Private Real Estate Panel Discussion
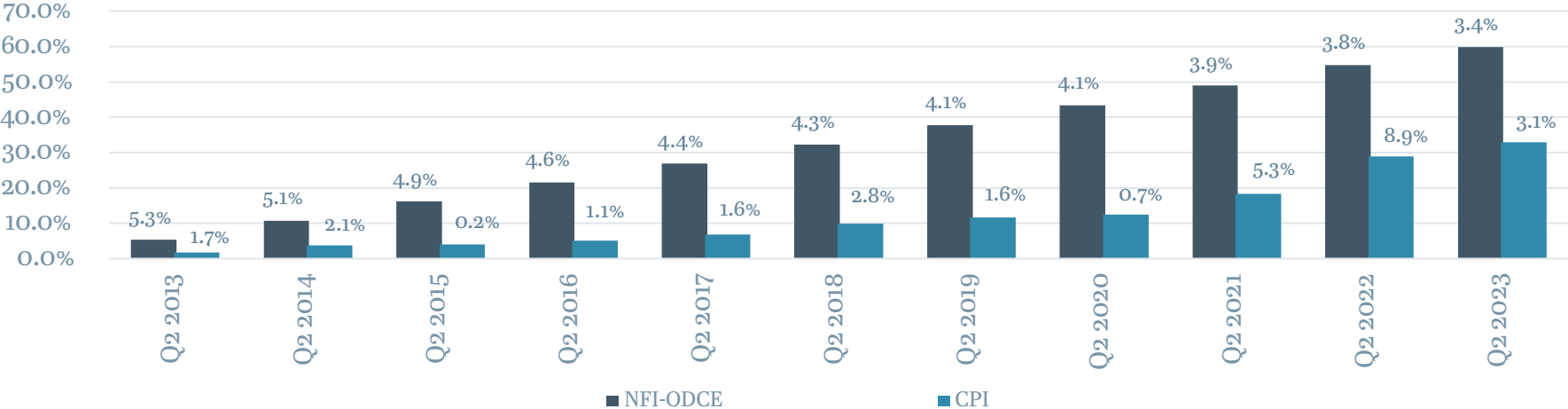
Florida Public Pension Trustees Association

Private Real Estate Income Has Outpaced Inflation Over Time

10-Year Cumulative Income Return vs. 10-Year Cumulative CPI

NFI-ODCE Annual Gross Income Return (Cumulative) vs. Annual CPI (Cumulative)

Time Period	NFI -ODCE Avg Annual Gross Income Return (%)	Avg Annual CPI (%)	Income vs. CPI Delta (%)
5 years	3.92	3.87	+0.05
10 years	4.34	2.65	+1.69
15 years	4.79	2.35	+2.45
20 years	5.18	2.54	+2.64
30 years	6.36	2.52	+3.83

Source: NCREIF (National Council of Real Estate Investment Fiduciaries) and the U.S. Census Bureau. Data as of 6/30/2023.   Bailard, Inc.

Private Real Estate Performance

Including private real estate in a well-diversified portfolio has many benefits

Compared to the other asset classes shown, private real estate:

Has had lower, and fewer, drawdowns relative to public real estate and the S&P 500;

Has held up relatively well during periods of negative U.S. stock performance.

Quarterly Performance Data 6/98 – 6/23 (25 Years: 101 quarters)	PRIVATE REAL ESTATE	PUBLIC REAL ESTATE	ADDITIONAL ASSET CLASSES	
	NFI-ODCE Index	NAREIT Equity REITs Index	S&P 500 Index	Bloomberg Barclays US Agg Bond Index
Number of Negative Quarters	10	31	30	26
% Quarters Negative	9.9%	30.7%	29.7%	25.7%
Largest Quarterly Drawdown	-13.7%	-38.8%	-21.9%	-5.9%
Number of Negative Quarters When Stocks Negative	3	18	N/A	8
% Time Negative When Stocks Negative	10%	47%	N/A	13%
Avg Quarterly Return When Stocks Negative	1.7%	-5.4%	-8.2%	1.4%

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Private Real Estate Performance

Compared to other asset classes shown, private real estate:

Has provided equity-like returns over longer time periods;

With significantly less volatility (Standard Deviation) than public real estate and the S&P 500;

Has provided significant diversification benefits owing to its historically low correlations with other asset classes.

