

The NFI-ODCE Index (pronounced “odyssey”) has been widely used by institutional investors as the benchmark for core private real estate performance, much like the S&P 500 Index for public equities. The NFI-ODCE Index continues to show signs of recovery, posting its second consecutive quarter of positive net total returns after nearly two years of negative total returns. Fundamentals of the index remain healthy overall with strong NOI growth and occupancy rates above their long-term average. While liquidity remains subdued across the Index, the recent increase in investor redemption rescissions across the NFI-ODCE Index component funds suggests that queues may be normalizing.

## Notable Takeaways

### | PERFORMANCE

- The NFI-ODCE Index posted a positive quarterly return for the second consecutive quarter, following two years of negative performance.
- All key performance metrics—income, appreciation, total gross return, and total net return—turned positive last quarter.
- Every major property sector, except office, has now delivered positive returns for two consecutive quarters.
- Retail led all property sectors in performance both quarter-over-quarter and year-over-year.

### | ALLOCATION

- The combined industrial and residential allocation within the NFI-ODCE Index reached a record high of 64% (based on gross asset value).
- Conversely, office allocation dropped to an all-time low of 16%.
- The eastern and western regions maintained a combined allocation of 73% (based on gross asset value).
- The total number of properties declined by 5% year-over-year, driven by increased disposition activity.

### | MARKET

- Occupancy rates remain above the NFI-ODCE Index's historical average.
- Performance dispersion among NFI-ODCE Index component funds remains at the high end of its historical range.
- Redemption queues (outflows) across the NFI-ODCE Index continue to shrink due to both rescissions and improved liquidity.
- Capital commitments across the NFI-ODCE Index have increased over the past two quarters.

## Index Performance

	2024 YTD	1-YEAR	Q4 2024	Q3 2024	Q2 2024	Q1 2024
INCOME	4.1%	4.1%	1.0%	1.0%	1.0%	1.0%
APPRECIATION	-5.4%	-5.4%	0.1%	-0.8%	-1.5%	-3.3%
TOTAL GROSS	-1.4%	-1.4%	1.2%	0.2%	-0.4%	-2.4%
TOTAL NET	-2.3%	-2.3%	1.0%	0.0%	-0.7%	-2.6%

## | BY PROPERTY TYPE

	2024 YTD	1-YEAR	Q4 2024	Q3 2024	Q2 2024	Q1 2024
RESIDENTIAL	1.6%	1.6%	1.0%	1.2%	0.4%	-1.1%
INDUSTRIAL	2.5%	2.5%	1.1%	1.0%	0.4%	-0.1%
OFFICE	-10.4%	-10.4%	-1.6%	-1.1%	-2.5%	-5.6%
RETAIL	5.0%	5.0%	1.7%	1.6%	1.0%	0.7%
OTHER	2.7%	2.7%	1.6%	1.7%	-0.1%	-0.6%

## | BY REGION

	2024 YTD	1-YEAR	Q4 2024	Q3 2024	Q2 2024	Q1 2024
EAST	0.3%	0.3%	1.1%	1.1%	-0.2%	-1.7%
SOUTH	3.7%	3.7%	1.4%	1.3%	0.9%	0.0%
MIDWEST	-2.7%	-2.7%	-1.9%	1.0%	0.2%	-2.1%
WEST	-1.8%	-1.8%	0.4%	0.3%	-0.6%	-1.9%

## Index Allocation

	Δ QOQ	Δ YOY	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
# OF FUNDS	0	0	25	25	25	25	25
# OF PROPERTIES	-47	-177	3,290	3,337	3,370	3,440	3,467
OCCUPANCY	-0.60%	-0.80%	90.8%	91.4%	91.8%	90.8%	91.6%
LEVERAGE	-0.37%	0.61%	26.8%	27.2%	27.2%	26.9%	26.2%

## | BY PROPERTY TYPE

	Δ QOQ	Δ YOY	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
RESIDENTIAL	0.1%	0.3%	29.4%	29.3%	29.3%	29.2%	29.1%
INDUSTRIAL	0.2%	1.0%	34.1%	33.9%	33.8%	33.6%	33.1%
OFFICE	-0.5%	-1.7%	16.4%	16.9%	17.3%	18.0%	18.1%
RETAIL	0.1%	0.5%	11.0%	10.9%	10.8%	10.6%	10.5%
OTHER	0.0%	-0.2%	9.0%	9.0%	8.8%	8.6%	9.2%

