U.S. Property Performance Monitor

Fourth Quarter 2024

IN A NUTSHELL

– Private core real estate returns ended the year in positive territory as values stabilized in the second half of 2024.
– The 0.94% total return in the fourth quarter was comprised of a capital return of -0.24% offset by a 1.17% income return. Trailing four-quarter returns trended upwards to 0.6% from -3.3% 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.

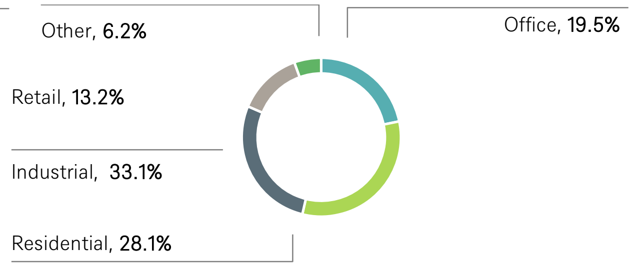
Private Real Estate Property Returns[1]

– Private core real estate printed its second positive quarterly total return (0.94%), ending the year in slightly positive territory with trailing four-quarter returns at 0.6%. Although quarterly capital returns were still negative (-0.24%), the decline was the lowest since the Federal Reserve began increasing interest rates.
– All sectors other than office registered positive returns in 2024. Retail maintained its dominance with a return of 5.3%, followed by industrial (2.6%) and residential (1.5%). Office continued to significantly lag the index with a total return of -7.2%.
– Bonds and equities outperformed private core real estate on an annual basis. However, due to the run-up in rates, bonds underperformed in the last quarter of 2024.[2]
– While fundamentals moderated, they were reasonably healthy. Vacancy for the benchmark (7.2%) increased by 40 bps but remained below its historical average (8.5%). Net Operating Income (NOI) growth cooled to 1.0% (year-over-year), marked by declines in office and moderating growth in industrial.
– 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 outperform.

[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. $ 882.8 billion – Property count 12,767



Source: NCREIF (Expanded NPI). As of 31 December 2024.

Recent Performance Trends

	Quarter	12 months trailing	
	4Q 2024	4Q 2024	3Q 2024
Private Real Estate (Expanded NPI)	0.9%	0.6%	-3.3%
Broad Equities (large cap)	2.4%	25.0%	36.4%
Bonds	-3.1%	1.3%	11.6%
Listed Real Estate	-8.2%	4.9%	34.8%
10-Year Treasury[1]	4.6%	4.6%	3.8%
CPI (SA)	1.0%	2.9%	2.4%

[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 31 December 2024.

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

- Retail continues to lead the pack. Total returns were 5.3% for the year, outperforming the benchmark by 470 bps. Malls led the subindex for the first time since 2017 with a total return of 6.0%. Strip retail (5.7%) followed closely while street retail (-1.9%) underperformed the subindex. Consistent with the return profile, vacancy for strip retail (6.2%) was below its long-term average (7.3%) while that of street retail (12.1%) was significantly above (5.6%). Vacancy for malls, although elevated (10.6%), reverted to its pre-COVID level.
- Industrial was the second best performing sector in 2024. Total returns of 2.6% were 200 bps above the overall index. Fundamentals softened, as new deliveries coupled with subdued demand pushed vacancies up by 40 bps to 3.5%, although they remained well below their historical average of 7.3%. Trailing four-quarter NOI growth (4.7%) moderated closer to its long-term average of 3.3%.
- Residential total returns were 1.5%, 90 bps above the benchmark. Apartments, making up 93% of the index, generated 1.3% in total returns, tracking the subindex. Student housing had some of the strongest performance in the benchmark, with total returns of 5.0%, as the growing subtype benefited from acyclical demand drivers.
- Office continued to lag the benchmark significantly, with trailing four-quarter returns down 7.2%. 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 (-3.7%) were relatively better. Medical office facilities generated positive returns (2.6%), as their unique tenancy and space utilization requirements shielded them from work-from-home. Similarly, the average vacancy for CBD, secondary business district, suburban, and urban office was 20.1% while the same for medical office and life sciences was 7.5%. The sector as a whole was

[3] All real estate performance and operational metrics refer to the Expanded NPI as the benchmark/index as of 31 December 2024.

the only asset class to record a value decline, bringing peak-to-trough numbers to -32.1%. To add to the pain, NOI growth was -3.8% in 2024.

