DATA AND INDICES

PERFORMANCE MEASUREMENT TOOLS

DATA PRODUCTS

EDUCATION

INDUSTRY STANDARDS
About NCREIF

NCREIF was established to serve the institutional real estate investment community as a non-partisan collector, processor, validator and disseminator of real estate performance information. NCREIF serves this community by doing the following:

• Assuring that NCREIF data meet the highest quality standards attainable and that NCREIF publish its performance indices and other statistical measures in a timely and efficient manner.

• Serves as a major connecting link between the real estate industry and the real estate research community.

• Bringing the real estate asset class information and disclosure practices closer to those of the other major asset classes.

• Sponsors educational and training programs that teach real estate practitioners how private real estate investment returns are calculated and what roles the professional disciplines of accounting, appraisal and performance measurement play in the process.

• Serves the industry as an independent and non-partisan “Central Repository” of real estate performance information. It is not NCREIF’s role to take an official position with regard to information outputs. NCREIF does not interpret the meaning of its data, nor does NCREIF use the data to assist others in making investment decisions or recommendations. NCREIF’s role is to deliver information to the marketplace and then promote its use while at the same time, letting the data speak for itself.
NCREIF's Members

NCREIF is an association of institutional real estate professionals who share a common interest in their industry.

They are investment managers, plan sponsors, academicians, consultants, appraisers, CPA's and other service providers who have a significant involvement in pension fund real estate investments. They come together to contribute to NCREIF quarterly performance data on their properties and funds, and also to address vital industry issues and promote research on the asset class.

The membership is comprised of:

**NPI-Qualifying Data Contributing Members**
Investment managers and plan sponsors who own or manage U.S. real estate in a fiduciary, tax-exempt setting.

**Non-NPI Qualifying Data Contributing Members**
Investment managers or other corporations who own or manage U.S. real estate, but not in a tax-exempt setting.

**Professional Members**
Providers of accounting, appraisal, legal, consulting or other services to our Data Contributing Members.

**Academic Members**
Distinguished full-time professors of real estate.
The NCREIF Data and Indices

Although June 17, 1982, marks the official beginning of the NCREIF organization, the difficult task of uniting a highly competitive industry actually began in the late 1970’s. Following several meetings, 14 investment managers agreed in principle to form a not-for-profit entity to foster research on the real estate asset class. This led to the development of a database consisting of property operating information, which used to be known as the Russell/NCREIF Property Index (the Frank Russell Company used to publish the Index).

On January 1, 1995, thirteen years after its inception, NCREIF assumed full responsibility for the Index, including its publication and distribution. The index became the NCREIF Property Index (NPI), our flagship index.

It is important to note that the NCREIF Property Index (NPI) consists of both equity and leveraged properties, but the leveraged properties are reported on an unleveraged basis. So, the Index is completely unleveraged.

NCREIF also produces the following indices:

• Timberland and Farmland Indices, both of which contain properties held in a tax-exempt, fiduciary setting.

• Fund Indices: In First Quarter 2005, NCREIF published the first in a series of Fund Indices. The NCREIF Fund Index - Open End Diversified Core Equity (NFI ODCE) is now being published on a quarterly basis and is available to all members of NCREIF. The next indices in this series will be on All Open End Funds, Closed End Funds, Value Added Funds and Opportunity Funds.

Additional Data:

In addition to producing indices, NCREIF collects data on operating income and expenses on not only the tax-exempt properties in the NPI, but also on properties held in public REITs and other taxable properties, as well as non-core property types. NCREIF Members have access to this data via a query screen in the Data Access Log In area of our web site.

NCREIF’s database also contains valuation/lease data, transaction data, and a myriad of other useful data points that are all used to create reports and tools for our members.
Performance Measurement Tools and Data Products

NCREIF Property Index (NPI)
Quarterly index tracking the performance of core institutional property markets in the U.S.

The objective of the NCREIF Property Index (NPI) is to provide a historical measurement of property-level returns to increase the understanding of, and lend credibility to, real estate as an institutional investment asset class.

