Transcript of
JLL Income Property Trust
4Q20 Public Earnings Call
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Participants

Allan Swaringen - President & Chief Executive Officer
Gregg Falk - Chief Financial Officer
Jill Passmann - Assistant Portfolio Controller

Presentation

Operator
Good morning. On behalf of JLL Income Property Trust, I'd like to welcome you to their Fourth Quarter 2020 Earnings Conference Call. This call is being recorded and our audience lines are currently in listen-only mode. [Operator Instructions]

At this time, I would like to turn the call over to Jill Passmann from JLL Income Property Trust. Jill, please go ahead.

Jill Passmann
Welcome, everyone, to today's call.

Any statements made about future results and performance or about plans, expectations or objectives are forward-looking statements. Actual results and performance may differ from those included in the forward-looking statements as a result of factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, and in our other reports filed with the SEC. The Company disclaims any undertaking to update or revise any forward-looking statements.

In addition, all non-GAAP financial measures discussed during this call are reconciled to their most directly comparable GAAP financial measures in accordance with the SEC rules in our Form 10-K for the year ended December 31, 2020.

Links to a transcript and audio replay of this call will be posted and available on our website, JLLIPT.com. For further information on the Company's performance, we invite you to review our Annual Report on Form 10-K filed on March 11, 2021 and other filings which are available on the Company's website, as well as the SEC's website, sec.gov.

Now I would like to turn the call over to Allan Swaringen, Chief Executive Officer and Gregg Falk, Chief Financial Officer. At the conclusion of their comments, we will open the call for your questions.

Allan, if you'd like to begin?

Allan Swaringen
Thanks, Jill. Hello, everyone, and thank you for joining us for our fourth quarter earnings call.

While 2020 was a challenging year, the impacts to property income streams proved to be less severe than initially feared and the entire real estate asset class has not suffered losses of near the magnitude resulting from prior recessions. As the longest-tenured daily NAV REIT in the industry, we are proud of the resiliency JLL Income Property Trust exhibited in 2020. We closed out the fourth quarter in a strong financial position; hopeful for strengthening market fundamentals and optimistic over the waning impacts from COVID-19 as vaccination programs accelerate. The quality, resiliency, and tenant demand for our properties and locations could not be demonstrated more clearly than by the 1.2 million square feet of new and renewal leases we executed throughout 2020. The strength of our core investment thesis is also demonstrated by the extremely high level of occupancy our portfolio maintained throughout the pandemic-challenged environment last year, where we were on average leased at approximately 95% throughout 2020. We remain cautiously optimistic about the broader economic outlook for real estate markets and are excited about the new investments we closed in the fourth quarter last year and so far in 2021 as we shift from our pandemic-defensive mindset to a more offensive outlook. With that, we will now turn to recapping the fourth quarter and 2020 results.

We continue to focus on managing and enhancing our $3.5 billion-dollar portfolio of 85 core properties spanning the apartment, industrial, healthcare, office, and grocery-anchored retail property sectors. Across all share classes net of fees, we realized an approximate 1.1% positive income return, 0.4% positive appreciation return and an overall 1.4% positive total return for the fourth quarter. Quarterly dividends have now been paid for 36 consecutive quarters, with an average annual increase of 4.1% over that 9 year period. 2020 total return was a negative 0.7%, which resulted from a combination of a positive 4.6% income return and a negative 5.1% share valuation decline. Durable income and modest appreciation across market cycles are the cornerstones of JLL Income Property Trust's investment thesis.

Before going into further detail on our fourth quarter accomplishments, I will provide an overview of the broad economic environment in which we operated.

The US economy continued its recovery but more modestly in Q4 2020, amid higher COVID infection rates and continued business closures. US GDP in Q4 grew at a 4.0% annual rate following a robust 33.4% annualized rate in Q3. The overall labor market stalled in 2020, leaving payrolls at 9.5 million jobs below the pre-pandemic February 2020 level. Thankfully, signals abound that foundations of an economic recovery are being put in place. Through the first week of March, 82 million COVID-19 vaccination doses had been given in the US and the pace of vaccinations is accelerating. The personal savings rate was elevated in Q4 at 13.4%, implying pent-up spending power. Additionally, fiscal stimulus passed at the end of 2020, will now be further supplemented with an additional $1.9 trillion dollar stimulus package.

