



Real Estate Strategy Semi-Annual Report (Open Session)

Prepared for California State Teachers'
Retirement System

As of Q3 2023

MARCH 6, 2024

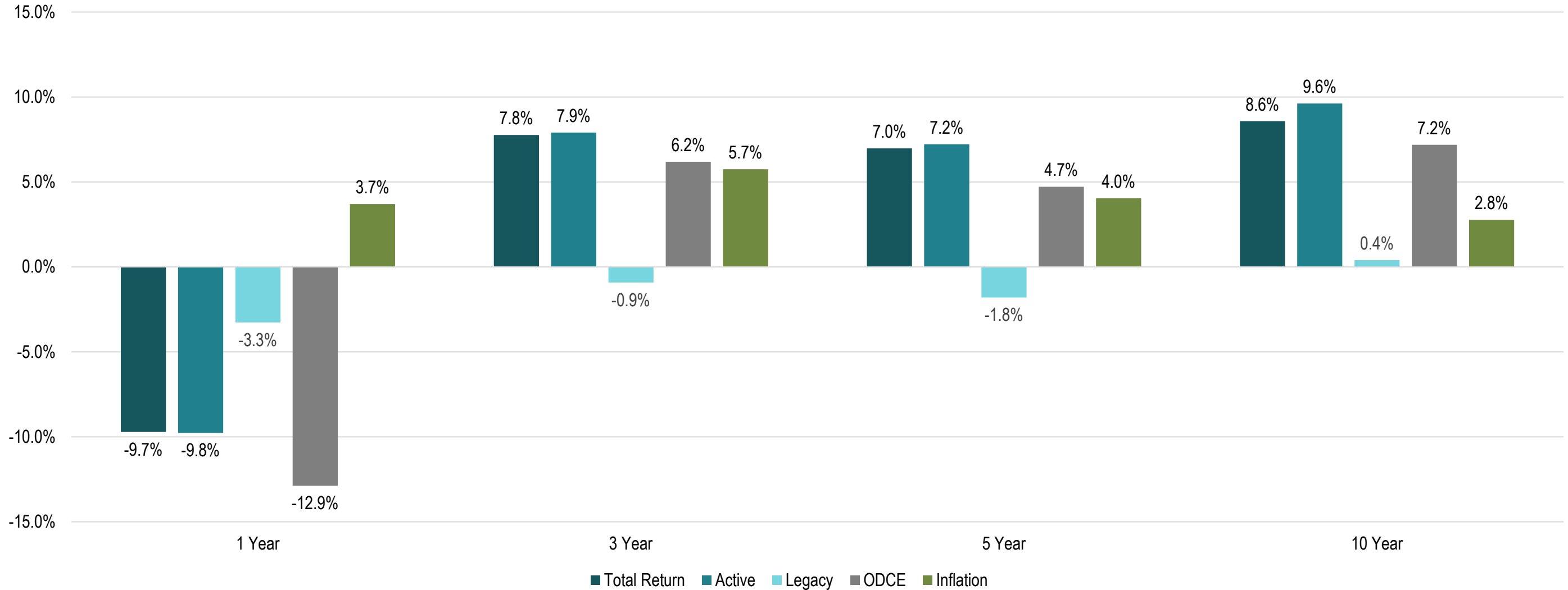
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The information contained in this report is confidential, may be legally privileged,
and is intended only for the use of California State Teachers' Retirement System.

