



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: September 20, 2023

SUBJECT: Quarterly Investment Performance Report – Real Estate

SUBMITTED FOR: ___ Consent ___ **Deliberation and Action** X **Receive and File**

RECOMMENDATION

Receive and file the performance report on real estate investments for the quarter ending June 30, 2023, as presented by Townsend Group.

PURPOSE

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

DISCUSSION

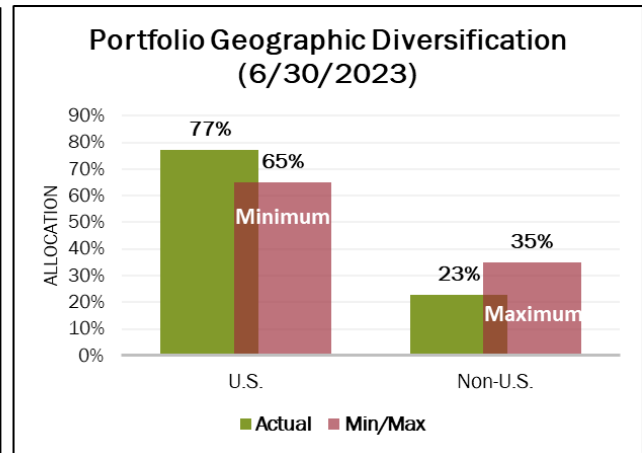
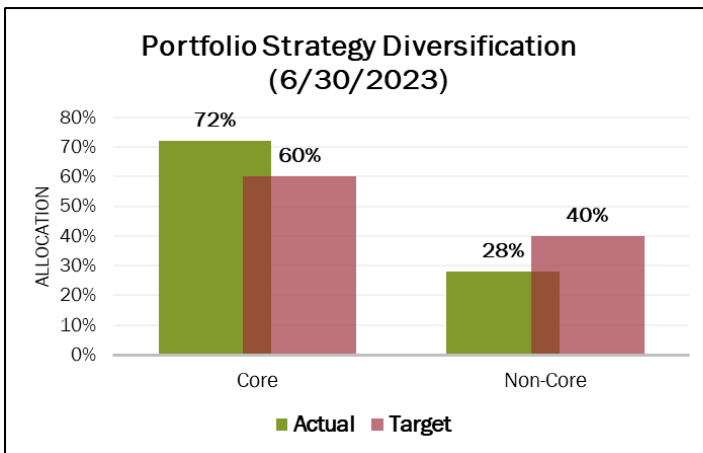
This memorandum provides a summarized table of SCERS' Real Estate period returns, which are provided within Townsend's Quarterly Performance Review, and highlights notable manager performance, along with any recent real estate investments made by SCERS.

SCERS' Real Estate actual invested allocation is 8.4% as of June 30, 2023, slightly under the target allocation of 9.0% but within the allocation range of 7.0%-11.0%. SCERS' real estate portfolio allocation is currently underweight non-core and non-U.S. strategies, which is a focus for 2023 commitments.

SCERS REAL ESTATE PERFORMANCE SUMMARY
Quarter Reporting Period Ended June 30, 2023

SUB-ASSET CLASS	Quarter 6/30/23	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	-3.6%	-9.6%	9.1%	7.2%	8.4%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	-2.8%	-10.4%	7.4%	6.0%	6.6%	Nov-86
Core Portfolio	-3.6%	-11.5%	10.1%	8.4%	7.3%	Nov-86
NFI-ODCE Index	-2.9%	-10.7%	7.0%	5.6%	6.2%	
Non-Core Portfolio	-3.8%	-4.4%	6.5%	5.2%	5.5%	Jun-06
Value Add Portfolio	-1.7%	3.6%	13.5%	10.5%	5.4%	Jun-06
Opportunistic	-7.5%	-4.4%	-3.8%	-2.3%	6.4%	May-13
NFI-ODCE + 1% Index	-2.6%	-9.7%	8.0%	6.6%	7.2%	

SCERS PORTFOLIO DIVERSIFICATION



SCERS PORTFOLIO RESULTS

For the quarter ended June 30, 2023, SCERS’ Real Estate portfolio was down -3.6%, underperforming against the NFI-ODCE blended benchmark return of -2.8%. The Non-Core portfolio (-3.8%) underperformed against the NFI-ODCE + 1% benchmark return of -2.6%, with the Value Add sub-strategy outperforming the index, -1.7% versus -2.6%.

SCERS’ Real Estate portfolio’s negative return was driven by the broad write-down of assets values amidst a challenging economic environment, with transaction volumes down by 30%-50% as rising interest rates and a slowing economy have impacted property values. While SCERS’ Real Estate portfolio’s quarterly and one-year returns were negative, the portfolio has outperformed its benchmark over all reporting periods except the quarter’s return.

Below are notable top and bottom performing funds during the quarter ended June 30, 2023:

- Top performing funds:
 - Core:
 - Prologis Europe Logistics Fund: -0.3% in U.S. Dollars (-1.0% in Euros)
 - Non-Core:
 - NREP Nordic Strategies Fund V: +39.5% in U.S. Dollars (+38.6% in Euros)
 - Hammes Partners Fund II: +3.6%
 - DRC European Real Estate Debt Fund II: +3.0% in U.S. Dollars (+0.0% in Pound Sterling)

Bottom performing funds:

- Core:
 - Clarion Lion Properties Fund: -6.2%
 - Brookfield Premier Real Estate Partners: -5.1%
 - MetLife Core Property Fund: -4.5%
- Non-Core:
 - Carlyle China Realty Logistics: -15.1%
 - Carlyle China Rome Logistics: -15.0%
 - CIM Fund VIII: -4.3%

NEW INVESTMENTS

During the quarter ended June 30, 2023, SCERS made the following new commitments:

- None

After the quarter, SCERS made the following new investments:

- None

ATTACHMENTS

- Board Order
- Townsend's Real Estate Portfolio Performance Measurement Report for the Quarter ended June 30, 2023

Prepared by:
/S/

JR Pearce
Senior Investment Officer

Reviewed by:
/S/

Steve Davis
Chief Investment Officer

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
September 20, 2023**

AGENDA ITEM:

Quarterly Investment Performance Report—Real Estate

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the performance report on real estate investments for the quarter ending June 30, 2023, as presented by Townsend Group.

I HEREBY CERTIFY that the above order was passed and adopted on September 20, 2023 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



TOWNSEND[®]
GROUP

an Aon company

Real Estate Portfolio

Performance Measurement Report

SECOND QUARTER 2023



SCERS

SACRAMENTO COUNTY
EMPLOYEES'
RETIREMENT SYSTEM

SCERS Real Estate Portfolio Overview

- SCERS recently changed the target real estate allocation from 7% to 9% with the allowable range changing to 7.0%-11.0%. As of the end of the second quarter, 2023 (the “Quarter”), the Real Estate Portfolio was slightly below the new real estate target but within the allowable range at 8.1%. Core Real Estate currently makes up 72.1% of the portfolio, with Non-Core Real Estate making up the remaining 27.9%.

SCERS' Real Estate Portfolio Construction:

	Minimum	Target	Maximum	Policy Index Benchmark
Total Real Estate Program	7%	9%	11%	Custom blend of benchmarks below:
Core Real Estate	50%	60%	80%	60% NFI-ODCE +
Non-Core Real Estate	30%	40%	50%	40% NFI-ODCE + 1%
U.S. Real Estate	60%	65%	80%	
Non-U.S. Real Estate	0%	35%	35%	

- Performance of the Core Portfolio is evaluated over rolling 10-year time periods relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. The NFI-ODCE represents the aggregation of twenty-six Diversified Core open-end commingled funds invested across the United States.
- In July of 2017, Staff and Townsend recommended revising the Real Estate IPS to reflect transition away from IMAs, including removal of the Core vehicle constraints of 0-60% (30% target) for funds and 40-100% (70% target) for IMAs, which was subsequently approved by the Board.
- In 2018, SCERS’ Core IMA Program transitioned to a commingled fund manager. Following an extensive bidding, selection and structuring process, Staff and Townsend selected Clarion’s Lion Properties Fund as the recipient for the Core IMA Portfolio. Given the size of the Core IMA Portfolio, SCERS reduced concentration risk by allocating funds to an additional manager, Brookfield’s Premier Property Partners, in order to achieve greater diversification within the Core Portfolio. SCERS’ investment in Brookfield Premier Property Fund was funded October 1, 2018.
- The loan-to-value ratio of the Private Real Estate Portfolio was 37.8% at the end of the second quarter of 2023. The loan-to-value ratio of the Core Portfolio was 31.6%, below the 40.0% leverage constraint for Core as approved by the Board. As a point of reference, the loan-to-value ratio of the NFI-ODCE was 24.5% as of the first quarter. The Non-Core Portfolio reported a loan-to-value ratio of 49.6%.

Portfolio Funding Status

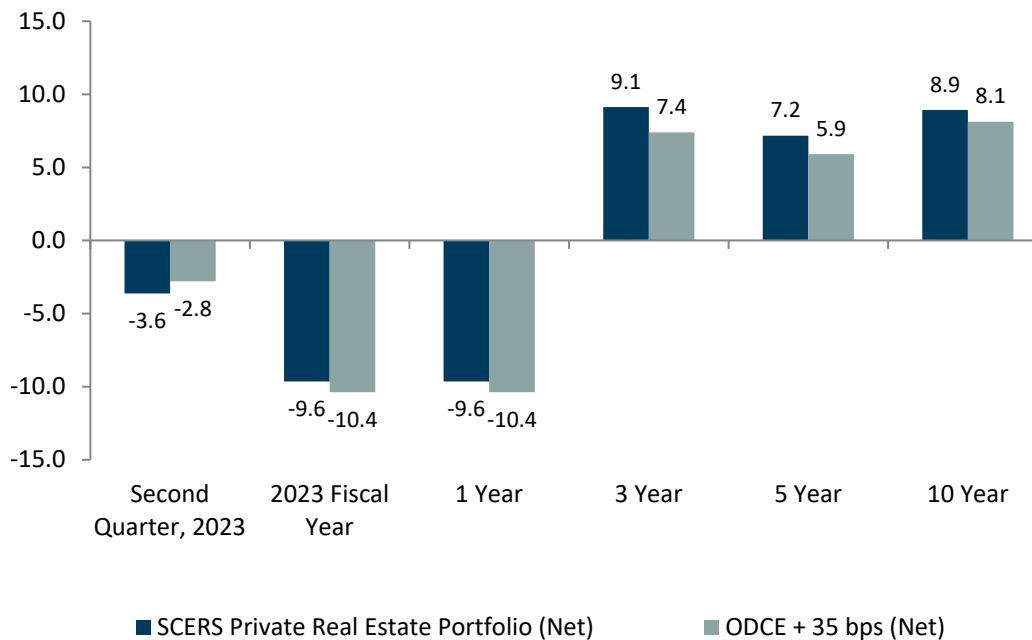
- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through June 30, 2023.
- A detailed performance report is also provided in **Exhibit A**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end and future distributions.
- Unfunded commitments may never be fully drawn.

