European
Commercial Real Estate
Data Alliance (E-CREDA)

European Commercial Real Estate Data Alliance
E-CREDA 2025 Annual Conference

Data-driven real estate & the future of investment decisions in an uncertain world

Will Robson

Examining the value added by value-add (and opportunistic) strategies

Examining the value added by value-add strategies

E-CREDA Annual Conference 2025

Amsterdam

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Relative analysis of U.S. Closed End RE Funds

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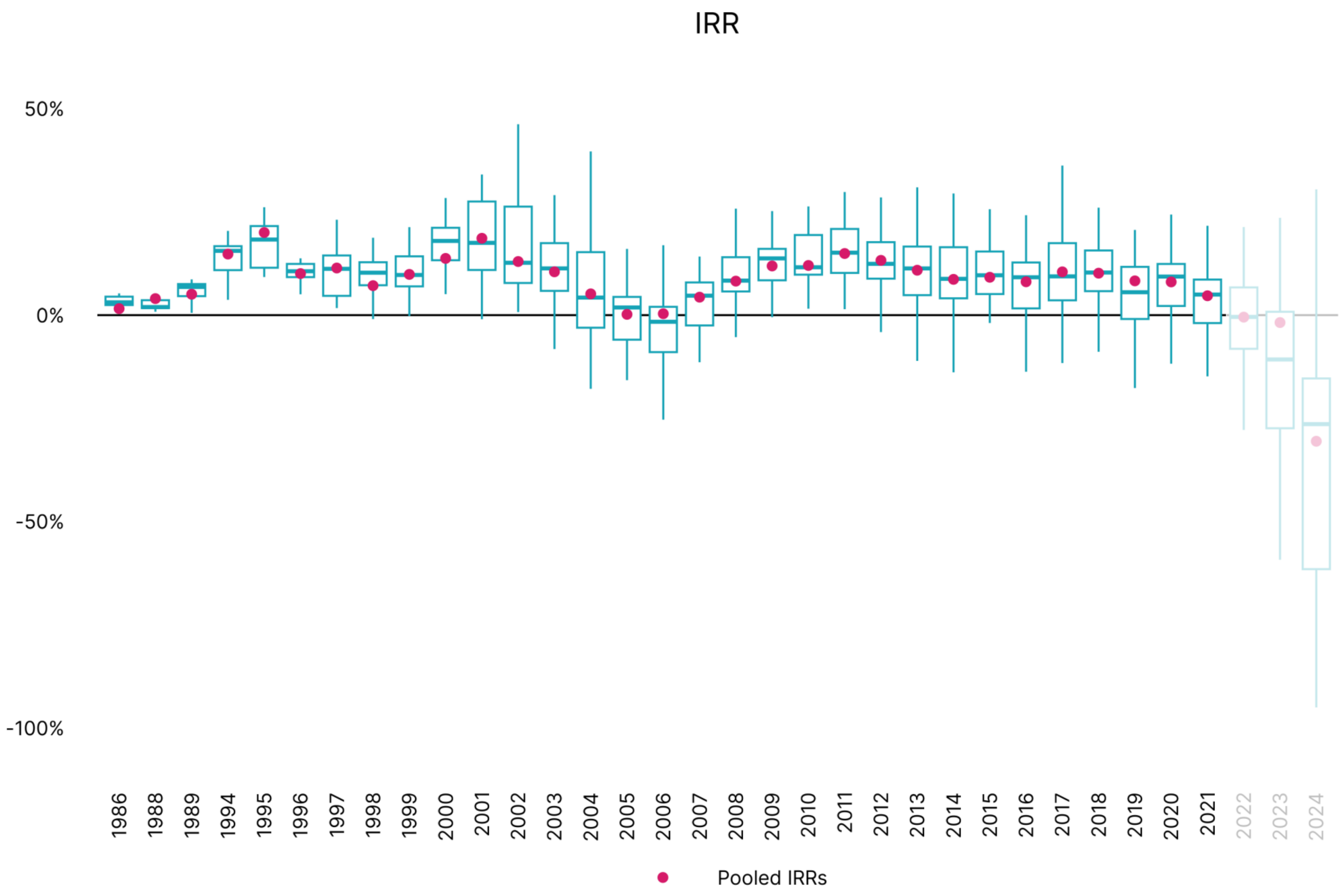
U.S. Closed-end Funds IRR Performance



PERFORMANCE VARIATION

- → Importance of timing evident from vintage pooled IRRs.
- → Dispersion of results within vintages shows wide range of outcomes.
- → More recent vintages still showing J-curve effecter largely unrealised.