Quarterly Performance Data 6/98 – 6/23 (25 Years: 101 quarters)				
	PRIVATE REAL ESTATE	PUBLIC REAL ESTATE	ADDITIONAL ASSET CLASSES	
Total Return (Annualized if > 1 year)	NFI-ODCE Index	NAREIT Equity REITs Index	S&P 500 Index	Bloomberg Barclays US Agg Bond Index
3 Years	8.0%	7.5%	12.4%	-3.8%
5 Years	6.5%	5.6%	11.0%	0.9%
10 Years	8.7%	7.2%	12.2%	1.6%
20 Years	7.8%	9.1%	9.7%	3.0%
Annualized Standard Deviation of Total Returns	NFI-ODCE Index	NAREIT Equity REITs Index	S&P 500 Index	Bloomberg Barclays US Agg Bond Index
5 Years	6.5%	20.0%	20.1%	5.5%
10 Years	4.8%	16.1%	15.0%	4.4%
20 Years	7.1%	21.7%	15.7%	4.0%
Correlation to Private Real Estate	NFI-ODCE Index	NAREIT Equity REITs Index	S&P 500 Index	Bloomberg Barclays US Agg Bond Index
5 Years	1.00	-0.04	-0.22	-0.45
10 Years	1.00	-0.05	-0.21	-0.39
20 Years	1.00	0.16	0.07	-0.24

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What Risks Do Real Estate Investors Evaluate?

Product Risk
- Asset Class Risk (operational)
- Obsolesence Risk (physical)

Market Risk
- Liquidity Risk
- Supply Risk
- Demographic Risk

Development Risk
- Construction Risk
- Entitlement Risk Absorption Timing

Leasing Risk
- Vacancy Risk
- Credit Risk
- Operational Risk

Real Estate Risk Factors

Capital Structure
- Equity Investments
- Debt Investments
- Structured Investments

Real Estate Strategies and Risk Assignments
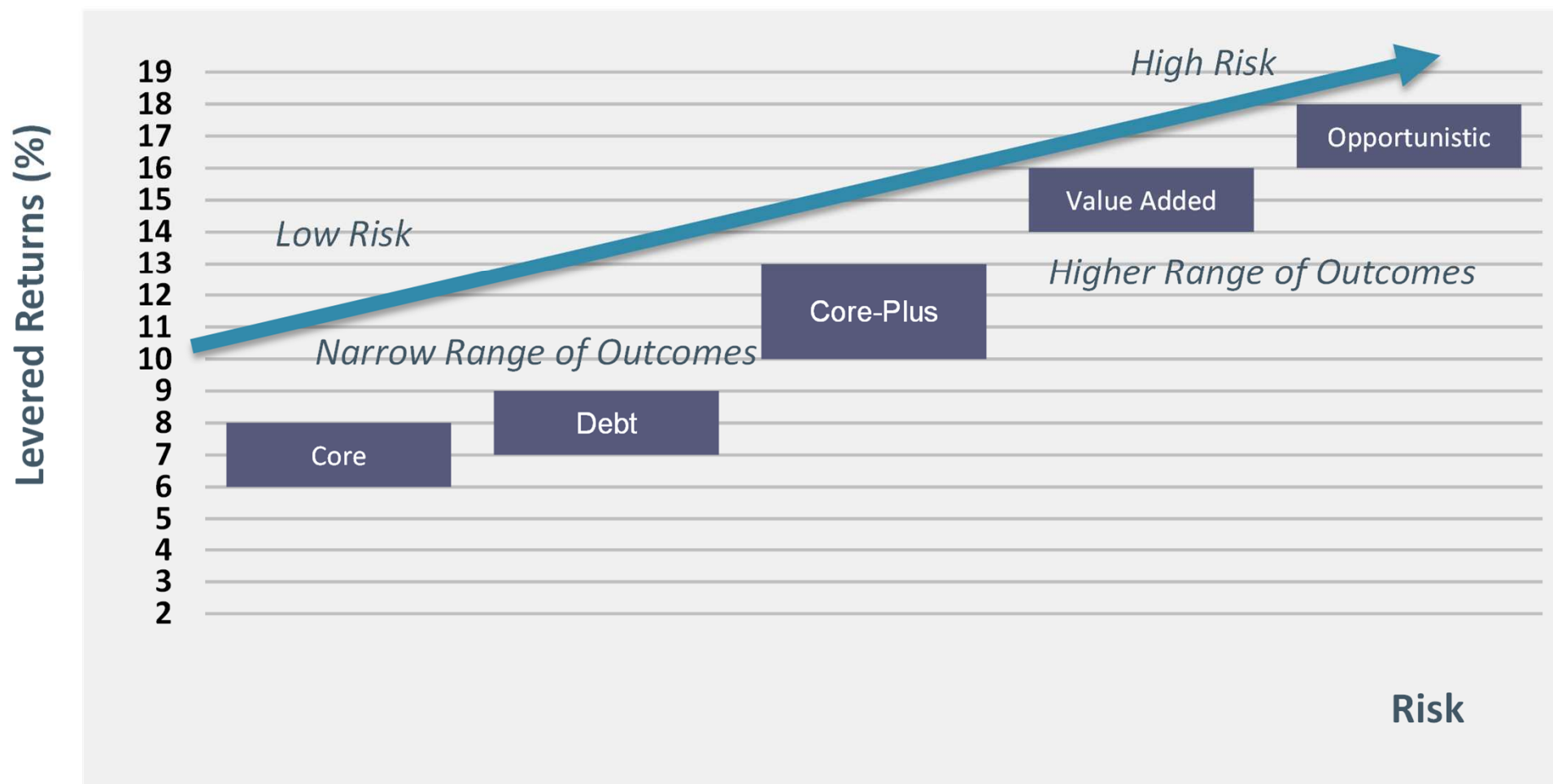
For illustrative purposes only, ranges shown are approximate and based on current market conditions which are subject to change. It is not known whether these return objectives will be realized.