Fourth quarter data continued to show diverging property type performance. Apartment demand was stronger than usual in the typically slow fourth quarter, as rental activity made up some ground following slower demand earlier in the year. Vacancy rates at stabilized properties in major markets rose to 4.5% at year-end 2020, just 50 basis points higher than a year ago, as new supply

out-paced recovering demand. Behind this headline, there is an enormous divide between downtown and suburban markets – suburban rents edged up 1.2% in 2020 whereas downtown rents plunged negative 10.9%. Monthly data indicates the recovery has begun in some downtown markets at the end of 2020 and into the start of 2021.

The US industrial market finished the year exceptionally strong, as the surge in online shopping continued to drive demand for warehouse space. Industrial availability in major markets ended the fourth quarter at 7.3%, 30 basis points lower than a quarter ago, and 10 basis points higher than a year ago. Industrial net asking rents are up 2.1% from a quarter ago and 8.3% higher year-over-year.

The national office vacancy rate increased by 90 basis points to 15% during the fourth quarter. This brings the increase in office vacancies since the start of the COVID-19 pandemic to 270 basis points. Demand remained negative as many workers have yet to return to their offices; physical office utilization was near 24% according to data based on keycard entries.

Open-air retail fundamentals deteriorated slightly in the fourth quarter with net absorption of negative 5.8 million square feet. Full year 2020 new supply deliveries were just 0.2% of existing inventory and the under construction pipeline implies limited new supply continuing through 2021. The open-air retail vacancy rate rose 20 basis points from the previous quarter, and is up 90 basis points overall, to 7.4% at year-end.
Among niche property types, medical office fundamentals closed the year strong. Outpatient visits to medical office buildings rebounded to pre-COVID levels at year-end and rent collections across health care oriented real estate remained strong.

The capital markets saw real estate transaction volume meaningfully improve during the fourth quarter. December 2020 volume was the highest monthly total in 2020, nearly triple the pace of activity seen from March to November and down only 5% from December 2019. There are significant differences in transaction activity by property type, with strong investor interest for industrial, suburban apartments, medical office and life sciences.

The NCREIF Property Index, or NPI, quarterly appreciation return was 0.1% in Q4, up from negative readings in the first three quarters of the year. The full-year 2020 NPI total return was positive 1.6%. Industrial outperformed all other property types with a trailing year total return of 11.8%, and a quarterly gross total return of 4.7% in the fourth quarter – the highest quarterly return since Q2 2007. Trailing year garden apartment total returns were 5.2%, while mid and high-rise apartments showed negative appreciation. Office posted a 2020 total return of 1.6%. The retail annual total return fell to negative 7.5% in 2020, with malls under-performing with negative 13.8% appreciation in 2020 compared to negative 8.3% appreciation for open-air retail, a category that includes both grocery and non-grocery anchored centers.

Having covered the industry-wide performance and market update, Gregg will now share a closer look at our portfolio's financial performance in Q4 before I continue. Gregg?

Gregg Falk

Thanks, Allan. We finished the year off strong, with total revenues of $194 million dollars, compared to $174 million dollars in the prior year, an increase of 11% in our annual revenues. The increase of $20 million dollars is primarily related to new acquisitions we made during the past year. Net loss was $44 million dollars for the year. The loss is primarily driven by a non-cash unrealized fair-value loss on our investment in the New York City Retail Portfolio due to the COVID-19 impacts on retail, a prepayment penalty on the early payoff of a mortgage loan to allow us to take out a new mortgage loan at a significantly lower interest rate, and a reduction in rental revenue due to uncertainty of collectability from tenants experiencing negative impacts from COVID-19.

Funds from Operations, or FFO, is a supplemental measure of operating performance used by the real estate industry, which most closely resembles GAAP net income. For the year ended December 31st, we reported FFO of $56.6 million dollars, a decrease of $8 million dollars from the prior year, primarily as a result of non-cash-fair-value adjustments to our interest rate swaps and an increase in reserves for uncollectible accounts. FFO was $0.33 cents per share.

We also track AFFO as a supplemental measure of operating performance. AFFO is calculated as FFO adjusted for non-operating expenses and non-cash items. AFFO for 2020 was approximately $64 million dollars, a decrease of $1.7 million dollars or 3% over the prior year, primarily related to an increase in reserves for uncollectible accounts. This translates to $0.37 cents per share.

