

The Monthly Mini-Chartroom

Outsourced Performance Metrics: August 2021

A Compendium of Capital Market Performance Indicators



"Not everything that counts can be counted and not everything that can be counted counts."
Albert Einstein

"If you cannot measure it, you cannot control it." *Lord Kelvin*

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Executive summary

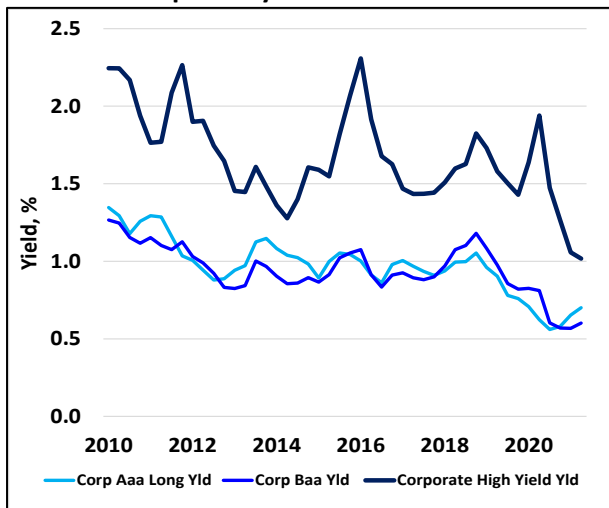
- Welcome to the first issue of the **Outsourced Monthly Mini-Chartroom**.
- Consistent with a falling VIX (red circles), a measure of stock market volatility, from 2020 to the present, narrowing bond horizon and default premiums confirm lower market volatility. Investment grade bond yields have fallen and total returns have increased, but high yield total returns fell during 2020 and have moderated this year. (Exhibit 1 through 6)
- The stock market remains strong. The S&P 500 and small cap stocks rallied during the first and second quarter of 2021, but small cap stocks slipped last month. (Exhibit 7)
- Inflation is increasing but some of the rise in the CPI is due to changes in relative prices as opposed to an increase in the overall price index. (Exhibit 8)
- The property markets are strengthening with strong improvements across all four main sectors during the first two quarters of this year. Transaction volume has increased significantly. (Exhibits 9 through 12)
- Overall retail REIT performance, while now slightly positive, masks important underlying differences. Neighborhood and community shopping centers are leading the Retail REIT recovery but malls are still in negative territory. (Exhibit 13)
- The performances of the property and REIT markets have improved significantly since 2020. (Exhibits 14 and 15)
- NPI and ODCE total returns are increasing briskly at the same rate. (Exhibit 23)
- REITs, whose performance characteristics are similar to small cap stocks, have different style characteristics than the S&P 500. REITs as a group are more core-like—core-value to core-growth—whereas S&P 500 companies are much larger; the extremes include deep value and high growth. (Exhibit 25)
- The return rankings of REITs, property, and corporate bonds are not stable over time. (Exhibit 26)

Exhibit 1. Bond yields remain low and the VIX has declined from 2020. (Quarterly returns at quarterly rates, monthly at monthly rates, and weekly and weekly rates.)

Group/Investment	Last Week 8/7/2021 - 8/7/2021 Return	Last Month 7/1/2021 - 7/31/2021 Return	Last Quarter 4/1/2021 - 6/30/2021 Return	Last Year 1/1/2020 - 12/31/2020 Return	Last 5 Years 1/1/2016 - 12/31/2020 Return
Capital Markets					
Corp A TR	-0.63	1.30	3.23	10.06	6.13
Corp A Yield	0.03	0.15	0.48	2.03	3.00
Corp Aa TR	-0.69	1.37	3.60	9.00	5.37
Corp Aa Yield	0.03	0.15	0.46	1.79	2.65
Corp Aaa TR	-1.06	1.81	4.74	12.30	7.10
Corp Aaa Yield	0.04	0.16	0.52	1.91	2.88
Corp Baa TR	-0.72	1.41	3.75	9.88	7.51
Corp Baa Yield	0.04	0.19	0.60	2.84	3.69
Corporate High Yield TR	-0.19	0.38	2.74	7.11	8.59
Corporate High Yield Yield	0.08	0.33	1.02	6.47	6.64
30 Day TBill TR		0.00	0.00	0.45	1.08
Bond Default Premium		-0.64	1.82	-1.07	2.35
Bond Horizon Premium		3.05	5.30	16.13	5.91
Equity Risk Premium		2.37	8.55	17.87	13.98
IT Govt TR		0.40	1.24	7.25	3.69
IT Govt Yld		0.07	0.22	0.53	1.70
Large Stock TR		2.38	8.55	18.40	15.22
LT Govt TR		3.05	5.30	16.65	7.06
LT Govt Yield		0.14	0.51	1.27	2.29
Small Stock TR		-2.32	4.54	6.59	9.69
S&P 100 TR	1.02	2.51	9.43	21.52	15.97
S&P 500 TR	0.96	2.38	8.55	18.40	15.22
CBOE Market Volatility (VIX)	-11.46	15.22	-18.40	82.44	4.55

Source: Morningstar

Exhibit 2. Corporate yields are low.



Source: Morningstar

Exhibit 3. Corporate total returns have recovered.

