U.S. Property Performance Monitor

Third Quarter 2024

IN A NUTSHELL

- Private core real estate posted quarterly positive total returns in the Expanded NCREIF Property Index (NPI). The returns were positive for the first time since the Federal Reserve began to increase interest rates.
- The 0.8% total return was driven by a capital return of -0.4% that was offset by a 1.2% income return. Trailing four-quarter returns trended upwards to -3.3% from -5.3% in the prior quarter.
- Retail remained the best performing sector in the expanded NCREIF Property Index (NPI), followed by industrial and residential. Niche property sectors also outperformed the index, leaving office as the only laggard.

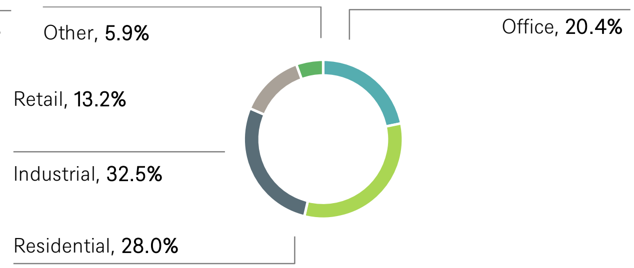
Private Real Estate Property Returns[1]

- Private core real estate is showing signs of bottoming as it printed its first positive quarterly total return (0.83%) since the third quarter of 2022. Although capital returns were still negative (-0.37%), the decline was the lowest it has been since 2023. On a trailing four-quarter basis, the asset class realized a total return of -3.3%, up 200 bps from the previous quarter. Overall values remained flat over the quarter with office being the only major sector recording a value decline.
- All sectors other than office produced positive quarterly total returns. While most sectors were in the red on a trailing four quarter basis, the declines moderated across the board. Retail dominated with a trailing four quarter positive return of 2.2%. This was followed by industrial, which printed a total return of -0.8%. Residential recorded a -2.6% total return, outperforming the NPI by 70 bps. Office returns, driven by weak property fundamentals, were down 11.5%.
- Bond and broad equities outperformed private core real estate on both a quarterly and an annual basis.[2]
- While fundamentals moderated, they were reasonably healthy. Vacancy for the benchmark (6.8%) remained flat over the quarter and was materially below its historical average (8.5%), driven largely by the industrial sector (3.1%). Net Operating Income (NOI) growth was 4.4% (year-over-year), 125 bps above its historical average.
- The West, a long-term outperformer, suffered weakness in Los Angeles, San Francisco, and Seattle. The Midwest (primarily Chicago), a traditional laggard, fared better. Several southern markets, including Dallas and Miami, continued to benefit from in-migration.

[1] All real estate performance and operational metrics refer to the Expanded NCREIF Property Index (NPI).
[2] Bond returns are calculated using the Barclay U.S. Aggregate Index. Broad equity returns are calculated using the S&P 500.
Past performance is not a guarantee of future results.

NPI Market Capitalization

Index market value U.S. $ 893.8 billion – Property count 12,845



Source: NCREIF (Expanded NPI). As of September 2024.

Recent Performance Trends

	Quarter	12 months trailing	
	3Q 2024	3Q 2024	2Q 2024
Private Real Estate (Expanded NPI)	0.8%	-3.3%	-5.3%
Broad Equities (large cap)	5.9%	36.4%	24.6%
Bonds	5.2%	11.6%	2.6%
Listed Real Estate	16.8%	34.8%	5.8%
10-Year Treasury[1]	3.8%	3.8%	4.4%
CPI (SA)	0.5%	2.4%	3.0%

[1]These figures represent annual yields.

Sources: NCREIF (Expanded NPI), S&P 500 (Broad Equities), Barclay's U.S. Aggregate Bond Index (Bonds), NAREIT (Listed Real Estate), BLS (CPI) and Federal Reserve (10 yr Treasury). As of 30 September 2024.

NCREIF Property Index (Expanded NPI) Performance by Sector [3]