Rent collections continued to improve compared to the last two quarters, as businesses continue to recover from COVID-19's effects. Total portfolio collection rates as a percentage of billings for the fourth quarter were in the mid to upper 90's range each month. We collected 98% of our billed rents for 2020. Our grocery-anchored shopping center segment has been impacted the most in terms of value and collections; however, we remain confident that grocery-anchored shopping centers, featuring dominant grocers located in affluent trade areas, will make a strong recovery over time. To date, we have granted rent relief of $3.9 million dollars, made up of $2.8 million in rent deferrals and the remainder in rent abatement.

Stabilized occupancy remained quite strong throughout 2020 with the portfolio leased at 95% through the fourth quarter. Our occupancies by segment were 99% for Industrial, 94% for Apartment, 91% for grocery-anchored Retail, and 86% for Office. Maintaining higher occupancies through active tenant retention strategies continues to be a priority of our asset management team. The team has been focused on working with current and potential tenants to sign new and renewal leases. Trading lease term in exchange for future lease execution risk was a strategy of our management team, which has provided great benefit to us today and will continue to do so into the future. 2020 had significant leasing activity, despite the additional challenges COVID-19 caused during the year. Through year end, we signed leases for almost 1.2 million square feet, with the weighted average rent increase of 7% over the previously in place rental rate. During Q4, we had 2 grocery tenants sign 10-year lease extensions for a total of 131,000 square feet, taking these maturities out to 2033 and 2035. We also executed a 224,000 square foot early lease renewal with Amazon at a rate 32% above the previous expiring lease. Active asset management has been a key to our strategy since we launched in 2012. One of the primary ways that we generate predictable, attractive income for distribution to stockholders is through long-

term lease agreements with higher credit tenants. We also continually strive to lengthen the weighted-average lease term of our overall portfolio.

Offering a reliable and attractive level of current income to our stockholders that steadily grows over time is a primary focus of JLL Income Property Trust. On March 9, 2021, our Board of Directors approved a gross dividend for the first quarter of 2021 of $0.135 cents per share. The dividend is payable on or around March 30, 2021 to stockholders of record as of March 25, 2021. All stockholders will receive $0.135 cents per share, less share class specific fees, and the annualized yields will differ based on share class.

Since we launched our initial public offering in October of 2012, we have provided a net of fees annualized income return of 4.5% and appreciation return of 1.8% for a total return of 6.4% over that 8-plus year period.

Our NAV was approximately $2 billion at the end of the year. Our daily NAV methodology has provided stable market valuations, as evidenced by our sub 2% standard deviation of share price. Valuation gains in the industrial and apartment sectors significantly offset minor losses in the retail sector for an overall 0.6% increase in valuations during Q4.

Year to date, we have reinvested approximately $13.2 million dollars of capital improvements into our existing portfolio, all geared toward maintaining our higher occupancies.

As an SEC registered company, JLL Income Property Trust holds annual stockholder meetings to seek approvals for various proposals, including the election of our majority independent board of directors, and occasionally other business. Our annual stockholder meeting is scheduled to be held virtually via internet webcast at 8:30 AM Central time on June 10, 2021. Beginning in early April, we will be mailing to all stockholders a copy of our Annual Report and Proxy Statement and launch our Proxy solicitation outreach program. We need a majority of our shares of common stock voted in order to have a quorum for the stockholder meeting. We ask for your help in voting your shares or encouraging your clients to vote their shares.

Now, I'll hand the call back over to Allan to discuss Q4 activities.

Allan Swaringen
Thanks, Gregg.

Our research-led investment strategy resulted in a highly productive fourth quarter, closing three new acquisitions across the industrial and apartment sectors and investing in excess of $155 million. In October, we acquired Fort Worth Distribution Center, a newly constructed, Class A, state-of-the-art distribution center totaling 350 thousand square feet located in the North Fort Worth submarket. In December, we acquired two additional investments- Whitestown Distribution Center and Siena Suwanee Town Center. Whitestown Distribution Center is a newly constructed, Class A industrial portfolio located in the heart of Indianapolis' thriving industrial submarket of Whitestown. This 2020 constructed, two-building portfolio totals 720 thousand square feet, and is 100% leased. Siena Suwanee Town Center is a 240-unit luxury apartment community located in the affluent north-Atlanta suburb of Suwanee, Georgia. Suburban Atlanta

is a recommended portfolio overweight and is ranked within the top quartile of LaSalle's Research and Strategy Group's proprietary market tracking database. This investment was also noteworthy in that our unique UPREIT structure along with our diversified portfolio and daily valuation were attractive to the sellers who chose to contribute this property in exchange for interests in our company rather than selling for cash.