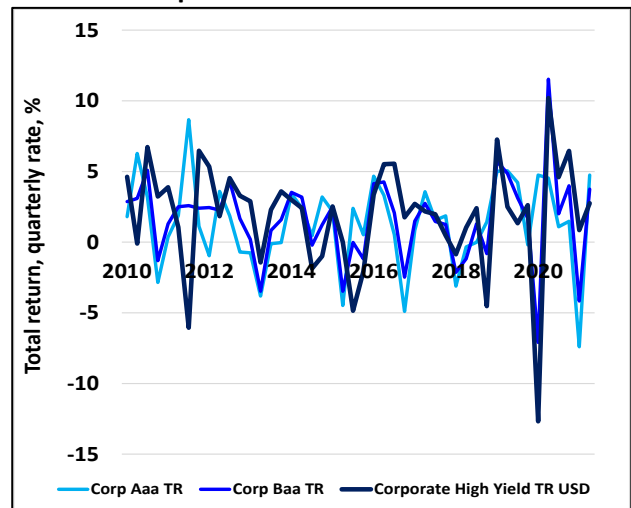


Exhibit 4. Bond horizon premium as increased.

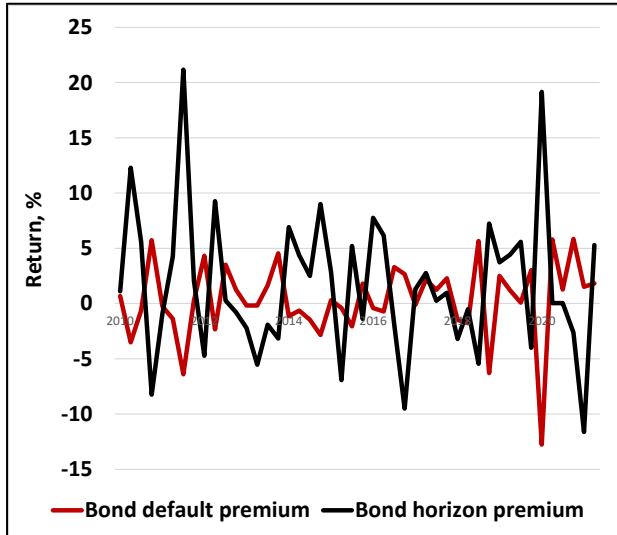


Exhibit 5. The VIX has declined.

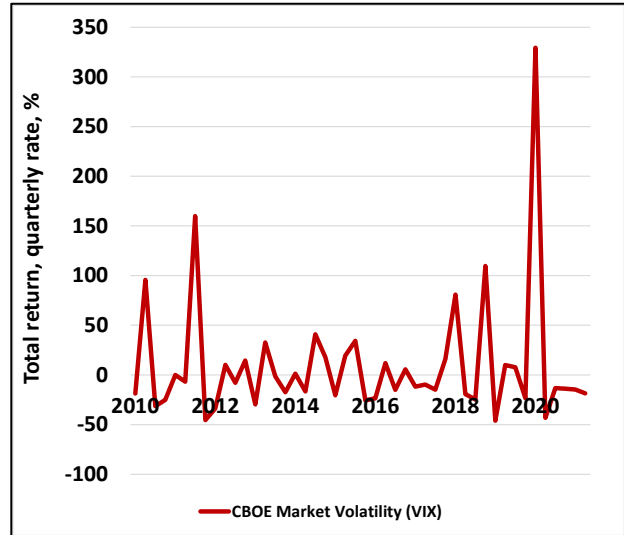


Exhibit 6. T-bill yields are near the zero-bound.

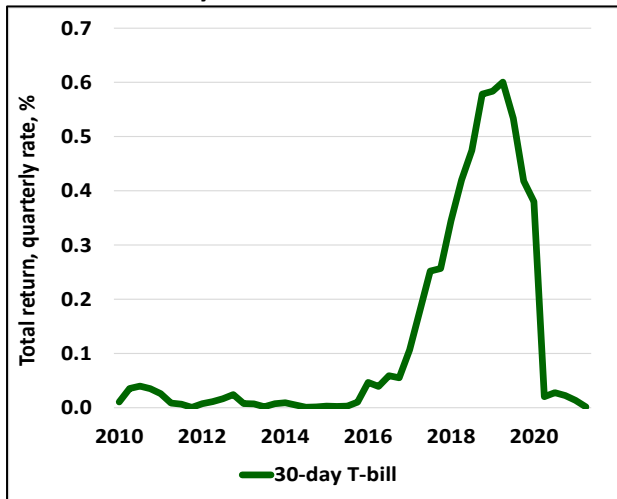
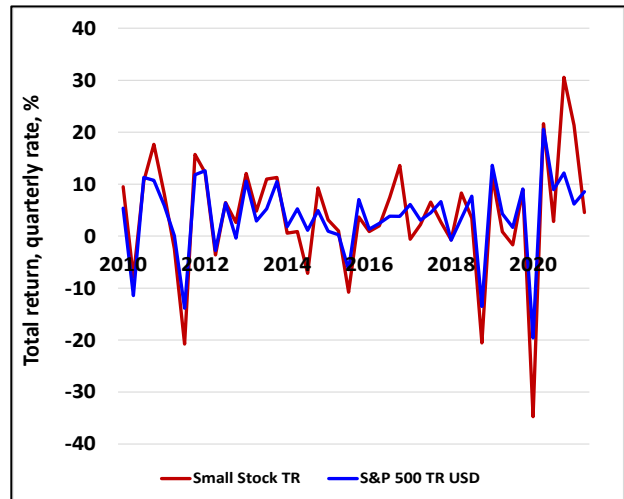
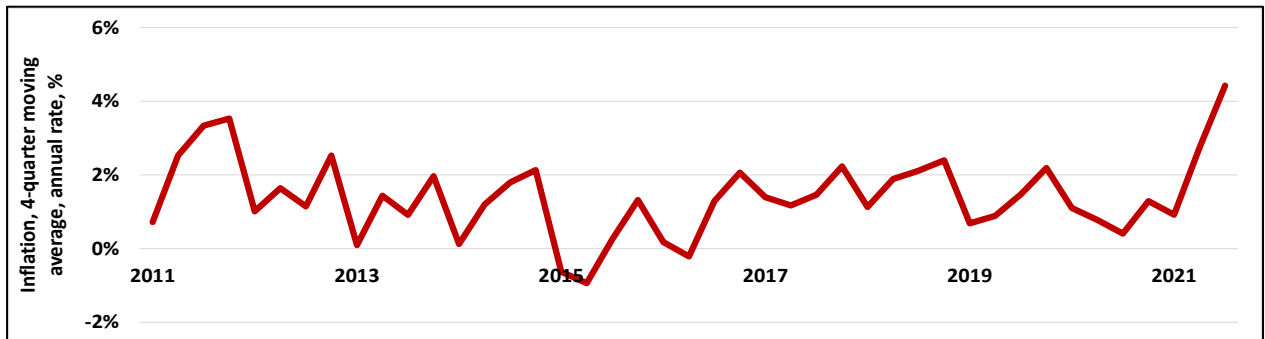


