U.S. PROPERTY PERFORMANCE MONITOR

Second Quarter 2021

IN A NUTSHELL

_ U.S. core real estate, as measured by the NCREIF Property Index (NPI), registered unlevered total returns of 3.6% in the second quarter of 2021—the strongest quarterly return in 10 years.
_ Across sectors, the dispersion of performance was at its widest in over 40 years. Considerable disparities were also visible within sectors and across markets.
_ Industrial delivered the largest quarterly total return on record while Apartment recorded its highest quarterly return in a decade. Generally, Office returns moderated and Retail continued to struggle.
_ Sun Belt and Mountain West markets generally led the index while Houston, New York and markets in the Midwest lagged behind.

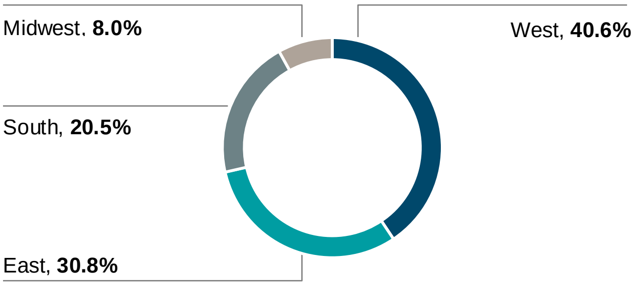
Private Real Estate Property Returns

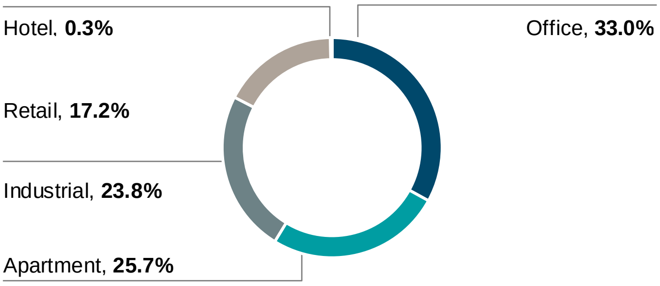
_ In the second quarter, core real estate registered unlevered total returns of 7.4% (trailing four quarters), a considerable improvement from the 1.6% (trailing four quarters) total return in 2020.[1]
_ The industrial sector's total return (23.0%) was the strongest in history. Apartment returns improved (7.0%) while Office returns moderated (3.3%). Retail properties continued to deliver negative total returns (–1.3%) over the trailing four quarters.[2]
_ Unprecedented stimulus and an expansive vaccination program have accelerated the U.S. economic recovery and buoyed financial markets. In the second quarter, private real estate underperformed listed equities but outperformed bonds.
_ Property market fundamentals improved in the second quarter, as overall vacancies declined and net operating incomes (NOI) rose. The industrial sector continued to build on strong momentum with vacancies near all-time lows and NOI growth at an all-time high (10% NOI growth in the trailing four quarters). In the second quarter, Apartment vacancies fell to pre-pandemic levels and retail properties began to stabilize. Office fundamentals continued to weaken in the second quarter.
_ Geographic trends were largely unchanged. Markets generally benefitting from lower costs and in-migration (e.g., Sun Belt and Mountain West) performed well. Coastal markets with comparatively higher costs (e.g., New York) generally underperformed.

[1] NCREIF Property Index as of June 30, 2021. Past performance is no guarantee of future results.
[2] NCREIF Property Index as of June 30, 2021. Past performance is no guarantee of future results.

NPI MARKET CAPITALIZATION

Index market value U.S. $ 742.2 billion – Property count 9,513





RECENT PERFORMANCE TRENDS

	Quarter	12 months trailing	
	2Q 2021	**2Q 2021**	**4Q 2020**
Private Real Estate (NPI)	3.6%	7.4%	1.6%
Broad Equities (large cap)	8.5%	40.8%	18.4%
Bonds	1.8%	-0.3%	7.5%
Listed Real Estate	12.0%	32.8%	–5.1%
10-Year Treasury[3]	1.5%	1.5%	0.9%
12-Month LIBOR[4]	0.2%	0.2%	0.3%
CPI (SA)	2.3%	5.3%	1.3%

Sources: NCREIF, Standard and Poor's, Barclay's, NAREIT, and Federal Reserve as of June 30, 2021.

NCREIF Property Index (NPI) Performance by Sector and Region

_ Industrial continued to lead the index over the past year, followed by Apartment and Office. Retail continued to struggle, posting negative total returns.

_ Secular trends (i.e., e-commerce) continued to propel Industrial. In the second quarter, Industrial boasted its highest total return on record and extended its streak of outperformance to 33 quarters. All three industrial subsectors continued to deliver robust returns.

_ Apartment properties delivered the highest quarterly total return in 10 years (3.6%) while recording a 7.0% total return over the trailing four quarters. Within the sector, property subtype returns were bifurcated: High-Rise apartments, buffeted by supply and challenged by pandemic related urban woes, underperformed while Garden apartments, generally located in the suburbs, delivered an impressive 13% (trailing four quarters) total return.

