

Index Composition

Property Index Name	#Props/Constituents	MV (\$ Billions)	IncRet/DivYield	CurrQtr TotRet	1 YrTotRet	3 YrTotRet	5 YrTotRet
NPI	7170	\$395.00	1.31%	2.63%	11.26%	11.09%	10.99%
NPI Leverage	4155	\$267.57	1.5%	3.7%	16.72%	0.17%	0.18%
FTSE NAREIT All Equity REITs	151	\$688.82	3.75%	-2.48%	13.17%	17.17%	16.17%
FTSE NAREIT Equity REITs	143	\$595.16	3.99%	-3.14%	13.14%	16.68%	15.88%
FTSE NAREIT Mortgage REITs	35	\$61.44	10.94%	-4.29%	12.86%	11.25%	9.37%

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	22	\$15,835.89	\$12,415.62	1978 Q4	22.04%	3.24%	3%	12.4%	11.36%

Summary Statistics

NCREIF Occupancy

Current Value	Previous Value	Change
91.8%	91.17%	0.63%

NCREIF NOI Growth

Current Value	Previous Value	Change
0.03%	4.67%	-4.65%

NCREIF CF Returns

Current Value	Previous Value	Change
0.85%	0.94%	-0.09%

NAREIT Equity Offerings

Current Value	Previous Value	Change
\$7.59	\$11.72	\$-4.13

NAREIT Debt Offerings

Current Value	Previous Value	Change
\$8.47	\$12.24	\$-3.78

Returns: The NPI total return for the quarter was 2.63%, comprised of a 1.31% income return and a 1.32% capital appreciation return. Over the past four quarters, the NPI returned 11.26%, split between 5.41% of income and appreciation of 5.62%. The ODCE total return before fees for the quarter was 3.24% compared to 2.93% last quarter and 3.56% a year ago. The return was split 1.23% income and 2.00% appreciation. The NAREIT Equity and All Equity indexes turned negative in the third quarter with the All Equity index falling (2.48%) and the Equity index declining (3.14%). The one year returns remain positive 13.17% and 13.14%, respectively. The three year returns are even stronger, 17.17% and 16.68%. Hotel was the leading property type for the first time since first quarter 2011. The sector returned 2.93%, split 0.80% appreciation and 2.13% income. Industrial, which had been the best performer four of the past five quarters, was the second best performer with a 2.92% total return. Retail, after being a leader for so long, was the worst performing sector. The sector returned 2.33%. Retail hadn't been the worst performer since second quarter 2011. On an after fee basis, ODCE's total return was 3.00% compared to 2.69% and 3.35% for the previous quarter and one year ago, respectively. The rolling four quarter annual gross return was 12.40% split 5.07% income and 7.03% appreciation. The net one year rolling return was 11.36%. That is a drop of roughly 40 bps from last quarter and 60 bps from a year ago. The rolling four quarter return has dropped for four consecutive quarters. The ODCE three year average annual return before fees was 12.34% compared to 14.27% a year ago and 12.45% last quarter. The five year average annual return saw another significant improvement, increasing from 10.00% last quarter to 12.40%. The one year income return of 5.07% is the lowest the index has seen since first quarter 2009 when the rolling four quarter income return was 4.90%. Excluding that quarter in 2009 and the four quarters preceding that quarter, the third quarter was the lowest rolling four quarter income return recorded for the ODCE index going back to 1978.

Fundamentals: Fundamentals continue to improve, but NOI growth was muted after a strong second quarter. Occupancy increased 63 basis points to 91.8%. Hotel saw the greatest increase, 254 basis points, though the 76.2% occupancy rate is still below third quarter 2013's occupancy rate. Retail had the second biggest jump, up 95 basis points to 92.8%. That is the highest occupancy rate for Retail since second quarter 2008. Apartment was the only sector to see a decline in occupancy, falling to 94.0% a drop of 26 basis points. Apartment occupancy has bounced between 93-95% since 2010 with most of the quarterly movement up or down being reversed the following quarter or two. Even though occupancy declined, Apartment NOI rose 2.9%, the sector's second biggest gain in the past nine quarters. After a strong second quarter, same store NOI growth was virtually flat with a gain of 0.01%. The small gain isn't a surprise given last quarter's large increase. The large gain last quarter compared to the flat movement this quarter is at least partially a function of timing. Certain expenses impacted some cash flows that skewed the results higher last quarter relative to this quarter. Aside from Apartment, Industrial was the only other property type with positive NOI growth. The sector saw 0.2% growth, the fifth consecutive quarter of positive growth. As one might expect with declining stock values, capital flows to the REIT sector fell in the second quarter. Total equity offerings dropped \$4.1 billion from \$11.7 to \$7.6 billion. Debt offerings also declined from \$12.3 billion to \$8.5 billion.