## | BY REGION

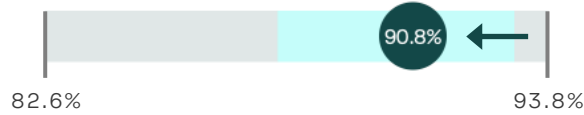
	Δ QOQ	Δ YOY	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
EAST	0.0%	0.2%	29.0%	29.0%	28.7%	28.8%	28.8%
SOUTH	0.2%	0.3%	21.7%	21.5%	21.6%	21.5%	21.4%
MIDWEST	-0.2%	-0.3%	5.6%	5.8%	5.8%	5.8%	5.9%
WEST	-0.1%	-0.3%	43.6%	43.7%	43.8%	43.9%	43.9%

## Contributing Factors

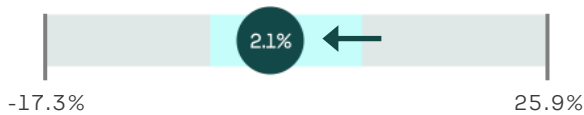


### FUNDAMENTALS

Occupancy



NOI Growth (Trailing Year)



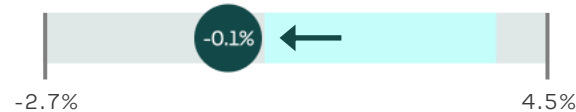
Fundamentals for the NFI-ODCE Index remain resilient despite recent market challenges. Occupancy rates remain above the historical average for the Index and strong income growth continues to play an instrumental role in mitigating the negative impacts of rising interest rates.

### VALUATIONS

Cap Rate Change (Trailing Year)



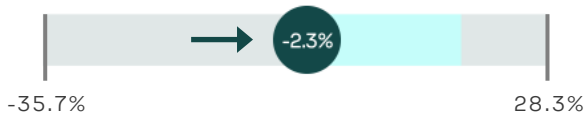
Cap Rate Spread-to-Treasury



Valuation changes have been minimal as cap rates appear to be leveling off after multiple quarters of lock-step increases. Rising uncertainty surrounding the future path of interest rates has further complicated the story, though the recent increase in transaction activity suggests that the market may be closer to fair value than previously thought.

### PERFORMANCE

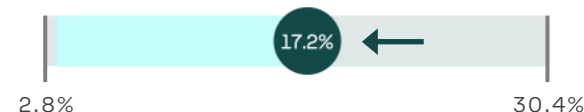
Net Total Return (Trailing Year)



Returns for the NFI-ODCE Index remain negative on a one-year trailing basis as real estate values continue to adjust to the higher interest rate environment. However, early signs of a market recovery are beginning to appear as the Index posted its second positive quarterly net total return in two years.

### VOLATILITY

Performance Dispersion (Trailing Year)



Volatility within the NFI-ODCE Index over the past couple of years has been high as performance outcomes remain wide. Component fund performance dispersion is currently at the higher-end of the historical range, which has been driven largely by property sector allocation.

## Contributing Factors



### LIQUIDITY

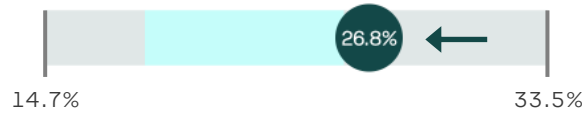
Net Investment Queue



Liquidity for the NFI-ODCE Index has started to show signs of recovery with net investment queues rising from historic lows. With many investors now under-allocated to real estate, additional redemption recissions could follow as capital returns to the space.

### LEVERAGE

Loan-to-Value



Leverage currently sits slightly above the typical range due to write-downs over the past two years. NFI-ODCE Index component fund debt is largely fixed rate and is conservatively laddered over the next 5-15 years, making the default risk substantially lower than the broader real estate market.

## Disclosures

All data as of 12/31/2024.

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While the NFI-ODCE Index recently posted a positive quarterly return for the second consecutive quarter—with key performance metrics (income, appreciation, total gross return, and total net return) turning positive and most property sectors delivering positive returns—these past trends may not persist under different market conditions.

The reported changes in asset allocation are based on historical data and are subject to change. Market observations, including occupancy rates, variations in performance dispersion among component funds, evolving redemption activity, and shifts in capital commitments, are influenced by multiple factors including liquidity, market volatility, and broader economic conditions.

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