SCERS Portfolio Snapshot <i>As of June 30, 2023</i>	Market Value (in millions of dollars)*	% of SCERS Plan	% of Real Estate
SCERS Total Plan Assets	12,370	100.0%	
Private Portfolio Target	1,113	9.0%**	
Private Portfolio Permissible Range		7.0-11.0%**	
Private Real Estate			
Core Portfolio	721	5.8%	72.1%
Non-Core Portfolio	279	2.3%	27.9%
Total SCERS Private Real Estate Market Value	1,000	8.1%	
Total SCERS Private Real Estate Unfunded Commitments	217	1.8%	

• Figures may not add due to rounding

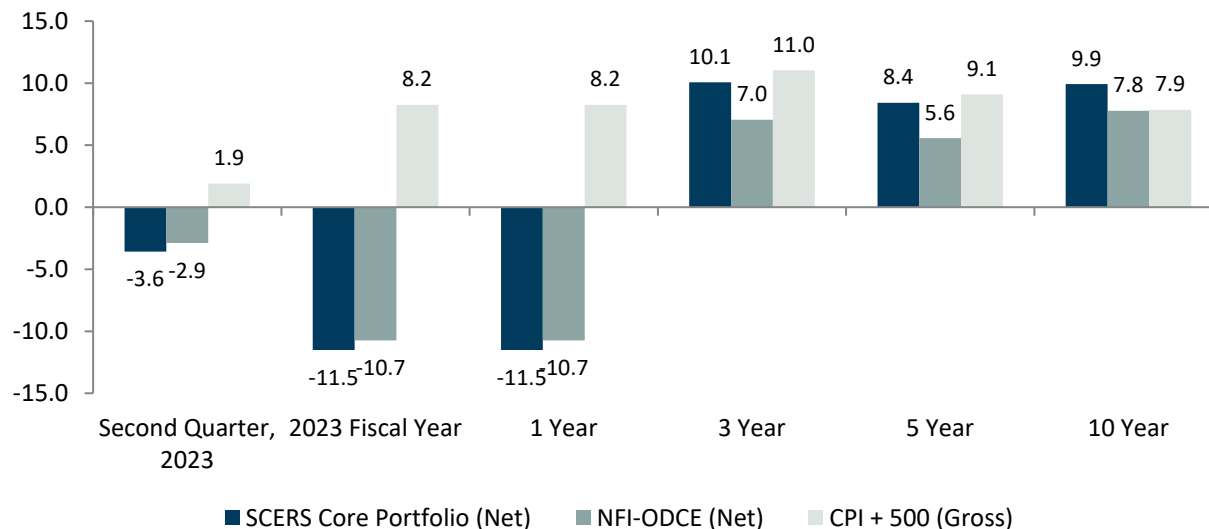
** The 9% Private Portfolio (RE) target and permissible range were approved during the third quarter of 2021

Private Real Estate Performance



- The SCERS Private Real Estate Portfolio includes: (1) Core Real Estate and (2) Non-Core Real Estate.
- The SCERS Private Real Estate Benchmark is comprised of the NFI-ODCE (Core Benchmark, net) (65%) and the NFI-ODCE + 100bps (Non-Core Benchmark, net) (35%), resulting in an NFI-ODCE + 35bps (net) portfolio benchmark.
- During the second quarter of 2023, the SCERS Private Real Estate Portfolio underperformed the benchmark by 83 basis points. Underperformance was driven by both the Core and Non-Core Portfolios as the managers continued to adjust valuations downward to reflect the slowdown in the market.
- Nevertheless, the SCERS Total Real Estate Portfolio outperformed the benchmark over the 3-year, 5-year and 10-year time periods driven by the robust performance of the Core funds as well as the Non-Core investments.

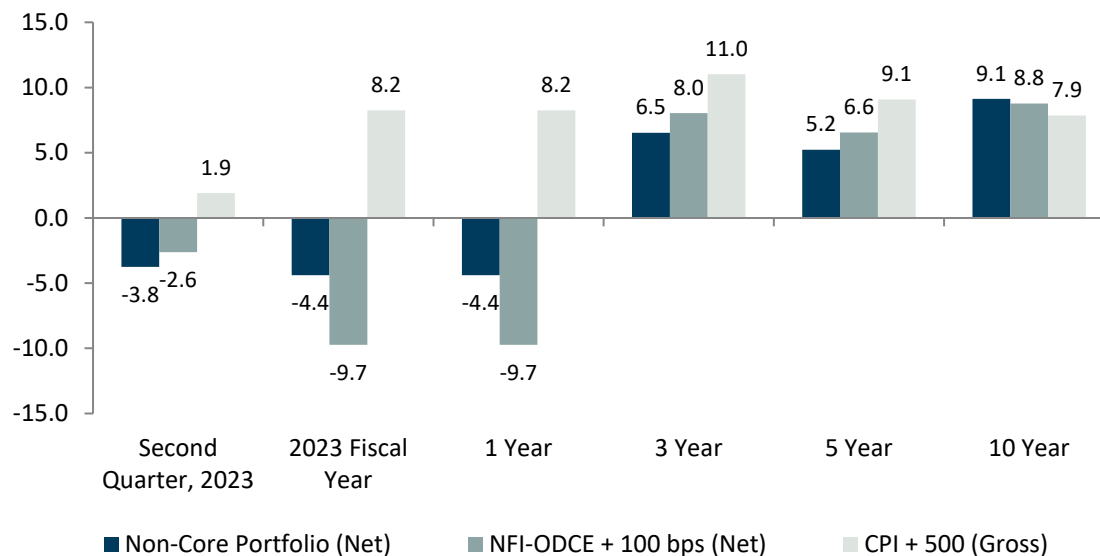
Core Portfolio Performance



- The SCERS Core Portfolio consists of seven open-end Core Commingled funds. The Core Commingled Fund exposure includes, MetLife Core Property Fund, Principal U.S. Property Account, Prologis Targeted U.S. Logistics Fund, Prologis European Logistics Fund, Townsend Real Estate Fund, Brookfield Premier Real Estate Partners, and Clarion’s Lion Properties Fund.
- Performance of the Core Portfolio is evaluated relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. In aggregate, the Core Portfolio outperforms the NFI-ODCE, net of fees, over the mid and long-term periods but underperforms over the trailing quarter and year. The NFI-ODCE benchmark has been lagging in reflecting the overall market conditions in real estate as appraisers are challenged with valuations because of the lack of transactions.
- During the Quarter, the Core portfolio underperformed the NFI-ODCE by 69 basis points generating -3.6% in net returns as the Core open-end fund managers continue to write-downs their assets in response to the higher interest rate environment.
- Subsequent to quarter-end, the requested \$50 million redemption was received from Prologis Targeted U.S. Logistics Fund.

*EX-US funds produced the following 2Q23 net returns in local currency: Prologis European Logistics Fund (Euro) (1.0%).

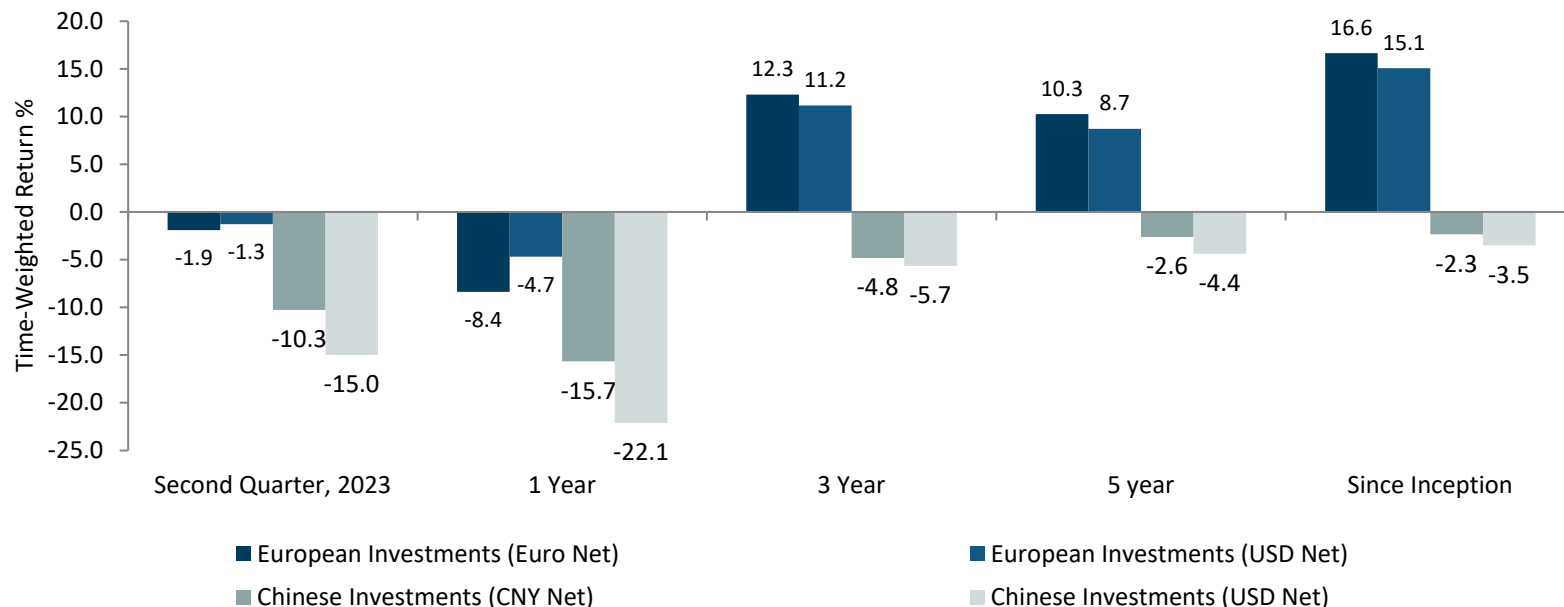
Non-Core Portfolio Performance



- The SCERS Non-Core Portfolio includes both Value Added and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms.
- The Non-Core Portfolio's performance has been mixed with underperformance over the trailing quarter, 3-year and 5-year periods but outperformance over the trailing year and 10-year periods.
- During the quarter, the Non-Core Portfolio underperformed the benchmark by 113 basis points recording net returns of (3.8%). The underperformance is attributed to the opportunistic investments, especially Carlyle China Realty and Carlyle China Project Rome Co-Investment which dragged down the performance producing net returns of (15.0%) and (15.1%) affected by write-downs and currency fluctuations.

**EX-US funds produced the following 2Q23 net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) 0.0%, ECE European Prime Shopping Centre Fund II (Euro) 2.0%, NREP Nordic Strategies Fund (Euro) (0.2%), NREP Nordic Strategies Fund II (Euro) (10.3%), NREP Nordic Strategies Fund III (Euro) (6.3%), NREP Nordic Strategies Fund IV (Euro) (8.9%), Carlyle China Realty Fund (Chinese Yuan) (10.4%) and Carlyle's Project Rome (Chinese Yuan) (10.3%).*