- Industrial performed well on a relative basis. Total returns of -0.8% (trailing four quarters) were 250 bps above the overall index. Fundamentals softened, but remained healthy; new deliveries coupled with a normalized demand backdrop pushed vacancies up by 23 bps to 3.1%. However, this is still well below the property type's historical average of 7.3%. Large spreads between in-place and market rents continue to create large mark-to-market opportunities as leases roll-over, resulting in NOI growth of 13.2% (year-over-year).
- Retail's strong performance remains unchallenged as it continues to lead the pack. Total returns were 2.2% (trailing four quarters), outperforming the benchmark by 550 bps. Strip retail (3.5%) outperformed, malls (2.1%) tracked, and street retail (-5.9%) underperformed the subindex. Consistent with the return profile, vacancy for strip retail (5.9%) was below its long-term average (7.3%) while that of street retail (11.9%) was significantly above (5.5%) . Vacancy for malls, although elevated (10.6%), has reverted to its pre-COVID level.
- Residential total returns were -2.6% (trailing four quarters), an improvement from the previous quarter (-5.0%) and 70 bps above the benchmark. Apartments, making up 93% of the index, generated -3.0% in total returns amid elevated supply. Student housing had some of the strongest performance in the benchmark, with total returns of 4.5%, as the growing subtype benefited from acyclical demand drivers. New apartment deliveries continue to enter the market, increasing the overall vacancy for residential by 25 bps.
- Office continued to lag the benchmark significantly, with trailing four quarter returns down 11.5%. However, performance varied across property types. Those most vulnerable to work from home trends (CBD, suburban, secondary business district and urban) performed poorly. Suburban office total returns (-7.3%) were relatively better. Specialized office facilities (medical office and life sciences) also outperformed the subindex, as their unique tenancy and space utilization

[3] All real estate performance and operational metrics refer to the Expanded NPI as the benchmark/index as of 30 September 2024.

requirements shielded them from work-from-home. Similarly, average vacancy for CBD, secondary business district, suburban, and urban office was 20.6% while the same for medical office and life sciences was 5.6%. The sector as a whole was the only asset class to record a negative value decline, bringing peak-to-trough numbers to -31.3%.

Detailed Property Type Expanded NPI Performance

	Market value U.S.$ (Mil)	Share of NPI	Trailing four quarters (3Q 2024)		
			Total return	Income	Capital
Residential					
Apartment	230,363	25.8%	-3.0%	4.4%	-7.2%
Student Housing	11,142	1.2%	4.5%	5.2%	-0.7%
Single Family Rental	6,873	0.8%	-1.5%	3.4%	-4.7%
Manufactured Housing	1,553	0.2%	9.0%	3.3%	5.6%
Residential Total	**249,930**	**28.0%**	**-2.6%**	**4.4%**	**-6.8%**
Industrial					
Warehouse	261,383	29.2%	-1.1%	3.9%	-4.9%
Specialized	18,896	2.1%	2.3%	4.1%	-1.7%
Flex	6,959	0.8%	0.6%	4.6%	-3.8%
Manufacturing	2,559	0.3%	-2.2%	4.2%	-6.2%
Life Science	874	0.1%	-3.7%	4.7%	-8.1%
Industrial Total	**290,671**	**32.5%**	**-0.8%**	**4.0%**	**-4.7%**
Office					
CBD	86,165	9.6%	-15.1%	5.9%	-20.1%
Urban	27,552	3.1%	-11.8%	5.9%	-17.0%
Life Science	22,689	2.5%	-8.3%	4.6%	-12.5%
Medical Office	19,881	2.2%	-0.6%	5.5%	-5.8%
Suburban	14,030	1.6%	-7.3%	6.8%	-13.5%
Secondary Business District	12,118	1.4%	-10.2%	6.4%	-15.8%
Office Total	**182,435**	**20.4%**	**-11.5%**	**5.8%**	**-16.6%**
Retail					
Strip	54,286	6.1%	3.5%	5.7%	-2.1%
Mall	55,662	6.2%	2.1%	5.5%	-3.2%
Street	7,868	0.9%	-5.9%	4.4%	-9.9%
Retail Total	**117,816**	**13.2%**	**2.2%**	**5.5%**	**-3.2%**
Other					
Self Storage	22,814	2.6%	-0.1%	4.3%	-4.3%
Seniors Housing	11,497	1.3%	-1.0%	4.7%	-5.4%
Other	15,052	1.7%	3.4%	4.2%	-0.7%
Hotel	3,597	0.4%	7.6%	7.3%	0.3%
Other Total	**52,960**	**5.9%**	**1.1%**	**4.2%**	**-3.3%**
Expanded NPI Total	**893,812**	**100%**	**-3.3%**	**4.7%**	**-7.7%**

Source: Expanded NCREIF Property Index as of 30 September 2024. Past performance is not indicative of future returns.