Exhibit 7. Small stocks and the S&P 500



Source: Morningstar

Exhibit 8. The CPI has increased.



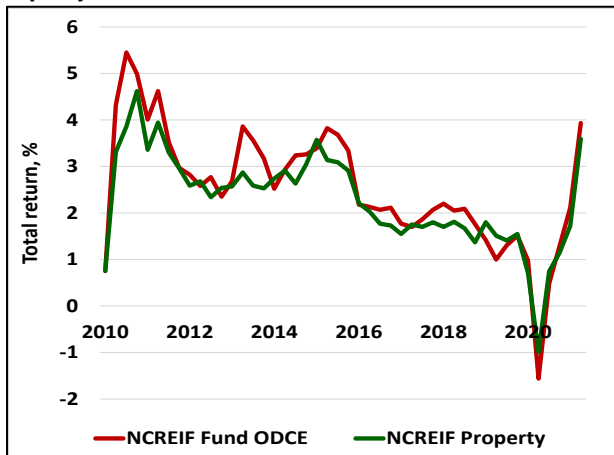
Source: Morningstar

Exhibit 9. Property performance for all four major sectors has significantly improved. Hotels and retail returns, sharply negative in 2020, are now modestly positive. (Returns at rates corresponding to respective time periods.)

Group/Investment	Last Week	Last Month	Last Quarter	Last Year	Last 5 Years
	8/7/2021 - 8/7/2021	7/1/2021 - 7/31/2021	4/1/2021 - 6/30/2021	1/1/2020 - 12/31/2020	1/1/2016 - 12/31/2020
Return					
Property					
NCREIF Apartment			3.62	1.82	5.37
NCREIF Hotel			0.61	-25.57	-1.85
NCREIF Industrial			8.88	11.77	12.96
NCREIF Office			1.44	1.57	5.43
NCREIF Property			3.59	1.61	5.91
NCREIF Retail			0.90	-7.48	2.11

Source: Morningstar for NCREIF

Exhibit 10. NPI and ODCE are aligned and rising rapidly.



Source: Morningstar for NCREIF

Exhibit 11. Industrial continues to strengthen and retail has turned the corner.

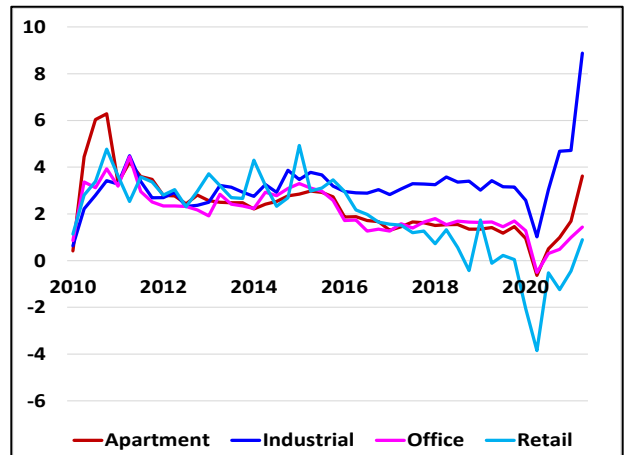
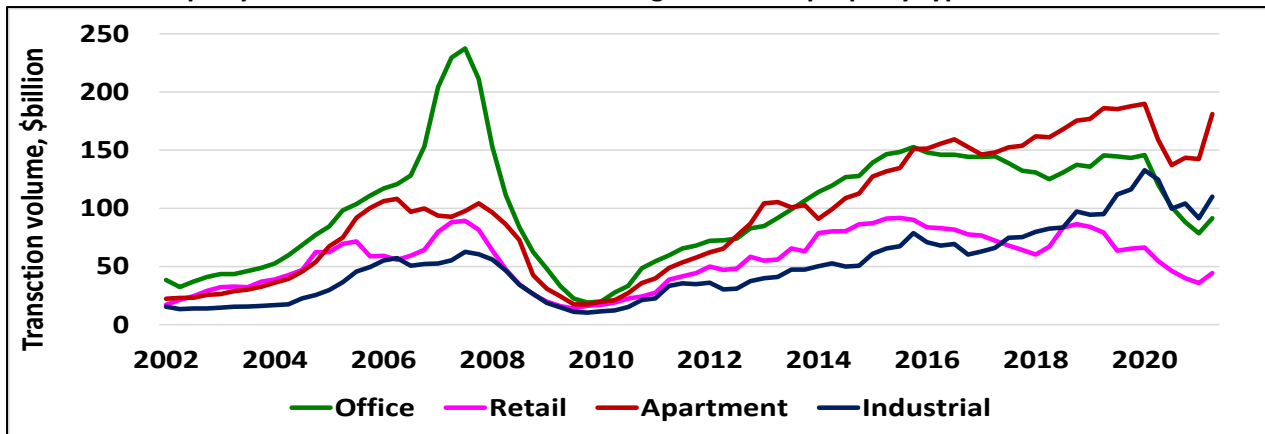


Exhibit 12. Property transactions volume is now rising for all four property types.