Ex-US Portfolio Performance



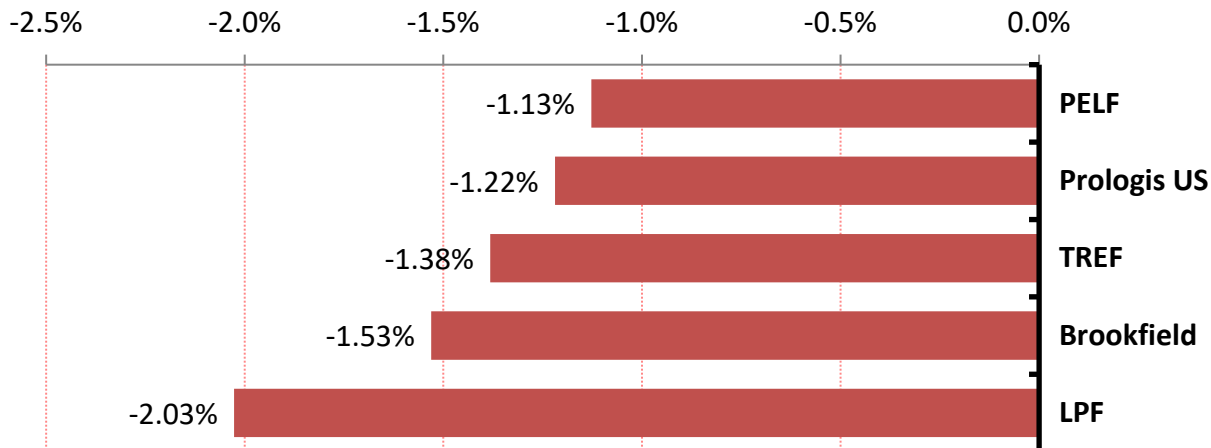
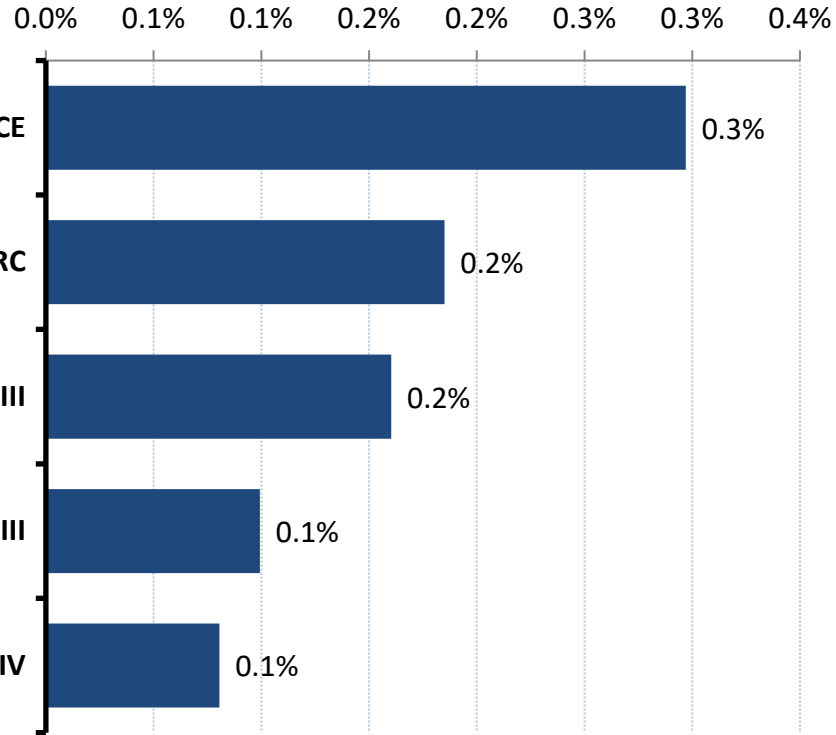
- Approximately 21.1% of the SCERS Portfolio is comprised of Ex-US investments. SCERS does not currently hedge its foreign currency exposures and pays liabilities in US Dollars. As such, FX movement will impact performance for Ex-US investments. The chart above isolates European and Asian investments and displays performance both before and after currency conversion.
- During the quarter, currency movements had a mixed impact on foreign investments with investments in Euros positively affected while investments in and Chinese Yuan negatively impacted. However, currency impacts on performance tend to be cyclical in nature.
- The SCERS Euro Denominated Composite includes: ECE European Prime Shopping Center Fund II (Euro) 2.0%, NREP Nordic Strategies Fund (Euro) (0.2%), NREP Nordic Strategies Fund II (Euro) (10.3%), NREP Nordic Strategies Fund III (Euro) (6.3%), NREP Nordic Strategies Fund IV (Euro) (8.9%) and Prologis European Logistics Fund (PELF) (1.0%).
 - Since Inception period begins 1Q15.
 - For the purposes of this composite, DRC has been excluded since it is a Pound denominated fund.
- The SCERS Chinese Yuan Composite includes: Carlyle China Realty Fund (Chinese Yuan) (10.4%) and Carlyle's Project Rome (Chinese Yuan) (10.3%).
 - Since Inception period begins 3Q17.
 - SCERS' Carlyle investments are USD denominated at the fund level, but property values are exposed to currency translation.

*Seven Seas Japan was excluded from the graph because the fund is new and undergoing the J-curve effect so returns aren't meaningful.

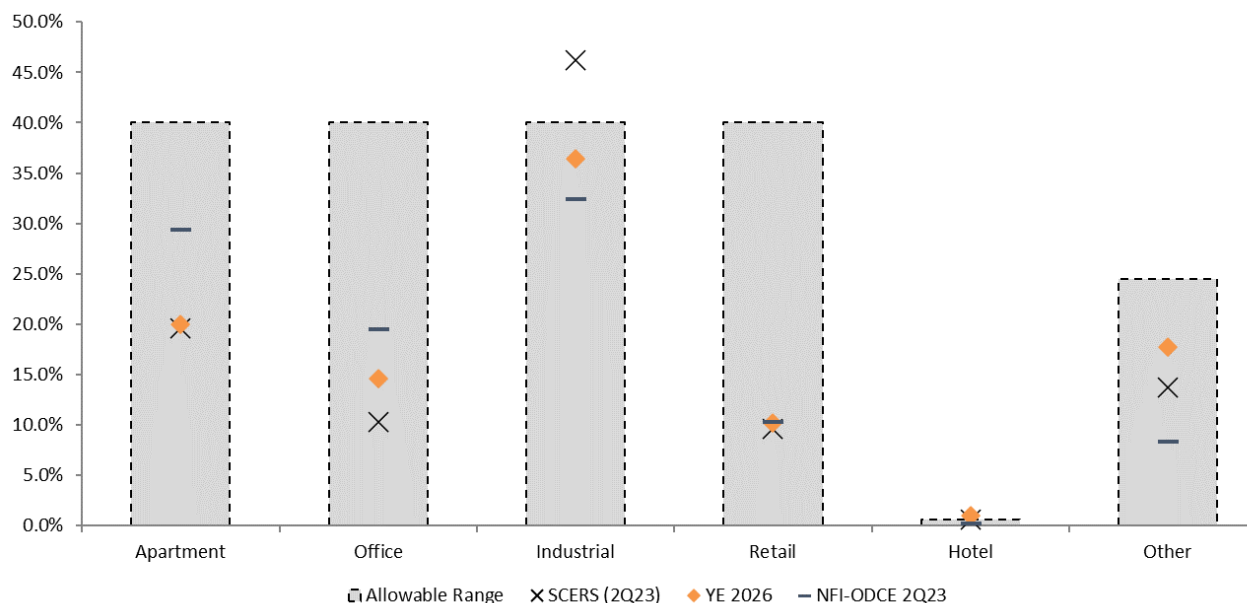
Performance Attribution- One Year Period

- Over the trailing twelve-months period, the top five performers were non-core investments including value-add and opportunistic funds which drove outperformance of the SCERS Portfolio recently. The funds include Sculptor Real Estate Fund III, DRC European Real Estate Debt Fund II, ECE European Prime Shopping Center Fund II, Hammes Partners III and Sculptor Real Estate Fund IV.
- Lion Properties Fund (LPF) was the largest detractor. LPF recorded negative returns for the ending of 2022 and continued through 2023 as a result of write-downs in the fund's assets due to cap rate expansion across the fund's assets.
- Brookfield Premier Real Estate Partners was the second largest detractor. Brookfield's performance was impacted by valuation write-downs in the office sector particularly in San Francisco and Denver.
- Townsend Real Estate Fund performance detracted during the second quarter of 2023 as a number of the fund's underlying positions continued to be affected by the higher interest rate environment.

Hammes Partners III



Real Estate Private Portfolio Diversification – Property Type

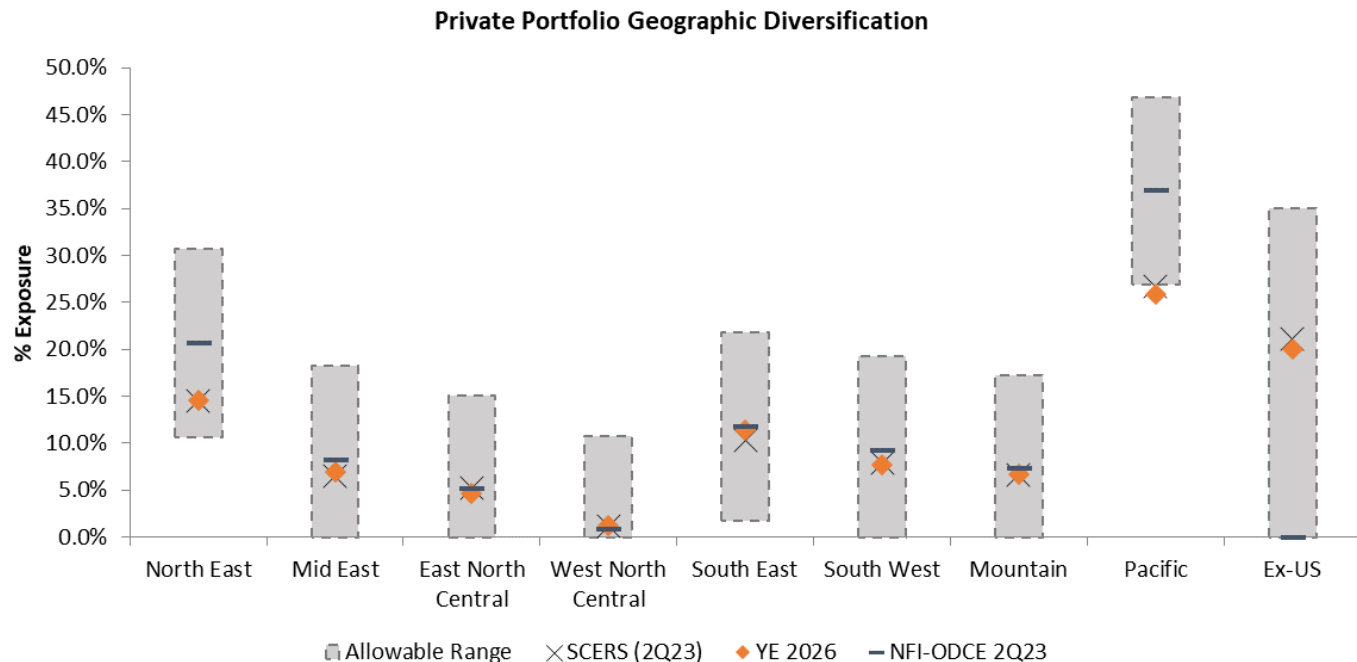


- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, and has a maximum limit of 40% for each property type, except for the “other” property type which has a maximum limit of 25%**. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the second quarter, the industrial property type was the only sector outside the current set limit of 40%. However, the industrial exposure is anticipated to decrease over the next quarter by approximately 4% as the partial redemption request was paid in full by Prologis US Logistics Fund.
- The “Other” property type exposure represents Sculptor Real Estate Fund III* (parking, senior housing and cell towers), Sculptor Real Estate Fund IV (parking), CIM Fund VIII (condominiums), Hammes Partners II, III and IV (medical office), Townsend Real Estate Fund (senior and student housing), NREP Nordic Strategies Fund II (student housing), NREP Nordic Strategies Fund III (senior living and land) and NREP Nordic strategies Fund IV (Senior Living and Student Housing).

*Sculptor Real Estate Fund III was previously called Och-Ziff Real Estate Fund III.

** The 25% limit is for “Other” property type exposure including hotels. However, our chart currently separates the “Hotel” property sector from “Other” due to be aligned with the ODCE classifications.