Returns by Property Type and Region

	Annual returns								Standard deviation	
	Total	Income	Apprec.	3 years	5 years	10 years	20 years	Since inception[4]	20 years	Since inception[5]
Property type										
Residential	-2.6%	4.4%	-6.8%	2.2%	4.3%	6.0%	7.1%	9.6%	9.9%	8.0%
Industrial	-0.8%	4.0%	-4.7%	8.1%	12.9%	13.3%	10.7%	10.2%	12.2%	9.2%
Office	-11.5%	5.8%	-16.6%	-8.5%	-3.6%	2.0%	5.1%	7.1%	11.1%	10.1%
Retail	2.2%	5.5%	-3.2%	2.4%	0.3%	3.7%	6.7%	8.4%	8.8%	7.1%
Other	1.1%	4.2%	-3.3%	5.8%	6.2%	8.3%	8.8%	8.2%	9.0%	8.9%
Total Index	-3.3%	4.7%	-7.7%	1.1%	3.4%	6.0%	7.3%	8.5%	9.6%	7.8%
Region										
East	-3.6%	4.9%	-8.1%	-0.9%	1.6%	4.3%	6.4%	9.0%	9.9%	9.2%
Midwest	-0.9%	5.1%	-5.8%	0.8%	1.9%	4.4%	5.8%	7.3%	7.6%	6.2%
South	0.2%	4.8%	-4.4%	4.7%	5.7%	7.1%	7.9%	8.0%	8.7%	7.0%
West	-5.4%	4.5%	-9.6%	0.7%	3.8%	7.2%	8.2%	9.1%	10.7%	8.9%
Total Index	-3.3%	4.7%	-7.7%	1.1%	3.4%	6.0%	7.3%	8.5%	9.6%	7.8%

Source: Expanded NCREIF Property Index as of 30 September 2024. Past performance is not indicative of future returns.

Market Analysis – Benchmark Insights and Portfolio Implications

The NCREIF Property Index is a value-weighted index of property returns and as such, a large portion of the index is located in just 20 markets. Local economic growth will affect properties located in the same market similarly, so we can estimate the effect of property geographical location on the overall index. Large metros, by value, would likely have the largest impact on the index, although small metros with particularly strong or weak performance may boost or weigh on returns from time to time. The tables on the following page list out which markets had the strongest positive and negative effect on returns during the past four quarters.

Residential

Over the past 12 months, several markets in the Sun Belt (e.g., Dallas, Houston, Fort Lauderdale, Miami) were positive contributors to total return.[6] However, those facing large incoming supply (Phoenix, Atlanta, Austin) were a drag on total return. Major tech markets on the West Coast (e.g., Seattle, San Francisco) were some of the biggest laggards, reflecting the impact of a lean tech sector in these high-cost markets. Large gateway markets elsewhere (New York, Chicago, Washington, DC, Boston) outperformed the subindex, benefitting from a lack of supply. Miami (0.2%), Washington, DC (0.0%), and New York (-0.3%) were some of the best-performing major markets in the country.

Industrial

Several markets (Atlanta, Dallas, Chicago, Las Vegas, Houston, Baltimore) posted positive total performance over the trailing four quarters with Miami (7.4%) consistently leading the pack. The West Coast, with the exception of Seattle, generally underperformed. Riverside, a historical outperformer, particularly stands out as a major laggard due to new supply and sublease space hitting the market.

[4] Index returns start in 1978, equivalent to a 46 year calculation.
[5] Index returns start in 1978, equivalent to a 46 year calculation.
[6] Past 12 months ending 30 June 2024

Office

While all markets recorded deteriorating returns amid challenged fundamentals, some fared better than others. Sun Belt markets benefiting from corporate relocations and demographic tailwinds (e.g., Dallas, Miami, Charlotte, Houston, Atlanta, Raleigh) outperformed the subindex. Certain tech concentrated West Coast markets (e.g., Seattle, San Francisco, Portland) and gateway markets (e.g., New York, Chicago) remained at the bottom of the pack. However, several coastal markets with significant life-science exposure (e.g. San Jose, San Diego, Boston) tracked or slightly outperformed the benchmark.

Retail

Markets with significant mall constituents and gateway markets experiencing out-migration (e.g., San Francisco, Washington, DC, Chicago) generally underperformed the subindex. New York (-1.3%) was also a notable laggard, likely reflecting the underperformance of street retail. Those with more neighborhood and community centers, benefitting from demographic tailwinds (e.g., Las Vegas, Atlanta, and Dallas), fared better. On the West Coast, San Diego (3.5%), Riverside (10.0%) and Las Vegas (10.7%) outperformed, while San Jose (-1.5%), Oakland (-2.3%) and San Francisco (-6.6%) lagged.

Residential

Metro	Metro returns[7]	Impact on sector returns
Washington, DC	0.0%	20
New York	-0.3%	17
Houston	-0.1%	7
Chicago	-1.1%	7
Miami	0.2%	7
Dallas	-1.8%	6
Boston	-1.6%	6
Fort Lauderdale	-1.8%	2
Charlotte	-1.8%	2
Tampa	-2.9%	0
Seattle	-2.9%	-1
Orlando	-3.3%	-1
Orange County	-3.3%	-2
San Diego	-3.3%	-2
Phoenix	-4.4%	-5
Atlanta	-3.9%	-7
Austin	-5.3%	-11
Denver	-5.3%	-14
San Francisco	-8.9%	-17