We are now in the midst of our most active first quarter ever in terms of new investments, expanding our portfolio with three new acquisitions across the industrial and healthcare sectors, adding over $230 million of new properties. The first of these is Louisville Distribution Center, a 1 million square foot, Class A industrial property located in the top-tier industrial submarket of South Louisville. The Louisville industrial market's low vacancy rate of 4% makes it an excellent market for us to continue to increase our allocation to core industrial assets located near critical transportation infrastructure. The next acquisition was 170 Park Avenue, a 140 thousand square foot, world-class, purpose-built life sciences building in Florham Park, New Jersey. The property is net-leased on a long-term basis as premier laboratory space and the corporate headquarters for Celularity, a clinical-stage biotechnology company. Celularity's lease term is for 15 years and provides for an average of 2.5% annual rent increases. This investment is strategic in that it expands our healthcare allocation to include both medical offices and now life science investments. Our most recent acquisition was Southeast Phoenix Distribution Center, a newly constructed, four-building, Class A distribution center totaling 474 thousand square feet located in the Chandler submarket of Phoenix. This four-building warehouse portfolio is 96% leased with an eight year weighted average lease term.

The broader industrial sector has proven to be resilient amid the pandemic and is on course to maintain its position as an outperforming property type for the foreseeable future. We remain bullish on the industrial sector as the demand drivers have been stronger than any other major property type and rent growth has exceeded expectations.

Including our recent new investments closed in Q1, the current portfolio diversification by property type is 30% Apartments, 30% Industrial, 23% grocery-anchored Retail, 7% Healthcare, 9% Office, and 1% Other, which currently consists of two parking garages.

Our overall company leverage ratio decreased to 34% at the end of Q4. Nearly 100% of our borrowings are at a fixed interest rate and we have minimal debt maturities through 2022. Our portfolio-wide weighted average remaining loan term is 5.5 years and our weighted average interest rate on outstanding borrowings is 3.6%. As we shift to a more offense-oriented investment strategy, we intend to moderately increase our LTV ratio throughout 2021 while also locking in attractive long-term fixed interest rates.

As for stock transactions, share repurchases have continued to decline compared to the first three quarters of 2020. We repurchased approximately $32 million dollars in shares pursuant to our share repurchase plan during the fourth quarter, which had a quarterly limit of $98 million dollars. First quarter 2021 share repurchases will have a limit of approximately $100 million dollars, which is 5% of our NAV as of December 31st. Stockholders should aspire to be long-term investors and hold our shares for seven to ten years or longer. Our share repurchase plan is available to stockholders subject to the quarterly limits and a twelve-month holding period.

We are well positioned to weather uncertainties in the current environment with our lower leverage, strong liquidity and recent capital raising success enabling us to seize attractive investment opportunities. We intend to focus on investing capital in the industrial and apartment sectors, as well as complementary low beta strategies such as health care, which fulfill key portfolio investment goals of reliable income and moderate NAV growth over time.

Over the last eight years, we have built what we believe to be a strong, stable real estate fund with a conservative strategy and resilient balance sheet, and we will remain true to our disciplined core investment philosophy. The fundamental reason for including real estate in a portfolio is long-term performance. Since inception in October 2012, JLL Income Property Trust has delivered attractive total returns with a 6.4% annualized net of fee return all the while focusing on core, stabilized lower-risk investments. While our one-year annual net return last year was negative 0.7%, we outperformed the institutional index for core properties that operate with the same rigorous quarterly independent third-party valuation processes that determines our daily NAV.

We continue to send our deepest gratitude to everyone on the front lines of the pandemic. As market conditions improve, COVID impacts decline, and the US economy enters a strong recovery period, we are focused on enhancing investment performance in the current year and beyond, while also keeping our employees and tenants safe and supporting the communities in which we work and invest. We also sincerely appreciate the trust that you place in us, and we wish all of you and your families good health and safety.

Operator, we would now like to open the call for any questions.

Operator
Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of John Guinee. Please proceed with your question.

Q: Great. Thank you very much. Nicely done, guys. First question is, you've got some financial obligations on the balance sheet of $156 million, which I'm assuming relates to the DST program, when does that convert to operating partnership units or common shares?

