First Quarter 2019
NCREIF Indices Review

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Panelist Overview

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Today we will be presenting what we see in the NCREIF data, trends and changes; all comments about future expectations are the personal views of the speakers and not a reflection of a NCREIF opinion or forecast.
Overview

• NPI return up for quarter!
• Industrial still the leader of the Pack although down slightly from last quarter
• Turnaround mainly due to writeups in retail
• Some differences in opinion on direction of retail (ODCE vs. NPI)
• Cap rates eek out another all time (for NPI) low
• Occupancy down just slightly from last quarter’s highest since 2001
Total Returns by Asset Class

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>3/31/2019</th>
<th>1-Yr</th>
<th>10-Yr Avg</th>
<th>25-Yr Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFI-ODCE</td>
<td>7.5%</td>
<td>8.7%</td>
<td>10.2%</td>
<td>11.1%</td>
</tr>
<tr>
<td>NPI</td>
<td>6.8%</td>
<td>8.5%</td>
<td>9.4%</td>
<td>10.5%</td>
</tr>
<tr>
<td>NPI Levered</td>
<td>2.1%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Farmland</td>
<td>10.2%</td>
<td>10.5%</td>
<td>11.1%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Timberland</td>
<td>17.2%</td>
<td>20.0%</td>
<td>17.2%</td>
<td>18.8%</td>
</tr>
<tr>
<td>NAREIT</td>
<td>13.6%</td>
<td>13.6%</td>
<td>10.5%</td>
<td>11.7%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>15.9%</td>
<td>15.9%</td>
<td>9.5%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Chart: F-001-1905
Question

• What will be the best performing asset class for all of 2019?
  • A. NCREIF Leveraged Returns
  • B. Farmland or Timberland
  • C. S&P 500 Stocks
  • D. Corporate Bonds
  • E. NAREIT Index
NPI Returns by Property Type

- Apartment (2018-4: 1.30, 2019-1: 1.50)
- Hotel (2018-4: 0.80, 2019-1: 0.10)
- Industrial (2018-4: 3.50, 2019-1: 3.00)
- Office (2018-4: 1.50, 2019-1: 1.50)
- Retail (2018-4: -1.00, 2019-1: 1.50)
Question

• What will the annual NPI total return be for 2019? (Current rolling annual return 6.8%)
  • A. Below 4%
  • B. 4%-to-6%
  • C. 6%-to-8%
  • D. Above 8%
Rates from ODCE Fund Valuations

Cap Rate vs. Discount Rate

AltusGroup
U.S. interest rates are high, not low

U.S. bond yields down from recent highs, but still above those of other developed nations

Sources: ECB, Bank of Canada, U.S. Federal Reserve, Dow Jones, Bloomberg
Question

• What will cap rates be for the nation by the end of 2019?
  • A. Below 4%
  • B. 4% to 5%
  • C. 5% to 6%
  • D. Above 6%
NPI Property Cap Rates, NOI and Market Values

- Market Value Index
- Recession
- NOI Index
- Cap Rate

Chart: C-006-1904
Question

• When will the Market Value Index (MVI) peak for this cycle?
  • A. Peaked this quarter
  • B. Next quarter
  • C. Before the end of 2019
  • D. 2020 or later
Occupy 2019-1 vs 2018-4

- Apartment: 2019-1 = 100%, 2018-4 = 90%
- Hotel: 2019-1 = 80%, 2018-4 = 70%
- Industrial: 2019-1 = 100%, 2018-4 = 90%
- Office: 2019-1 = 100%, 2018-4 = 90%
- Retail: 2019-1 = 100%, 2018-4 = 90%
Question

• What will be the best performing property sector in 2019?
  • A. Apartment
  • B. Industrial
  • C. Office
  • D. Retail
NPI Property Total Returns by Top CSAs

Chart: C-002-1904
NPI Property Total Returns by Metro

- **United States**
- **New York**
- **Los Angeles**
- **Washington D.C.**
- **San Francisco**
- **Chicago**
- **Boston**
- **Seattle**
- **Dallas**
- **Miami**
- **Houston**
- **Denver**
- **Riverside**
- **San Jose**
- **Atlanta**
- **San Diego**
- **Austin**
- **Phoenix**
- **Portland**
- **Philadelphia**
- **Baltimore**
- **Minneapolis**
- **Charlotte**

**Legend:**
- **Brown** - Bottom 15-Yr Range
- **Light Brown** - Top 15-Yr Range
- **Blue Circle** - Last Yr
- **Yellow Triangle** - Current (Falling)
- **Green Triangle** - Current (Rising)

Chart: C-003-1904
Question

• What is your biggest concern for 2019 (that could impact CRE)?
  • A. Fed raising interest rates
  • B. Political stalemate
  • C. Inflation
  • D. Trade protectionism
Summary

• NPI reverses downward trend but ODCE continues down
• Capital return still positive leading to another new high in market value index
• Cap rate drop slightly to another all time low
• Industrial returns continue to be the strongest sector
• Retail in NPI benefits from several writeups
• Occupancy just down slightly for the quarter but still near historic highs
Upcoming NCREIF Events

NCREIF Summer Conference 2019
Washington, DC
June 18 – 21, 2019

NCREIF Certificate Education Program
SMU - Dallas
July 15 - 18, 2019

Visit www.ncreif.org for more information