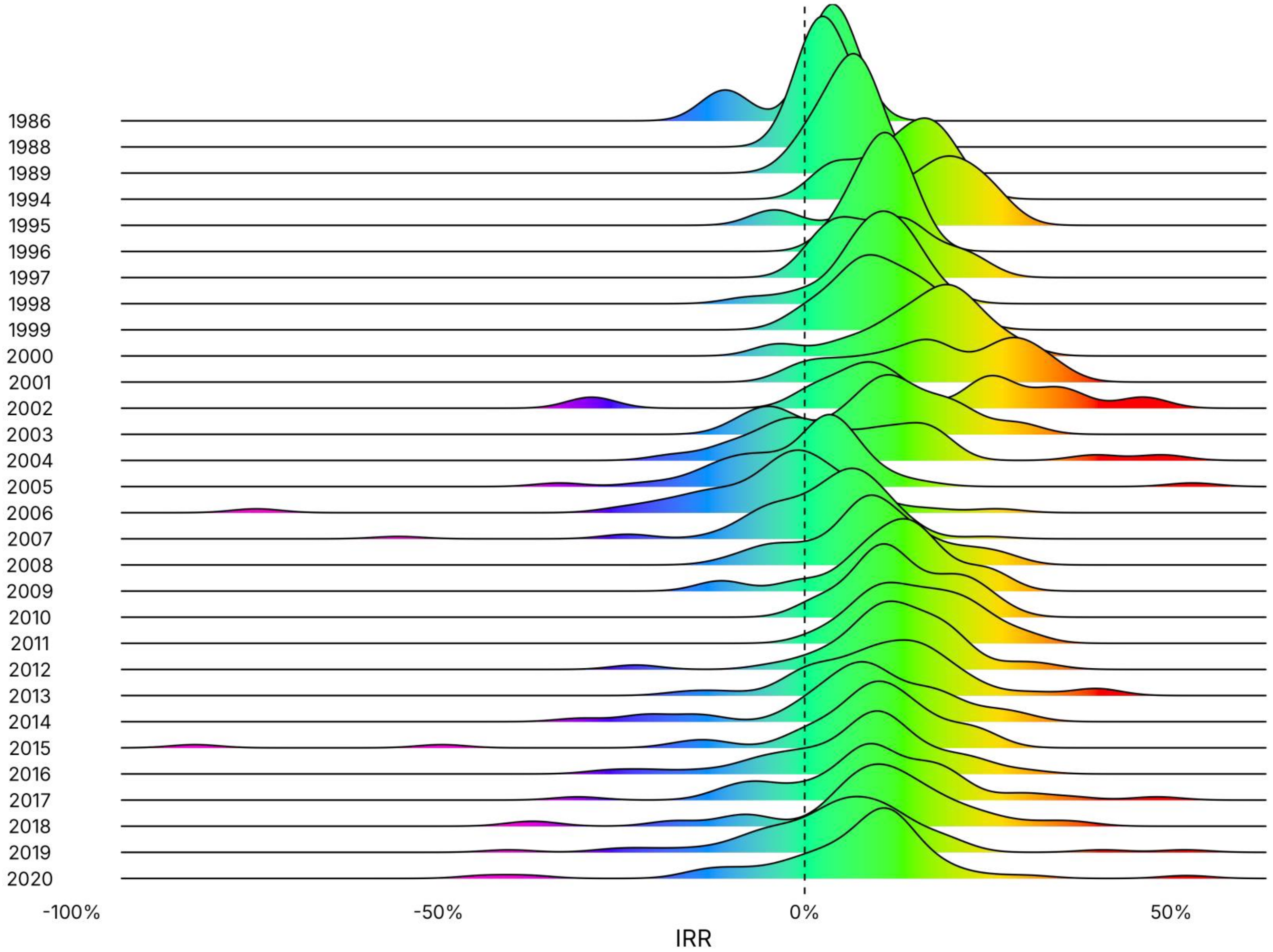
Source: MSCI
Closed-end returns from MSCI Private Capital Intel.

U.S. Closed-end Funds IRR Performance

DISTRIBUTION OF FUND IRRS

→ Importance of timing evident from vintage pooled IRRs.