• Comprised exclusively of operating properties acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary environment.
• Comprised of 5 primary property types — Apartment, Hotel, Industrial, Office and Retail, with several subtypes in each category.
• Reported across geographies by Region, Division, State and MSA.
• Start date is the fourth quarter of 1977; as of 4Q06 there are over 5,300 properties with a gross fair market value of over $247 billion. Each property’s return is weighted by its market value.
• Includes properties with leverage, but all returns are reported on an unleveraged basis.
• A “composite” index defined by the membership of NCREIF analogous to the NYSE Composite Index based on the stocks listed on that exchange.

NPI Reports and Spreadsheets
All Reports and Spreadsheet files are available to NCREIF members via the Data Access Log In area of the NCREIF web site.

Real Estate Performance Report
“Glossy” quarterly hard-copy publication with the NPI results by property type and geographic area. Included are graphics, statistical tables, market sector editorials, real estate investment industry overviews and results of special studies.

The report also contains results for the Timberland Index and the Farmland Index.

NPI Detail Report (Adobe .pdf file)
• Return series by property type/subtype, region, division and MSA
• 3 sections stating returns for: past 5 quarters, calendar year and annualized
• Available in hard copy down to the 20-property level masking criteria

NPI Detail Spreadsheets (.csv file)
• Return series by property type/subtype, region, division and MSA
• Quarterly returns stated back to inception
• Available down to the 4-property level masking criteria

NCREIF Web Site Database Query Tools
NPI Database Query Screen
Members may use the query screen on the NCREIF web site to perform queries of the data using their self-selected criteria within the masking criteria. Sample query options include:
• Location: Entire U.S., Region, Division, State, MSA
• Property Type (and their subtypes): Apartment, Hotel, Industrial, Office, Retail
• Properties only held in open-end funds, or exclude those properties
• Properties with or without leverage
• Minimum/Maximum market value
• Returns that are value weighted (traditional approach) or equal weighted
• Income based on NOI or cash flow
NCREIF Operating Database Query Screen
In addition to collecting income and expense data that is used to calculate Net Operating Income on properties included in the NPI, NCREIF collects this data on non-NPI qualifying properties as well. Examples of non-NPI qualifying properties would be those with all taxable investors (such as public REITs or Insurance Company General Accounts) or non-core property types (such as Senior Housing or Self-Storage). This data allows you to see trends in different income and expense categories for selected property types and locations. The data is included in the NCREIF Operating Database and members can query this database on the NCREIF website using a query screen similar to the one used for the NPI Database.

NCREIF Property Index Trends
A quarterly report tracking the changes in both capitalization rates and net operating income (NOI).
Within the quarterly Property Index Trends spreadsheet file, the trends in capitalization rates or “cap rates” computed from the NPI properties sold each quarter are detailed across each major property type and major U.S. region. Currently, on average, around 500 properties within the NCREIF property database are sold each year. NCREIF collects information about these sold properties, including the gross and net sale price. In fact, when a property is sold, the actual sale price rather than the appraised value is used to incorporate that property’s performance in the calculation of the NCREIF Property Index (NPI).
While NCREIF does not suggest that these capitalization rates be used to estimate the value of a particular property, they are a valuable source of trends in property values. There is no other database in existence that includes the depth of history on capitalization rates for institutionally owned investment real estate where the capitalization rates are based on actual sales rather than investor surveys.
In addition to these capitalization rates, vacancy rates are presented by property type and by region. Also included is the calculation of the percentage change in the aggregate Net Operating Income (NOI) among each quarter’s set of properties, as well as leverage information and other measures that would help identify trends in real estate income property.

NCREIF Farmland Index and NCREIF Timberland Index
There are many NCREIF members that have Farmland and Timberland properties under management that are held on behalf of tax-exempt institutions. These managers report their income and market value data to NCREIF each quarter and NCREIF produces an Index on these properties. The Timberland managers also report their data on a fund-level to NCREIF each quarter for the newly released Timberland Fund Index.
Each of these indices are released each quarter with a Detail Report (.pdf file) and a Detail Spreadsheet file (.xls file). The format of these are similar to those released with the NPI each quarter. The Detail Reports have a past 5 quarter, calendar year and annualized return section. The Detail Spreadsheet includes all of the quarterly returns back to inception.
The NCREIF Farmland Index inception date is First Quarter 1991 and the inception date for the NCREIF Timberland Index is First Quarter 1987.