Performance

As of Q3 2023

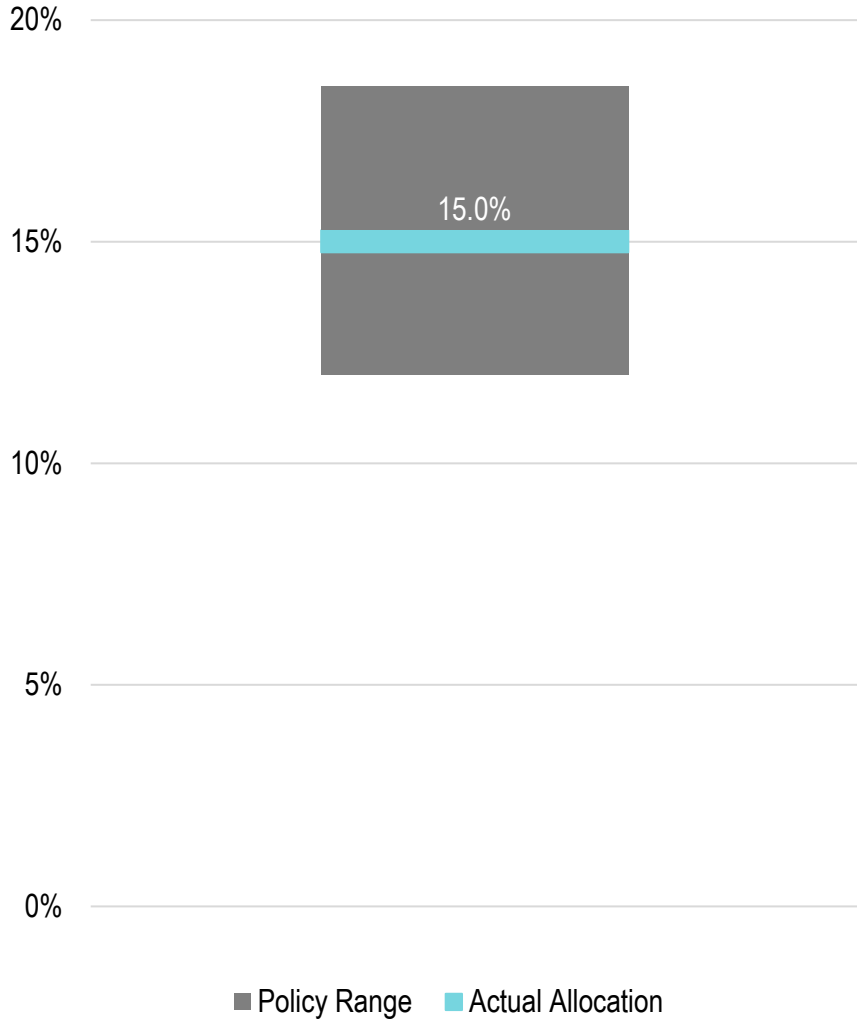
Historical Net Time-Weighted Returns¹



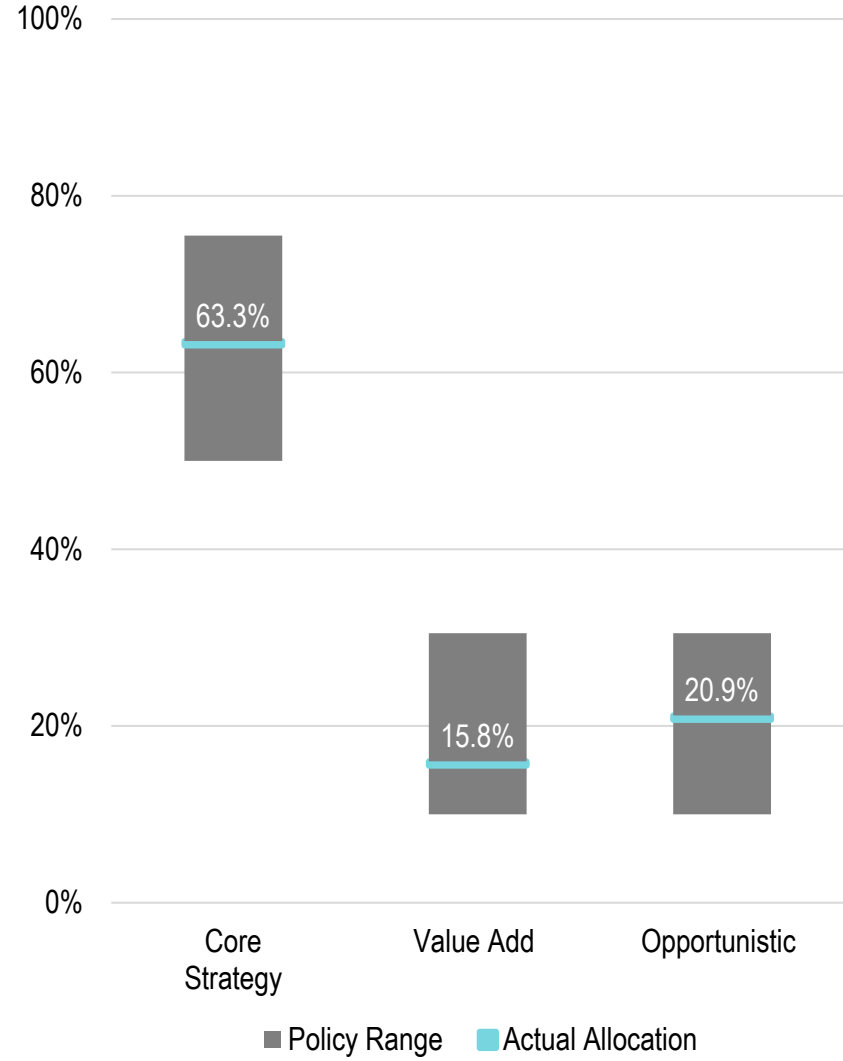
Funding Status and Compliance

