

### Index Composition

Property Index Name	#Props/Constituents	MV (\$ Billions)	IncRet/DivYield	CurrQtr TotRet	1 YrTotRet	3 YrTotRet	5 YrTotRet
NPI	7270	\$320	1.41	2.54	10.54	12.63	2.13
NPI Leverage	4307	\$213	1.57	4.3	16.35	23.41	-0.01
FTSE NAREIT All Equity REITs	131	\$519	3.51	3.11	19.7	18.37	5.74
FTSE NAREIT Equity REITs	126	\$458	3.7	2.58	18.06	17.83	5.45
FTSE NAREIT Mortgage REITs	28	\$59	12.93	-6.42	19.89	12.77	4.19

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	18	\$110	\$84	1978 Q4	22.1%	2.35%	2.08%	10.94%	9.79%

### Summary Statistics

#### NCREIF Occupancy

Current Value	Previous Value	Change
89.87%	90.07%	-0.2%

#### NCREIF NOI Growth

Current Value	Previous Value	Change
0.63%	-0.02%	0.65%

#### NCREIF CF Returns

Current Value	Previous Value	Change
0.79%	0.99%	-0.2%

#### NAREIT Equity Offerings

Current Value	Previous Value	Change
\$0.01	\$0.02	-\$0.01

#### NAREIT Debt Offerings

Current Value	Previous Value	Change
\$9.77	\$5.11	\$4.66

**Returns:** The NPI total return for the fourth quarter 2012 was 2.54%, comprised of a 1.41% income return and a 1.13% capital appreciation return. That is a slight increase from third quarter's 2.34% return, but below the 2.96% return from fourth quarter 2011. Over the past four quarters, the NPI returned 10.54%, split between 5.84% income and 4.51% appreciation. The NAREIT All Equities Index had a 3.11% fourth quarter return and 19.70% for the year. That is up from third quarter's 1.03% return. The ODCE total return before fees for the fourth quarter was 2.35% compared to 2.77% last quarter and 2.97% a year ago. For the year 2012 ODCE returned 10.94% before fees with a net of 9.79%. This is down from total gross return of 15.99% for calendar year 2011.

**Fundamentals:** After improving for most of the year, fundamentals slightly regressed in the fourth quarter. The NPI occupancy rate dropped 20 basis points from third quarter's 90.1% to 89.9%. Despite the drop, the occupancy rate is almost a percentage point higher than fourth quarter 2011. The quarterly drop was driven by hotel and apartment which fell 303 and 97 basis points respectively. Same store NOI growth rebounded to the positive after falling last quarter. However, the gain was minimal, 0.7%. Retail had the largest gain, 2.9%, just ahead of hotel, which also increased NOI by 2.9%. Office NOI weighed heavily on the index, falling (1.7%). Gains in the apartment market moderated after leading the index most of the past two years.

After a strong third quarter, when REITs raised \$15.12 billion, the market slowed with a net inflow of \$8.82 billion. Debt offerings increased this quarter driven by attractive financing to \$9.77 billion an increase of \$4.66 billion from the previous quarter.

### Market Indices (%)

Index Name	Current Qtr Total Return	1 Yr Total Return	3 Yr Total Return
Barclays Capital Govt Bond	-0.06	2.02	5.48
T-Bills (90 day)	0.02	0.07	0.09
Barclays Capital U.S. Govt/Credit	0.37	4.82	6.7
NAREIT Equity REIT Index	3.11	19.7	18.37
S&P 500 Index	0.3	16	10.87
Consumer Price Index	-0.78	1.74	2.06
NCREIF Property Index	2.54	10.54	12.63
NFI-ODCE	2.82	14.7	4.1
NTBI	3.35	11.19	5.35

## Returns by Property Type

**Residential:** NCREIF apartments returned 2.81% in the fourth quarter and 11.23% for the year, the second best among the property types over both time periods. The fundamentals appear to have peaked for the apartment sector. The occupancy rate dropped almost 100 basis points this past quarter from 94.9%, near the all-time high, to 93.9%. Rolling four quarter NOI growth also slowed from 9.2% last quarter to 6.2% this quarter. The apartment market is still healthy and strong, but the sharp gains from a year ago have passed.

