



Private Real Estate Standards & Performance

DEBT FUNDS

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Introductions



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NCREIF

National Council of Real Estate Investment Fiduciaries

Mission Statement

NCREIF is a member-driven, not-for-profit association that improves private real estate investment industry knowledge by providing transparent and consistent data, performance measurement, analytics, standards, and education.



NCREIF – the Beginning

- Established in 1982
- Response to institutional investors need for a measure of real estate performance
- Beginnings date back to mid-1970s when pension funds began allocating capital to private commercial real estate
- Initially support by Frank Russell Company and 14 real estate investment managers



NCREIF - Today

- 472 members including institutional investors, real estate investment managers, consultants, academics, CPAs, and other service providers.
- Suite of products available including the flagship property index, NPI and industry fund benchmark, NFI-ODCE

2022Q4

	NPI	NFI-ODCE
Number of properties/funds:	10,770	26
Market Value:	\$933bn	\$265bn



NCREIF PREA Reporting Standards

Co-Sponsored by NCREIF and Pension Real Estate Association (PREA)

Mission Statement

Establish, manage and promote transparent and consistent reporting standards for the real estate industry to facilitate informed investment decision-making.

Established standard-setting organizations such as the Financial Accounting Standards Board (FASB) and the CFA Institute (developed and administers Global Investment Performance Standards-GIPS®) do not specifically address certain institutional real estate investment and investor reporting issues. Thus, the Reporting Standards initiative was created to fill that gap and increase transparency within the real estate industry.



The Reporting Standards

- Established in 1993
- Initiative is co-sponsored by NCREIF and PREA and volunteer based
 - “For the Industry, By the Industry!”
 - 16-member Council and 8-member Board oversight
- Evolves alongside the industry
 - Property to Fund (Open and Closed-End)
 - Core to Value-Add
 - Global
 - And now.....**Equity to DEBT!**



What comes first – Data or Standards?

“Standards underlie the very fundamentals of databases.”

- Blake Eagle, Founder of NCREIF

Experience says: BOTH working in parallel!



Working in Parallel

- NCREIF Debt Fund Aggregation
 - Created task force
 - Developed data collection template
 - Started collecting data, developing analytics and reporting requirements
 - More on results shortly!
- Reporting Standards for Debt Funds
 - Created task force
 - Conducted surveys to gauge industry need
 - Identified common standards: equity vs debt as well as add'l debt standards needed
 - Exposure draft issued for 60-day public comment period
 - Updated Reporting Standards, expanded to include debt funds, issued April 2023



Reporting Standards Survey

- Two Rounds of Surveys
 - First Round – investment managers on the task force, RS Council and RS Board who manage debt funds. 100% participation from 17 investment managers.
 - Second Round – largest 21 investment managers with debt funds who were not included in first round. 86% participation from 18 investment managers in second round.
- Most participants reported on more than one fund structure
- Participants came from diverse functional roles
- Most participants were familiar with the Reporting Standards
- 77% indicated Reporting Standards for debt funds would be helpful
- Only 14% indicated that they make benchmark comparison
- Participants indicated similarities with equity such as open-end funds report TWR and closed-end funds report IRR

RS Equity vs Debt Comparison Summary



Category	Added, Changed, Removed	Standards Elements
Header label	Changed	Checklist table header changed to specify for Equity Funds or Debt Funds
Portfolio Management	Removed	Investment structure as a required portfolio diversification element
Portfolio Management	Added	Debt type and interest rate type as required portfolio diversification elements
Performance and Risk	Changed	The requirement language for TWR and IRR from “recommended” to “as requested by investor” for separately managed accounts focused on debt investments.
	Changed	The requirement language for paid-in capital multiple and investment multiple from “required” to “recommended” for all closed-end debt funds.
	Removed	Realization multiple and residual multiple
	Removed	Benchmark comparisons
Asset Management	Removed	Occupancy level by property type, Portfolio lease expiration statistics, Top 10 tenants
	Added	Financial leverage ratio, weighted average interest rate, debt yield, and debt service coverage as recommended elements for all debt funds
	Added	Distributable income yield as a recommended element for all open-end debt funds
	Added	Loan to value or loan to cost as a required element for all debt funds
Valuation	Added	External valuation of collateral at origination as a recommended element for all debt funds



