U.S. Property Performance Monitor

First Quarter 2025

IN A NUTSHELL

- Quarterly private core real estate returns continued to edge higher as capital returns turned positive for the first time since 2022.
- The 1.3% quarterly return in the first quarter of 2025 was comprised of a 0.1% capital return and 1.2% income return. Trailing four-quarter returns trended upwards to 2.8% from 0.6% 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.

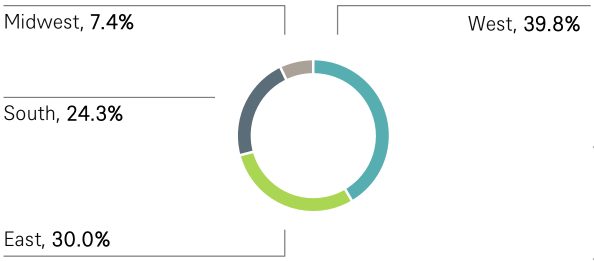
Private Real Estate Property Returns[1]

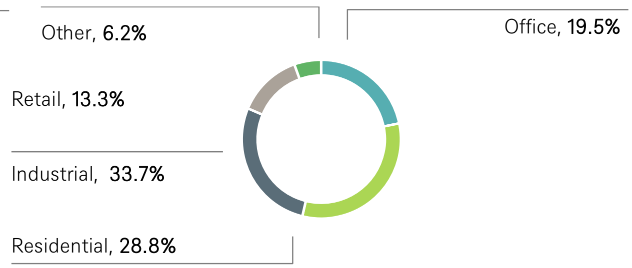
- Private core real estate continues on its positive trajectory as it prints another quarter of improving total returns (1.3%). Quarterly capital returns were positive (0.1%) for the first time since 2022. On an annual basis, the benchmark returned 2.8%.
- All sectors other than Office registered positive returns over the trailing four quarters. Retail maintained its dominance with a return of 6.5%, followed by Industrial (3.8%) and Residential (3.7%). While office returns were still negative (-3.0%), declines have moderated significantly.
- Bonds and equities outperformed private core real estate last quarter and on an annual basis.[2]
- While fundamentals moderated, they were reasonably healthy. Vacancies for the benchmark (7.4%) increased by 30 bps but remained below its historical average (8.4%). Net Operating Income (NOI) growth improved to 1.9% (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.

NPI Market Capitalization

Index market value U.S. $ 882.8 billion – Property count 12,767





Source: NCREIF (Expanded NPI). As of 31 March 2025.

Recent Performance Trends	Quarter	12 months trailing	
	1Q 2025	1Q 2025	4Q 2024
Private Real Estate (Expanded NPI)	1.3%	2.8%	0.6%
Broad Equities (large cap)	-4.3%	8.3%	25.0%
Bonds	2.8%	4.9%	1.3%
Listed Real Estate	2.8%	9.2%	4.9%
10-Year Treasury[1]	4.2%	4.2%	4.6%
CPI (SA)	0.6%	2.4%	2.9%

[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 March 2025.

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

- Retail continues to lead the pack. Trailing four quarter returns were 6.5% for the year, outperforming the benchmark by 370 bps. Similar to last quarter, Malls are leading the subindex with a total return of 7.0%. Strip retail (6.9%) followed closely while street retail (0.7%) underperformed the subindex. Consistent with the return profile, vacancies for strip retail (6.7%) were below its long-term average (7.3%) while those of street retail (13.4%) were significantly above (5.7%). Vacancies for malls, although elevated (10.2%), reverted to their pre-COVID level.
- Industrial was the second-best performing sector. Total returns of 3.8% were 100 bps above the overall index. Fundamentals softened, as new deliveries coupled with subdued demand pushed vacancies up by 40 bps to 3.8%, although they remained well below their historical average of 7.2%. Trailing four-quarter NOI growth (6.5%) remained strong, as rents rolled up to higher market levels.
- Residential total returns were 3.7%, 90 bps above the benchmark. Apartments, making up 93% of the index, generated 3.5% in total returns, tracking the subindex. Student housing had some of the strongest performance in the benchmark, with total returns of 6.5%.
- Office continued to lag the benchmark significantly, with trailing four-quarter returns down 3.0%, driven by a 7.5% decline in NOI amid high leasing costs and negative lease rolls. However, performance varied across subtypes. Those most vulnerable to work-from-home trends (CBD, suburban, secondary business district, and urban) performed poorly. Suburban office total returns (-0.8%) were relatively better. Medical office facilities generated positive returns (4.3%), as their unique tenancy and space utilization requirements shielded them from work-from-home. The average vacancy for CBD, secondary business district, suburban, and urban office was 20.3% while the same for medical office was 5.4%.

[3] All real estate performance and operational metrics refer to the Expanded NPI as the benchmark/index as of 31 March 2025.