Source: Real Capital Analytics

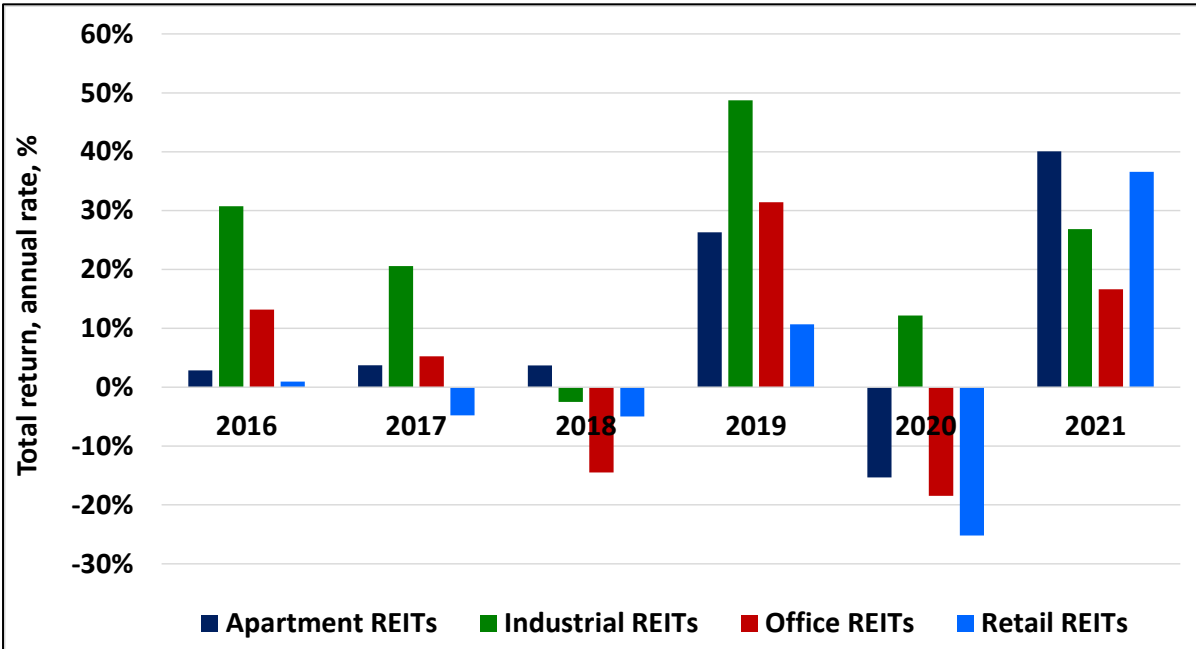
Exhibit 13. Apartment REIT performance is strongly positive after a disappointing 2020. (Returns at rates corresponding to respective time periods.)

	Last Week	Last Month	Last Quarter	Last Year	Last 5 Years
	8/7/2021 - 8/7/2021	7/1/2021 - 7/31/2021	4/1/2021 - 6/30/2021	1/1/2020 - 12/31/2020	1/1/2016 - 12/31/2020
Group/Investment	Return	Return	Return	Return	Return
Public REITs					
All Equity REITs PR	0.38	4.25	11.20	-8.40	2.74
All Equity REITs TR	0.40	4.36	12.03	-5.12	6.70
Apartments PR	-0.09	10.54	12.20	-18.22	0.31
Apartments TR	-0.09	10.71	13.03	-15.34	3.42
Apartments Yield	0.05	0.24	0.79	3.94	3.45
Free Standing PR	0.31	5.20	6.18	-14.95	3.98
Free Standing TR	0.31	5.53	7.31	-10.46	8.95
Free Standing Yield	0.08	0.35	1.05	5.22	4.83
Health Care PR	-2.24	4.95	5.28	-14.59	-0.71
Health Care TR	-2.12	5.12	6.32	-9.86	4.76
Health Care Yield	0.08	0.34	1.05	5.92	5.76
Industrial PR	0.59	6.86	11.36	9.12	17.08
Industrial TR	0.59	6.88	11.98	12.17	20.71
Industrial Yield	0.04	0.19	0.58	2.71	3.11
Lodging/Resorts PR	1.07	-5.93	-0.58	-25.04	-4.30
Lodging/Resorts TR	1.07	-5.93	-0.57	-23.60	0.52
Lodging/Resorts Yield	0.00	0.00	0.33	9.05	6.32
Office PR	-0.25	2.92	8.57	-21.75	-1.60
Office TR	-0.17	3.06	9.46	-18.44	1.77
Office Yield	0.07	0.30	0.88	4.09	3.49
Regional Malls PR	6.61	-3.57	16.39	-41.40	-17.67
Regional Malls TR	6.61	-2.62	17.67	-37.15	-13.29
Regional Malls Yield	0.08	0.38	1.10	10.51	6.00
Residential PR	-0.20	10.74	13.31	-13.36	3.11
Residential TR	-0.20	10.86	14.05	-10.69	6.08
Residential Yield	0.05	0.21	0.69	3.36	3.18
Retail PR	2.60	1.27	11.36	-29.21	-9.82
Retail TR	2.60	1.75	12.47	-25.18	-5.43
Retail Yield	0.08	0.34	1.03	7.27	5.21
Self Storage PR	-0.70	5.48	22.79	8.63	0.91
Self Storage TR	-0.70	5.54	23.64	12.91	4.72
Self Storage Yield	0.05	0.22	0.73	4.00	3.80
Singl Fmly Homes PR	-0.91	8.76	16.55	4.30	13.16
Single Fmly Homes TR	-0.91	8.76	17.03	6.04	15.07
Shopping Centers PR	2.01	1.11	13.06	-30.88	-10.71
Shopping Centers TR	2.01	1.35	14.04	-27.64	-6.61
Shopping Centers Yield	0.07	0.32	0.96	7.35	5.16
Mortgage REITs PR	0.27	-2.93	4.58	-26.77	-3.38
Mortgage REITs TR	0.27	-2.55	6.69	-18.77	7.17
Mortgage REITs Yield	0.16	0.71	2.06	13.06	11.43