RS for Debt Funds: Phase II

- Task force has been formed and project launch is imminent.
- Topics included in Phase II:
 - Structural and Financial Leverage
 - Style Definitions
 - Definitions of Debt Types
 - Treatment of Certain Transaction/Selling Costs
 - Valuation of Debt Instrument
 - Valuation of External Collateral
 - Fund Level Leverage and Key Statistics

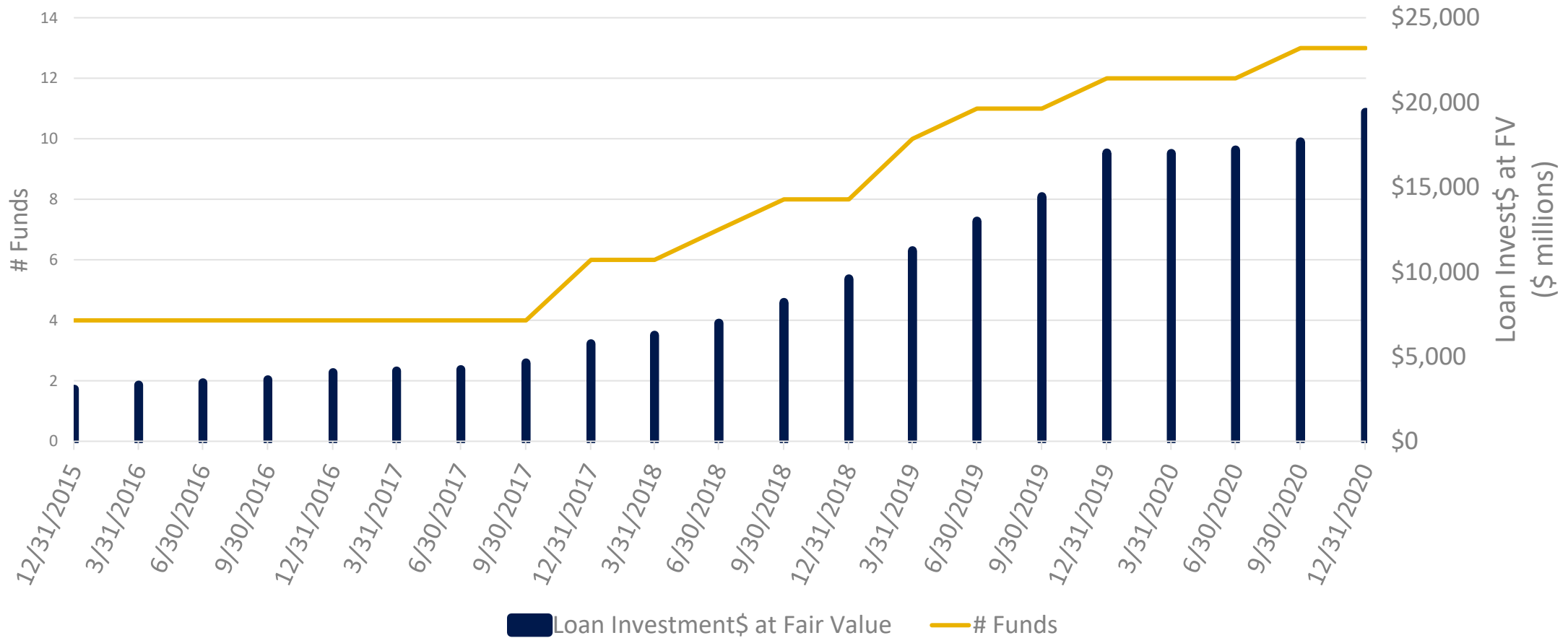


NCREIF Open-End Debt Fund Aggregate

- Will enhance investors' interest & understanding of the rewards and risk of private real estate debt funds, which may lead to increased allocations to debt, benefiting managers, investors, and commercial real estate finance industry professionals.
- Is a work in progress.
- Contains funds with various strategies and styles ranging from core to value-add.
- Metrics calculated on an equal-weighted basis.
- Is NOT an INDEX or a BENCHMARK, yet.
- Will lead to the ultimate goal of creating a more focused index/benchmark of funds that meet certain investment inclusion criteria to be determined.

