

Index Composition

Property Index Name	#Props/Constituents	MV (\$ Billions)	IncRet/DivYield	CurrQtr TotRet	1 YrTotRet	3 YrTotRet	5 YrTotRet
NPI	7029	\$353.00	1.34%	2.53%	10.98%	11.92%	5.69%
NPI Leverage	4067	\$238.32	1.52%	3.82%	15.87%	0.2%	0.06%
FTSE NAREIT All Equity REITs	145	\$574.26	3.91%	-0.17%	2.86%	10.06%	16.9%
FTSE NAREIT Equity REITs	140	\$509.12	4.09%	-0.71%	2.47%	9.42%	16.5%
FTSE NAREIT Mortgage REITs	36	\$59.63	10.31%	0.15%	-1.96%	4.68%	11.87%

Fund Index Name	#Funds	Gross RE (\$ Billions)	Net RE (\$ Billions)	Inception Data	Leverage	Curr Qtr Gross Return	Curr Qtr Net Return	1 Year Gross Return	1 Year Net Return
NFI-ODCE	21	\$13,849.57	\$11,043.80	1978 Q4	22.35%	3.17%	2.94%	13.94%	12.9%

Summary Statistics

NCREIF Occupancy

Current Value	Previous Value	Change
90.56%	90.71%	-0.15%

NCREIF NOI Growth

Current Value	Previous Value	Change
0.93%	-0.42%	1.35%

NCREIF CF Returns

Current Value	Previous Value	Change
0.83%	0.77%	0.06%

NAREIT Equity Offerings

Current Value	Previous Value	Change
\$15.12	\$7.15	\$7.97

NAREIT Debt Offerings

Current Value	Previous Value	Change
\$511	\$453	\$59

Returns: The NPI total return for the quarter was 2.53%, comprised of a 1.34% income return and a 1.19% capital appreciation return. Over the past four quarters, the NPI returned 10.98%, split between 5.61% of income and appreciation of 5.16%. The ODCE total return before fees for the fourth quarter was 3.17%. This was split 1.25% income and 1.91% appreciation. The 64 basis point performance gap between ODCE and NPI is down from the past two quarters, but above the 48 basis point average since the recovery from the Great Recession began in 2010.

The NAREIT Equity and All Equity indexes were negative for the third consecutive quarter, falling (0.71) and (0.17%), respectively. The one year returns for both remain positive, 2.47% and 2.86%. The three and five year returns are also positive for both.

The performance of ODCE properties in the NPI had a total return of 2.67% compared to 2.44% for non-ODCE NPI properties. Industrial had the largest gap in performance between ODCE and non-ODCE properties with ODCE Industrial properties out performing by 59 basis points. ODCE Retail and Office properties also outperformed, by 46 and 44 basis points respectively. Non-ODCE Apartments outperformed ODCE Apartments by 44 basis points.

On an after fee basis, ODCE's total return was 2.94%. In 2013, annual gross return was 13.94% split 5.24% income and 8.35% appreciation. The net one year rolling return was 12.90%. The ODCE three year average annual return before fees was 13.60% compared to 14.40% a year ago. The five year average annual return saw significant improvement, increasing from 0.68% last quarter to 3.68% this quarter as the impact of the Great Recession rolls off the calculation.

Fundamentals: Transaction volume rebounded strongly in the fourth quarter with 237 sold properties. This compares favorably to third quarter's 190 transactions. While 237 transactions is an improvement from third quarter, it is still less than the 268 from fourth quarter 2012.

Fundamentals were once again mixed this quarter, but the movement was in the opposite direction of the third quarter. Occupancy decreased slightly, NOI growth was positive, and cap rates were flat. The NPI occupancy rate declined 15 basis points to 90.6%, but remains 70 basis points higher than a year ago. Same store NOI growth rose 0.4%, after falling last quarter. That is down from the 0.7% increase in fourth quarter 2012.

2013 was a record for capital flows into the REIT sector. The market saw \$77 billion in new capital, of which \$46 was equity and \$31 billion was debt. The fourth quarter had \$8.2 billion in new equity and debt. That was an increase in the equity raise from third quarter, but a slight decrease in the debt.