Source: Morningstar for NCREIF

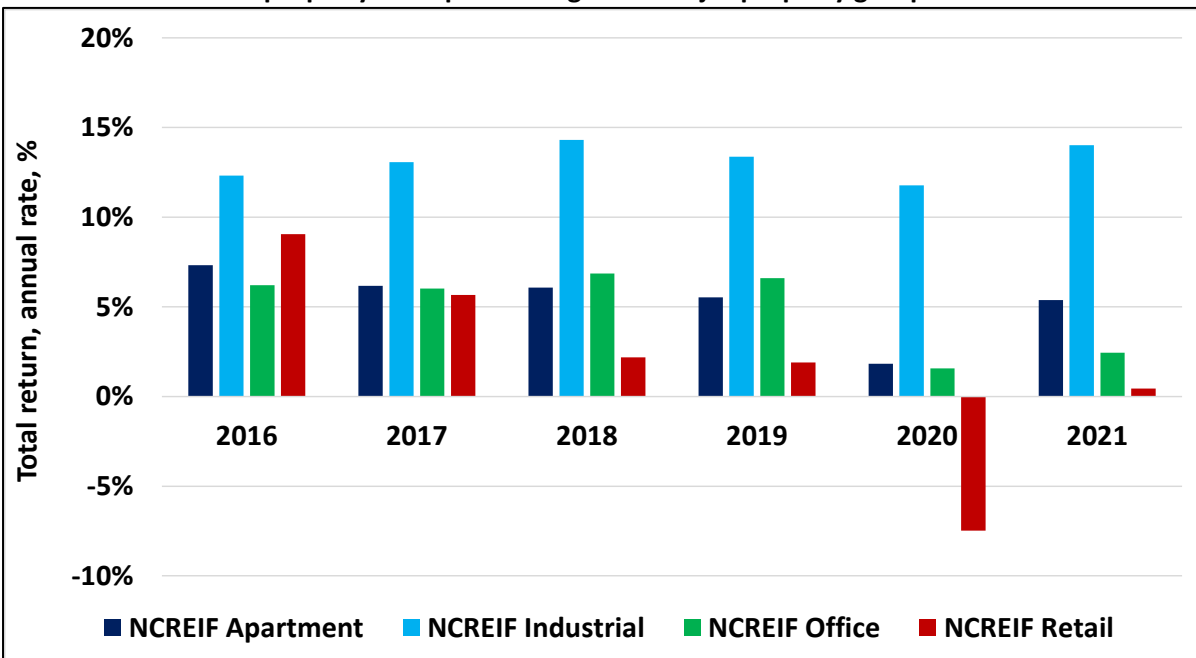
Outsourced Performance Metrics: Close-Ups

Exhibit 14. REITs have recovered following the COVID doldrums.