As of Q3 2023

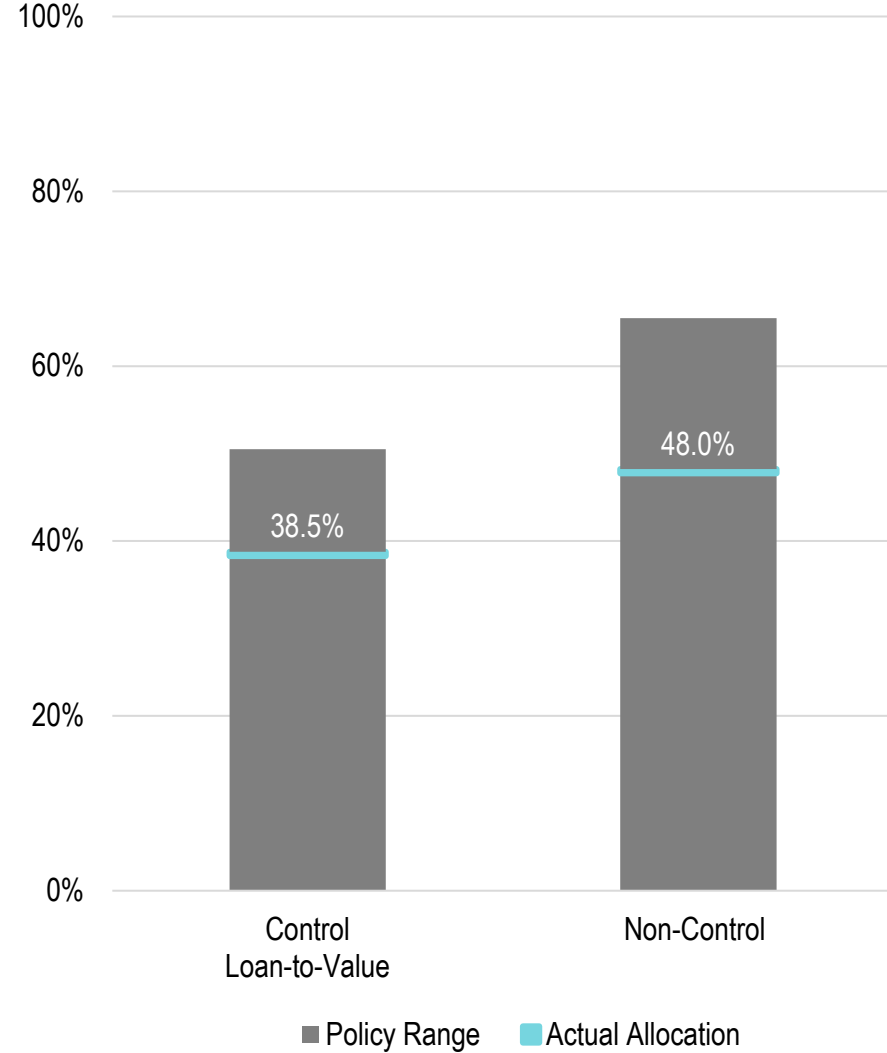
Compliance - Allocation



Compliance - Strategy¹



Compliance - Leverage



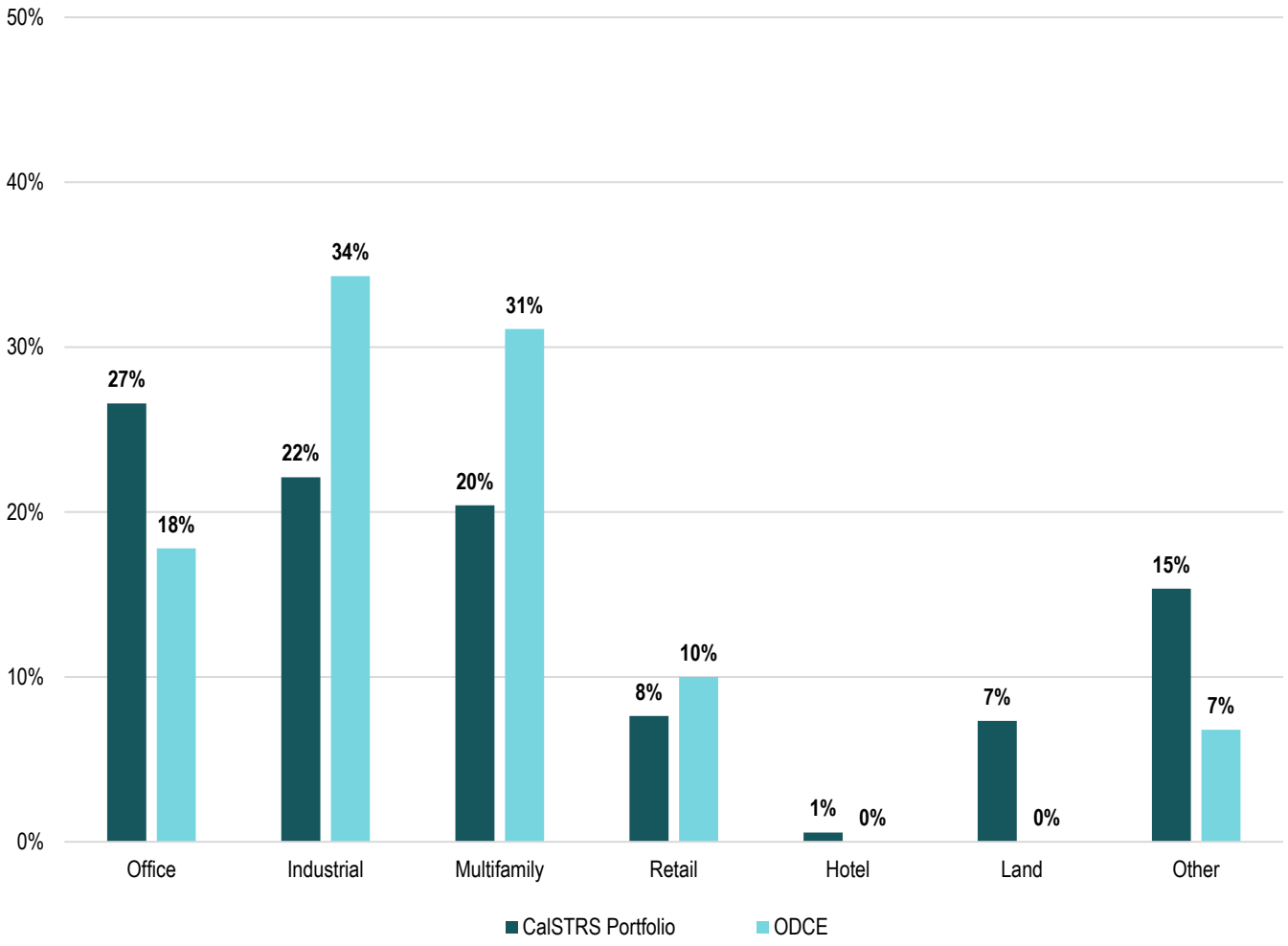
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¹Percentages do not account for the portion of Legacy assets. Public REITs included with Core. Source: State Street