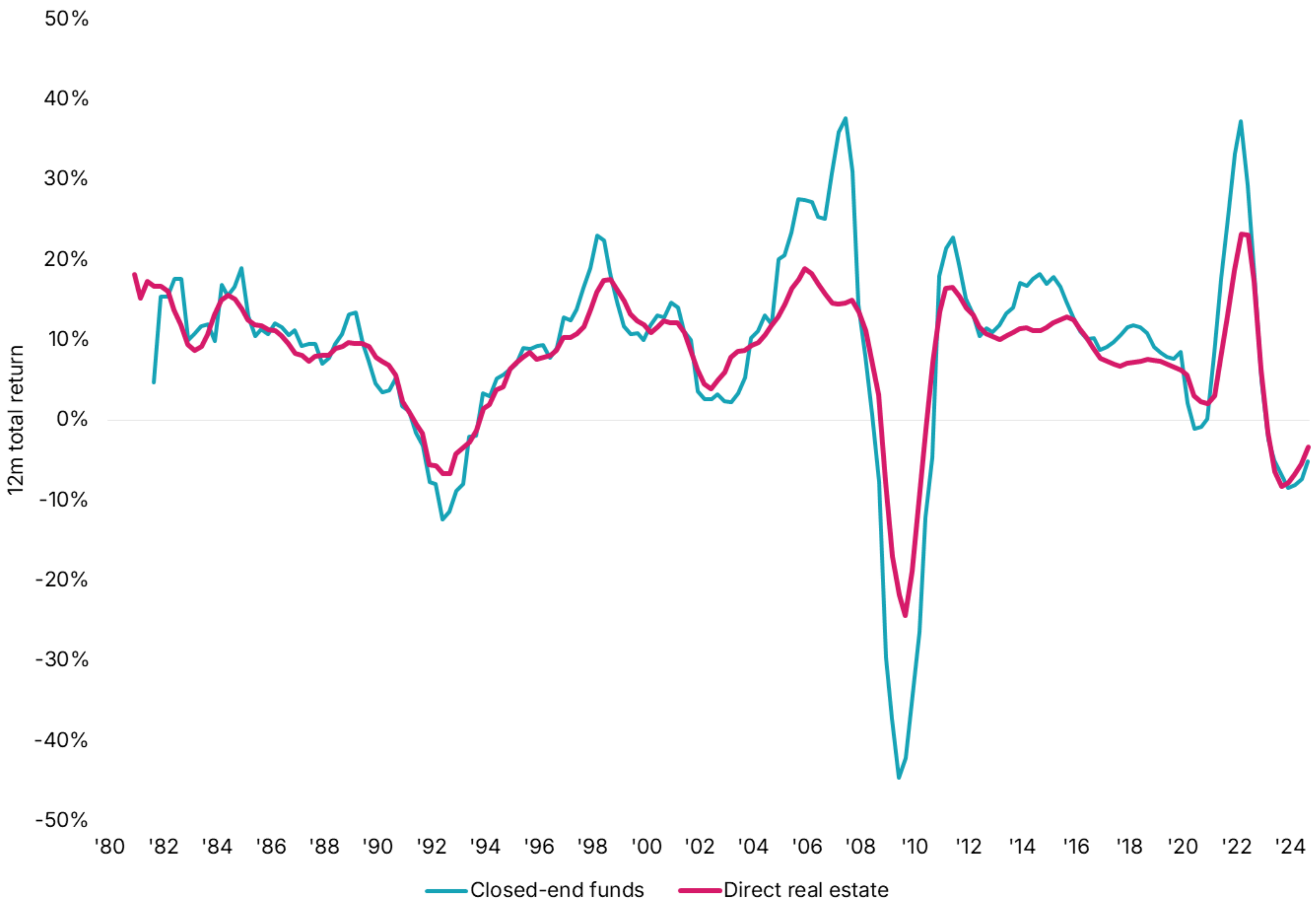
→ Dispersion of results within vintages shows wide range of outcomes.



U.S. Closed-end Funds vs U.S. Direct Real Estate

MARKET RETURN DRIVERS

- Simple time-weighted return (TWR) comparison to broad real estate market shows high correlation.
- Leverage and active management add volatility to closed-end funds.
- Comparability of TWR potentially limited given uneven cash flows in closed-end funds.