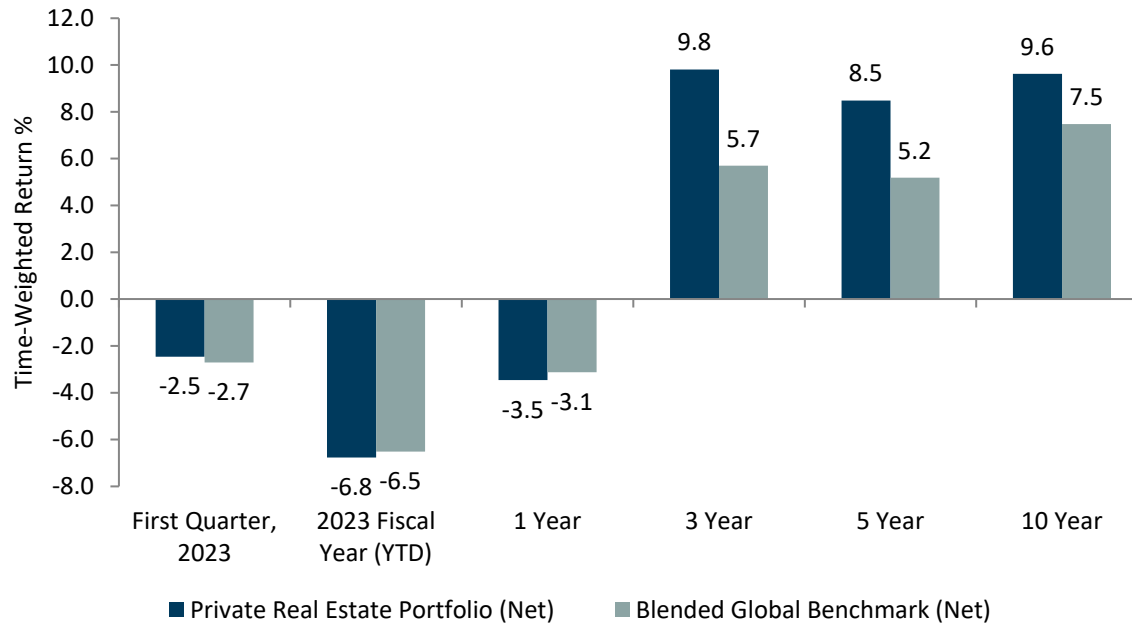
Real Estate Private Portfolio Diversification – Geographic Region



- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of $\pm 10.0\%$ for each region. Ex-US exposure is limited to 35.0% of the Total Private Portfolio.
- As of the second quarter, the Private Portfolio was in compliance across all regions.
- The Private Portfolio's international exposure is 21.1%, well within its 35% constraint, and will remain similar as Sculptor Real Estate Fund III* and IV, NREP Nordic Strategies Fund III and IV as well as LaSalle China Logistics and Seven Seas Japan continue to call capital and purchase assets in Europe, China and Japan while older vintage funds liquidate.
- Ex-US exposure consists of 5.0% in China, 2.9% in Denmark, 2.3% in Finland, 2.5% in Germany, 1.1% in France, 2.6% in Sweden, 1.3% in Poland, 1.1% in Netherlands, 1.5% in the UK and 0.8% in other countries.

*Sculptor Real Estate Fund III was previously called Och-Ziff Real Estate Fund III.

Private Real Estate Performance – Global Ancillary Benchmark (1Q23)



- The Global Ancillary Benchmark is made-up of the NFI-ODCE (Core), NFI-ODCE + 100bps (Non-Core), GREFI Europe Core, GREFI Europe Non-Core, and GREFI Non-Core Asia Pacific to create a global blended benchmark based on weighted average invested capital for each strategy.
 - GREFI reports on a 12 week lag. As a result, the ancillary benchmark will be reported on a quarterly lag to SCERS.
- The Private Portfolio's international exposure is 21.1%, well within its 40% new constraint. International exposure is mainly Non-Core in nature, with the exception of Prologis Targeted Europe Logistics Fund.
- The SCERS Private Real Estate program has outperformed its secondary benchmark significantly over all time periods, except for the trailing year and fiscal year.

Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
12,369,738,306	Core	7.0%	721,284,919	5.8%	0	0.0%	144,596,762	1.2%
	Non-Core	0.0% - 5.0%	278,740,608	2.3%	216,575,265	1.8%	-216,996,761	-1.8%
	Total	9.0%	1,000,025,527	8.1%	216,575,265	1.8%	-72,399,999	-0.6%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	-3.8	-3.6	-11.8	-11.5	11.5	10.1	9.6	8.4
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	-4.1	-3.8	-2.8	-4.4	11.6	6.5	10.0	5.2
Private Real Estate Portfolio	-3.9	-3.6	-9.5	-9.6	11.5	9.1	9.3	7.2
NFI-ODCE (Core)	-2.7	-2.9	-10.0	-10.7	8.0	7.0	6.5	5.6
NFI-ODCE + 100 bps (Non-Core)	-2.4	-2.6	-9.0	-9.7	9.0	8.0	7.5	6.6
NFI-ODCE + 35 bps (Private Portfolio)	-2.6	-2.8	-9.6	-10.4	8.3	7.4	6.8	5.9

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core Commingled Funds								
Brookfield Premier Real Estate Partners	2018	100,000,000	100,000,000	0	21,253,218	116,109,627	11.6	9.5
Lion Properties Fund	2018	152,400,000	157,460,836	0	75,355,567	117,041,750	11.7	9.6
MetLife Core Property Fund	2013	35,000,000	55,099,893	0	22,048,009	81,177,753	8.1	6.7
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	59,186,484	5.9	4.9
Prologis European Logistics Fund ^{1,3}	2017	47,950,142	49,151,023	0	9,828,275	62,374,056	6.2	5.1
Prologis Targeted U.S. Logistics Fund	2015	50,000,000	50,000,000	0	15,446,080	127,854,309	12.8	10.5
Townsend Real Estate Fund, L.P. ³	2016	90,000,000	120,975,151	0	36,710,287	157,540,940	15.8	12.9
Core Commingled Funds	1986	510,350,142	567,686,903	0	180,641,436	721,284,919	72.1	59.3
Value Added Portfolio								
Asana Partners Fund II ³	2019	35,000,000	24,587,500	10,412,500	0	29,836,153	3.0	3.3
Asana Partners Fund III ³	2022	45,000,000	10,533,333	29,466,667	0	9,007,765	0.9	3.2
DRC European Real Estate Debt Fund II ³	2013	50,007,963	47,627,074	4,102,172	43,336,305	6,167,174	0.6	0.8
ECE European Prime Shopping Centre Fund II C ³	2015	33,611,623	34,613,419	0	5,707,934	35,760,830	3.6	2.9
Hammes Partners II	2015	25,000,000	27,614,433	1,019,028	43,612,436	3,252,690	0.3	0.4
Hammes Partners III	2018	25,000,000	28,190,989	3,896,009	13,608,683	20,183,438	2.0	2.0
Hammes Partners IV	2022	40,000,000	0	40,000,000	0	-381,008	0.0	3.3
NREP Nordic Strategies Fund ³	2014	25,130,756	22,485,011	0	36,076,702	3,051,718	0.3	0.3
NREP Nordic Strategies Fund II ³	2016	35,176,432	35,664,816	479,509	55,351,664	16,758,007	1.7	1.4
NREP Nordic Strategies Fund III ³	2018	39,019,632	32,998,146	2,922,308	8,455,396	33,629,761	3.4	3.0

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
NREP Nordic Strategies Fund IV ²	2019	35,449,208	19,095,461	16,866,130	0	18,632,707	1.9	2.9
NREP Nordic Strategies Fund V	2022	41,710,115	3,419,401	35,363,563	0	8,425,518	0.8	3.6
Value Added Portfolio	1986	430,105,729	286,829,583	144,527,886	206,149,120	184,324,753	18.4	27.0
Opportunistic Portfolio								
Carlyle China Project Rome Co-Investment	2017	40,000,000	38,745,488	4,405,916	0	30,155,249	3.0	2.8
Carlyle China Realty	2017	10,000,000	10,783,995	695,409	2,342,232	6,796,869	0.7	0.6
CIM Fund VIII	2015	35,000,000	39,809,661	0	8,090,642	23,646,979	2.4	1.9
KKR Real Estate Partners Americas	2014	22,720,638	30,477,571	3,842,263	37,619,531	1,583,715	0.2	0.4
LaSalle China Logistics Venture	2021	30,000,000	5,840,173	24,159,827	0	5,536,758	0.6	2.4
Sculptor Real Estate Fund III ^{2,3}	2014	35,000,000	26,879,755	12,638,353	42,523,471	5,327,911	0.5	1.5
Sculptor Real Estate Fund IV ^{2,3}	2020	30,000,000	18,350,374	16,014,727	6,232,305	13,951,621	1.4	2.5
Seven Seas Japan Opportunity Fund	2022	177,336	12,314,535	10,290,884	282,249	7,416,753	0.7	1.5
Opportunistic Portfolio	1991	202,897,974	183,201,552	72,047,379	97,090,430	94,415,855	9.4	13.7
Total Non-Core Portfolio 1Q 2007 Forward	2007	633,003,703	470,031,135	216,575,265	303,239,550	278,740,608	27.9	40.7
Total Private Portfolio								
SCERS	1986	1,143,353,845	1,890,495,102	216,575,265	1,704,212,037	1,000,025,527	100.0	100.0

¹ Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

² Previously Och-Ziff Real Estate Fund III.

³ Preliminary data.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2023				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Brookfield Premier Real Estate Partners	116,109,627	0.3	-6.8	-6.5	-5.1	1.8	-15.3	-13.7	-12.3	1.8	-15.3	-13.7	-12.3	2.9	6.9	9.9	8.0
Lion Properties Fund	117,041,750	0.9	-6.8	-6.0	-6.2	3.1	-17.5	-14.8	-15.5	3.1	-17.5	-14.8	-15.5	3.5	3.8	7.4	6.6
MetLife Core Property Fund	81,177,753	1.1	-5.5	-4.4	-4.5	4.4	-13.9	-10.0	-10.4	4.4	-13.9	-10.0	-10.4	4.5	4.9	9.5	9.0
Principal U.S. Property Account	59,186,484	1.0	-2.7	-1.7	-1.9	3.8	-13.2	-9.7	-10.6	3.8	-13.2	-9.7	-10.6	4.0	4.1	8.2	7.2
Prologis European Logistics Fund ^{1,2}	62,374,056	1.2	-1.3	-0.1	-0.3	4.2	-20.1	-16.5	-16.5	4.2	-20.1	-16.5	-16.5	4.6	4.3	9.0	6.4
Prologis Targeted U.S. Logistics Fund	127,854,309	0.9	-5.4	-4.5	-3.9	3.4	-14.5	-11.4	-9.3	3.4	-14.5	-11.4	-9.3	3.8	19.6	23.9	20.4
Townsend Real Estate Fund, L.P. ³	157,540,940	0.7	-2.3	-1.5	-1.6	2.9	-10.8	-8.2	-8.4	2.9	-10.8	-8.2	-8.4	3.3	7.9	11.4	11.1
Core Commingled Funds	721,284,919	0.8	-4.6	-3.8	-3.6	3.2	-14.7	-11.8	-11.5	3.2	-14.7	-11.8	-11.5	3.6	7.7	11.5	10.1
Value Added Portfolio																	
Asana Partners Fund II ¹	29,836,153	-0.7	-5.9	-6.6	-2.6	-1.2	1.8	0.6	2.8	-1.2	1.8	0.6	2.8	-0.3	19.9	19.6	15.7
Asana Partners Fund III ²	9,007,765	-1.2	-6.3	-7.5	-8.9	-8.5	11.2	2.9	-18.5	-8.5	11.2	2.9	-18.5				
DRC European Real Estate Debt Fund II ³	6,167,174	0.0	3.0	3.0	3.0	41.1	3.8	43.6	44.0	41.1	3.8	43.6	44.0	-9.3	-0.1	-8.1	-8.7
ECE European Prime Shopping Centre Fund II C ³	35,760,830	0.5	2.7	3.2	2.7	-6.6	19.8	12.5	9.7	-6.6	19.8	12.5	9.7	2.2	3.5	5.9	3.2
Hammes Partners II	3,252,690	0.6	4.2	4.8	3.6	4.3	5.8	10.3	7.8	4.3	5.8	10.3	7.8	6.2	24.8	31.7	24.2
Hammes Partners III	20,183,438	1.1	1.6	2.8	1.9	6.9	1.3	8.3	5.3	6.9	1.3	8.3	5.3	9.8	16.7	27.5	19.0
Hammes Partners IV	-381,008																
NREP Nordic Strategies Fund ²	3,051,718	0.0	0.6	0.6	0.4	0.0	13.7	13.7	11.3	0.0	13.7	13.7	11.3	0.8	7.0	7.8	2.9
NREP Nordic Strategies Fund II ³	16,758,007	3.0	-14.7	-11.8	-9.7	-0.3	1.2	1.8	1.3	-0.3	1.2	1.8	1.3	-2.6	34.5	32.7	23.5
NREP Nordic Strategies Fund III ³	33,629,761	0.8	-8.5	-7.8	-5.7	1.7	-11.3	-9.9	-8.6	1.7	-11.3	-9.9	-8.6	-0.6	19.4	19.1	11.8
NREP Nordic Strategies Fund IV ³	18,632,707	-1.4	-8.8	-10.2	-8.3	-6.1	-5.7	-11.5	-10.2	-6.1	-5.7	-11.5	-10.2	-12.9	48.8	33.7	7.7
NREP Nordic Strategies Fund V ³	8,425,518	46.3	-0.4	46.0	39.5												
Value Added Portfolio	184,324,753	1.8	-4.4	-2.6	-1.7	3.7	1.5	5.0	3.6	3.7	1.5	5.0	3.6	0.6	19.6	20.5	13.5
Opportunistic Portfolio																	
Carlyle China Project Rome Co-Investment	30,155,249	-0.1	-14.5	-14.7	-15.0	-0.1	-21.0	-21.1	-22.0	-0.1	-21.0	-21.1	-22.0	-0.1	-4.4	-4.5	-5.6
Carlyle China Realty	6,796,869	-0.2	-14.5	-14.7	-15.1	-0.3	-21.0	-21.3	-22.5	-0.3	-21.0	-21.3	-22.5	-0.3	-4.4	-4.7	-6.1
CIM Fund VIII	23,646,979	-0.1	-3.8	-3.9	-4.3	-0.2	-18.3	-18.5	-19.7	-0.2	-18.3	-18.5	-19.7	-0.2	-9.9	-10.1	-11.3
KKR Real Estate Partners Americas	1,583,715	-0.4	0.2	-0.2	-0.2	-30.4	16.0	-11.9	-9.7	-30.4	16.0	-11.9	-9.7	-43.7	32.5	-8.1	-8.0
LaSalle China Logistics Venture	5,536,758	-0.8	-1.1	-1.9	-3.8	-4.8	1.1	-3.9	-13.4	-4.8	1.1	-3.9	-13.4				
Sculptor Real Estate Fund III ^{2,3}	5,327,911	0.2	1.5	1.7	1.4	5.5	23.0	29.4	27.9	5.5	23.0	29.4	27.9	11.1	28.7	42.1	39.2
Sculptor Real Estate Fund IV ^{2,3}	13,951,621	1.1	2.7	3.8	3.0	2.2	9.2	11.5	7.6	2.2	9.2	11.5	7.6	11.2	11.9	24.2	11.5
Seven Seas Japan Opportunity Fund	7,416,753	-1.6	0.0	-1.6	-4.1	21.2	-47.6	-35.7	-39.6	21.2	-47.6	-35.7	-39.6				
Opportunistic Portfolio	94,415,855	-0.1	-6.8	-6.9	-7.5	1.5	-15.9	-14.6	-16.6	1.5	-15.9	-14.6	-16.6	0.7	-1.9	-1.2	-3.8
Total Non-Core Portfolio 1Q 2007 Forward	278,740,608	1.2	-5.2	-4.1	-3.8	2.9	-5.5	-2.8	-4.4	2.9	-5.5	-2.8	-4.4	0.6	10.8	11.6	6.5
Total Private Portfolio																	
SCERS	1,000,025,527	0.9	-4.8	-3.9	-3.6	3.1	-12.3	-9.5	-9.6	3.1	-12.3	-9.5	-9.6	2.8	8.5	11.5	9.1