_ Office property values have remained resilient in the face of rising vacancies and depressed workplace occupancy. Overall, total returns remained positive at 3.3% (trailing four quarters) in the second quarter of 2021. Notably, Suburban Office (6.1%) continued to outperform CBD Office (1.3%) in the past year.

_ Within Retail, Regional and Super Regional malls, which typically house a large contingent of department and apparel stores selling merchandise that can be readily acquired online, realized the lowest total return (–4.1%). Necessity-oriented shopping centers (e.g., grocery-anchored) held up on a relative basis. Neighborhood and Community centers returned 3.3% over the trailing four quarters.

_ Regional dynamics were generally unchanged. The West led the pack, followed by the South. Returns in the East and Midwest lagged the index over the past year.

[3] These figures represent annual yields.
[4] These figures represent annual yields.

DETAILED PROPERTY TYPE NPI PERFORMANCE

	No. of props.	Market value U.S.$ (Mil)	Trailing four quarters Total return	Income	Apprec.
Apartment					
Garden	726	56,189	13.0%	4.5%	8.3%
High Rise	1,045	116,076	4.0%	3.2%	0.8%
Low Rise	225	18,725	8.1%	3.8%	4.2%
Industrial					
R&D	33	1,528	21.6%	5.3%	15.8%
Flex	231	4,924	23.0%	5.2%	17.1%
Warehouse	4,115	166,744	23.1%	4.4%	18.1%
Office					
CBD	499	140,638	1.3%	4.1%	-2.8%
Suburban	1,119	104,330	6.1%	5.0%	1.1%
Retail					
Community	231	13,703	1.4%	4.9%	-3.4%
Neighborhood	535	20,455	4.7%	4.9%	-0.2%
Power	196	14,137	1.5%	5.4%	-3.8%
Regional	64	14,177	-4.8%	3.6%	-8.2%
Super Regional	74	48,693	-3.9%	3.9%	-7.6%

Source: NCREIF Property Index as of June 30, 2021. Past performance is no guarantee of future results.

RETURNS BY PROPERTY TYPE AND REGION

	Annual returns								Standard deviation	
	Total	1 year Income	Apprec.	3 years	5 years	10 years	20 years	Since inception[5]	20 years	Since inception[6]
Property type										
Apartment	7.0%	3.7%	3.2%	5.2%	5.7%	8.3%	8.0%	10.0%	8.5%	7.5%
Industrial	23.0%	4.4%	18.0%	15.6%	14.6%	13.7%	10.3%	10.2%	8.4%	7.4%
Office	3.3%	4.5%	-1.2%	4.7%	5.2%	7.8%	7.3%	8.2%	9.0%	9.3%
Retail	-1.3%	4.3%	-5.4%	-1.8%	1.2%	7.0%	8.6%	8.8%	8.8%	7.0%
Total Index	**7.4%**	**4.2%**	**3.1%**	**5.5%**	**6.1%**	**8.8%**	**8.2%**	**8.9%**	**8.3%**	**7.4%**
Region										
East	5.8%	4.1%	1.7%	4.2%	4.7%	7.2%	7.8%	9.6%	8.8%	8.9%
Midwest	5.0%	4.3%	0.7%	2.4%	3.7%	7.2%	6.6%	7.7%	6.8%	5.9%
South	7.7%	4.5%	3.1%	5.5%	6.1%	9.1%	8.1%	8.1%	7.4%	6.6%
West	8.9%	4.1%	4.7%	7.2%	7.9%	10.4%	9.1%	9.6%	9.0%	8.2%
Total Index	**7.4%**	**4.2%**	**3.1%**	**5.5%**	**6.1%**	**8.8%**	**8.2%**	**8.9%**	**8.3%**	**7.4%**

Source: NCREIF Property Index as of June 30, 2021. Past performance is not indicative of future returns.

[5] Index returns start in 1978, equivalent to a 43.5 year calculation.
[6] Index returns start in 1978, equivalent to a 43.5 year calculation.

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, will 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.

Apartments – The pandemic reinforced demographic trends underpinning apartment markets. Over the past year, Sun Belt (e.g., Phoenix, Dallas and Atlanta) and Mountain West (e.g., Denver) markets benefitting from in-migration and relatively lower costs, were the largest positive contributors. Notably, smaller markets that fell outside of the top 20 — Charlotte, Raleigh, Riverside and Tampa — boasted some of the highest total returns. Conversely, demographically stagnant locations with comparatively higher costs (e.g., New York, Los Angeles and Chicago) struggled and detracted from sector returns. Notably, San Francisco delivered negative total returns over the past year.

Industrial – Performance remained impressive, with every market delivering double-digit total returns over the trailing four quarters. High-barrier coastal metros (near large population centers) in Southern California and New York continued to dominate. Smaller, regional and local distribution metros such as Austin, Philadelphia and Reno were standouts. Over the past year, elevated construction pipelines in the major inland distribution hubs (i.e., Atlanta, Chicago, and Dallas) and Houston dampened metro returns. Markets in Florida generally underperformed over the trailing four quarters.