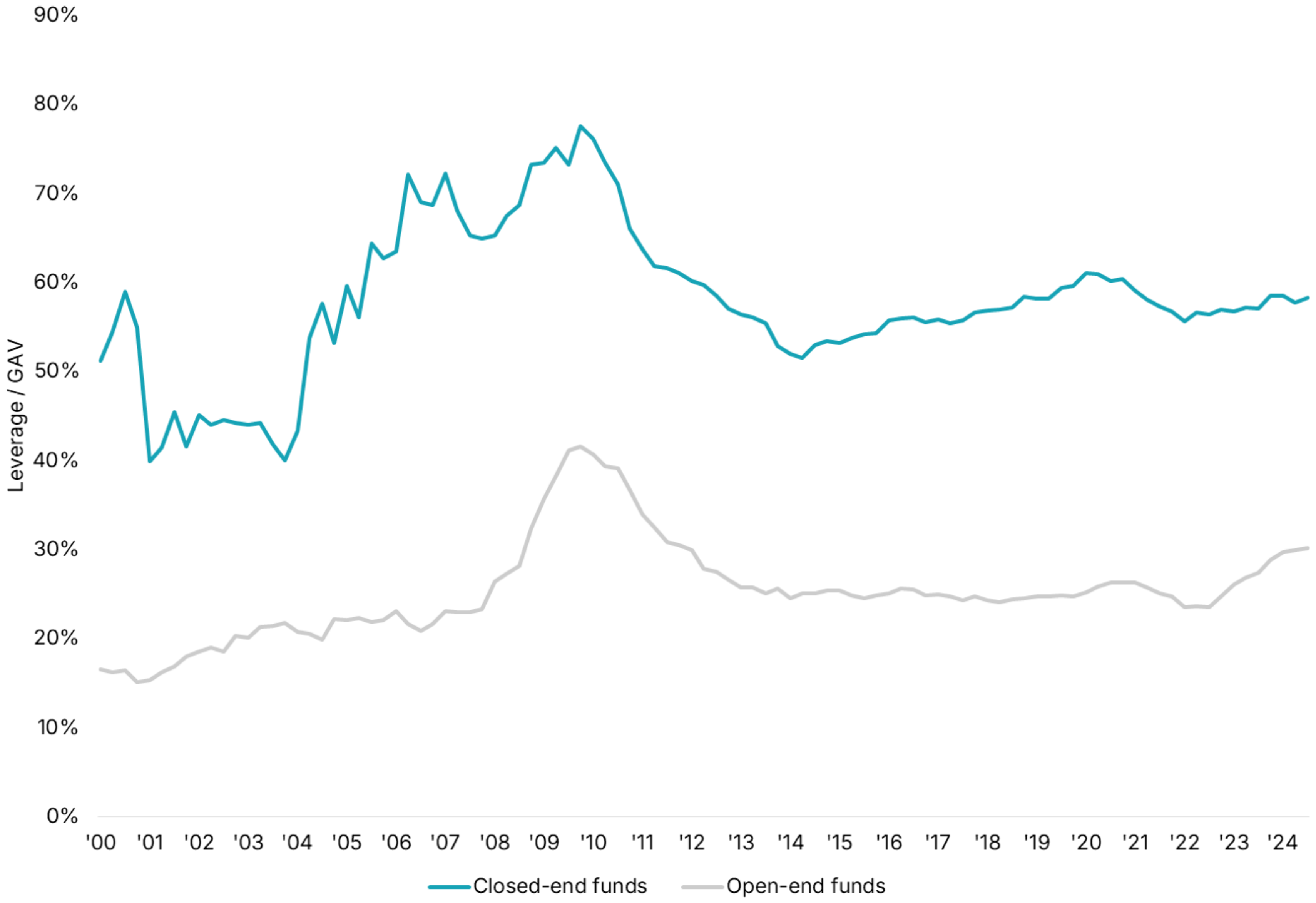
Source: MSCI, NCREIF

Closed-end returns from MSCI Private Capital Intel. Direct real estate return from MSCI U.S. Quarterly Property Index (NCREIF NPI before Dec '98)

Fund Leverage Estimates

HOW MUCH LEVERAGE IN CLOSED-END FUNDS?

- → Leverage in closed-end funds has averaged 58% since 2000.
- → Roughly 2-2.5x the leverage carried in open-end real estate funds.



Source: MSCI, NCREIF

Closed-end leverage estimated from MSCI PCS Holdings data. Open-end leverage sourced from MSCI/PREA AFOE Quarterly Property Fund Index (NCREIF NFI-OF before Dec '08).

U.S. Closed-end Funds vs Levered Direct Real Estate

MARKET RETURN DRIVERS

- → Adjusting direct real estate index to match leverage profile of closed-end funds shows significantly more variation.
- → Comparison with closed-end funds suggests that smoothing and lag may be more prevalent than initial comparison suggests.
- → Closed-end funds have outperformed levered direct index during downturns but often underperformed in growth phases.

Source: MSCI, NCREIF

Closed-end returns from MSCI Private Capital Intel. Direct real estate return from MSCI U.S. Quarterly Property Index (NCREIF NPI before Dec '98)

Controlling for Market and Leverage Effects

DATA SAMPLE

- To test how much influence market and leverage factors had, we constructed a sample of 308 closed-end funds where we were able to track LTVs.
- Funds span 2004-2024vintages and 139 GPs.
- We then calculated GGS Direct Alphas using two different kinds of reference index.

MARKET INDEX (MI)

- The first reference index is based on unlevered property-level total returns for U.S. commercial real estate.
- It is intended to control for broad market effects.
- In subsequent slides it will be referred to as the market index.
- Direct alpha calculated using the market index will be referred to as Direct Alpha (MI).

LEVERAGE-MATCHED MARKET INDEX (LMMI)

- The second kind of reference index is based on the same underlying property-level index but incorporates a leverage adjustment matching the historical leverage profile of each fund/aggregate.
- In subsequent slides it will be referred to as the leverage-matched market index.
- Direct alpha calculated using the leverage-matched market index will be referred to as Direct Alpha (LMMI)