Open-end Debt Funds (Core, Core-plus, Value-add)

manager self-reported strategy

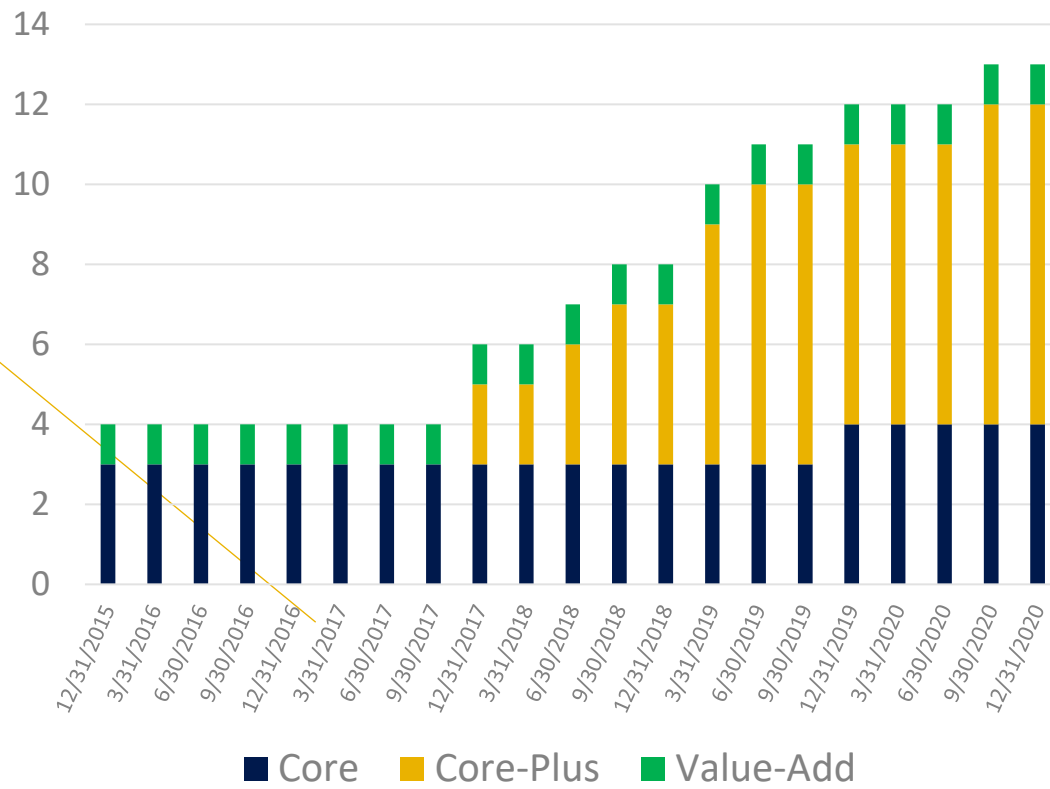


Open-end Debt Funds (Core, Core-plus, Value-add)