In the NAREIT index, apartments were in the middle of the pack with a 3.73% quarterly return. For the year, apartments 6.93% total return was near the worst performing sector. The NAREIT manufactured homes index returned 3.85% in the quarter, among the better performers and 7.10% for the year, second worst among the sectors.

**Industrial:** Industrial returns continued to improve driven by rising fundamentals. NAREIT industrial returns were 3.17% for the quarter and 31.28% for the year. The yearly return was the second best among the NAREIT sectors. NCREIF returns rose slightly from 2.32% last quarter to 2.37% this quarter. For the year, industrial returns were 10.71%. The NCREIF occupancy rate increased for ninth consecutive quarter to 91.1%. The rolling four quarter NOI growth increased from 1.5% last quarter to 2.2% this quarter.

**Office:** Office in the private market was the laggard for the quarter at 2.17%, with returns having fallen for five consecutive quarters. Offices yearly return of 9.5% exceeds only that of hotel. NAREIT office returns were much stronger with mixed office the best performer for the quarter at 4.98%. The NAREIT office index returned 3.48% in the fourth quarter and 14.15% for the year. NCREIF fundamentals also declined with occupancy dropping from 85.8% to 85.7%. NOI growth was negative for the second consecutive quarter though rolling four quarter NOI growth remains positive, but down from last quarter.

**Retail:** The NAREIT retail index's total return for the fourth quarter was 3.32%. The index was dragged down by regional malls, 2.89%, which was the lowest of any sector. For the year, retail was among the best performers in the public market with a 26.74% total return. The strong annual performance was led by the mall sector with a 28.21% total return. The NCREIF retail property type was the best performing sector in the fourth quarter with a 2.97% total return. It was also the best performing sector for the year, 11.61%, just beating the apartment sector's 11.23% return. Retail's strong performance was driven by improving fundamentals. Occupancy increased another 10 basis points to 90.6%, its highest level since first quarter 2009. NOI growth was also up 3.0% in the quarter.

**Misc:** Returns continue to lag the other property types for the quarter and year, though the gap is closing slightly. Hotels returned 2.24% in the fourth quarter and 8.23% for the year in the NCREIF index. The 7.3% income return for 2012 was the highest since 2007. The public sector hotel market was also a laggard. The NAREIT hotel index returned 3.14% in the quarter and 12.53% for the year. Timber had another strong year in the public market. The NAREIT timber index had a one year return of 37.05%, the highest of any sector. NCREIF's timber index showed improvement with a 7.8% return in 2012. Farmland was the best performer of the NCREIF indexes. The fourth quarter return was 9.6% and the annual return was 18.6%.

### Residential

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF Apt Total	2.81	11.23	14.93
NAREIT Apt Total	3.04	18.87	25.02
NAREIT Manu Homes	3.61	17.93	24

### Industrial

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF Ind Total	2.37	10.71	11.54
NAREIT Ind Total	3.28	49	16.61

### Office

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF Off Total	2.17	9.49	11.65
NAREIT Off Total	3.36	25.39	12.85
NAREIT Mixed	4.82	37.81	11.62

### Retail

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF Ret Total	2.97	11.61	12.66
NAREIT Ret Total	3.21	43.15	26.27
NAREIT Shopping Center	3.55	37.59	18.88
NAREIT Regional Malls	2.85	48.49	32.32

### Miscellaneous

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF Hotel Total	2.24	8.23	9.66
NCREIF Farmland Total	9.56	18.58	14.11
NCREIF Timberland Total	5.92	7.76	3.01
NAREIT Lodging	2.9	45.49	13.59
NAREIT Timber	3	50.25	
NAREIT Diversified	4.03	21.65	14.86
NAREIT HealthCare	4.91	31.77	19.96

## NCREIF Returns by Region

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF East	2.06	9.8	11.08
NCREIF Midwest	2.27	10.35	9.31
NCREIF South	2.31	11.26	10.33
NCREIF West	2.65	12.25	11.6