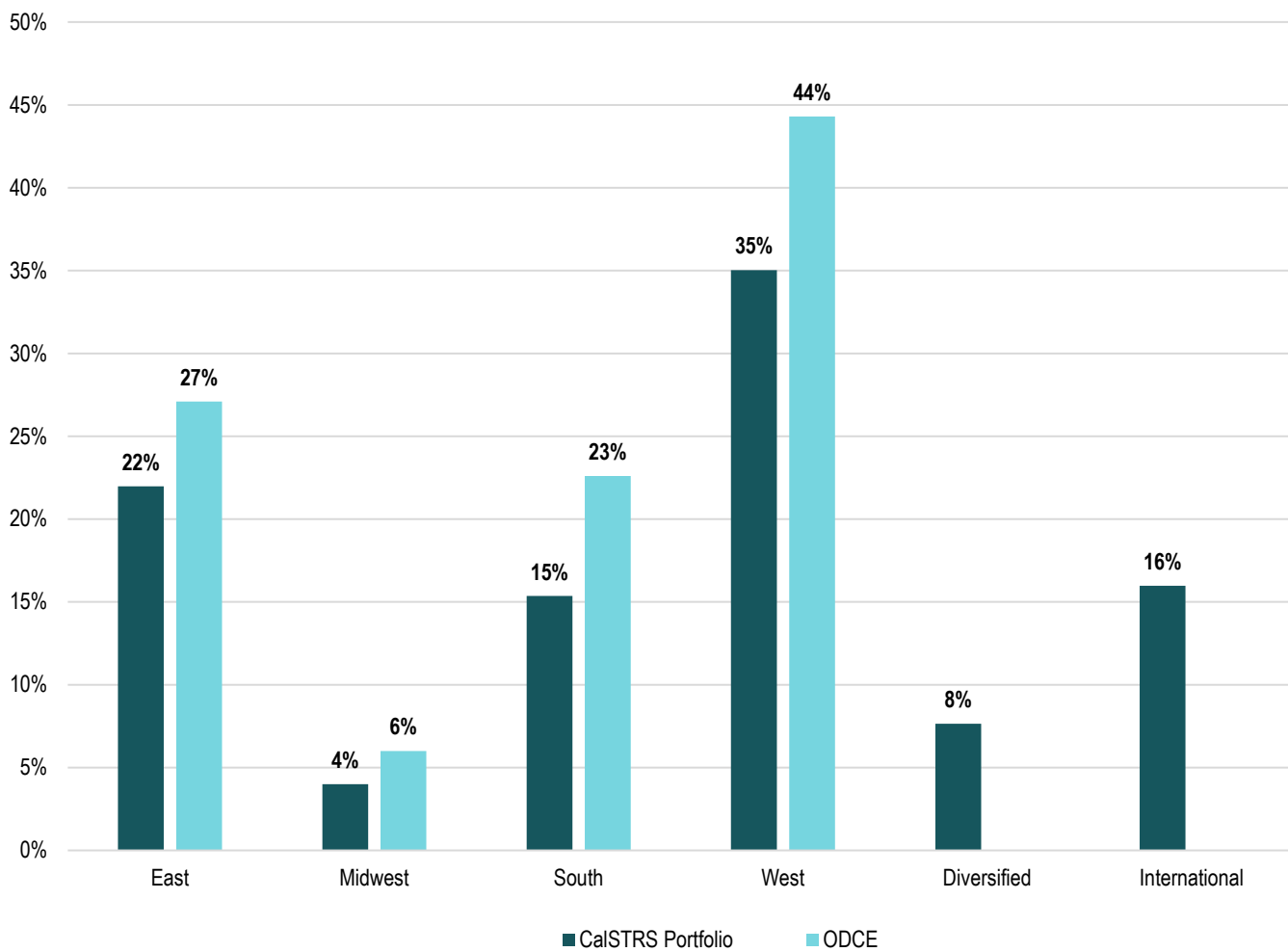
Portfolio Diversification

Property Type vs. ODCE

Total Portfolio - Property Type Diversification¹



Total Portfolio - Geographic Diversification²



Note: ODCE and CalSTRS' weights based on gross real estate value.