Detailed Property Type Expanded NPI Performance

	Market value U.S.$ (Mil)	Share of NPI	Trailing four quarters (1Q 2025)		
			Total return	Income	Capital
Residential					
Apartment	233,479	26.1%	3.5%	4.5%	-1.0%
Student Housing	11,190	1.2%	6.5%	5.2%	1.2%
Single Family Rental	7,121	0.8%	4.1%	3.8%	0.4%
Manufactured Housing	2,166	0.2%	10.4%	3.5%	6.8%
Residential Total	**253,956**	**28.4%**	**3.7%**	**4.5%**	**-0.8%**
Industrial					
Warehouse	267,774	29.9%	3.8%	4.0%	-0.3%
Specialized	18,608	2.1%	5.5%	4.1%	1.4%
Flex	7,004	0.8%	3.8%	4.6%	-0.8%
Manufacturing	2,629	0.3%	3.3%	4.1%	-0.8%
Life Science	1,081	0.1%	-2.7%	4.5%	-6.9%
Industrial Total	**297,205**	**33.2%**	**3.8%**	**4.1%**	**-0.2%**
Office					
CBD	80,385	9.0%	-3.9%	6.0%	-9.4%
Urban	25,250	2.8%	-5.5%	6.3%	-11.3%
Life Science	22,569	2.5%	-2.8%	4.7%	-7.2%
Medical Office	19,843	2.2%	4.3%	5.6%	-1.3%
Suburban	13,410	1.5%	-0.8%	7.0%	-7.4%
Secondary Business District	10,498	1.2%	-4.6%	6.5%	-10.5%
Office Total	**172,010**	**19.2%**	**-3.0%**	**5.9%**	**-8.5%**
Retail					
Strip	54,320	6.1%	6.9%	5.8%	1.0%
Mall	55,588	6.2%	7.0%	5.5%	1.4%
Street	7,414	0.8%	0.7%	4.5%	-3.7%
Retail Total	**117,323**	**13.1%**	**6.5%**	**5.6%**	**0.9%**
Other					
Self Storage	22,652	2.5%	4.5%	4.4%	0.0%
Seniors Housing	12,033	1.3%	5.7%	5.2%	0.5%
Other	16,806	1.9%	6.7%	3.7%	3.0%
Hotel	3,573	0.4%	6.2%	7.0%	-0.8%
Other Total	**55,063**	**6.1%**	**5.5%**	**3.7%**	**0.9%**
Expanded NPI Total	**895,556**	**100%**	**2.8%**	**4.8%**	**-1.9%**

Source: Expanded NCREIF Property Index as of 31 March 2025. 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	3.7%	4.5%	-0.8%	-0.9%	4.4%	5.6%	6.8%	9.5%	9.8%	8.0%
Industrial	3.8%	4.1%	-0.2%	1.0%	12.2%	12.7%	10.5%	10.2%	12.3%	9.2%
Office	-3.0%	5.9%	-8.5%	-9.4%	-4.2%	1.4%	4.8%	7.0%	11.2%	10.1%
Retail	6.5%	5.6%	0.9%	2.2%	1.4%	3.3%	6.2%	8.4%	8.4%	7.0%
Other	5.5%	3.7%	0.9%	3.0%	6.3%	7.8%	8.5%	8.2%	9.0%	8.9%
Total Index	2.8%	4.8%	-1.9%	-1.8%	3.4%	5.5%	7.0%	8.5%	9.6%	7.8%
Region										
East	2.9%	4.9%	-1.9%	-2.8%	1.7%	3.9%	6.0%	9.0%	9.9%	9.2%
Midwest	5.3%	5.1%	0.1%	-0.7%	2.4%	4.0%	5.6%	7.3%	7.6%	6.2%
South	5.4%	4.9%	0.5%	1.3%	6.0%	6.7%	7.7%	8.0%	8.7%	7.0%
West	0.7%	4.6%	-3.8%	-3.1%	3.4%	6.5%	7.9%	9.1%	10.8%	8.9%
Total Index	2.8%	4.8%	-1.9%	-1.8%	3.4%	5.5%	7.0%	8.5%	9.6%	7.9%

Source: Expanded NCREIF Property Index as of 31 March 2025. 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, Dallas, Miami) were positive contributors to total return.[6] However, those still working through supply (Phoenix, Atlanta, Austin) were a drag on the subindex. On the West Coast, San Francisco (1.2%) and Los Angeles (0.5%) underperformed, reflecting the impact of weak 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 (6.5%) and Washington, DC (7.0%) were some of the best-performing major markets in the country.

Industrial

Most markets within the industrial sector outperformed the benchmark. The biggest laggards continue to be West Coast markets (Orange County, Los Angeles, Riverside) that are grappling with an influx of new supply amidst tariff uncertainty. Sun Belt markets exhibited some of the highest returns, with Atlanta (10.1%), Miami (10.2%), Houston (11.5%), and Dallas (9.4%) leading by a large margin. Gateway markets like New York (4.2%) and Chicago (8.7%) also benefited from moderate new supply and relatively stable demand.