Market Indices (%)

Index Name	Current Qtr Total Return	1 Yr Total Return	3 Yr Total Return
Barclays Capital Govt Bond	0.32	2.28	1.06
T-Bills (90 day)	0.01	0.04	0.05
Barclays Capital U.S. Govt/Credit	0.17	4.08	2.54
NAREIT Equity REIT Index	-2.48	13.18	17.17
S&P 500 Index	1.13	19.74	22.99
Consumer Price Index	-0.13	1.66	1.57
NCREIF Property Index	2.63	11.26	11.09
NFI-ODCE	3.24	12.4	12.34
NTBI	2.98	7.63	12.55

Residential: The NCREIF apartment sector saw slight improvement in performance this quarter. Returns increased from 2.41% last quarter to 2.53% in the third quarter. However that was good enough only to exceed Retail. The returns were split 1.21% income and 1.32% appreciation. On a rolling four quarter basis, Apartment's 9.95% exceeds only Hotel. Despite the lagging return numbers, fundamentals remain strong. NOI grew 2.9% in the third quarter and almost 9% over the past year. That is the highest among the four major property types. The residential REITs were better on a relative basis compared to other sectors, but still had negative returns. The NAREIT Apartment sub-index returned (2.63%) and the Manufactured Homes sub-index (1.28%). That ranked sixth and second among the NAREIT sub-indexes. Both are still positive for the year with Manufactured Homes 26.20% return the best among the sub-indexes.

Industrial: The public and private markets continue to diverge on Industrial with the NAREIT Industrial sub-index being the second worst performer. Industrial returns in the public market fell (7.35%), exceeding only Mixed among the sub-indexes. Industrial was knocked off its perch as the top performing private property type, but was the second best performer finishing just behind Hotel. Industrial returned 2.92% in the third quarter and 12.39% over the past year. The returns were split 1.41% income and 1.50% appreciation for the quarter and 5.88% income and 6.24% appreciation for the year. After a strong second quarter, NOI growth dropped dramatically in the third quarter. NOI growth was 0.2%, after climbing 3.7% in the previous quarter. Occupancy rose 71 basis points to 93.6%.

Office: Office returns in the private market dropped slightly from 2.93% to 2.78% in the third quarter. The returns were split 1.28% income and 1.50% appreciation. Public sector returns were among the worst with Mixed (Office) being the worst and Office tenth out of thirteen. Mixed fell (7.39%) and Office dropped (5.19%). NCREIF Office fundamentals were mixed with NOI falling and occupancy rising during the quarter. NOI growth was nearly a record in the second quarter, so the slightly decline this past quarter wasn't a surprise. NOI growth declined (1.7%) in the third quarter. Occupancy rose 71 basis points to 87.3%. That is the highest occupancy rate for Office since fourth quarter 2008.

Retail: Public sector Retail was mixed in relative terms, but poor in absolute returns. Retail fell (2.08%), fourth among the NAREIT sub-indexes. Malls were the top performer, only falling (0.48%). Shopping Centers declined (3.40%). After leading private real estate sectors for the past few years, Retail finally slowed. It was the worst performing property type. Retail returned 2.33%, a drop of 89 basis points from last quarter and the first time in two years it underperformed the NPI. The returns were split 0.99% appreciation and 1.34% income. Retail is still the leading property type on a rolling four quarter basis, returning 13.09%. Fundamentals were mixed with NOI falling (0.2%) and occupancy rising 95 basis points to 92.8%. That is the highest occupancy rate since second quarter 2008.

Returns by Property Type

Residential

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Apartment Total	-2.63	16.79	
NAREIT Manu Homes Total	-1.28	26.2	15.15
NCREIF Apt Total	2.53	9.98	

Industrial

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Industrial Total	-7.35	4.81	20.64
NCREIF Ind Total	2.92	12.39	11.72

Office

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Office Total	-5.19	12.36	13.94
NAREIT Mixed (Office) Total	-7.39	4.04	15.33
NCREIF Off Total	2.78	10.69	10.07

Retail

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Retail Total	-2.08	16.02	19.4
NAREIT Shopping Center Total	-3.4	12.45	17.76
NAREIT Regional Malls Total	-0.48	19.4	21.12
NCREIF Ret Total	2.33	13.09	12.79

Miscellaneous

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NAREIT Lodging/Resorts Total	-2.9	23.35	28.19
NAREIT Timber Total	-6.36	0.26	19.38
NAREIT Diversified Total	-1.97	13.65	13.56
NAREIT Health Total	-3.07	5.28	13.91
NCREIF Hotel Total	2.93	8.88	8.2
NCREIF Farmland Total	1.45	15.48	18.1
NCREIF Timberland Total	1.47	10.38	7.37

NCREIF Returns by Region

Sector	Qtr Tot Ret	1 Year Tot Ret	3 Year Tot Ret
NCREIF East	2.24	9.17	9.39
NCREIF Midwest	2.62	10.44	10.56
NCREIF South	2.75	12.75	12.22
NCREIF West	2.95	12.66	12.23