NCREIF Performance Returns Workbook
A publication that summarizes the collected knowledge relating to performance returns in a comprehensive document; standardizes the calculation of returns in the institutional real estate industry through the collection and presentation of formulas and calculations; and provides suggested guidance for the execution of the calculations presented in the Workbook through the use of examples and spreadsheet templates.
FYI – NCREIF hosts several seminars each year that guides students through the Workbook using Excel templates while sitting at individual PCs.
Education

In addition to the wealth of information gained through participation in NCREIF's standing committees, the committees have produced numerous workbooks, white papers and manuals to provide the industry with valuable tools and guidance.

NCREIF has also developed several institutional real estate educational programs. Some are designed to be taught as individual modules at NCREIF conferences, or to combine multiple modules into one, two, or three day programs that will be offered periodically in different regions throughout the country.

NCREIF also offers a three day “Nuts and Bolts of Institutional Real Estate” program that provides a full one day high-level overview of the different disciplines in our industry, with two days of detailed modules focusing on each of the disciplines.

A new two day program is under development that focuses on commercial real estate transactions, taking students through the entire transaction process.

An exciting new option for NCREIF member firms is the opportunity to host in their offices half day or full day sessions on performance measurement, data/indices, standards, and other topics. This is a cost-effective way for firms to train new hires, or to provide employees with industry updates and additional training. Member firms can customize in-house training programs based on their own needs.

Current educational program offerings can be found on NCREIF’s website, and these programs will be expanding greatly in the coming year.
Standards

NCREIF is the producer of the Real Estate Information Standards (REIS). REIS is accepted as an authoritative source of definitions and applications used in the institutional equity real estate investment business. NCREIF is charged with the task of making updates to the standards, and is done so through the NCREIF standing committees and the REIS Council that meet three times per year.

History
In 1993, the National Association of Real Estate Investment Managers (NAREIM), the National Council of Real Estate Investment Fiduciaries (NCREIF), and the Pension Real Estate Association (PREA) joined forces to identify and compile existing information standards for the institutional real estate industry, from this came a document now known as the Real Estate Information Standards (REIS). REIS has evolved since then, including narrowing of the various practices in the areas of valuation, accounting, performance measurement and reporting.

Philosophy
The underlying principles guiding this standards-setting approach include disclosure of reliable information which is relevant to investor decision making processes and adequate description of policies and practices to facilitate analysis. We believe that such an approach will contribute to furthering the understanding of real estate as an asset class and its place in a broader capital markets universe.

Applicability
These standards govern tax-exempt institutional investment in real estate and apply to those who invest in or manage such investments in the United States.

Process for Changes or Updates
The NCREIF staff receives and reviews all requests for changes/updates to REIS and the requests are given to the NCREIF Standing Committees for review and vetting. If the committees vote to recommend a change/update to REIS, a prospectus is prepared and is brought to the REIS Council (which is made up of representatives and Chairs of each of NCREIF’s standing committees) for review/vetting. A task force, consisting of issue experts from NCREIF’s standing committees, is responsible for research and deliberations on REIS matters. An exposure draft is exposed to the industry for public comment. Upon resolution of all matters, a final document (known as an adopting release) which memorializes the exposure draft and provides bases for conclusions is prepared by the task force and presented to the REIS Council for approval. Once approved by the REIS Council, it is submitted to the REIS Board for approval.
Becoming a Member of NCREIF

As a condition of becoming a member of NCREIF, all firms must be pre-screened to be sure whether or not they have U.S. real estate assets under management. If a firm does have U.S. real estate assets under management, they must apply to NCREIF as a Data Contributing Member and must contribute all qualifying real estate data for incorporation into the NCREIF databases for use in the NCREIF Property Index (NPI) and other such indexes and reports as shall be authorized from time-to-time by the NCREIF Board of Directors. Dues pricing is based on the total market value of assets that will be reported to NCREIF.

If a firm does not have U.S. real estate assets under management, they may apply for Professional Membership at one of two levels – those with limited data access or those with full data access. Dues pricing is based on the level of data access.

Full time professors of real estate may apply to NCREIF as an Academic Member for a nominal fee.

To apply for membership, applications should be submitted to NCREIF prior to one of the three annual NCREIF conferences, where the NCREIF Board of Directors will meet and approve the applications during their meeting.

Applications, pricing and qualifying criteria can be found in the NCREIF Membership Kit.