Allan Swaringen
Gregg, you want to take that?

Gregg Falk
Allan, yeah, I'll go ahead and take that.

Allan Swaringen
And thanks for joining us, John.

Gregg Falk
Sure, sure. So the financial obligations are related to the DST program. They will sit out there. They could be up to 10 years. They follow the term of the master lease, although JLL Income

Property Trust does have a fair market value option to reacquire the properties that are in the DST program after 2 years once they've been fully syndicated out. So it could be as short as 2 years, but it could be as long as 10 years and they are a decreasing liability over the term of the DST program.

Q: Great. Great. And then, second, it looks like you spend about $20 million in CapEx in 2019, but about $13 million in 2020, which I assume has to do with just the natural delays due to COVID. What are you expecting to spend in 2021?

Gregg Falk
John, unfortunately, we're not allowed to give out forward-looking projections like that, being in basically a constant IPO situation with the fund, so we can't give forward projection.

Q: Okay. Then your leverage is about 34%. Your major peers SREIT and BREIT are over 50%. How far do you think you would feel comfortable increasing your leverage?

Allan Swaringen
John, I think I said in my prepared comments that we're clearly shifting from really being kind of a late-cycle and then pandemic-defensive positioning of our balance sheet. We're definitely feeling more optimistic about the economy and the outlook. And it is our intention to boost our leverage throughout 2021 and 2022.

Target would be from our 35 percentage range up to 45%. We're well aware that our peers are higher. We still feel like core real estate, as a kind of theme, should be under 50%. So you'll see us kind of move in and out from 35% to 45%, probably never bump over 50% though.

Q: Okay. And then, last question, congratulations on the Amazon renewal. Did you say how many years and did they take more space in your building or the same amount of space?

Allan Swaringen
John, it was a full building that they occupied. And unfortunately, I don't remember the term of the lease. It was 3 to 5 years or something like that from today.

Q: Great. Thank you very much. Nice job, guys.

Allan Swaringen
Thanks, John.

Operator
Thank you. Our next question comes from line of Chris Hill. Please proceed with your question.

Q: Yeah, thank you. It sounds like you guys are moving on from the pandemic environment. What are your learnings or observations, as you successfully navigated 2020?

Allan Swaringen
Thanks, Chris. So a couple of points I'd make and then I'd ask Gregg, our CFO, to comment more

from his financial and balance sheet perspective. From my perspective, kind of as I mentioned a minute ago to John, I think our low-leverage position does well throughout the pandemic. The overall recessionary impacts of this healthcare crisis induced recession were not as long-lasting, and to be honest, not as material as prior recessions, if you compare the loss of jobs or even GDP to the global financial crisis.

Overall, except for the human toll, we came out pretty – as an economy, came up pretty well. So we were well positioned for a longer and more protracted downturn. Throughout 2020, we looked at and ran all sorts of stress test scenarios of a much longer decline. But – so I would say we felt good that our low leverage gave us a lot of comfort and we were not near as impacted in the downside.

My other takeaway is that, again, also as comparing it to the last recessionary period, property selection, property sector selection really mattered and made a material difference in performance and compared to prior recessionary periods, where all property types were negatively impacted, and throughout 2020, certain sectors such as industrial and apartments performed very well and other sectors such as hotels and malls were impacted much more significantly.

So we're quite pleased that our research and strategy led investment themes focusing on long-term secular trends. I think, guided us to be where we should be, and we're going to continue to focus going forward on some of the longer-term secular trends. It's interesting to note that the pandemic-induced recession really accelerated a lot of those longer-term secular themes that our research and strategy group has been guiding us to think about when we make investments. So those would be my 2 thoughts. Gregg, yours?

Gregg Falk
Yeah. Sure, just a couple quick thoughts here. First, I would say, entering the March timeframe a year ago, having a well documented valuation policy with a really experienced independent valuation advisor like we have in RERC proves to really be invaluable when real estate market turbulence is going to impact the values of certain of our properties. And we need to accurately strike in that asset value each and every day. It is fair to both the buyers and sellers of our common stock.

The other thing would be continuing to maintain a strong balance sheet that allows for significant liquidity is vital, when you've got unstable markets like we saw over the last year really allows us to sleep better at night, knowing that we have the cash available to fund repurchases, a dividend, cover our debt service, reinvest in our property to maintain our high quality portfolio. So thanks for that question.