Detailed Property Type Expanded NPI Performance

	Market value U.S.$ (Mil)	Share of NPI	Trailing four quarters (4Q 2024)		
			Total return	Income	Capital
Residential					
Apartment	228,227	25.9%	1.3%	4.4%	-3.1%
Student Housing	10,905	1.2%	5.0%	5.2%	-0.2%
Single Family Rental	6,779	0.8%	1.7%	3.6%	-1.8%
Manufactured Housing	2,030	0.2%	11.9%	3.4%	8.4%
Residential Total	**247,941**	**28.1%**	**1.5%**	**4.5%**	**-2.9%**
Industrial					
Warehouse	262,905	29.8%	2.5%	4.0%	-1.5%
Specialized	18,332	2.1%	4.7%	4.1%	0.6%
Flex	6,905	0.8%	3.2%	4.6%	-1.4%
Manufacturing	2,581	0.3%	1.7%	4.1%	-2.3%
Life Science	1,073	0.1%	-4.5%	4.6%	-8.8%
Industrial Total	**291,795**	**33.1%**	**2.6%**	**4.0%**	**-1.4%**
Office					
CBD	81,101	9.2%	-9.4%	6.0%	-14.8%
Urban	25,439	2.9%	-9.1%	6.1%	-14.6%
Life Science	22,105	2.5%	-6.4%	4.8%	-10.8%
Medical Office	19,523	2.2%	2.6%	5.6%	-2.8%
Suburban	12,866	1.5%	-3.7%	7.0%	-10.2%
Secondary Business District	10,834	1.2%	-6.9%	6.3%	-12.7%
Office Total	**171,869**	**19.5%**	**-7.2%**	**5.9%**	**-12.6%**
Retail					
Strip	53,909	6.1%	5.7%	5.8%	-0.1%
Mall	55,283	6.3%	6.0%	5.5%	0.5%
Street	7,392	0.8%	-1.9%	4.5%	-6.2%
Retail Total	**116,584**	**13.2%**	**5.3%**	**5.6%**	**-0.2%**
Other					
Self Storage	23,155	2.6%	3.4%	4.4%	-1.0%
Seniors Housing	11,717	1.3%	3.6%	5.0%	-1.3%
Other	16,203	1.8%	6.1%	3.9%	2.1%
Hotel	3,575	0.4%	6.6%	7.2%	-0.6%
Other Total	**54,650**	**6.2%**	**4.4%**	**3.9%**	**-0.2%**
Expanded NPI Total	**882,839**	**100%**	**0.6%**	**4.8%**	**-4.0%**

Source: Expanded NCREIF Property Index as of 31 December 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	1.5%	4.5%	-2.9%	0.4%	4.3%	5.8%	7.0%	9.6%	9.9%	8.0%
Industrial	2.6%	4.0%	-1.4%	4.1%	12.5%	12.9%	10.6%	10.2%	12.3%	9.2%
Office	-7.2%	5.9%	-12.6%	-9.2%	-4.1%	1.7%	4.9%	7.0%	11.2%	10.1%
Retail	5.3%	5.6%	-0.2%	2.3%	0.6%	3.6%	6.4%	8.4%	8.6%	7.0%
Other	4.4%	3.9%	-0.2%	4.2%	6.2%	8.1%	8.6%	8.2%	9.0%	8.9%
Total Index	0.6%	4.8%	-4.0%	-0.6%	3.3%	5.8%	7.1%	8.5%	9.6%	7.9%
Region										
East	0.4%	4.9%	-4.4%	-2.1%	1.6%	4.1%	6.1%	9.0%	9.9%	9.2%
Midwest	3.1%	5.1%	-1.9%	0.0%	2.1%	4.2%	5.7%	7.3%	7.6%	6.2%
South	3.6%	4.8%	-1.2%	2.8%	5.7%	7.0%	7.8%	8.0%	8.7%	7.0%
West	-1.5%	4.6%	-5.8%	-1.4%	3.5%	6.8%	8.0%	9.1%	10.8%	8.9%
Total Index	0.6%	4.8%	-4.0%	-0.6%	3.3%	5.8%	7.1%	8.5%	9.6%	7.9%

Source: Expanded NCREIF Property Index as of 31 December 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, 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.

Residential

Over the past 12 months, a few markets in the Sun Belt (e.g. Houston, Fort Lauderdale, Miami) were positive contributors to total return.[6] However, those facing large incoming supply (Phoenix, Atlanta, Austin, Dallas) were a drag on the subindex. On the West Coast, San Francisco (-2.7%) and Los Angeles (-2.1%) underperformed, reflecting the impact of weaker job growth 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 (4.6%) and Washington, DC (4.6%) were some of the best-performing major markets in the country.

Industrial

Most markets within the industrial sector outperformed the benchmark. The biggest laggards were West Coast markets (Orange County, Los Angeles, Riverside) that are grappling with an influx of new supply as demand moderates. Sun Belt markets exhibited some of the highest returns, with Atlanta (9.6%), Miami (9.9%), Houston (9.1%), and Dallas (8.1%) leading by a large margin. Gateway markets like New York (3.5%) and Chicago (7.7%) also benefited from moderate new supply and stable demand.