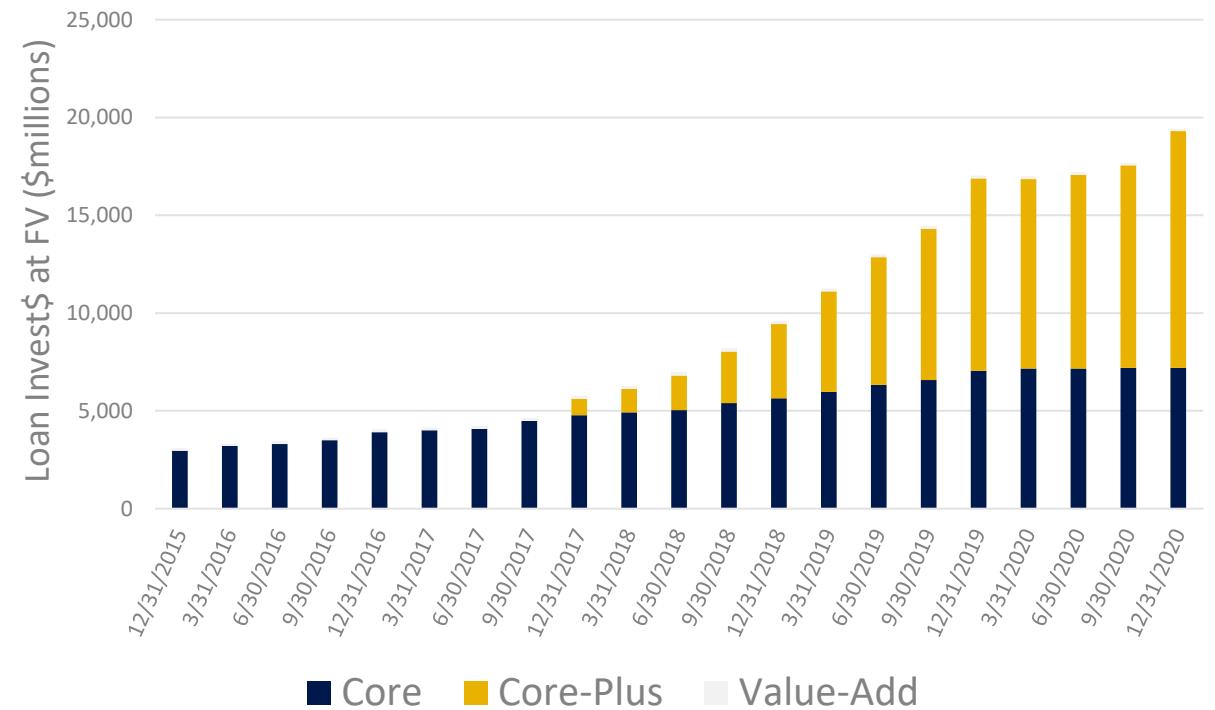
manager self-reported strategy



Fund Count by Style



Loan Investments at Fair Value by Style

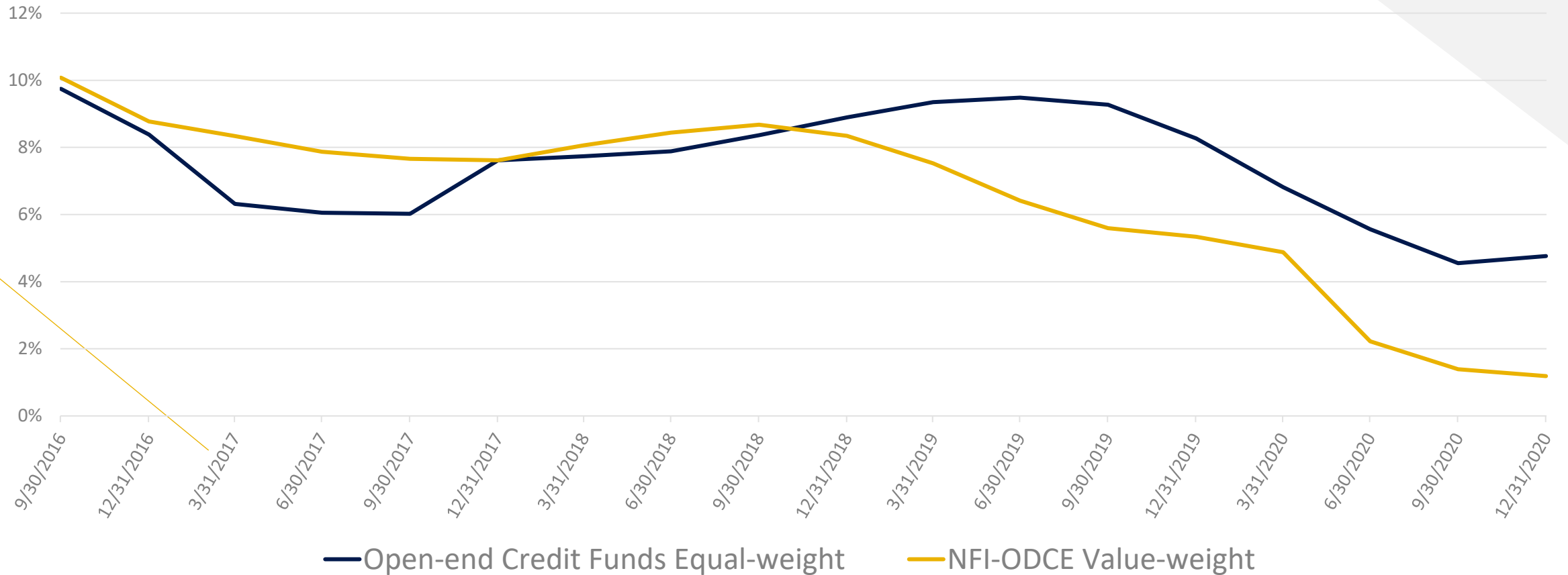


Preliminary and Subject to Change – For Informational Purposes Only



Total Return, Gross of Fees

Rolling 4 Quarters