Industrial Vacancy and Rent Growth

10 Markets with the Lowest Vacancy Rate	Q2 2023
Orange County	2.5%
Milwaukee	2.7%
Miami	2.8%
Northern New Jersey	3.0%
Las Vegas	3.1%
Minneapolis	3.1%
Portland	3.1%
Orlando	3.5%
Cincinnati	3.5%
Inland Empire	3.6%

10 Markets with the Highest Y-o-Y Rent Growth	Q2 2023
Orlando	17.1%
Charlotte	15.9%
Phoenix	15.1%
Miami	14.6%
Salt Lake City	13.9%
Tampa	13.8%
Northern New Jersey	13.1%
Las Vegas	12.2%
Cincinnati	12.0%
Orange County	11.7%

10 Markets with the Highest Vacancy Rate	Q2 2023
Dallas-Fort Worth	7.2%
Indianapolis	6.6%
San Jose	6.2%
Denver	6.2%
Baltimore	6.1%
Houston	6.1%
Memphis	6.1%
San Antonio	5.4%
Seattle	5.3%
Philadephia	5.3%

10 Markets with the Lowest Y-o-Y Rent Growth	Q2 2023
Pittsburgh	-1.7%
San Jose	2.0%
San Francisco	3.3%
Houston	4.2%
Detroit	5.0%
Denver	5.2%
Kansas City	5.5%
Portland	6.0%
Sacramento	6.7%
Cleveland	6.8%

Multifamily Vacancy and Rent Growth

10 Markets with the Lowest Vacancy Rate	Q2 2023
New York	2.5%
San Diego	3.6%
Milwaukee	3.8%
Orange County	4.2%
Northern New Jersey	4.6%
Los Angeles	4.8%
San Jose	4.8%
Boston	5.2%
Chicago	5.3%
Inland Empire	5.5%

10 Markets with the Highest Y-o-Y Rent Growth	Q2 2023
Cincinnati	4.2%
Northern New Jersey	3.9%
Columbus	3.8%
Chicago	3.5%
Kansas City	3.5%
Saint Louis	3.5%
Boston	3.5%
Cleveland	3.1%
San Diego	2.7%
Milwaukee	2.5%

10 Markets with the Highest Vacancy Rate	Q2 2023
San Antonio	11.0%
Nashville	10.8%
Atlanta	10.7%
Austin	10.0%
Houston	10.0%
Phoenix	9.8%
Raleigh-Durham	9.8%
Charlotte	9.6%
St. Louis	9.5%
Las Vegas	9.0%

10 Markets with the Lowest Y-o-Y Rent Growth	Q2 2023
Las Vegas	-3.2%
Austin	-3.2%
Phoenix	-2.7%
Atlanta	-2.0%
Raleigh-Durham	-1.8%
Orlando	-1.4%
Nashville	-1.1%
San Francisco	-1.1%
San Antonio	-0.9%
Seattle	-0.8%

Source: CoStar, as of 6/30/2023.

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