

THE REPORT:

INVESTMENT,
NOI & COVENANTS:
MANAGING THE RISKS



Yardi® Investment Suite



Investment, NOI and Covenants: Managing the Risks

In any business cycle, investors and asset managers need to draw on all available strategies and tools, including the most effective technology.

TOPICS COVERED IN THIS YARDI SPECIAL REPORT

- Assessing risk management amid market turmoil
- NOI and debt covenants: a crucial connection
- Reading real estate cycles post-pandemic
- Navigating a tight lending environment
- How automation enhances decision-making

YARDI

2024 was another year marked by adaptation to changes ushered in by higher interest and CRE vacancy rates that can ultimately lead to further credit challenges to banks and large commercial real estate exposure perpetuating the need to:

Assess risk management

Connect NOI and debt covenants

Navigate a tight lending environment

Enhance decision making with automation

Bridge the gap between asset performance and lender expectations

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report



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Global divergences have characterized economic pathways in the fourth quarter of 2024 and opening weeks of 2025.

In the US, strong GDP growth has signaled resilience, while muted employment gains during some months have alternated with strong results in others. In contrast, across much of Continental Europe and the UK, weakening macroeconomic indicators have weighed heavily. The effects of rising barriers to trade and technology transfers are yet to be fully felt, but anticipated disruptions have heightened concerns in the most exposed sectors (e.g., energy and automotive) and markets (e.g., Canada, China, Germany, Mexico, and South Korea).

Public equities markets have largely mirrored economic events and expectations. The S&P 500, Nasdaq, and others have remained near the all-time highs they reached in late 2024, capping two straight years of returns exceeding 20%. Many global indices have treaded water or declined since last October, including the FTSE Developed Europe Ex UK, MSCI Emerging Markets, and Shanghai Composite. While the performance of equities varied considerably across geographic boundaries, bond prices fell more uniformly amid sticky inflation and corresponding expectations that central banks will pause rate cuts. Similarly, a rise in long-term rates helped explain negative returns for the FTSE Nareit US Real Estate All REITs Index in the fourth quarter. The MSCI/PREA US Property Fund Index rose by 1% during the same period, with marked disparities across property types. Continued underperformance in office contrasted with outperformance in retail, the latter buoyed by strong leasing and a lack of new supply.

The most recent PREA webinar, announcing the latest results of the MSCI/PREA US Quarterly Property Fund Index, was held on February 14. You can replay the webinar [here](#). The same link will bring you to upcoming webinars on the state of the European real estate markets (February 26) and the effects on housing affordability of institutional investment in single-family rentals (March 3). For many PREA members, conferences are the marquee events that bring them face-to-face with peers to discuss developments in the industry and marketplace. PREA's Spring Conference will be held March 26–27 in Dallas and cover such timely topics as geopolitics, investing in the Dallas–Fort Worth metroplex, the path from investment gridlock to capital flows, alternative real estate sectors, private credit and other corners of the lending landscape, and blockchain's real estate use cases. The conference will conclude with a not-to-be-missed conversation, moderated by David Rubenstein, between Harlan Crow and Jeffrey Hines. You can learn more and register [here](#) if you have not already done so.

In my Chair's Report last spring, I recognized the extraordinary contributions and impact of PREA President Gail Haynes as she announced her intention to retire at the end of 2025. The succession plan that she and the PREA Board developed over a period of years enabled a highly effective executive search, undertaken by Korn Ferry. Many of you have read or heard about the outcome of this search process, but I am delighted to share in these pages that Zoe Hughes will be joining PREA as its next CEO in March of this year. We know that Zoe, who has achieved so much as the CEO of the National Association of Real Estate Investment Managers (NAREIM), will be the perfect leader to carry PREA through its next chapter of success. The upcoming PREA conferences will be perfect opportunities to offer Gail and Zoe your thanks and congratulations.

Regards,

Anar Chudgar

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