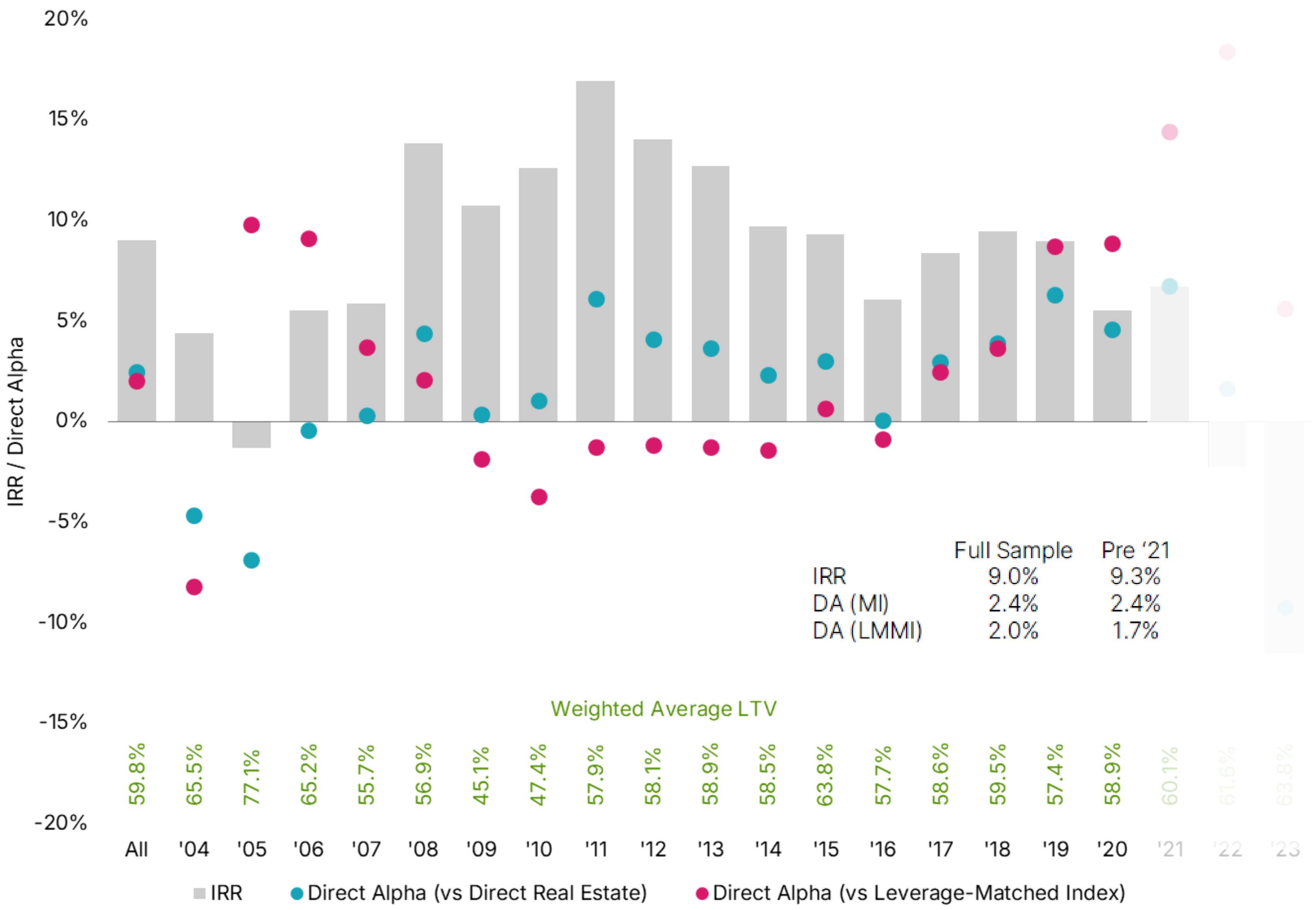
Aggregate and Vintage Results

TIMING MATTERED

→ Overall, funds in the sample have achieved a 9.0% IRR.

→ Controlling for broad market effects results in a direct alpha of 2.4%. Factoring in leverage this reduces to 2.0%.

→ Vintage results more variable. Some of those with the strongest IRRs do not rank as highly when controlling for leverage and market factors..