Industrial

Metro	Metro returns[8]	Impact on sector returns
Dallas	3.9%	29
Chicago	4.1%	28
Miami	7.4%	28
Atlanta	6.0%	26
New York	0.4%	11
Houston	4.6%	10
Baltimore	2.0%	5
Las Vegas	2.4%	5
Portland	1.5%	3
Boston	1.7%	3
Seattle	-0.4%	2
Phoenix	0.0%	2
Philadelphia	0.5%	2
San Diego	-1.2%	-1
Charlotte	-1.6%	-1
Denver	-2.2%	-2
Oakland	-1.6%	-3
Orange County	-5.6%	-17
Los Angeles	-8.8%	-81

Office

Metro	Metro returns[9]	Impact on sector returns
Houston	-4.5%	20
Dallas	-6.1%	13
Washington, DC	-10.6%	11
Raleigh	-2.5%	9
Charlotte	-3.6%	7
San Jose	-9.6%	7
Boston	-11.1%	6
Miami	-6.4%	6
Denver	-10.0%	3
Atlanta	-10.1%	3
Oakland	-10.4%	3
Austin	-10.8%	2
Orange County	-10.4%	1
Chicago	-12.5%	-4
San Diego	-13.8%	-6
Los Angeles	-12.9%	-11
Seattle	-14.0%	-14
Portland	-31.8%	-17
San Francisco	-16.4%	-52

Retail

Metro	Metro returns[10]	Impact on sector returns
Las Vegas	10.7%	57
Phoenix	8.1%	19
Riverside	10.0%	15
Dallas	4.4%	11
Atlanta	5.3%	8
San Diego	3.5%	7
Houston	3.1%	6
Baltimore	2.8%	1
Los Angeles	1.8%	-2
Orange County	0.6%	-4
Boston	0.4%	-4
Seattle	0.3%	-5
Miami	-0.1%	-6
Orlando	-1.4%	-8
San Jose	-1.5%	-11
New York	-1.3%	-14
Oakland	-2.3%	-14
Chicago	-0.9%	-18
San Francisco	-6.6%	-18

[7] Four-quarter cumulative returns ending 30 September 2024.
[8] Four-quarter cumulative returns ending 30 September 2024.
[9] Four-quarter cumulative returns ending 30 September 2024.
[10] Four-quarter cumulative returns ending 30 September 2024.

Los Angeles	-5.8%	-18	Riverside	-10.0%	-139	New York	-15.6%	-62	Washington, DC	-5.8%	-58

Appendix – Historical Performance

	12 months trailing				
	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Private Real Estate (Expanded NPI)	-3.3%	-8.0%	16.0%	12.0%	2.1%
Broad Equities (large cap)	36.4%	21.6%	-15.5%	30.0%	15.1%
Bonds	11.6%	0.6%	-14.6%	-0.9%	7.0%
Listed Real Estate	34.8%	-1.7%	-16.3%	31.5%	-12.2%
10-Year Treasury[11]	3.8%	4.6%	3.8%	1.5%	0.7%
CPI (SA)	2.4%	3.7%	8.2%	5.4%	1.4%

Sources: NCREIF (Expanded NPI), S&P 500 (Broad Equities), Barclay's U.S. Aggregate Bond Index (Bonds), NAREIT (Listed Real Estate), BLS (CPI) and Federal Reserve (10 yr Treasury). As of 30 September 2024.

[11] These figures represent annual yields.

Real Estate Research Team

Office Locations

Frankfurt
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London
45 Cannon Street
London, EC4m 5SB
United Kingdom
Tel: +44 20 754 58000

New York
875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco
101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore
One Raffles Quay
South Tower
15th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo
Azabudai Hills Mori JP Tower
1-3-1 Azabudai
Minssato-ku
16th Floor
Tokyo
Japan
Tel: +81 3 6730 1300

Sydney
Level 16, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000
Australia
Tel: +61 2 8258 1234

Teams

Global

Kevin White, CFA
Global Co-Head of Real Estate Research

Simon Wallace
Global Co-Head of Real Estate Research

Americas

Brooks Wells
Head of Research, Americas

Liliana Diaconu, CFA
Office & Retail Research

Ross Adams
Industrial Research

Sharim Sohail
Self-Storage Research

Europe

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Tom Francis
Property Market Research

Siena Golan
Property Market Research

Rosie Hunt
Property Market Research

Carsten Lieser
Property Market Research

Martin Lippmann
Head of Real Estate Research, Europe

Asia Pacific

Koichiro Obu
Head of Real Estate Research, Asia Pacific

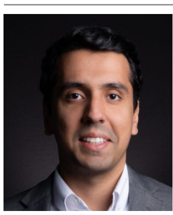
Seng-Hong Teng
Property Market Research

Hyunwoo Kim
Property Market Research

Matthew Persson
Property Market Research

AUTHORS

Kevin White, CFA
Global Co-Head of Real Estate Research



Sharim Sohail
Property Market Research

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