Market Indices (%)

Index Name	Current Qtr Total Return	1 Yr Total Return	3 Yr Total Return
Barclays Capital Govt Bond	0.6	-2.6	2.7
T-Bills (90 day)	0.01	0.05	0.07
Barclays Capital U.S. Govt/Credit	-0.03	-2.35	3.63
NAREIT Equity REIT Index	0.17	2.86	10.06
S&P 500 Index	10.51	32.39	16.18
Consumer Price Index	0.4	1.38	2.03
NCREIF Property Index	2.53	10.98	11.92
NFI-ODCE	2.68	10.78	15.13
NTBI	2.98	7.63	12.55

Residential: Apartments' 2.48% total return was the same as last quarter and finished in the middle of the five NPI property types. For the year, Apartment's had a 10.42% total return, a significant drop from each of the past three years. Apartments struggled in the public sector too, falling (2.91%). That ranked 10th out of 13 sectors. For the year, Apartment's fell (6.20%), ranking 12th. Manufactured Homes were the second best performer for the quarter and the year with 4.59% and 10.46% returns, respectively.

Industrial: The NAREIT Industrial Index was in the middle, ranking 7th. It fell (0.05%) for the quarter. For the year, it rose 7.40%. The NCREIF industrial index continued its strong run as the best performing sector, the third consecutive quarter it was the top property type. The sector returned 2.95%, a drop from last quarter's 3.14%, but well above the 2.37% from a year ago. For the year, Industrial returned 12.33% trailing only Retail. NOI grew 1.3% and occupancy rose 128 basis points over last year to 92.4%.

Office: NCREIF Office continued to trail the index, rising 2.34%. That was down third quarter. For the year, Office returned 9.86%, exceeding only hotel. Some good news for offices were the increase in occupancy, rising to 86.2%, a 32 basis point rise from third quarter and 47 basis points higher than a year ago. The NAREIT office index rose 0.62% and Mixed (Office) fell (3.42%). They were ranked 6th and 11th respectively. On an annual basis, Office increased 5.57% and Mixed (Office) 5.56%, ranking 6th and 7th.

Retail: Public sector retail rebounded from a poor third quarter with a 2.16% total return. For the year, the sector still struggled, returning only 1.86% tenth among the public market. Within the sector malls had a strong fourth quarter, 3.06%, but finished the year down (0.98%) and ranked 11th. Retail was the second best performer for the quarter in the NCREIF Property Index, 2.66%, and was the top performing sector in 2013 with a 12.87% total return. That was the second highest calendar year return for Retail since 2007, trailing only 2011's 13.77% return.

Misc: Hotels were once again a bright spot with lodging/resort being the best performer in the public sector. Hotels were up 8.33% for the quarter and 27.18% for the year. That was the top rated sector over both time periods. NCREIF's Hotel was the weakest performer for the quarter, 2.27%, though that was the sector's best performance since second quarter 2011. However, the 7.68% return was the lowest annual growth since 2009, when returns were negative. In addition, NOI growth and occupancy both declined. The NCREIF Farmland Index returned 9.26%, the best performance of any sector. The one year return was 20.91%. Self-Storage fell sharply are leading last quarter. The NAREIT Self Storage Index dropped (6.54%) in the fourth quarter. For the year, it rose 9.49%. Timberland had a 5.92% total return in the private sector last quarter and 0.95% in the public sector. For the year, those returns were 9.69% and 7.86%.

Returns by Property Type

Residential

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Apartment Total	-2.91	-6.2	
NAREIT Manu Homes Total	4.59	10.46	
NCREIF Apt Total	2.48	10.42	

Industrial

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Industrial Total	-0.05	7.4	10.17
NCREIF Ind Total	2.93	12.32	12.53

Office

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Office Total	0.62	5.57	
NAREIT Mixed (Office) Total	-3.42	5.56	9.4
NCREIF Off Total	2.34	9.86	11.02

Retail

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Retail Total	2.16	1.86	13.15
NAREIT Shopping Center Total	-0.24	4.99	
NAREIT Regional Malls Total	3.06		15.7
NCREIF Ret Total	2.66	12.87	12.75

Miscellaneous

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Lodging/Resorts Total	8.33	27.18	7.04
NAREIT Timber Total	0.95	7.86	16.75
NAREIT Diversified Total	-0.05	4.33	6.37
NAREIT Health Total	-7.63		8.32
NCREIF Hotel Total	2.27	7.68	9.22
NCREIF Farmland Total	9.26	20.91	18.19
NCREIF Timberland Total	5.92	9.69	6.28

NCREIF Returns by Region

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF East	2.28	9.29	10.79
NCREIF Midwest	2.09	10.65	10.87
NCREIF South	2.83	12.5	12.15
NCREIF West	2.71	11.82	13.23