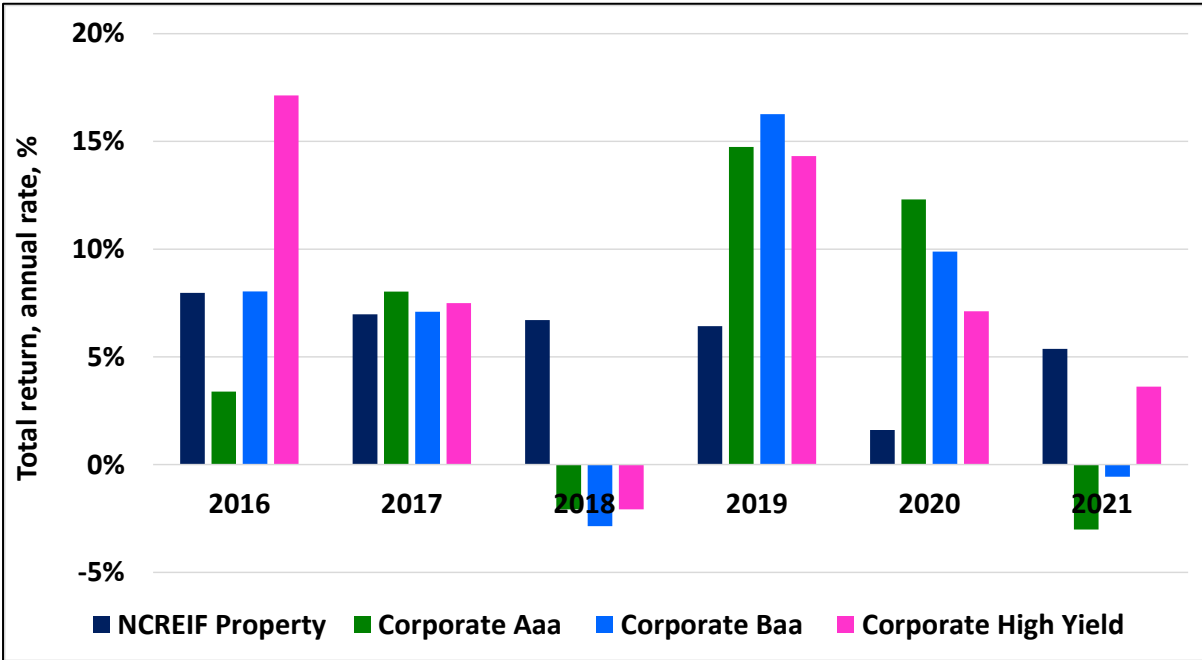
Source: Morningstar for NCREIF

Exhibit 15. Industrial property is outperforming other major property groups



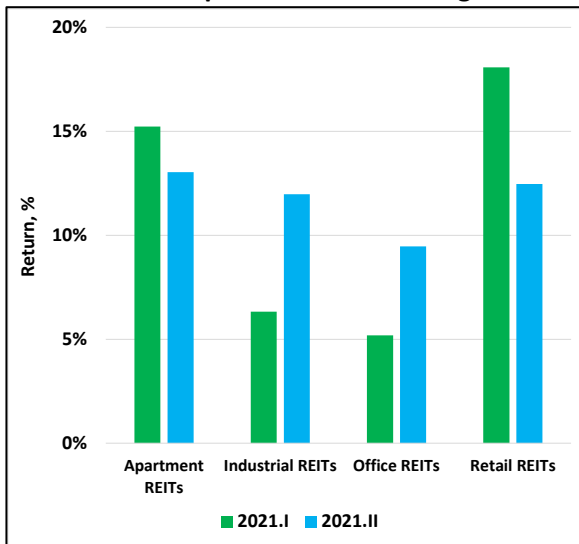
Source: Morningstar for NCREIF

Exhibit 16. REITs are outperforming corporate bonds including high yield.



Source: Morningstar

Exhibit 17. REIT performance is strong



Source: Morningstar

Exhibit 18. Corporate bond returns increased.

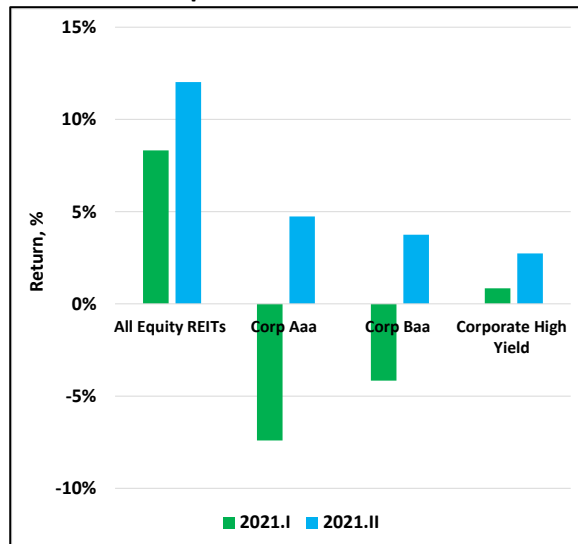
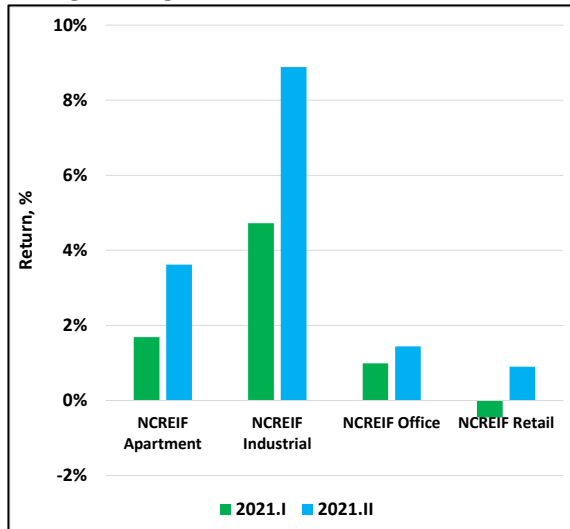


Exhibit 19. Industrial property returns are strengthening.



Source: Morningstar

Exhibit 20. Property and corporate bond returns have increased.

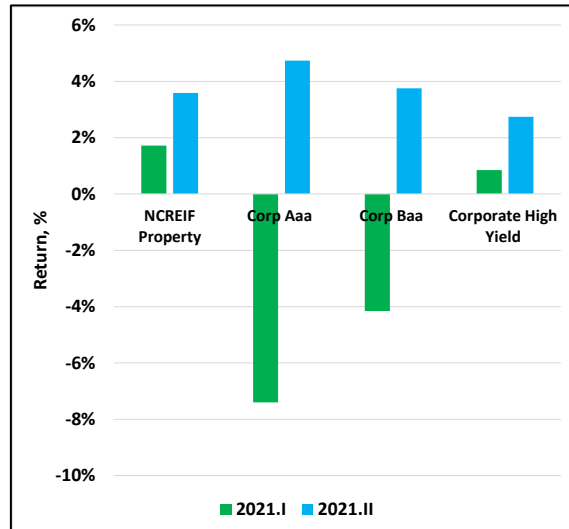
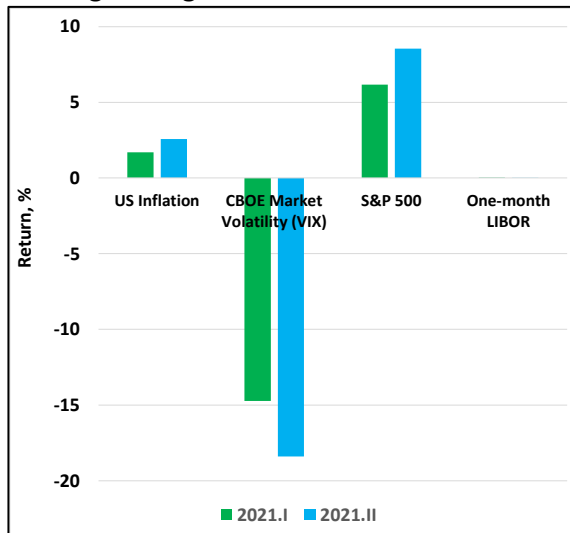


Exhibit 21. Market volatility has declined amid a strengthening stock market.