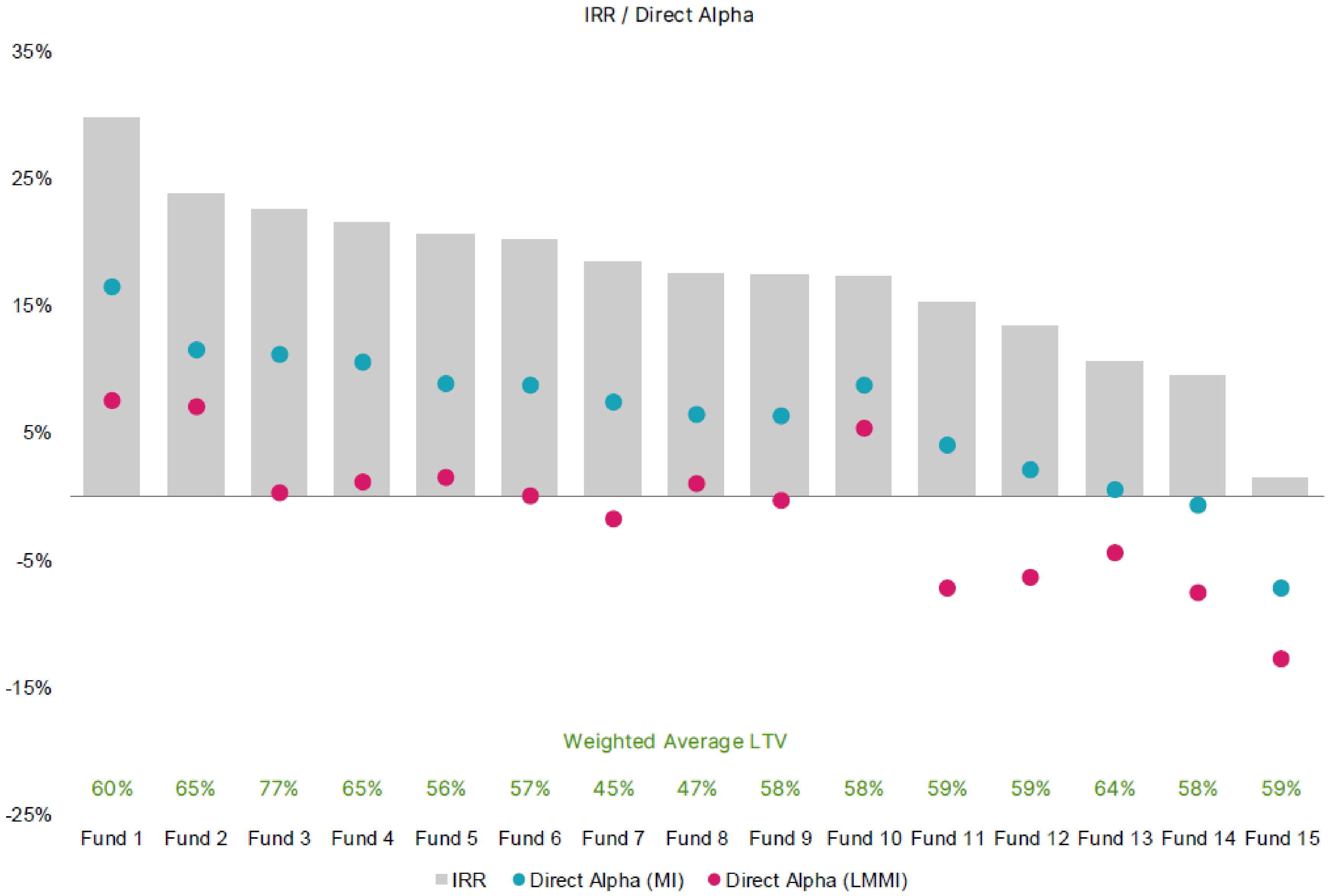


Source: MSCI

Single Vintage Sample

COMPARING FUNDS IN A SINGLE VINTAGE

→ Correlation within the vintage are higher but some funds managed to achieve comparable relative performance with overall lower IRR.

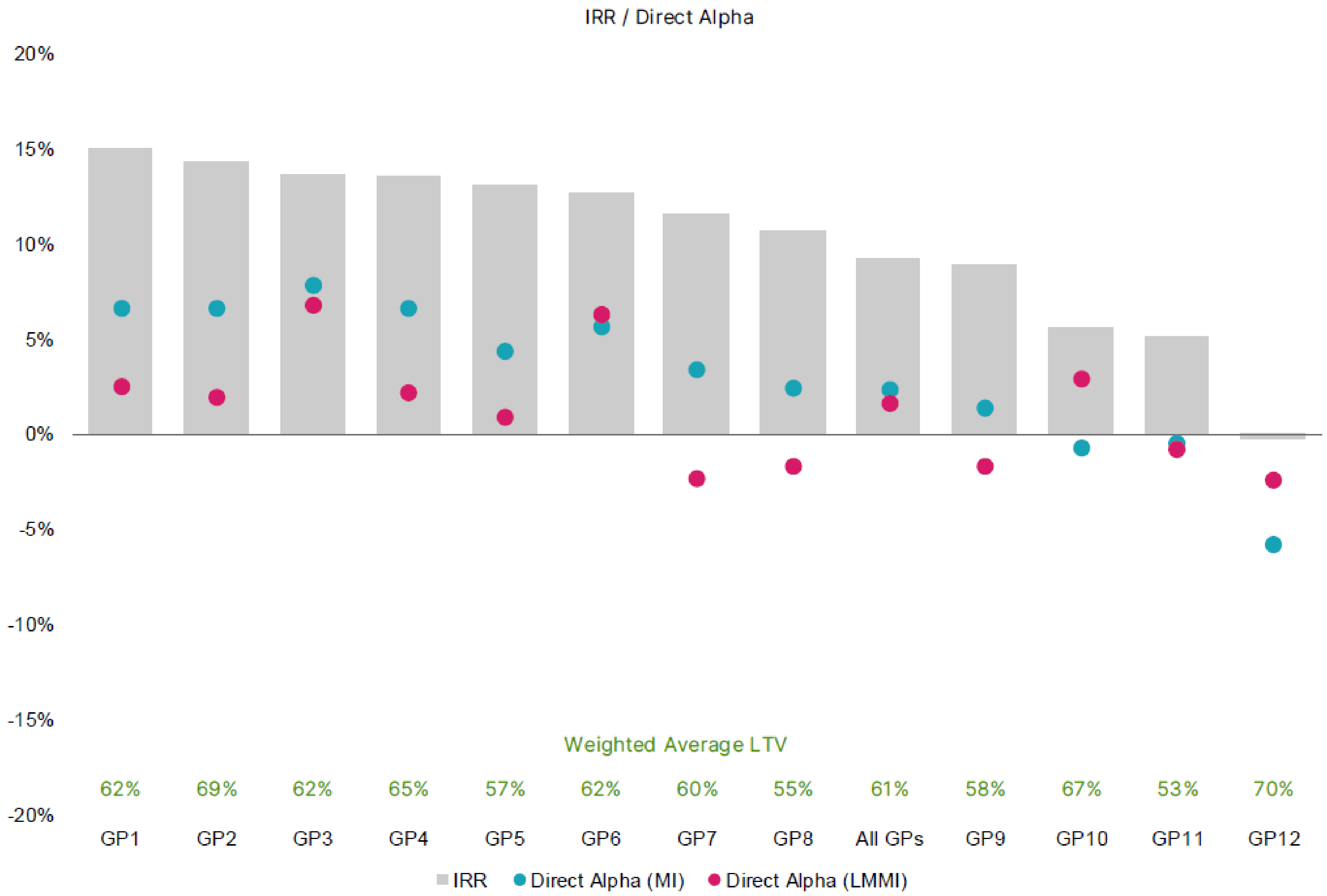


Source: MSCI

Manager Sample Comparison

VARIATION ACROSS MANAGERS IN (PRE-2021 FUNDS)

- → This sample of 12 randomly selected managers with at least four funds in the analysis highlights variation across GPs.
- → Ordering based on IRR outcomes often different to how it would look after controlling for market and leverage factors.



