prior quarter. Industrial (primarily warehouse) properties continued to lead with an astounding quarterly return of 10.92%. Apartment returns followed with a quarterly return of 6.53%. Returns for office, hotel and retail were 1.87%, 1.83% and 1.55% respectively.

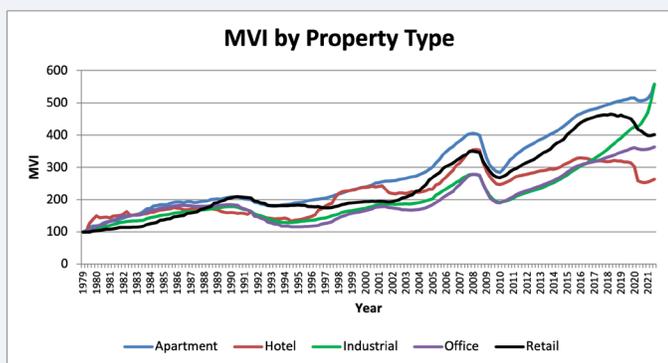
Returns by Property Sector



Disparity of Sector Returns

Although returns improved in all sectors, the disparity of returns across different sectors continued to widen. The record high industrial returns propelled its market value index to the highest of all property types since the inception of the NPI, slightly edging out apartments as delivering the greatest price increase over the history of the index.

Market Value Index by Property Sector



Conclusion

Due to improvement across all property sectors including record returns for industrial properties, the NPI reached a 15 year high. But the disparity of returns across sectors has continued to widen with industrial properties the ongoing force behind the high returns. Future improvement in the NPI may require improvements in other sectors besides industrial.