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2023				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Ex-US Dollar Denominated Investments (In Local Currency)																	
Prologis Targeted Europe Logistics Fund (Euro) ^{1,2}	€ 58,170,390	1.2	-3.8	-0.7	-1.0	4.2	-23.2	-19.8	-19.8	4.2	-23.2	-19.8	-19.8	4.6	5.3	10.1	7.5
DRC European Real Estate Debt Fund II (Pound Sterling)	£4,854,800	0.0	0.0	0.0	0.0	37.6	0.0	37.6	38.0	37.6	0.0	37.6	38.0	-8.8	0.0	-8.8	-9.5
ECE European Prime Shopping Centre Fund II (Euro) ³	€ 32,781,953	0.5	2.0	2.5	2.0	-6.4	15.0	8.1	5.4	-6.4	15.0	8.1	5.4	2.1	4.5	6.9	4.2
NREP Nordic Strategies Fund (Euro) ³	€ 2,797,510	0.0	0.0	0.0	-0.2	0.0	9.4	9.4	7.1	0.0	9.4	9.4	7.1	0.8	8.1	8.9	4.0
NREP Nordic Strategies Fund II (Euro)	€ 15,362,065	3.0	-15.3	-12.3	-10.3	-0.1	-2.9	-2.3	-2.8	-0.1	-2.9	-2.3	-2.8	-2.5	35.7	34.1	24.7
NREP Nordic Strategies Fund III (Euro)	€ 30,828,402	0.8	-9.1	-8.3	-6.3	1.5	-14.8	-13.4	-12.1	1.5	-14.8	-13.4	-12.1	-0.7	20.4	20.2	12.8
NREP Nordic Strategies Fund IV (Euro)	€ 17,080,603	-1.4	-9.4	-10.8	-8.9	-6.1	-9.4	-15.0	-13.7	-6.1	-9.4	-15.0	-13.7	-12.9	53.4	37.9	11.1
NREP Nordic Strategies Fund V (Euro)	€ 7,723,672	47.0	-2.0	45.0	38.6												
Seven Seas Japan Opportunity Fund	¥1,070,311,627	-1.7	8.6	6.9	4.2	19.6	-44.0	-30.6	-34.7	19.6	-44.0	-30.6	-34.7				
Indices																	
NFI ODCE+ 35bps				-2.6	-2.8			-9.6	-10.4			-9.6	-10.4			8.3	7.4
NFI-ODCE		0.9	-3.5	-2.7	-2.9	3.4	-13.0	-10.0	-10.7	3.4	-13.0	-10.0	-10.7	3.7	4.2	8.0	7.0
NFI-ODCE + 100bps				-2.4	-2.6			-9.0	-9.7			-9.0	-9.7			9.0	8.0
CPI + 500 bps				1.9				8.2				8.2				11.0	

¹ Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

² Previously Och-Ziff Real Estate Fund III.

³ Preliminary data.

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Brookfield Premier Real Estate Partners	116,109,627									2.7	6.1	8.9	7.3	4Q18	7.5	1.4
Lion Properties Fund	117,041,750									3.6	2.8	6.5	5.7	4Q18	5.9	1.2
MetLife Core Property Fund	81,177,753	4.7	3.2	7.9	7.4					4.9	5.1	10.1	9.6	1Q14	9.6	1.9
Principal U.S. Property Account	59,186,484	4.1	2.8	7.0	6.0					4.4	3.5	8.0	7.0	4Q15	7.0	1.7
Prologis European Logistics Fund ^{4,5}	62,374,056	4.9	4.4	9.5	7.2					5.1	5.4	10.7	8.4	4Q17	8.4	1.5
Prologis Targeted U.S. Logistics Fund	127,854,309	4.1	15.1	19.7	16.9					4.7	14.7	19.8	17.1	3Q15	17.4	2.9
Townsend Real Estate Fund, L.P. ³	157,540,940	3.6	5.1	8.9	8.7					3.9	5.5	9.5	9.3	2Q16	9.2	1.6
Core Commingled Funds	721,284,919	3.8	5.7	9.6	8.4	4.2	6.7	11.1	9.9	4.4	3.7	8.2	7.3	4Q86	7.4	1.5
Value Added Portfolio																
Asana Partners Fund II ¹	29,836,153									-3.3	7.3	3.3	-5.0	4Q19	9.5	1.2
Asana Partners Fund III ¹	9,007,765									-8.5	11.2	2.9	-18.5	3Q22	-30.0	0.9
DRC European Real Estate Debt Fund II ²	6,167,174	-3.1	-1.3	-3.5	-4.3					3.2	-3.4	0.2	-1.1	1Q14	1.3	1.0
ECE European Prime Shopping Centre Fund II C ³	35,760,830	1.4	3.3	4.7	2.2					1.1	9.5	10.8	8.2	4Q15	4.4	1.2
Hammes Partners II	3,252,690	7.8	26.0	35.0	28.5					8.8	19.4	29.4	22.8	3Q15	23.3	1.7
Hammes Partners III	20,183,438									8.7	15.4	24.9	5.1	1Q19	12.3	1.2
Hammes Partners IV	-381,008													3Q23	N/A	N/A
NREP Nordic Strategies Fund ²	3,051,718	1.8	8.9	10.8	2.2					5.5	13.3	19.3	13.0	1Q15	22.9	1.7
NREP Nordic Strategies Fund II ¹	16,758,007	-0.8	26.7	26.7	18.1					0.1	26.6	27.4	17.5	3Q16	20.9	2.0
NREP Nordic Strategies Fund III ²	33,629,761									-3.0	19.7	16.7	3.2	4Q18	9.5	1.3
NREP Nordic Strategies Fund IV ²	18,632,707									-18.5	32.9	11.0	N/A	1Q20	-1.5	1.0
NREP Nordic Strategies Fund V ¹	8,425,518									44.2	-0.2	44.1	33.8	1Q23	147.5	2.5
Value Added Portfolio	184,324,753	1.5	15.9	17.7	10.5	4.5	11.7	16.7	11.8	1.9	5.3	7.3	5.4	4Q86	6.7	1.3
Opportunistic Portfolio																
Carlyle China Project Rome Co-Investment	30,155,249	-0.2	-3.3	-3.5	-4.6					-0.7	-1.4	-2.1	-3.9	3Q17	-5.0	0.8
Carlyle China Realty	6,796,869	1.3	-2.9	-1.7	-3.4					1.4	-1.5	-0.1	-2.2	3Q17	-4.1	0.8
CIM Fund VIII	23,646,979	-0.1	-7.5	-7.5	-8.7					0.0	-0.4	-0.4	-2.0	2Q15	-4.2	0.8
KKR Real Estate Partners Americas	1,583,715	-23.2	1.7	-9.9	-8.0					-7.1	-1.6	-0.7	-0.5	2Q14	11.9	1.3
LaSalle China Logistics Venture	5,536,758									N/A	144.1	73.1	-9.9	3Q21	-4.5	0.9
Sculptor Real Estate Fund III ^{2,3}	5,327,911	10.2	18.8	30.4	27.7					12.9	18.3	33.0	20.5	4Q14	24.2	1.8
Sculptor Real Estate Fund IV ^{2,3}	13,951,621									11.2	11.9	24.2	11.5	3Q20	10.9	1.1
Seven Seas Japan Opportunity Fund	7,416,753									14.9	-45.1	-36.4	-39.6	2Q22	-32.4	0.7
Opportunistic Portfolio	94,415,855	1.4	-1.6	-0.2	-2.3	5.1	5.7	11.7	7.9	1.9	6.2	8.4	6.4	1Q91	5.2	1.1
Total Non-Core Portfolio 1Q 2007 Forward	278,740,608	1.4	8.5	10.0	5.2	4.5	8.4	13.2	9.1	3.7	6.1	9.9	5.5	1Q07	6.4	1.2
Total Private Portfolio																
SCERS	1,000,025,527	3.2	5.9	9.3	7.2	4.1	6.5	10.7	8.9	4.1	5.2	9.5	8.4	4Q86	8.3	1.5

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Ex-US Dollar Denominated Investments (In Local Currency)																
Prologis Targeted Europe Logistics Fund (Euro) ^{1,2}	€ 58,170,390	4.9	5.8	10.9	8.6					4.9	6.5	11.6	9.5	1Q16	9.8	1.4
DRC European Real Estate Debt Fund II (Pound Sterling)	£4,854,800	-2.8	0.0	-2.8	-3.5					3.4	-0.4	3.0	1.7	1Q14	5.1	1.2
ECE European Prime Shopping Centre Fund II (Euro) ³	€ 32,781,953	1.4	4.6	6.1	3.6					1.1	9.8	11.2	8.6	4Q15	5.3	1.2
NREP Nordic Strategies Fund (Euro) ³	€ 2,797,510	1.8	10.7	12.6	3.8					5.6	14.8	20.8	14.5	1Q15	24.4	1.8
NREP Nordic Strategies Fund II (Euro)	€ 15,362,065	-0.7	28.4	28.5	19.7					0.1	26.8	27.6	17.7	3Q16	21.9	2.1
NREP Nordic Strategies Fund III (Euro)	€ 30,828,402									-3.1	21.4	18.3	4.7	4Q18	11.0	1.3
NREP Nordic Strategies Fund IV (Euro)	€ 17,080,603									-18.6	36.3	13.9	N/A	1Q20	-0.1	1.0
NREP Nordic Strategies Fund V (Euro)	€ 7,723,672									44.9	-3.0	41.4	31.3	1Q23	138.6	2.4
Seven Seas Japan Opportunity Fund	¥1,070,311,627									13.6	-36.9	-26.2	-29.9	2Q22	-23.9	0.8
Indices																
NFI ODCE+ 35bps				6.8	5.9			9.1	8.1			7.6	6.6	4Q86		
NFI-ODCE		3.9	2.6	6.5	5.6	4.3	4.3	8.7	7.8	6.4	0.8	7.2	6.2	4Q86		
NFI-ODCE + 100bps				7.5	6.6			9.7	8.8			8.2	7.2	4Q86		
CPI + 500 bps				9.1				7.9				7.9		4Q86		

¹ Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

² Previously Och-Ziff Real Estate Fund III.

