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Performance Drivers Report

Q2 2026
NFI-ODCE INDEX

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 posted another positive return, marking its eighth consecutive quarter of positive net total returns after nearly two years of negative performance. The recovery continues to take hold, though it remains uneven by property type and market. Fundamentals of the Index showed early signs of stabilization, with occupancy edging higher toward the middle of its typical historical range and NOI growth holding roughly flat on a trailing-year basis, as the pace of income growth continues to moderate.

Notable Takeaways

PERFORMANCE

- The NFI-ODCE Index extended its streak of positive quarterly returns to eight consecutive quarters, continuing its recovery from nearly two years of negative performance.
- Income, total gross return, and total net return all remained positive for the quarter.
- Every major property type posted positive unlevered returns during the quarter.
- On a trailing one-year basis, Self Storage remained the top-performing major property sector, with Retail close behind.

ALLOCATION

- Industrial and Residential allocations together continued to hover near record highs, combining for roughly 67% of gross asset value.
- Office allocation held near its record low, at approximately 16% of gross asset value.
- Combined allocation to the eastern and western regions ticked up modestly to approximately 71% of gross asset value.

MARKET

- Occupancy rates rose 110 basis points quarter-over-quarter to 90.6%, moving further into the middle of the NFI-ODCE Index's typical historical range.
- Performance dispersion among NFI-ODCE Index component funds continued to narrow, remaining within the Index's typical historical range.
- Net investment queues remained negative but continued to trend toward neutral, as the pace of redemption pressure keeps easing.
- Transaction activity increased compared to the prior quarter, estimated at just over $5 billion.

Index Performance[1]

	2026 YTD	1-Year	Q2 2026	Q1 2026	Q4 2025	Q3 2025
INCOME	2.0%	4.1%	1.0%	1.0%	1.0%	1.0%
APPRECIATION	0.7%	0.4%	0.5%	0.2%	-0.1%	-0.3%
TOTAL GROSS	2.8%	4.5%	1.5%	1.3%	0.9%	0.7%
TOTAL NET	2.3%	3.6%	1.3%	1.0%	0.7%	0.5%

BY PROPERTY TYPE[2]

	2026 YTD	1-Year	Q2 2026	Q1 2026	Q4 2025	Q3 2025
RESIDENTIAL	2.3%	4.5%	1.2%	1.1%	0.7%	1.4%
INDUSTRIAL	2.4%	4.2%	1.4%	1.0%	1.0%	0.7%
OFFICE	2.0%	3.6%	0.8%	1.3%	1.1%	0.5%
RETAIL	4.1%	7.1%	1.9%	2.2%	1.7%	1.3%
SELF STORAGE	3.4%	7.5%	1.8%	1.6%	2.0%	2.0%
OTHER	4.6%	11.0%	3.6%	1.0%	2.0%	4.1%

BY REGION[2]

	2026 YTD	1-Year	Q2 2026	Q1 2026	Q4 2025	Q3 2025
EAST	2.3%	4.8%	1.1%	1.2%	1.2%	1.2%
SOUTH	3.1%	5.6%	1.6%	1.5%	1.1%	1.3%
MIDWEST	3.3%	7.5%	1.8%	1.5%	2.2%	1.9%
WEST	2.3%	3.7%	1.2%	1.1%	0.7%	0.6%

[1]NFI-ODCE Index Gross Levered Income Return, Gross Levered Appreciation Return, Gross Levered Total Return, Net Levered Total Return. [2]NFI-ODCE Index Gross Unlevered Total Return.

Index Allocation

	△ QOQ	△ YOY	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025
# OF FUNDS	0	0	25	25	25	25	25
# OF PROPERTIES[3]	28	-37	3,759	3,731	3,790	3,791	3,796
OCCUPANCY	1.10%	-0.30%	90.6%	89.5%	90.3%	90.6%	90.9%
LEVERAGE	-1.10%	-0.30%	26.2%	27.3%	27.1%	26.3%	26.5%

BY PROPERTY TYPE

	△ QOQ	△ YOY	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025
RESIDENTIAL	0.2%	1.1%	31.5%	31.3%	30.9%	30.8%	30.4%
INDUSTRIAL	-0.5%	1.4%	35.7%	36.2%	34.2%	34.2%	34.3%
OFFICE	0.1%	-2.8%	16.0%	15.9%	17.8%	18.2%	18.8%
RETAIL	-0.3%	-0.3%	10.2%	10.5%	10.7%	10.5%	10.5%
SELF STORAGE	-0.2%	-0.6%	3.6%	3.8%	4.4%	4.3%	4.2%
OTHER	0.7%	1.1%	3.0%	2.3%	2.0%	2.0%	1.9%

BY REGION

	△ QOQ	△ YOY	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025
EAST	-0.1%	-1.6%	27.5%	27.6%	29.5%	29.3%	29.1%
SOUTH	-0.5%	1.2%	23.3%	23.8%	21.6%	22.0%	22.1%
MIDWEST	0.1%	0.6%	6.1%	6.0%	5.7%	5.6%	5.5%
WEST	0.5%	-0.2%	43.1%	42.6%	43.2%	43.1%	43.3%

[3]Beginning in Q1 2025, NCREIF transitioned its data collection and reporting of the NFI-ODCE Index to the new property type categorization scheme. As a result, certain investments, including portfolios, that were previously consolidated into one investment were broken out into their constituent properties, thus increasing the total number of properties reported in the Index.