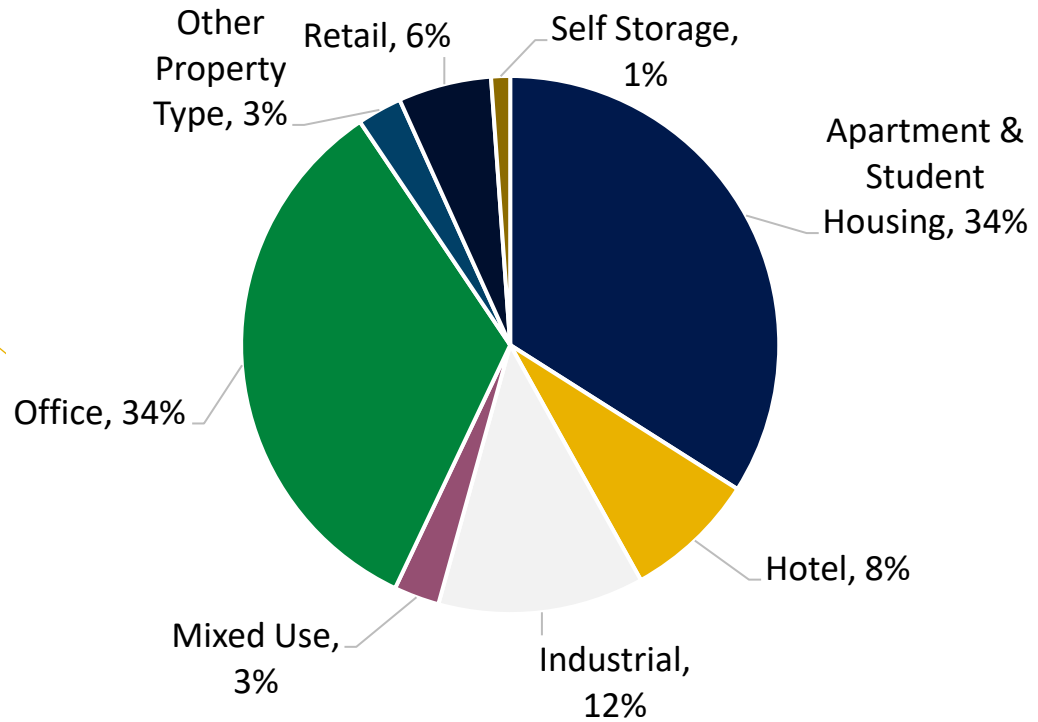




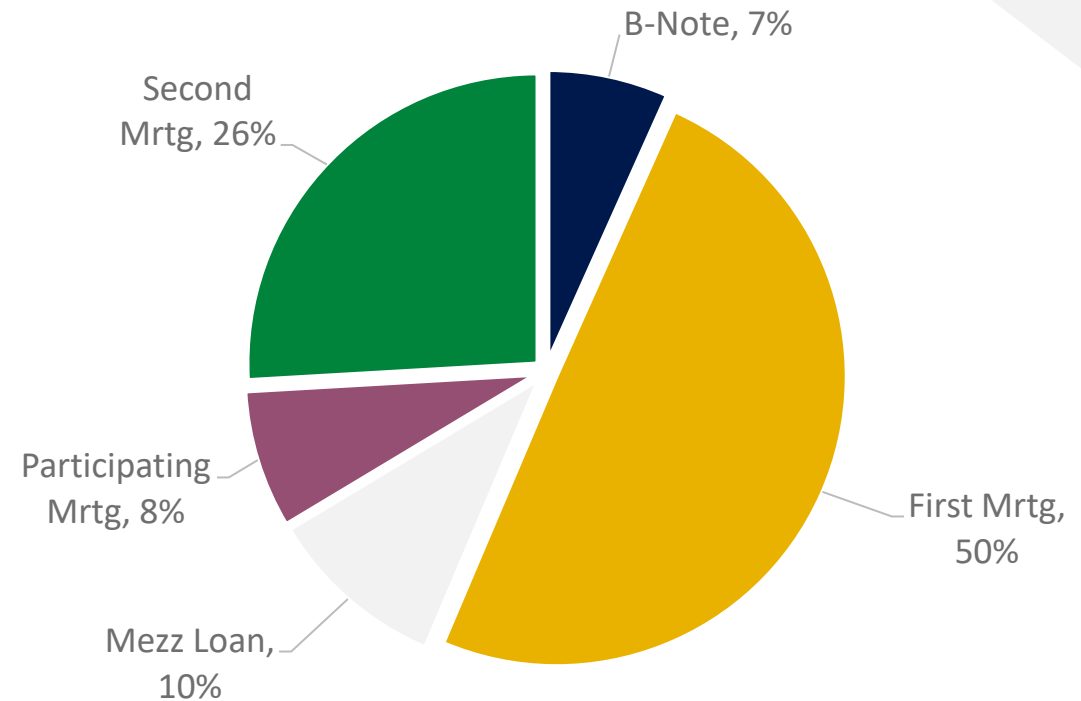
Loan Investment Allocations

As of 12/31/2020, Equal Weight

Loan Investment Diversification by Property Type



Loan Investment Diversification by Structure

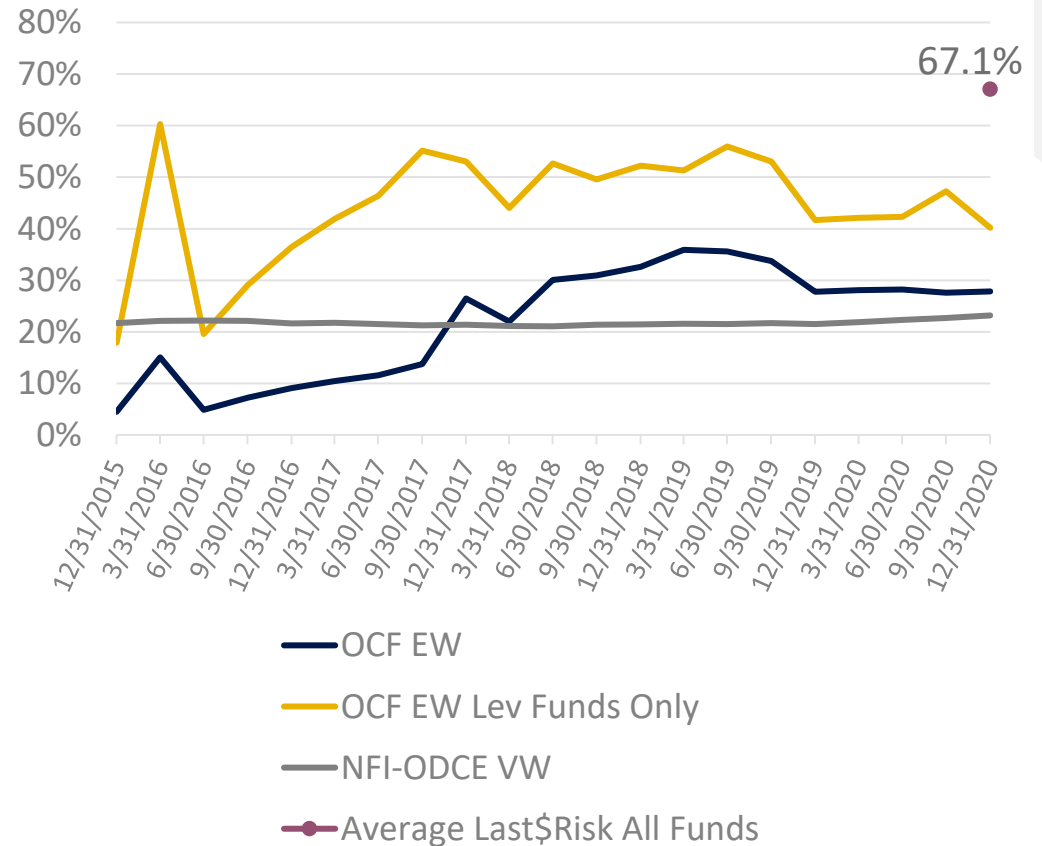
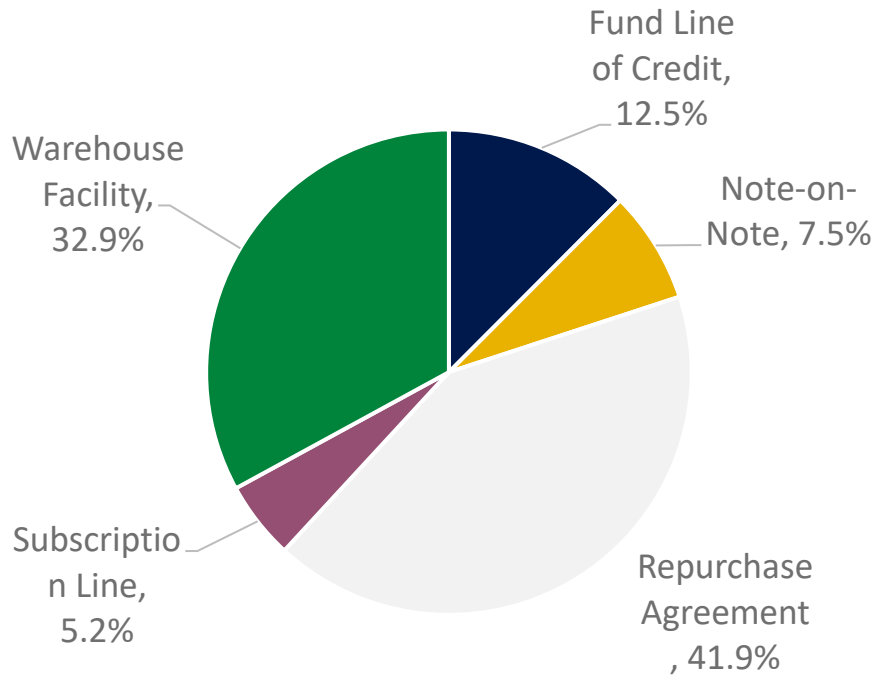




Financial & Structural Leverage

As of 12/31/2020, Equal Weight

Debt Financing Facilities
Funds with Financial Leverage





What's Next?

- Currently collecting data through 12/21/2022 for the debt fund aggregate.
- RS work on Phase II to begin
- NCREIF Conference in November 2023 is Debt themed
 - Unveil Debt Fund Aggregate report and guidance resulting from RS Debt Funds Phase II
- Keep Updated! Follow NCREIF and the Reporting Standards on LinkedIn!



Contact Information

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Thank you!

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