³ Preliminary data.

Returns (%)	Market Value (\$)	2023		Fiscal Year 2023		2022		2021		2020		2019		2018		2017		2016	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds																			
Brookfield Premier Real Estate Partners	116,109,627	-10.4	-8.8	-13.7	-12.3	13.1	10.8	28.5	23.0	1.8	1.9	10.6	8.5	2.3	1.9				
Lion Properties Fund	117,041,750	-10.7	-11.1	-14.8	-15.5	9.6	8.7	23.4	22.4	2.2	1.4	7.3	6.4	2.0	1.8				
MetLife Core Property Fund	81,177,753	-7.2	-7.4	-10.0	-10.4	9.7	9.1	27.8	27.2	1.0	0.5	8.6	8.1	7.8	7.3	8.4	7.9	9.3	8.8
Principal U.S. Property Account	59,186,484	-4.6	-5.0	-9.7	-10.6	5.1	4.1	23.7	22.6	1.6	0.6	7.0	6.0	9.1	8.1	9.1	8.1	10.0	9.0
Prologis European Logistics Fund ^{1,3}	62,374,056	-1.5	-1.9	-16.5	-16.5	-10.2	-11.6	22.7	18.0	20.2	18.7	13.5	11.1	13.6	10.8	6.8	6.5		
Prologis Targeted U.S. Logistics Fund	127,854,309	-5.2	-4.3	-11.4	-9.3	13.9	12.2	59.3	48.7	11.1	9.8	19.4	16.8	18.5	16.1	24.2	20.3	16.1	14.2
Townsend Real Estate Fund, L.P. ³	157,540,940	-5.9	-6.0	-8.2	-8.4	10.5	10.3	29.3	29.1	2.6	2.3	7.6	7.3	9.0	8.8	11.0	10.8	8.4	8.2
Core Commingled Funds	721,284,919	-7.0	-6.8	-11.8	-11.5	8.8	7.6	30.8	27.6	4.6	4.0	9.5	8.3	10.9	9.7	14.2	12.8	9.8	8.9
Value Added Portfolio																			
Asana Partners Fund II ²	29,836,153	-4.1	-0.8	0.6	2.8	1.8	0.7	63.7	49.9	-36.4	-45.7	11.1	1.5						
Asana Partners Fund III ²	9,007,765	-9.7	-13.9	2.9	-18.5	13.9	-5.4												
DRC European Real Estate Debt Fund II ²	6,167,174	5.0	5.0	43.6	44.0	52.5	52.3	-11.0	-12.4	-47.1	-47.7	12.0	11.1	-0.6	-1.7	23.8	22.3	-7.8	-8.9
ECE European Prime Shopping Centre Fund II C ²	35,760,830	6.0	5.2	12.5	9.7	3.5	0.9	-0.2	-3.0	0.7	-1.8	2.2	0.0	15.1	12.8	24.7	21.5	22.1	19.7
Hammes Partners II	3,252,690	6.7	4.9	10.3	7.8	10.9	8.2	28.6	21.3	61.5	46.9	59.2	55.9	27.9	19.6	12.7	10.0	16.2	10.4
Hammes Partners III	20,183,438	4.6	3.0	8.3	5.3	13.2	9.0	29.1	18.3	43.5	24.5	23.9	-24.4						
Hammes Partners IV	-381,008					13.2	9.0	29.1	18.3	43.5	24.5	23.9	-24.4						
NREP Nordic Strategies Fund ⁴	3,051,718	1.8	1.3	13.7	11.3	6.6	5.4	-3.0	-11.6	27.2	21.8	23.0	-4.2	0.8	0.1	41.2	40.1	23.1	21.7
NREP Nordic Strategies Fund II ⁴	16,758,007	-7.4	-1.2	1.8	1.3	7.8	-1.9	71.5	52.7	35.1	26.6	20.9	9.8	17.0	12.3	44.9	34.4	8.6	-3.8
NREP Nordic Strategies Fund III ⁴	33,629,761	-7.3	-5.7	-9.9	-8.6	0.3	-3.3	35.9	22.8	42.3	28.1	19.0	-5.5	-2.8	-14.4				
NREP Nordic Strategies Fund IV ⁴	18,632,707	-10.2	-8.3	-11.5	-10.2	0.6	-6.4	42.2	20.5	22.1	-121.4								
NREP Nordic Strategies Fund V ⁴	8,425,518	44.1	33.8			0.6	-6.4	42.2	20.5	22.1	-121.4								
Value Added Portfolio	184,324,753	-0.9	-0.1	5.0	3.6	5.1	0.7	36.4	25.1	19.0	10.6	22.1	11.5	10.5	6.3	24.9	22.3	9.5	7.0
Opportunistic Portfolio																			
Carlyle China Project Rome Co-Investment	30,155,249	-18.0	-18.5	-21.1	-22.0	-3.3	-4.3	2.4	1.3	-0.9	-2.0	7.2	5.8	-2.5	-7.1	4.7	3.6		
Carlyle China Realty	6,796,869	-18.1	-18.7	-21.3	-22.5	-3.4	-4.8	2.2	0.8	-0.3	-2.1	18.1	15.7	1.6	-1.4	2.7	0.2		
CIM Fund VIII	23,646,979	-7.7	-8.4	-18.5	-19.7	-13.1	-14.3	-3.7	-4.9	-16.7	-17.9	2.0	0.9	9.4	8.0	8.4	6.7	6.4	4.0
KKR Real Estate Partners Americas	1,583,715	1.7	1.3	-11.9	-9.7	-25.1	-21.8	27.9	19.1	-30.9	-24.7	7.8	7.3	11.0	10.7	27.5	23.3	20.8	17.2
LaSalle China Logistics Venture	5,536,758	-0.4	-4.2	-3.9	-13.4	4.2	-9.6	188.6	-6.2	-30.9	-24.7	7.8	7.3	11.0	10.7	27.5	23.3	20.8	17.2
Sculptor Real Estate Fund III ^{2,3}	5,327,911	12.4	11.7	29.4	27.9	82.4	80.0	28.5	24.1	12.4	10.8	15.9	13.6	29.7	25.7	43.3	38.2	30.0	22.2
Sculptor Real Estate Fund IV ^{2,3}	13,951,621	6.8	5.0	11.5	7.6	6.9	0.8	40.3	25.9	19.6	3.9								
Seven Seas Japan Opportunity Fund	7,416,753	-9.2	-9.8	-35.7	-39.6	-55.4	-60.3												
Opportunistic Portfolio	94,415,855	-9.0	-9.9	-14.6	-16.6	-4.9	-7.9	6.2	2.8	-6.9	-8.1	8.6	7.1	11.5	9.1	19.1	16.0	13.9	10.2
Total Non-Core Portfolio 1Q 2007 Forward⁵	278,740,608	-3.9	-3.7	-2.8	-4.4	1.1	-2.7	24.4	16.4	6.5	1.6	15.8	9.9	10.9	7.6	22.3	19.4	10.8	8.1
Total Private Portfolio																			
SCERS	1,000,025,527	-6.2	-6.0	-9.5	-9.6	6.8	4.9	29.1	24.5	5.2	3.5	11.0	8.7	9.2	7.5	15.2	13.6	9.1	7.8
Indices																			
NFI-ODCE + 35 bps		-5.6	-6.0	-9.6	-10.4	7.6	6.7	22.4	21.3	1.5	0.7	5.7	4.7	8.7	7.7	8.0	7.0	9.1	8.1
NFI-ODCE		-5.8	-6.2	-10.0	-10.7	7.5	6.5	22.2	21.0	1.2	0.3	5.3	4.4	8.3	7.4	7.6	6.7	8.8	7.8
NFI-ODCE + 100 bps		-5.3	-5.7	-9.0	-9.7	8.0	7.0	22.9	21.8	2.2	1.3	6.3	5.4	9.3	8.4	8.6	7.7	9.8	8.8
CPI + 500 bps		4.1		8.2		9.9		11.4		6.4		7.4		7.0		7.2		7.2	

¹ Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

² Previously Och-Ziff Real Estate Fund III.

³ Preliminary data.

Returns (%)	Market Value (\$)	2015		2014		2013		2012		2011		2010		2009		2008		2007		2006	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds																					
Brookfield Premier Real Estate Partners	116,109,627																				
Lion Properties Fund	117,041,750																				
MetLife Core Property Fund	81,177,753	16.9	16.3	17.4	16.9																
Principal U.S. Property Account	59,186,484	3.0	2.8																		
Prologis European Logistics Fund ^{1,3}	62,374,056																				
Prologis Targeted U.S. Logistics Fund	127,854,309	9.1	7.9																		
Townsend Real Estate Fund, L.P. ³	157,540,940																				
Core Commingled Funds	721,284,919	15.7	14.1	13.5	12.4	10.2	9.3	11.1	10.1	16.4	15.5	14.1	13.3	-33.0	-33.6	-13.8	-14.6	15.5	14.5	16.9	15.8
Value Added Portfolio																					
Asana Partners Fund II ³	29,836,153																				
Asana Partners Fund III ³	9,007,765																				
DRC European Real Estate Debt Fund II ³	6,167,174	5.0	3.0	1.4	-2.1																
ECE European Prime Shopping Centre Fund II C ³	35,760,830	12.1	11.0																		
Hammes Partners II	3,252,690	19.4	12.9																		
Hammes Partners III	20,183,438																				
Hammes Partners IV	-381,008																				
NREP Nordic Strategies Fund ⁴	3,051,718	55.1	50.8																		
NREP Nordic Strategies Fund II ⁴	16,758,007																				
NREP Nordic Strategies Fund III ⁴	33,629,761																				
NREP Nordic Strategies Fund IV ⁴	18,632,707																				
NREP Nordic Strategies Fund V ⁴	8,425,518																				
Value Added Portfolio	184,324,753	19.1	17.0	15.7	13.7	13.3	10.8	19.6	18.1	16.7	14.7	23.2	20.3	-56.4	-57.6	-31.2	-33.5	18.2	5.6	0.8	0.5
Opportunistic Portfolio																					
Carlyle China Project Rome Co-Investment	30,155,249																				
Carlyle China Realty	6,796,869																				
CIM Fund VIII	23,646,979	16.9	13.8																		
KKR Real Estate Partners Americas	1,583,715	79.0	55.3	30.1	24.7																
LaSalle China Logistics Venture	5,536,758	79.0	55.3	30.1	24.7																
Sculptor Real Estate Fund II ^{2,3}	5,327,911	33.7	6.9	9.4	-28.3																
Sculptor Real Estate Fund IV ^{2,3}	13,951,621																				
Seven Seas Japan Opportunity Fund	7,416,753																				
Opportunistic Portfolio	94,415,855	44.5	23.2	33.3	19.9	11.7	9.4	54.2	38.5	-10.1	-8.0	42.4	34.2	54.0	43.5	-44.5	-45.4	3.4	2.6	0.0	0.0
Total Non-Core Portfolio 1Q 2007 Forward⁵	278,740,608	23.0	17.9	17.0	14.2	16.7	13.5	34.6	26.9	-0.3	0.4	37.0	30.4	-13.5	-17.8	-33.7	-35.7	18.2	5.6		
Total Private Portfolio																					
SCERS	1,000,025,527	9.9	8.5	16.0	14.2	12.0	10.7	19.2	17.8	9.8	9.4	20.6	19.2	-16.0	-16.7	-14.1	-14.7	10.7	8.7	16.9	14.2
Indices																					
NFI-ODCE + 35 bps		15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1	16.3	15.3	16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6
NFI-ODCE		15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3
NFI-ODCE + 100 bps		16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3
CPI + 500 bps		5.7		5.7		6.6		6.8		8.2		6.5		8.0		5.0		9.3		7.7	

¹ Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

² Previously Och-Ziff Real Estate Fund III.