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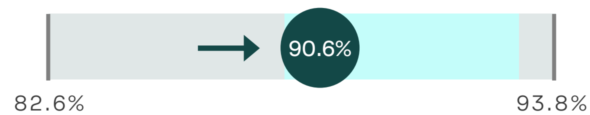
NFI-ODCE INDEX

Contributing Factors

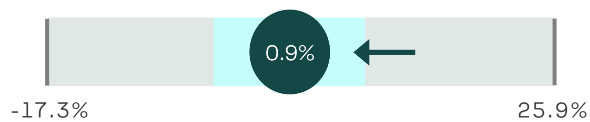
Current | Typical Range | Direction | Historical Range

FUNDAMENTALS

Occupancy



NOI Growth (Trailing Year)

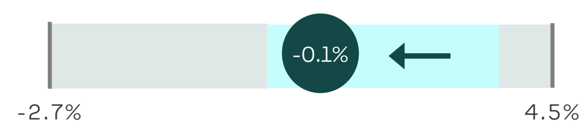


Fundamentals for the ODCE Index showed early signs of stabilization this quarter, with occupancy edging higher and moving further into the middle of its typical historical range, reversing the gradual softening seen in recent quarters. Net operating income growth held roughly flat on a trailing-year basis, remaining within the lower half of its typical range as the pace of income growth continues to moderate. Leasing activity firmed modestly alongside the occupancy gain, though overall momentum remains below the Index's longer-term historical norms.

VALUATIONS

Cap Rate Change (Trailing Year)

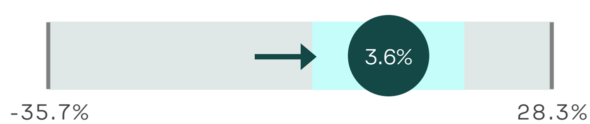
Cap Rate Spread-to-Treasury



Valuation trends remained stable this quarter, with trailing-year cap rate changes holding near zero, signaling that downward pressure on valuations has continued to subside. Cap rate spreads to Treasuries remained compressed, staying well below the typical range and reflecting continued tight pricing relative to risk-free rates. Overall, valuations appear to have found a floor, with market pricing conditions continuing to hold steady.

PERFORMANCE

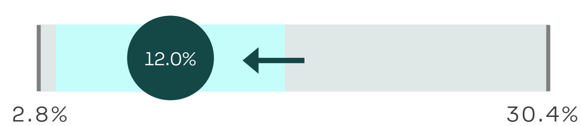
Net Total Return (Trailing Year)



Net total returns for the ODCE Index continued to improve on a trailing-year basis, supported by stable income returns and a growing contribution from appreciation as valuation headwinds continue to fade. The Index posted its eighth consecutive quarter of positive performance following nearly two years of declines, though overall returns remain below long-term historical norms.

VOLATILITY

Performance Dispersion (Trailing Year)



Performance dispersion across funds narrowed during the quarter, moving back within the typical historical range. The decline in dispersion suggests a more convergent return environment as the recovery broadens across property types and managers. While some variation persists, volatility across the Index continues to normalize.

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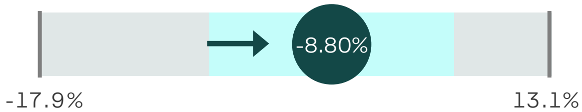
Contributing Factors

Current | Direction | Typical Range | Historical Range

LIQUIDITY

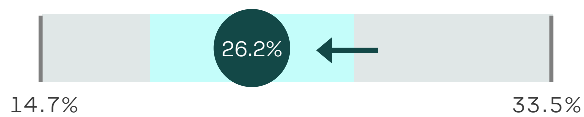
Net Investment Queue



Liquidity conditions continued to improve this quarter as the net investment queue moved further toward neutral levels. While net flows remain negative, the pace of redemption pressure continues to ease, pointing to a continued rebalancing of capital flows within the Index. Investor sentiment appears to be stabilizing, though a return to positive net flows has yet to materialize.

LEVERAGE

Loan-to-Value



Leverage within the ODCE Index declined modestly this quarter, with loan-to-value ratios easing back toward the upper end of their typical historical range. Leverage remains well below historical peaks, and managers continue to maintain a disciplined approach to balance sheet management.

Disclosures

Source: IDR, NCREIF. All data as of 6/30/2025.

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Investors should note that while the NFI-ODCE Index and the S&P 500 Index both serve as benchmarks in their respective markets, they track different asset classes—private real estate and public equities, respectively. As such, the indexes are subject to different market dynamics and risk profiles, and their historical performance are not be directly comparable.

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While the NFI-ODCE Index recently posted a positive quarterly return for the fifth 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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