Source: MSCI

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Information Classification: GENERAL

Conclusions

→Timing and leverage are critical

Fund outcomes varied widely across vintages, with market conditions and leverage playing a substantial role in shaping performance .

→Headline IRRs can mislead

Vintages with strong IRRs did not always show strong alpha after adjusting for market and leverage factors .

→True alpha appears modest

On average, funds achieved a 2.0% direct alpha relative to a leverage-adjusted benchmark suggesting moderate outperformance net of market beta . Excluding more recent vintages this fell to 1.7%.

→Manager dispersion is significant

Some GPs added value more consistently, while others lagged even after adjustments, highlighting the importance of manager selection .

→Leverage amplifies dispersion

Controlling for leverage meaningfully changes fund rankings, underscoring the need to differentiate between beta-driven and skill-based returns .

→Recent vintages still uncertain

Ongoing J-curve effects and valuation lags mean that results for the most recent years should be interpreted cautiously

MSCI

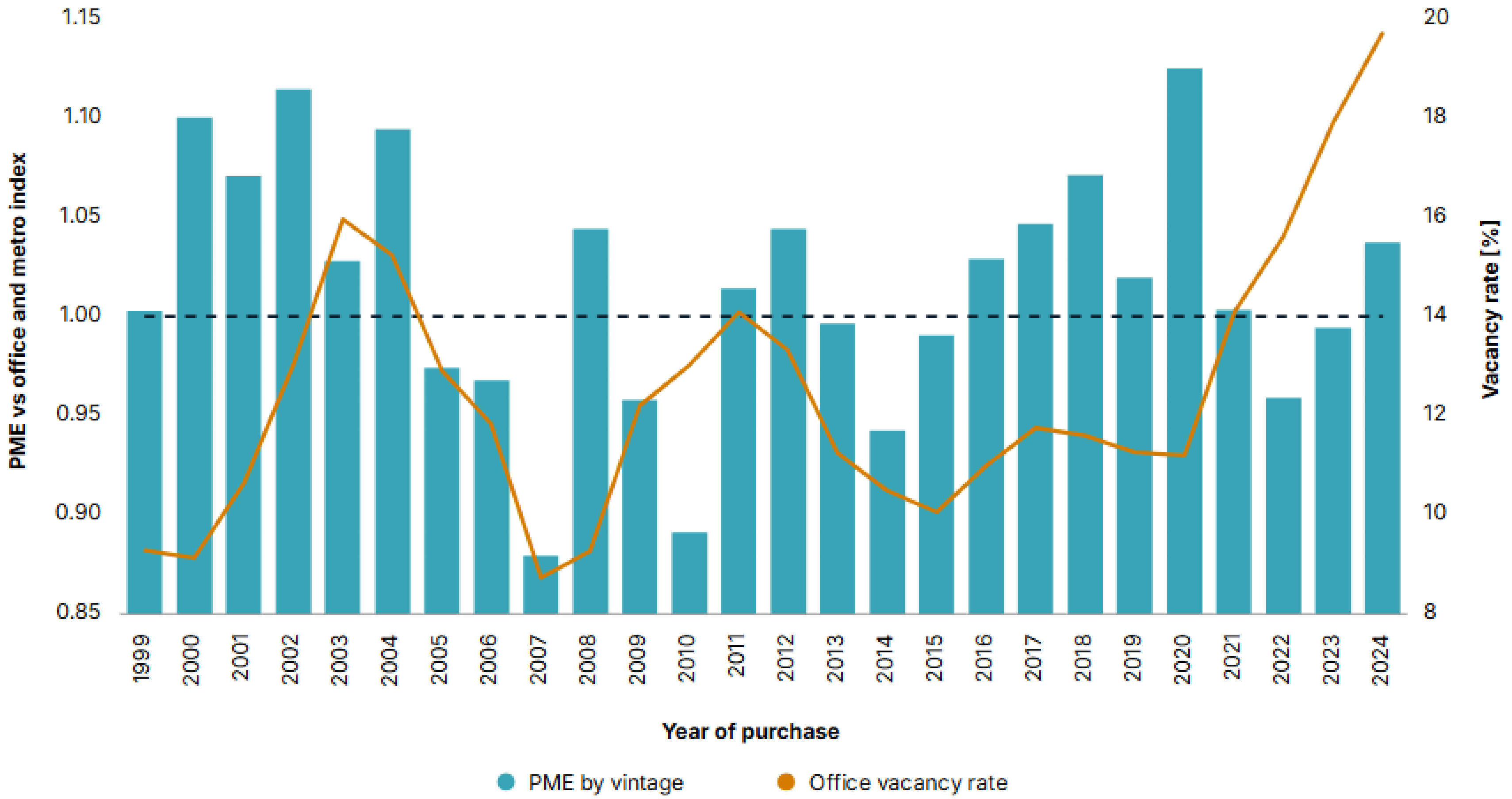
U.S. Development Analysis

Will Robson

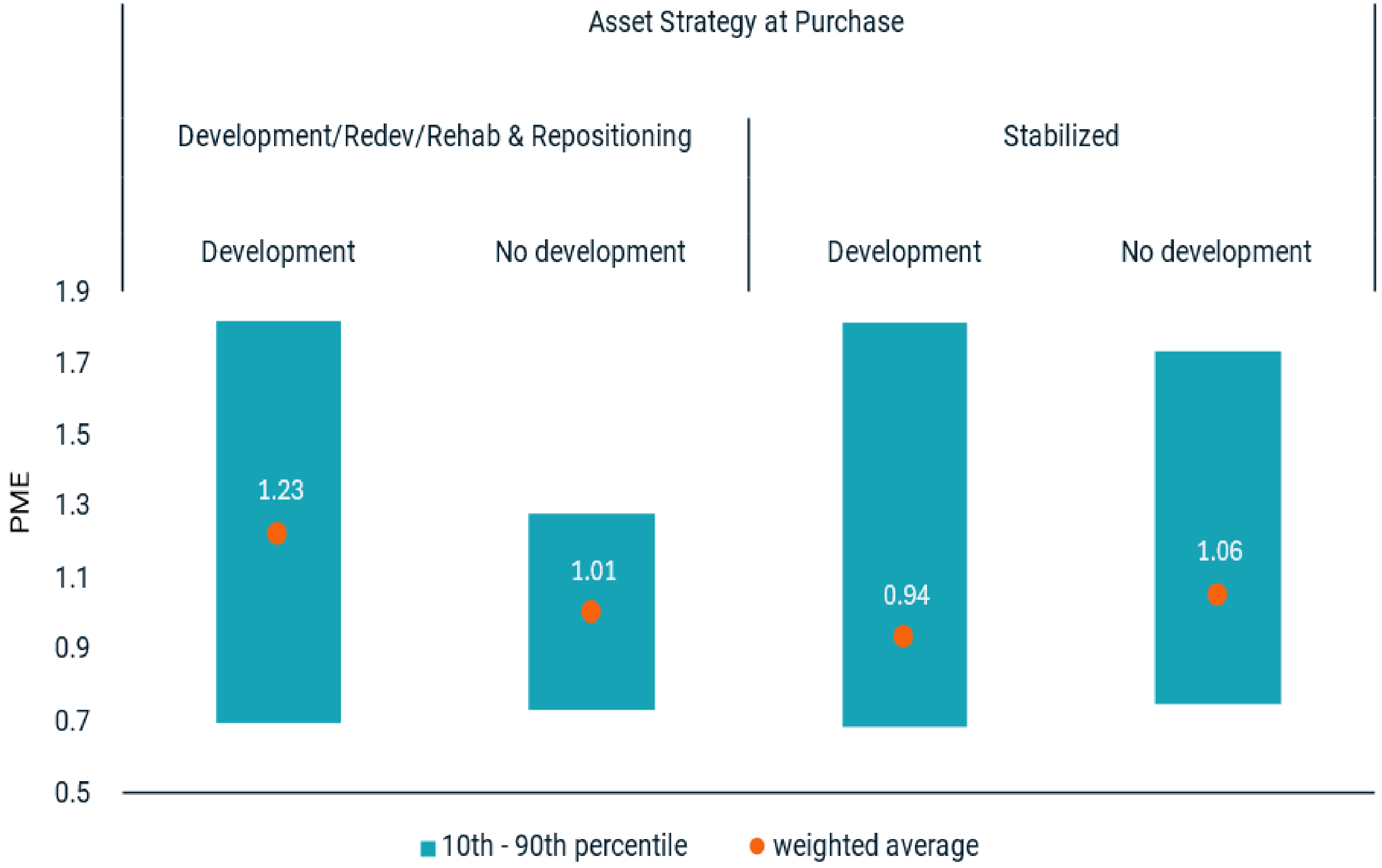
Office developments outperformed stabilized property

Asset Strategy at Purchase	Retail	Office	Industrial	Residential	All Property
Development	0.99	1.24	1.01	1.04	1.04
Redevelopment	1.05	1.23	0.95	1.05	1.08