Source: Morningstar

Exhibit 22. Bond default and horizon premiums are low or falling.

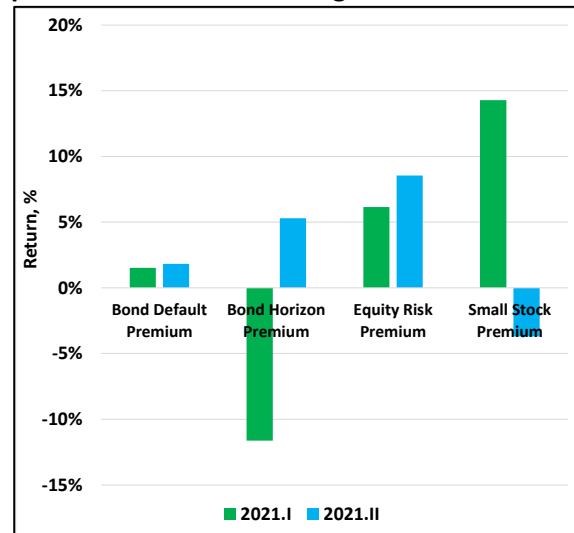
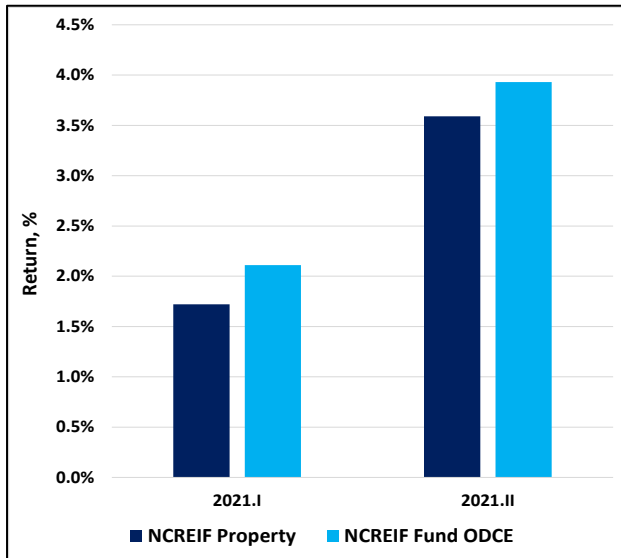


Exhibit 23. ODCE and NPI returns increased.



Source: Morningstar for NCREIF

Exhibit 24. NCREIF and REIT returns are up.