Operator
Thank you. Our next question comes from the line of [Jack Smith] [ph]. Please proceed with your question.

Q: Thank you. During your prepared comments, you mentioned a number of times shifting from defensive positioning to more offense. Could you elaborate on that, please?

Allan Swaringen
Yeah. Thanks, Jack. So I commented that we were quite conservative and defensive coming into the pandemic very much with the mindset that we were late and 11-year-plus economic kind of growth in expansion of the U.S. economy. But now that kind of that recession has hit and the U.S. economy has kind of taken that on the chin and recovered. We think in a recovery mode, the 3.5%, 4% GDP decline, and then 9.5 million jobs. We see strong to modest job growth, the stimulus packages are going to help a lot. So we've really increased our investing pace. And across Q4 and Q1, we've invested more than $400 million. And we have a strong pipeline of new acquisitions. So that's optimistic for us.

As I mentioned before, we're going to moderately measurably increase our leverage throughout 2021 and 2022 still focused in our mind on locking in long-term fixed rate borrowings, we still find interest rates – long interest rates to be quite attractive. So we want to grab those while we can and in terms of the liquidity we injected into our balance sheet in 2020, as a defensive measure, borrowing on our line of credit, unfortunately sitting in cash.

Cash can be quite dilutive to a fund such as ours and our belief is that kind of the defensive measures we installed throughout 2020 expecting or maybe being prepared for a longer and deeper downturn probably impacted our investment performance upwards of 100 basis points last year. So that's behind us, we've unwounded that defense, and now that kind of liquidity is purchasing power for us. So we've got a lot of dry powder, and we're aggressively moving into the markets to grow our fund and then moderately increased leverage focused on our fixed rate borrowing strategy.

Operator
Thank you. Our next question comes from the line of Matt Blackburn. Please proceed with your question. Thank you.

Q: You mentioned a new sector allocation at healthcare. Could you give us a little more color and what that means for the portfolio? Thanks.

Allan Swaringen
Yeah. Thanks, Matt. First off, those of us that looks out. We've been investing in MOBs, medical office buildings for over 20 years. We've got a very long track record across different fund series and income property trust its own medical office for a while, and it's something we intend to and have wanted to add too. And medical office buildings are kind 1 sub-sector of the overall healthcare oriented real estate. The medical office has certain characteristics that really are quite distinguished from traditional office buildings, especially the MOBs that we focus on, which are generally leased on a long-term basis to large doctor practice groups, we've really moved away from the individual private practice doctor as a tenant and are focused on aggregated large doctor practice groups.

And with those groups, they bring significant capital and significant investment in the property themselves, they signed long-term leases, and if you look at the performance of MOBs over the long-term, they have higher tenant retention, they required less capital at renewals and really very different than traditional office buildings, which are quite capital intensive and hard to generate

more cash flow. So for all those reasons, we really liked MOBs. And earlier this year, we added our first life sciences property of the portfolio and very similar dynamics from our perspective in terms of the real estate from life sciences, as the MOBs.

The property we bought at New Jersey, its long-term lease to a biotechnology company that's doing significant drug development and drug therapy development, and they in the former owner invested more into improvements in the buildings, and then what we paid for the building. And so, we – they signed a very long lease and we see them as long-term very sticky tenants, mainly because they have such expensive improvements in those buildings, it's very hard to relocate that sort of equipment. And the building has been enhanced with 24/7 heat, light and power, and HVAC systems that circulate the air 4 times just a lot of very technical equipment things like that, which we think make the building more valuable and as a tenant make them long-term and requires much less capital for us.

So in that healthcare area, which again is a long-term secular growth opportunity for us getting them an aging America, we think the outlook long-term for both medical office and life science properties is great, and we've glad that we've added to that sector. Today is about 7% of our fund with an aggregate investment of about $220 million across 5 properties. But we hope to continue to grow it and probably will lean more into the healthcare oriented office sectors like MOBs and life sciences as opposed to traditional office buildings, at least until we see some re-pricing or better opportunities in the traditional office sector.

Q: Appreciate it. Thanks.

Operator
Thank you. Our next question comes from the line of Mike Laudizio. Please proceed with your question.

Q: Thanks. Given your real estate fund, the most common question we get asked by clients is what's going on in the office markets? Could you please speak to that property sector? Thanks.