Stabilized	**1.12**	**1.06**	**1.13**	**1.05**	**1.09**
Leasing	1.05	1.02	0.93	0.90	0.95
Forward Commitment	0.79	0.98	0.94	1.01	0.97
Rehabilitation & Repositioning	0.95	0.98	0.99	1.05	1.00
All Assets	**1.11**	**1.07**	**1.09**	**1.04**	**1.07**

Crises created entry points for longer-term outperformance



Higher PMEs for offices acquired for development and executed



Timely exits unlocked additional return in offices developed and sold

Holding period	Retail	Office	Industrial	Residential
< 3 years	1.25	1.31	1.02	1.11
3-5 years	1.10	1.21	1.04	1.07
5-10 years	0.91	1.11	0.94	0.99
>= 10 years	0.83	1.15	0.89	0.85
All assets	**0.94**	**1.16**	**0.97**	**0.98**

Conclusions

→PME analysis can be used to analyse investments with lumpy cash flows

They facilitate relative market analysis while accounting for uneven cashflows over the life of an investment

→Only Office developments showed better performance than stabilised assets

While PMEs for other sectors' developments were above one, they fell short of those for stabilised assets

→Cycle creates attractive entry points for office developments

Despite PMEs being relative measures, market timing does have influence on performance

→Development as a predetermined strategy perform better

Assets bought originally as a development project perform much better than those already held as stabilized assets

→Executing quickly and exiting early generates higher PMEs

PMEs trend lower the longer assets are held for.