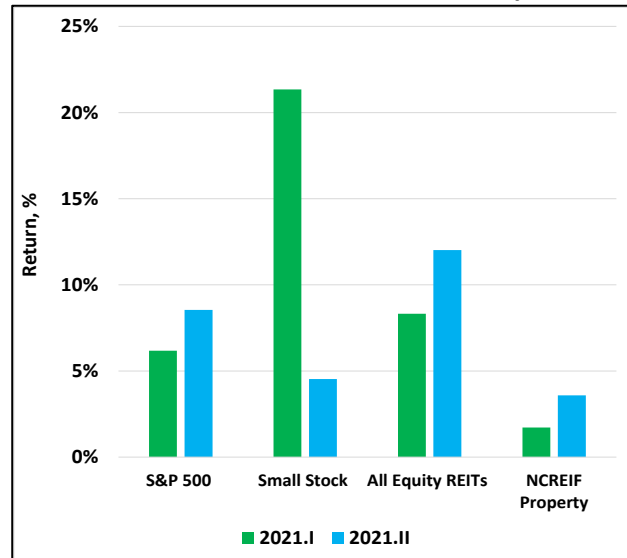
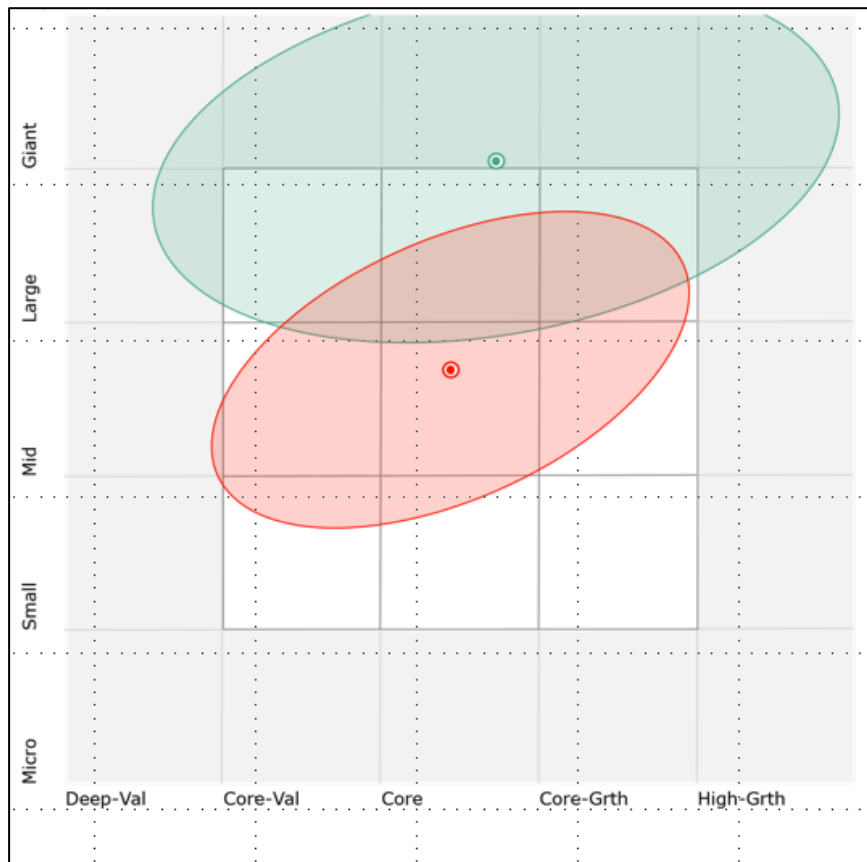
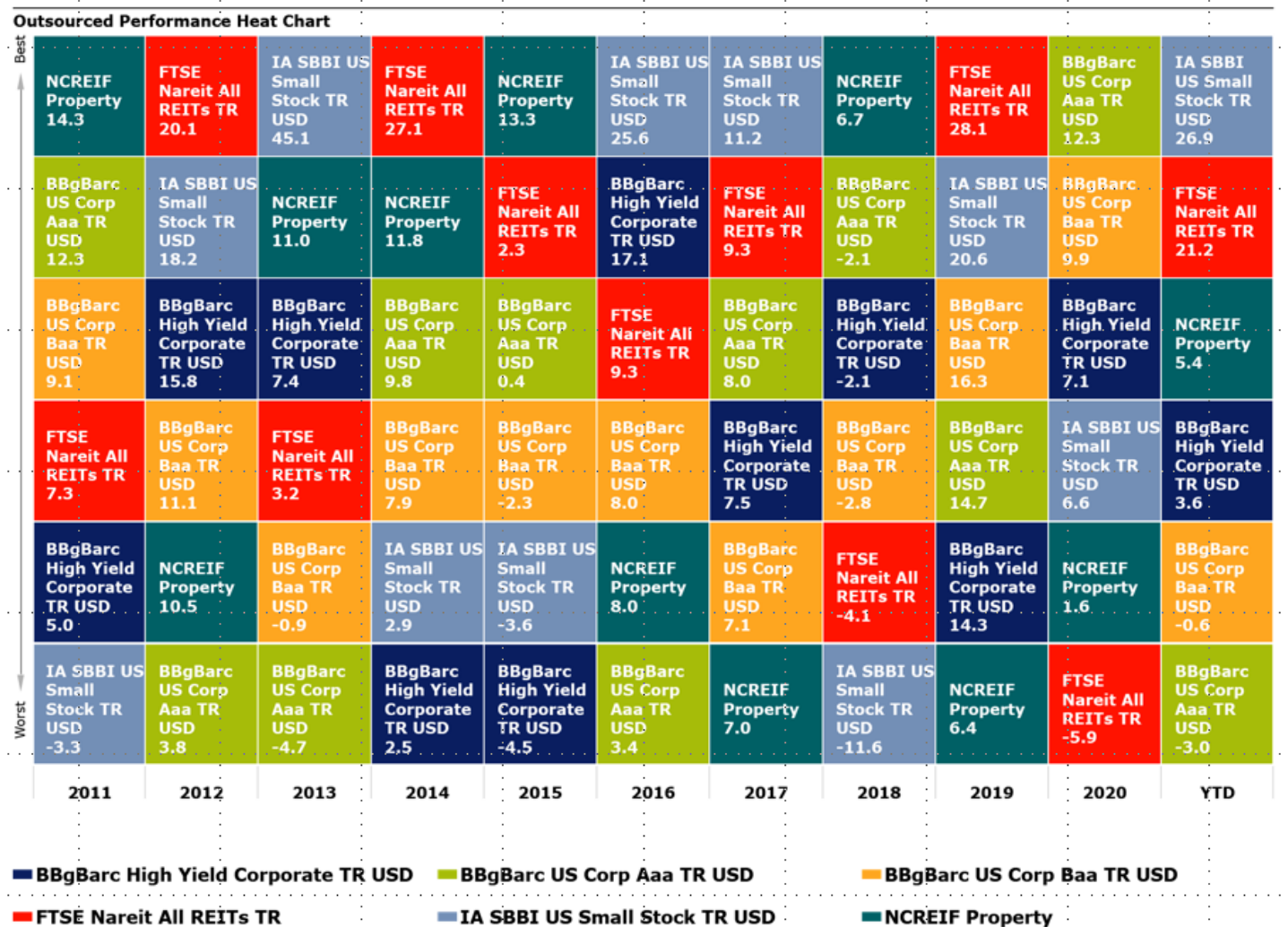


Exhibit 25. Style map: S&P 500 (Green) and Equity REITs (Red); REITs are more core-like and smaller than S&P 500 firms.



Source: Morningstar

Exhibit 26. The rankings of property, REIT, and bond returns are variable over time.



Source: Morningstar

Dr. Randall Zisler

Randall Zisler, co-founder of Zisler Capital Associates, LLC, was a professor at Princeton University where he taught economics and finance and earned his A.B., two of his three master degrees and his Ph.D. As head of real estate research at Goldman Sachs & Co. and Nomura Securities, he devised innovative risk-based approaches to portfolio management and structured finance. He was co-head of investment banking at Jones Lang LaSalle, a partner at Pension Consulting Alliance, and CIO to Merv Griffin. He has advised hundreds of institutional investors, testified before the U.S. Congress Ways and Means Committee, and transacted over \$6 billion of real estate. Dr. Zisler has served as an expert witness in ERISA and other real estate matters. He has lectured at Yale, USC, and Harvard, where he served on the Harvard GSD Advisory Board.

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