Allan Swaringen
Yeah, it's interesting, I just kind of mentioned that a little bit, I mean, and certainly understand, we often try to educate advisors that our investable universe in the United States is kind of upwards of $17 trillion, it's a very large component of the U.S. economy commercial real estate is and about 40% of that $17 trillion is office building. So it's the primary market. And as advisors, we know once it gets your clients over thinking they have a big investment in real estate from their house or primary residence then they start thinking about office buildings. It's one of the benefits of a fund like ours within advisor-led and research-led investment strategy. We get to pick property types and sectors that that we think are going to do better and tend to avoid the others or try to anyway.

So as I've mentioned, we're pretty underway to office with really only 3 traditional office buildings. That said, we certainly understand the questions you get and the office market, we think it's going to face challenges, probably, for the next 12 to 24 months. I mentioned in my prepared comments that, I think, office vacancy is up almost 300 basis points, 3% kind of sense same time last year. We think that's going to continue.

And interesting to note that office utilization, people going into their offices, is about a quarter of the normal volume. That said, our firm in Chicago recently renewed its lease for a long-term and I was in the office yesterday and today. And even though about 75% of my colleagues have not returned to the office yet, our firm is still going to pay that lease. And so, office income does have some resiliency to it, because the leases can be longer.

Our perspective is it's going to be a challenged property sector for at least the next 12 to 24 months, until vaccines take place and people get comfortable with public transportation. The one area with office we're going to continue to look at is maybe suburban office. We think suburban office could see a little bit of a resurgence, as people think about, instead of big companies consolidating their headquarters in large urban city environments, pandemic impacts may cause them to think about spreading their workforce out.

And we think suburban office, where people can drive to work, parking – open-air parking garages and kind of walk upstairs to their offices, might become more attractive than some of the downtown high-rises, at least for a period of time here until people get comfortable post-pandemic. So we're underweighted. We're going to stay underweighted. We're going to keep our eye on it, but just probably really going to focus more in the healthcare area on the office side than traditional typical multi-tenant stuff.

Operator
Thank you. Our next question comes from the line of Max Stegner. Please proceed with your questions.

Q: Thanks. Can you compare private versus public REITS, specifically touching on how they performed last year?

Allan Swaringen
Yeah, Max, we get that question a lot. And, listen, as a firm, we manage investments and listed REIT securities for institutional clients. So we really believe there's a place in client portfolios for both public and private REITs. I think 2020 is a real case for why you might want some of both overall public REITs were off, and in the aggregate at the All Equity Index kind of off about 5%.

In 2020, they peaked the trough. They were off almost 40% from their highs early in the year to the lows of the midyear. And they lagged the market on the recovery and the upside, where the broader equity market recovered more strongly and more quickly, REITs have lagged. And that's on a general All Equity basis.

Now, the challenge with public REITs are as you look across different property sectors, very divergent performance across different sectors. And so, hotels and malls or office REITs are still down and lagging more than the All Equity Index, but other sectors such as healthcare and life sciences and data centers, they're up nicely.

And so, I think that's one of the challenging thing for advisors is if talking about public REITs, is there's a lot of different things in that basket. And so, you really got to hire a manager to pick

REITs for you or invest in funds. With funds like ours and NAV REITs, we're really trying to deliver to investors a solution that trades at fair value of the real estate.

People will often talk about public REITs trading above or below NAV, and whether that's an opportune time to invest them or not. I don't spend a lot of time thinking about that. But we like our lower volatility, sub-2% standard deviation for our fund and almost the 9-year mark. That's about, I don't know, 8 or 9 times lower volatility than the public REIT market has been for the last 10, 15 years.

So we like being that lower volatility income focused solution. Yields on our program, I think currently a little more attractive than public REITs. But obviously, public REITs get the liquidity and you have to balance that for your client needs in terms of liquidity. So, private real estate outperformed public last year, but that's not always going to be the case either. So we're advocates of both, but like the lower volatility and think there's a position for our solution in client portfolios too.

Operator
Thank you. [Operator Instructions] Thank you. There are no other questions. And this concludes today's call. I'll hand the call back to Allan Swaringen for closing comments.

Allan Swaringen
Thank you all for joining us today. Operator, thank you for your assistance and we look forward to updating you late April, early May, with our first quarter results. Everyone have a great day.

Operator
Thank you. This concludes today's conference. You may now disconnect your lines.