Office – Markets with outsized exposure to technology and life sciences (i.e., Boston, Seattle and San Diego) continued to make the largest contribution to sector returns. Further, demographic tailwinds and corporate expansions continued to benefit smaller office markets such as Austin and Raleigh. Conversely, Midwest markets (e.g., Minneapolis) and energy-dependent markets (e.g., Houston) underperformed. New York, San Francisco and Washington D.C., three of the largest office markets, struggled and detracted nearly 100 basis points from sector returns.

Retail – Retail properties are recovering from a challenging year marked by a pandemic, shutdowns and a global recession. Over the past year, tenant mix generally governed retail property performance as service-oriented, daily-needs shopping centers proved relatively resilient to e-commerce. Conversely, malls and lifestyle shopping centers have been challenged by store closures and bankruptcies. Case in point, metros with the largest negative contribution to sector returns (e.g., Chicago, Dallas, Miami and New York) had notable mall exposure. Markets which performed well on a relative basis (e.g., Atlanta, Austin and Raleigh) are benefitting from demographic tailwinds.

Apartment			Industrial			Office			Retail		
Metro	Metro returns[7]	Impact on sector returns	Metro	Metro returns[8]	Impact on sector returns	Metro	Metro returns[9]	Impact on sector returns	Metro	Metro returns[10]	Impact on sector returns
Denver	14.1%	38	Riverside	36.0%	161	Boston	7.2%	43	Las Vegas	1.1%	14
Phoenix	22.4%	29	New York	28.8%	48	San Diego	11.8%	17	San Diego	1.7%	12
Atlanta	10.9%	18	Los Angeles	25.6%	24	Seattle	6.2%	16	Phoenix	2.1%	11
Dallas	9.8%	16	Orange County	25.0%	8	Oakland	8.5%	9	Atlanta	2.6%	10
West Palm Beach	11.9%	9	Baltimore	26.8%	7	San Jose	5.5%	9	Riverside	2.8%	8
Orange County	10.3%	9	San Diego	27.1%	7	Atlanta	7.0%	6	Baltimore	1.7%	6
Fort Lauderdale	10.8%	8	Phoenix	25.7%	3	Austin	5.5%	5	Orange County	0.9%	6
Austin	8.1%	4	Boston	19.9%	-4	Los Angeles	3.8%	4	Seattle	-1.0%	1
Washington DC	7.4%	4	Atlanta	21.7%	-5	Charlotte	6.1%	2	Houston	-1.2%	1
San Diego	8.4%	4	Washington DC	19.6%	-5	Dallas	3.6%	1	Boston	-1.5%	-1
Miami	6.9%	0	Portland	17.7%	-9	Denver	3.5%	0	San Jose	-2.2%	-2
San Jose	3.6%	-8	Fort Lauderdale	15.3%	-10	Chicago	3.3%	0	Orlando	-2.4%	-3
Oakland	3.2%	-8	San Francisco	12.9%	-12	Phoenix	0.3%	-2	Los Angeles	-2.0%	-4
Houston	4.6%	-8	Oakland	19.9%	-13	Orange County	1.2%	-3	Oakland	-2.8%	-4
Boston	5.1%	-10	Dallas	20.9%	-14	Miami	0.5%	-3	Washington DC	-1.9%	-5
Seattle	3.6%	-14	Denver	12.9%	-18	Portland	-0.5%	-4	San Francisco	-4.8%	-9
Los Angeles	3.4%	-24	Miami	17.3%	-20	Houston	-0.9%	-14	Dallas	-4.1%	-13
San Francisco	-2.2%	-35	Houston	10.3%	-33	Washington DC	1.6%	-19	Miami	-6.4%	-14
Chicago	0.9%	-38	Seattle	17.2%	-40	San Francisco	1.4%	-21	New York	-4.6%	-15
New York	0.2%	-69	Chicago	16.3%	-53	New York	-0.1%	-59	Chicago	-5.2%	-25

Source: NCREIF Property Index as of June 30, 2021.

[7] Four-quarter cumulative returns ending second quarter 2021.
[8] Four-quarter cumulative returns ending second quarter 2021.
[9] Four-quarter cumulative returns ending second quarter 2021.
[10] Four-quarter cumulative returns ending second quarter 2021.

Appendix – Historical Performance

	12 months trailing				
	6/2020 – 6/2021	**6/2019 – 6/2020**	**6/2018 – 6/2019**	**6/2017 – 6/2018**	**6/2016 – 5/2017**
Private Real Estate (NPI)	7.4%	2.7%	6.5%	7.2%	7.0%
Broad Equities (large cap)	40.8%	7.5%	10.4%	14.4%	17.9%
Bonds	-0.3%	8.7%	7.9%	-0.4%	-0.3%
Listed Real Estate	32.8%	-6.5%	13.0%	4.9%	0.2%
10-Year Treasury[11]	1.5%	0.7%	2.0%	2.9%	2.3%
12-Month LIBOR[12]	0.2%	0.5%	2.2%	2.8%	1.7%
CPI (SA)	5.3%	0.7%	1.7%	2.8%	1.7%

Sources: NCREIF, Standard and Poor's, Barclay's, NAREIT, and Federal Reserve as of June 30, 2021.

[11] These figures represent annual yields.
[12] These figures represent annual yields.

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