

Capital Markets News Bite: Daily Fund Indices Showing Record Strength



The National Council of Real Estate Investment Fiduciaries' (NCREIF) latest report on the performance of daily-priced fund indices (NFI-DP) indicates remarkable strength in the sphere. The report covers the September 2021 period – and the data shows the asset class had its highest monthly returns in a decade.

This would put year-to-date (nine months) returns for this group of daily-priced funds at 13.08%

Performance and Make-Up

The NFI-DP at the end of September 21 was at 2.36%, up from 1.68% in the preceding month. According to the NCREIF, the index represents “the performance of a group of daily-priced open-end funds that invest predominantly in private real estate, generally ranging from 75% to 95% allocation”. The balance of allocation for these funds sits in liquid investments (including cash and securities). This makes for a “small universe of qualifying funds” and returns that are equal-weighted and gross of brokerage fees, as well as advisory and incentive fees.

Industry Relevance

NCREIF's data is used by various media and industry analysts as one element (of many) in the determination of market health. They put together various data products, of which this is one, by collecting property and fund level information drawn directly from members – usually on a quarterly basis. The NFI-DP however is drawn monthly. They have data from over 35 000 properties and 150 funds on their database, which dates back to 1977.

National Property Index

The decade-high record for daily-priced fund indices (NFI-DP) noted above is not the only record-level they have noted this year. The last results from the quarterly NCREIF Property Index (NPI) (published in August 2021, representing Q2 2021) show the highest return in the past ten years, sitting at 3.59% up from 1.72% in the previous quarter. This is the top return result since the second quarter of 2011 (3.94%). NCREIF writes, these “are unleveraged returns for what is primarily ‘core’ real estate held by institutional investors throughout the US”.