³ Preliminary data.

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Core Commingled Funds									
Brookfield Premier Real Estate Partners	123,472,499	0	1,174,888	0	338,056	-1,781,310	-8,307,350	116,109,627	46.7
Lion Properties Fund	125,526,430	278,967	1,066,119	0	1,065,513	265,058	-8,497,983	117,041,750	24.1
MetLife Core Property Fund	85,689,539	0	635,162	0	969,779	97,040	-4,749,363	81,177,753	32.2
Principal U.S. Property Account	60,333,571	0	0	0	614,767	142,558	-1,619,296	59,186,484	24.9
Prologis European Logistics Fund	63,050,498	0	476,002	0	749,274	151,322	-798,392	62,374,056	24.7
Prologis Targeted U.S. Logistics Fund	133,045,604	0	2,745	0	1,208,046	-791,617	-7,188,213	127,854,309	14.7
Townsend Real Estate Fund, L.P.	163,062,718	0	1,612,387	1,344,086	1,193,971	89,215	-3,670,060	157,540,940	37.3
Core Commingled Funds	754,180,859	278,967	4,967,303	1,344,086	6,139,406	-1,827,734	-34,830,657	721,284,919	31.6
Value Added Portfolio									
Asana Partners Fund II	29,301,767	1,312,500	0	0	-199,140	-1,173,982	-1,752,956	29,836,153	48.3
Asana Partners Fund III	9,014,995	800,000	0	0	-111,810	125,000	-570,420	9,007,765	55.0
DRC European Real Estate Debt Fund II	6,466,001	0	0	482,633	0	0	183,806	6,167,174	0.0
ECE European Prime Shopping Centre Fund II	35,182,457	0	360,376	0	179,861	183,680	942,568	35,760,830	55.0
Hammes Partners II	3,145,202	12,832	19,550	0	19,661	37,256	131,801	3,252,690	60.0
Hammes Partners III	20,094,126	0	264,741	31,504	224,177	169,488	330,867	20,183,438	69.8
Hammes Partners IV	-203,285	0	0	0	-30,474	150,000	2,751	-381,008	125.0
NREP Nordic Strategies Fund	3,039,589	0	0	0	0	7,434	19,563	3,051,718	0.0
NREP Nordic Strategies Fund II	18,565,138	0	0	0	551,884	-375,337	-2,734,351	16,758,007	53.0
NREP Nordic Strategies Fund III	34,429,185	1,161,912	0	0	261,031	-725,482	-2,947,850	33,629,761	52.0
NREP Nordic Strategies Fund IV	20,314,603	0	0	0	-274,791	-385,799	-1,792,904	18,632,707	52.0
NREP Nordic Strategies Fund V	6,039,337	0	0	0	2,799,000	390,277	-22,542	8,425,518	58.0
Value Added Portfolio	185,389,115	3,287,244	644,667	514,137	3,419,399	-1,597,465	-8,209,667	184,324,753	54.8
Opportunistic Portfolio									
Carlyle China Project Rome Co-Investment	35,159,959	252,618	0	0	-50,278	99,178	-5,107,871	30,155,249	26.0
Carlyle China Realty	7,916,174	76,331	0	0	-16,735	29,344	-1,149,556	6,796,869	26.0
CIM Fund VIII	24,734,702	97,955	0	125,281	-18,950	98,200	-943,247	23,646,979	36.7
KKR Real Estate Partners Americas	1,586,869	8,792	-3,829	12,621	-6,590	-789	2,647	1,583,715	58.0
LaSalle China Logistics Venture	5,756,635	0	0	0	-47,509	109,323	-63,045	5,536,758	42.0
Sculptor Real Estate Fund III	5,309,498	26,936	83,684	0	11,748	16,828	80,241	5,327,911	47.6
Sculptor Real Estate Fund IV	11,757,014	1,983,902	176,860	0	136,105	102,842	354,302	13,951,621	32.9
Seven Seas Japan Opportunity Fund	7,733,525	0	0	0	-126,454	191,610	1,291	7,416,753	48.0
Opportunistic Portfolio	99,954,376	2,446,534	256,715	137,902	-118,663	646,536	-6,825,238	94,415,855	35.2
Total Non-Core Portfolio 1Q 2007 Forward	285,343,491	5,733,778	901,382	652,039	3,300,736	-950,929	-15,034,905	278,740,608	49.6
Total Private Portfolio									
SCERS	1,039,524,350	6,012,745	5,868,685	1,996,125	9,440,142	-2,778,663	-49,865,562	1,000,025,527	37.8

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Brookfield Premier Real Estate Partners	32.3	11.6	51.1	-	-	5.0
Lion Properties Fund	27.5	16.8	36.6	5.4	-	13.6
MetLife Core Property Fund	31.0	19.6	28.5	10.5	1.4	9.0
Principal U.S. Property Account	26.4	17.0	38.5	10.2	-	7.8
Prologis European Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P. [†]	32.9	7.2	38.9	1.9	0.1	19.0
Core Commingled Funds	22.5	9.8	55.4	3.3	0.2	8.8
Value Added Portfolio						
Asana Partners Fund II	1.2	44.9	-	53.9	-	-
Asana Partners Fund III	0.3	47.7	-	52.0	-	-
DRC European Real Estate Debt Fund II	-	50.0	-	50.0	-	-
ECE European Prime Shopping Centre Fund II	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hammes Partners III	-	-	-	-	-	100.0
Hammes Partners IV	-	-	-	-	-	100.0
NREP Nordic Strategies Fund	-	-	-	-	-	-
NREP Nordic Strategies Fund II	2.6	-	-	23.0	-	74.4
NREP Nordic Strategies Fund III	36.1	6.3	25.4	6.3	-	25.9
NREP Nordic Strategies Fund IV	30.9	5.2	29.2	3.7	6.3	24.7
NREP Nordic Strategies Fund V	7.4	43.9	17.7	9.9	-	21.1
Value Added Portfolio	10.7	15.2	8.5	37.0	0.6	27.9

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Opportunistic Portfolio						
Carlyle China Project Rome Co-Investment	-	-	100.0	-	-	-
Carlyle China Realty	-	-	100.0	-	-	-
CIM Fund VIII	49.1	16.5	-	15.8	5.8	12.8
KKR Real Estate Partners Americas	-	-	-	14.4	73.7	11.9
LaSalle China Logistics Venture	-	-	100.0	-	-	-
Sculptor Real Estate Fund III	-	-	-	-	-	100.0
Sculptor Real Estate Fund IV	5.5	-	0.0	-	3.7	90.8
Seven Seas Japan Opportunity Fund	-	76.2	-	-	23.8	-
Opportunistic Portfolio	14.2	4.5	48.8	4.6	3.5	24.4
Total Non-Core Portfolio 1Q 2007 Forward	11.8	11.7	21.6	26.5	1.6	26.8
Total Private Portfolio						
SCERS	19.6	10.3	46.2	9.6	0.6	13.7
Indices						
NFI-ODCE	29.4	19.5	32.4	10.2	0.2	8.3

¹Property diversification numbers used are from 4Q22.

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
Core Commingled Funds									
Brookfield Premier Real Estate Partners	23.2	8.2	3.1	-	11.9	9.6	2.1	42.0	-
Lion Properties Fund	19.2	8.5	2.2	0.0	10.4	8.2	8.4	43.1	-
MetLife Core Property Fund	13.4	11.7	8.5	2.3	11.4	9.1	10.4	33.1	-
Principal U.S. Property Account	11.3	9.0	2.1	1.5	11.3	15.1	14.3	35.4	-
Prologis European Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	14.4	4.9	10.7	-	12.6	8.4	5.6	43.4	-
Townsend Real Estate Fund, L.P. ¹	15.2	7.9	9.3	3.0	18.1	11.6	9.1	25.9	-
Core Commingled Funds	15.2	7.3	5.9	1.0	12.0	9.2	7.0	33.7	8.6
Value Added Portfolio									
Asana Partners Fund II	17.3	19.2	-	7.7	19.3	7.6	21.3	7.6	-
Asana Partners Fund III	-	13.8	3.3	3.4	53.2	10.0	16.3	-	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	-	46.7	6.6	-	-	17.5	29.2	-	-
Hammes Partners III	44.9	2.0	16.4	3.0	5.8	20.7	6.1	1.2	-
Hammes Partners IV	31.1	-	68.9	-	-	-	-	-	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	-
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund III	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund IV	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund V	-	-	-	-	-	-	-	-	100.0
Value Added Portfolio	9.1	5.8	2.3	2.1	7.6	5.1	6.5	1.6	59.9

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
Opportunistic Portfolio									
Carlyle China Project Rome Co-Investment	-	-	-	-	-	-	-	-	100.0
Carlyle China Realty	-	-	-	-	-	-	-	-	100.0
CIM Fund VIII	48.9	-	11.5	-	-	-	9.5	25.0	5.1
KKR Real Estate Partners Americas	-	-	-	-	-	11.9	-	73.7	14.4
LaSalle China Logistics	-	-	-	-	-	-	-	-	100.0
Sculptor Real Estate Fund III	41.6	0.4	4.4	0.9	0.9	15.7	2.3	4.8	28.9
Sculptor Real Estate Fund IV	16.2	3.9	2.8	0.2	12.6	0.5	3.0	25.5	16.5
Seven Seas Japan Opportunity Fund	-	-	-	-	-	-	-	-	100.0
Opportunistic Portfolio	18.9	0.0	4.0	0.1	0.1	1.4	3.2	10.0	62.2
Total Non-Core Portfolio 1Q 2007 Forward	12.3	3.9	2.9	1.4	5.2	3.9	5.4	4.3	60.6
Total Private Portfolio									
SCERS	14.5	6.5	5.2	1.1	10.4	7.9	6.6	26.7	21.1
Indices									
NFI-ODCE	20.7	8.2	5.1	0.8	11.8	9.3	7.3	36.9	-

¹Geographic diversification numbers used are from 4Q22.

Advisory Disclosures and Definitions

Disclosure

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly from the investment managers via a secure data collection site.