[4] Index returns start in 1978, equivalent to a 47 year calculation.
[5] Index returns start in 1978, equivalent to a 47 year calculation.
[6] Past 12 months ending 31 December 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), along with New York, remained at the bottom of the pack.

Retail

Gateway markets experiencing out-migration (e.g., San Francisco, Washington, DC, Chicago) generally underperformed the subindex. New York (2.6%) 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, Dallas, Phoenix), fared better. On the West Coast, San Diego (6.5%), Riverside (10.1%) and Las Vegas (14.3%) outperformed, while San Jose (4.5%), and San Francisco (-2.3%) lagged.

Residential		
Metro	Metro returns[7]	Impact on sector returns
Washington, DC	4.6%	24
New York	3.0%	12
Boston	2.9%	8
Miami	4.6%	8
Houston	3.8%	6
Chicago	2.2%	3
Seattle	1.9%	2
Orange County	2.0%	1
Fort Lauderdale	1.7%	1
Tampa	1.6%	0
Charlotte	1.5%	0
San Diego	1.4%	0
Orlando	1.0%	-1
Phoenix	0.1%	-4
Dallas	0.4%	-7
Denver	0.0%	-7
San Francisco	-2.7%	-11
Atlanta	-0.6%	-12
Austin	-2.0%	-14
Los Angeles	-2.1%	-20

Industrial		
Metro	Metro returns[8]	Impact on sector returns
Dallas	8.1%	34
Chicago	7.7%	29
Atlanta	9.6%	27
Miami	9.9%	25
Houston	9.1%	12
New York	3.5%	8
Baltimore	5.7%	6
Las Vegas	5.4%	4
Phoenix	4.7%	4
Portland	4.4%	2
Philadelphia	4.1%	2
Boston	4.1%	2
Denver	3.1%	1
Oakland	2.7%	0
Charlotte	2.0%	-1
Seattle	2.3%	-1
San Diego	1.2%	-2
Orange County	-2.5%	-18
Los Angeles	-6.1%	-86
Riverside	-7.1%	-146

Office		
Metro	Metro returns[9]	Impact on sector returns
Houston	-1.6%	17
Dallas	-4.2%	7
Raleigh	-0.4%	7
Los Angeles	-6.7%	4
Miami	-4.9%	3
San Jose	-6.5%	3
Charlotte	-4.9%	2
Chicago	-6.8%	2
Denver	-6.8%	1
Austin	-7.3%	0
Atlanta	-7.9%	-1
Washington, DC	-7.4%	-1
Oakland	-8.1%	-2
Orange County	-8.7%	-2
Boston	-7.6%	-5
San Diego	-9.7%	-7
Portland	-24.7%	-14
Seattle	-10.3%	-17
New York	-8.7%	-21
San Francisco	-11.1%	-40

Retail		
Metro	Metro returns[10]	Impact on sector returns
Las Vegas	14.3%	61
Phoenix	11.2%	19
Riverside	10.1%	10
Dallas	7.1%	9
Atlanta	8.3%	7
San Diego	6.5%	6
Oakland	5.6%	1
Houston	5.4%	0
Chicago	5.3%	-1
Miami	4.9%	-1
San Jose	4.5%	-2
Orange County	4.0%	-3
Baltimore	2.8%	-5
Orlando	2.4%	-6
Seattle	2.8%	-7
Boston	2.0%	-8
New York	2.6%	-11
Los Angeles	3.2%	-12
San Francisco	-2.3%	-16
Washington, DC	-1.3%	-48

[7] Four-quarter cumulative returns ending 31 December 2024.
[8] Four-quarter cumulative returns ending 31 December 2024.
[9] Four-quarter cumulative returns ending 31 December 2024.
[10] Four-quarter cumulative returns ending 31 December 2024.

Appendix – Historical Performance

	12 months trailing				
	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Private Real Estate (Expanded NPI)	0.6%	-7.6%	5.8%	17.5%	1.8%
Broad Equities (large cap)	25.0%	26.3%	26.3%	-18.1%	28.7%
Bonds	1.3%	5.5%	5.5%	-13.0%	-1.5%
Listed Real Estate	4.9%	11.4%	11.4%	-24.9%	41.3%
10-Year Treasury[11]	4.6%	3.9%	3.9%	3.9%	1.5%
CPI (SA)	2.9%	3.3%	3.3%	6.4%	7.2%

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 31 December 2024.

[11] These figures represent annual yields.

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