[4] Index returns start in 1978, equivalent to a 48 year calculation.
[5] Index returns start in 1978, equivalent to a 48 year calculation.
[6] Past 12 months ending 31 March 2025.

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, Tampa, Houston, Raleigh) outperformed the subindex. Certain tech-concentrated West Coast markets (e.g., Seattle, San Francisco) remained at the bottom of the pack. Washington, DC also lagged significantly, possibly reflect the potential impact of federal job cuts on fundamentals. New York and Chicago, although still negative from a total returns perspective, are indicating strength relative to their peers as Class A buildings in these markets continue to attract tenants.

Retail

Gateway markets experiencing out-migration (e.g., San Francisco, Washington, DC, Orange County) generally underperformed the subindex. New York (5.7%) was also a 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, Houston), fared better. On the West Coast, San Diego (10.1%), Riverside (8.9%) and Las Vegas (13.7%) outperformed, while Seattle (3.7%), and San Francisco (0.6%) lagged.

Residential			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
Washington, DC	7.0%	25	Dallas	9.4%	34	Los Angeles	0.0%	21	Las Vegas	13.7%	50
New York	5.1%	11	Chicago	8.7%	28	New York	-1.5%	21	San Diego	10.1%	18
Boston	5.0%	7	Atlanta	10.1%	23	Houston	2.1%	15	Dallas	9.7%	16
Miami	6.5%	7	Miami	10.2%	22	Chicago	-0.2%	12	Phoenix	10.9%	15
Seattle	5.0%	6	Houston	11.5%	15	Tampa	4.8%	6	Houston	7.8%	8
Houston	5.6%	5	Charlotte	7.2%	5	Boston	-2.5%	6	Orlando	9.1%	5
Orange County	5.6%	4	Baltimore	6.3%	5	Dallas	-1.4%	4	Riverside	8.9%	5
San Diego	5.0%	3	New York	4.2%	3	Raleigh	0.8%	4	Atlanta	8.3%	4
Chicago	4.1%	2	Phoenix	5.3%	3	Orange County	-1.9%	1	San Jose	7.6%	3
Dallas	3.6%	0	Las Vegas	5.6%	3	Denver	-3.4%	-1	Chicago	6.2%	-2
Tampa	3.2%	-1	Philadelphia	5.2%	2	Oakland	-4.0%	-2	Oakland	5.5%	-3
Charlotte	3.1%	-1	Denver	5.3%	2	Miami	-5.2%	-3	New York	5.7%	-3
Fort Lauderdale	2.7%	-2	Boston	5.3%	2	Charlotte	-6.2%	-3	Miami	4.6%	-4
Raleigh	1.2%	-5	Portland	5.0%	2	San Jose	-3.8%	-3	Boston	4.3%	-5
Phoenix	2.0%	-5	Oakland	3.8%	0	Austin	-5.0%	-4	Baltimore	3.4%	-6
San Francisco	1.2%	-6	San Diego	2.5%	-2	Atlanta	-5.5%	-5	Seattle	3.7%	-8
Denver	2.2%	-7	Seattle	2.8%	-5	San Diego	-7.2%	-14	Los Angeles	4.9%	-9
Austin	-0.3%	-16	Orange County	-1.6%	-19	Washington, DC	-5.0%	-23	San Francisco	0.6%	-12

[7] Four-quarter cumulative returns ending 31 March 2025.
[8] Four-quarter cumulative returns ending 31 March 2025.
[9] Four-quarter cumulative returns ending 31 March 2025.
[10] Four-quarter cumulative returns ending 31 March 2025.

Atlanta	0.6%	-17	Los Angeles	-4.3%	-82	Seattle	-6.9%	-23	Orange County	1.8%	-13
Los Angeles	0.5%	-18	Riverside	-5.8%	-141	San Francisco	-7.3%	-45	Washington, DC	-1.9%	-61

Appendix – Historical Performance

	12 months trailing				
	3/31/2025	3/31/2024	3/31/2023	3/31/2022	3/31/2021
Private Real Estate (Expanded NPI)	2.8%	-6.9%	-1.2%	21.5%	2.7%
Broad Equities (large cap)	8.3%	29.9%	-7.7%	15.6%	56.4%
Bonds	4.9%	1.7%	-4.8%	-4.2%	0.7%
Listed Real Estate	9.2%	8.0%	-19.4%	23.6%	34.2%
10-Year Treasury[11]	4.2%	4.2%	3.5%	2.3%	1.7%
CPI (SA)	2.4%	3.5%	4.9%	8.5%	2.6%

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 March 2025.

[11] These figures represent annual yields.

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