¹In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

Benchmarks

The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

Exhibit B: Real Estate Market Update 2Q23



United States Real Estate Market Update (2Q23)

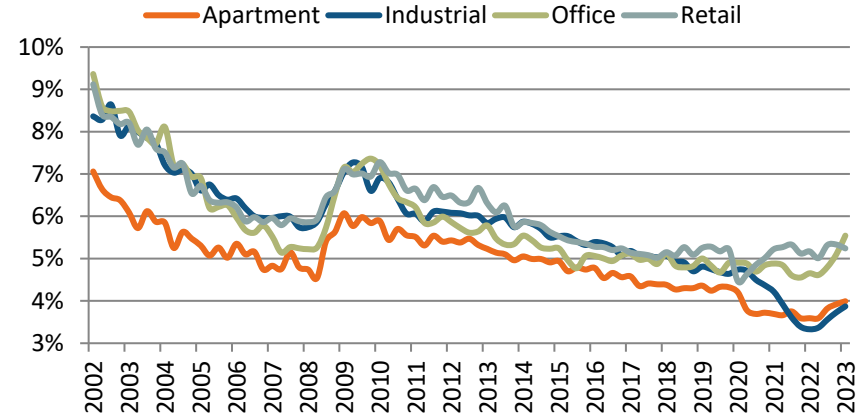
General

- The economy continues to face headwinds stemming from an increasingly aggressive federal funds rate, continuous inflation, and geopolitical events. The S&P 500 has returned a positive quarter coming in at 10.5% continuing the positive returns from the start of 2023. The MSCI US REIT index held a steady pace in the second quarter, posting a gross return of 2.7%.
- During the first quarter, GDP increased at an annualized rate of 2.4%. This positive growth was primarily due to government spending, consumer spending, and strong job market growth. As a result of geopolitical events such as the atrocities of the Russia-Ukraine war, Saudi-Iranian oil concerns, and increased protectionist measures, commodity pricing has remained elevated in tandem with persistent inflation, which may persist throughout 2023. Federal reserve officials remain committed to taming inflation and reducing the central bank's balance sheet for the foreseeable future, approving seven interest rate hikes throughout 2022, and four in the first half of 2023 totaling an increase of 525 basis points since March 2022..

Commercial Real Estate

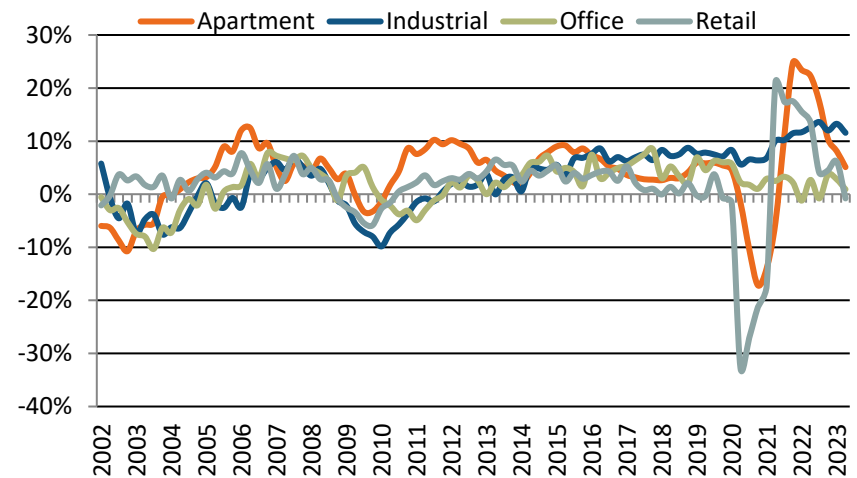
- After surpassing the first half of 2023, total CRE transaction activity for the quarter decreased by -63% YoY, with the first half of 2023 transaction activity down -58% YoY. The office sector transaction volumes in the U.S. have notably not recovered to pre-pandemic levels. Although the office sector has seen minor improvements, transaction volumes for the office sector in the U.S. have continued to fall due to the increase in the cost of debt and loose return to office requirements
- Transaction cap rates (5.4%) contracted, moving in 24 bps during the quarter. This decrease comes after cap rates have risen sharply since 4Q21. Current valuation cap rates expanded for all major property sectors, led by office (+46 bps), and followed by industrial (+10 bps), apartment (+10 bps) and retail (-13 bps).
- NOI growth has continued to diverge between property sectors. Apartment sector fundamentals continue to show strength. With the cost of debt for homes continuing to become more expensive, Apartment NOI expanded (+5%) YoY. Industrial NOI expanded (+11%) YoY on the back of companies' investments in direct-to-customer distribution.
- 10-year treasury bond yields increased, ending the quarter at 3.8%. As economists expected, rates moved significantly higher throughout the first half of 2023, with the potential to climb further.

Current Value Cap Rates by Property Type



Source: NCREIF

4 Qtr Rolling NOI Growth



Source: NCREIF

United States Property Matrix (2Q23)

INDUSTRIAL

- In 2Q23, industrial properties returned -0.75% and outperformed the NPI by 123 bps.
- Transaction volumes decreased to \$22 billion in the second quarter of the year, resulting in an 47% decrease year-over-year. Individual asset sales decreased 46% year-over-year, while portfolio purchases turned in a year-over-year volume decrease of 64%. At \$22 billion, the industrial sector slightly increased by \$2 billion quarter-over-quarter.
- The industrial sector turned in NOI growth of 11.6% over the past year. NOI continues to reach all time highs for the sector.
- Vacancy increased by 34 bps year-over-year to 1.8%. Vacancy in the sector increased 18 bps year over year, reaching all-time historic lows. E-commerce continues to drive demand across the sector.
- Industrial cap rates expanded approximately 54 bps from a year ago, to 3.87%. Industrial overall fundamentals still top all property sectors.

MULTIFAMILY

- The apartment sector delivered a -1.04% return during the quarter, outperforming the NPI by 94 bps.
- Transaction volume in the second quarter of 2023 slightly increased to \$28 billion, resulting in a decrease of 72% year-over-year. Transaction volume for the sector slightly increased from the first quarter by nearly 3%. This volume continues to make multifamily the most actively traded sector for the twenty first straight quarter.
- Cap rates remained steady at 4.0% quarter-over-quarter, increasing 40 bps year-over-year. Multifamily cap rates remain at low levels relative to prior years, driven by continued increases in valuation.
- The multifamily sector saw increasing vacancy rates throughout the entirety of 2020 due to the global pandemic. Throughout 2021 and 2022, the sector appeared to have shaken that trend although vacancy rates remained steady. Vacancy rates increased during fourth quarter of 2022 but have decreased by 20 bps through the second quarter. The aging millennials have begun shifting their desires to suburban living, but continued home price appreciation has deterred the full effect of this migratory trend.

OFFICE

- The office sector returned -5.79% in 2Q23, 381 bps below the NPI return over the period.
- Transaction volumes decreased by 58% year-over-year in the second quarter. Transaction volume equated to \$12 billion for the quarter, remaining flat quarter-over-quarter. Office transaction levels have regressed since 4Q21 and are now at levels seen during the COVID-19 pandemic.
- Office sector vacancy rates have expanded since the beginning of the pandemic due to work from home orders and uncertainty revolving around the future of office space. Office continues to be the highest vacancy property type at 13.07%, increasing by 40 bps from last quarter.
- NOI growth in the office sector increased quarter-over-quarter by 50 bps to 1.97% and appears to be in the midst of its recovery to pre-pandemic levels.
- Office cap rates expanded from a year ago, sitting at approximately 5.5%. Office-using job growth was stunted significantly through out 2020 due to work from home orders. Though we are observing a slow but steady flow back to in-office work, there is still uncertainty in the sector as many companies remain hesitant.

RETAIL

- As of 2Q23, the retail sector delivered a quarterly return of -0.17%, outperforming 181 bps compared to the NPI.
- Transaction volumes totaled \$10 billion in the second quarter, decreasing 66% year-over-year. Single asset transactions accounted for just over 95% of all sales volume for the quarter.
- Cap rates have remained fairly steady within the sector over the last year at 5.2%. Current valuation cap rates compressed quarter-over-quarter by 9 bps due to valuation adjustments made across the sector in general.
- NOI growth decreased from the prior quarter to -2.55% as of the second quarter. Retail has begun its slow recovery as a large portion of stores nationally have opened and operate safely but has continued to experience volatility due to the current market environment.
- Retail vacancy rates remained steady over the quarter at 7.58%, down 114 bps over the past year. Many big box stores have closed as the need for retail space shrinks, translating to a negative outlook for rent growth. Paired with the global economic crisis, which has had a significant negative impact on this sector.

Global Real Estate Market Update (2Q23)

- The challenges correlated to increasing interest rates, elevated inflation, sparse availability of debt, and pricing uncertainty have resulted in a continued decline in global transaction volume in the second quarter. Year over year, deal volumes have contracted by 47% with capital markets activity hampered by uncertainty. This marks the third consecutive quarter of deal volumes regressing 50% or more. This stagnation is extensive, as not one of the top 10 largest markets and none of the major sectors recorded an increase in investment activity versus the same period 12 months ago.

Global Total Commercial Real Estate Volume - 2022 - 2023

\$ US Billions	Q2 2023	Q2 2022	% Change		% Change	
			Q2 23 - Q2 22	H1 2023	H1 2022	H1 23- H2 22
Americas	76	201	-62%	159	388	-59%
EMEA	36	85	-57%	78	194	-60%
Asia Pacific	156	223	-30%	256	370	-31%
Total	269	509	-47%	492	953	-48%

Source: Real Capital Analytics, Inc., Q2' 23

- US markets endured the largest lapse relative to other regions, with a 62% decrease in deal volume being its lowest since the onset of the pandemic. Apartments experienced the largest shortfall in investment capital, as deal volumes fell by \$66B from the previous year to just \$28B.
- Global office vacancy rose to a new record high of 15.6% in the second quarter, with the US experiencing the largest amount of distress, followed by Asia Pacific. The sector currently is plagued by compounding issues of the cyclical slowdown and the shift to hybrid/remote work. Acquisitions in the second quarter have dropped to their lowest since 2009, as tenants and investors alike are seeking to offload their office portfolios. An uptick in return-to-office mandates, upcoming lease expirations and lower renewal rates will provide additional incentive to provide for new, amenity rich, high-quality space.
- There is reason for cautious optimism for major retail markets globally with a resilient labor market, rising earnings, along with consumer spending proving more resilient than anticipated. This boost in sentiment is also linked with the rise in international tourism, motivating retailers to secure locations in tourist saturated areas and pronounced shopping centers. Focuses have shifted towards neighborhood centers and offering necessity goods as consumers have become more discerning with discretionary purchases.
- In the second quarter, leasing activity for logistics and industrial in the US and Europe moderated with slower economic growth and limited vacant stock. A new wave of supply has elevated absorption levels in the Asia Pacific region. Record amounts of new inventory are expected by year end, especially in the U.S. and Asia Pacific, causing vacancy rates to expand going forward. With continued healthy fundamentals, rents continue to increase globally but this will be marginal relative to their post-pandemic highs: rents in Q2 climbed by 18.4% year-over-year in the U.S., by 10.8% in Europe and by 6.4% across Asia Pacific.
- Investment in U.S. multifamily declined 69% since Q2 2022, despite record levels of dry power indicating latent demand pending an interest rate decrease. The global housing market continue to experience a fundamental undersupply of new homes to meet ever-increasing demand. This coupled with rising construction costs and limited financing have added to the shortfall. Across Europe, the depth and variety present in the housing market has lent itself to attracting capital with an 18% increase in transaction volume since the previous quarter. Asia Pacific investors are following suit, expanding multifamily investment to markets such as Australia and China to offset the continued slowdown in Japan.

Global Outlook - GDP (Real) Growth % pa, 2023-2025

	2023	2024	2025
Global	2.6	2.7	3.2
Asia Pacific	4.4	4.2	4.2
Australia	1.7	1.6	2.4
China	5.5	4.9	4.7
India	7.0	6.0	6.3
Japan	1.0	1.1	1.1
North America	1.1	0.8	2.0
US	1.1	0.8	2.0
Middle East	2.9	3.5	-
European Union	0.7	1.4	1.9
France	0.6	1.0	1.5
Germany	0.0	1.1	1.6
UK	0.2	0.9	1.7

Source: Bloomberg