¹"Other" property type category is made up of the following property types in descending order by percentage: Other, Mixed Use, Debt, Diversified, Manufactured, Senior Living, Healthcare, Hospitality, Various, Self-Storage, Infrastructure, Entertainment, Securities, REITs, and parking.

²"Diversified" geographic category represents mostly U.S. diversified portfolio investments.

Source: State Street, CalSTRS



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Property Markets Snapshot and Outlook

As of Q4 2023

Multifamily

- Vacancy increased over the last year and is expected to decline through 2026 but remain above the long-term average.
- Rent growth was close to zero over past year but is forecast to rebound through 2026.

Office

- Office vacancy climbed 120 basis points over the past year, reaching a record high. Further deterioration is predicted through 2026.
- Rent growth was slightly positive the past year but will turn negative the next three.

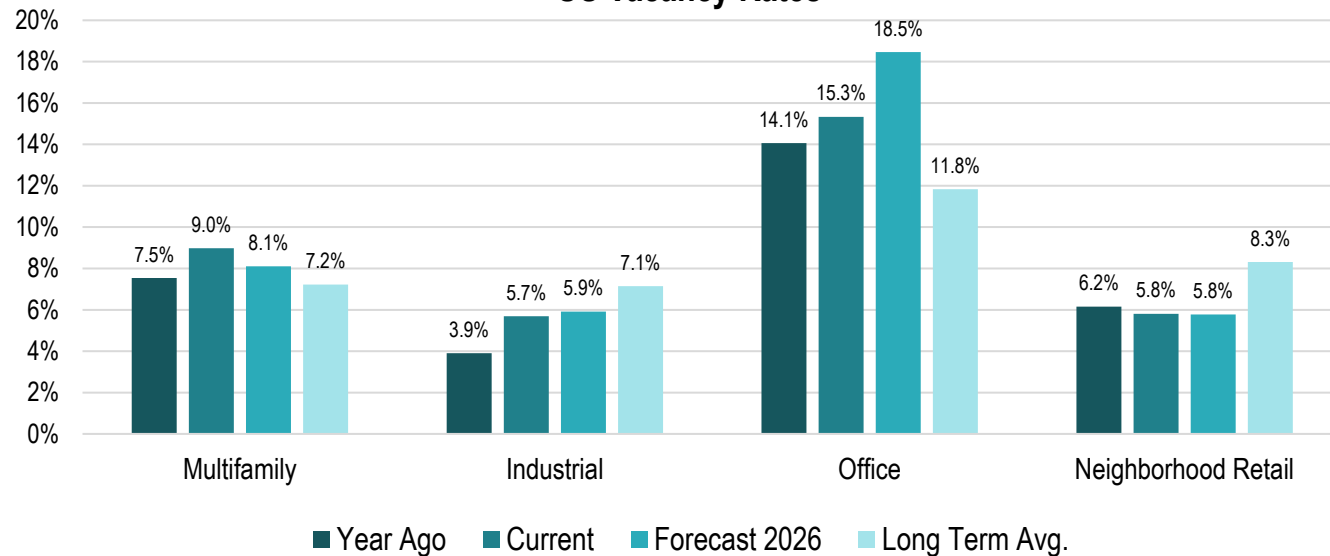
Retail

- Neighborhood retail vacancy was little changed over the past year. The current and forecast vacancy rate is below the long-term average.
- Rents rose by over 4% in 2023 but growth is expected to moderate through 2026.

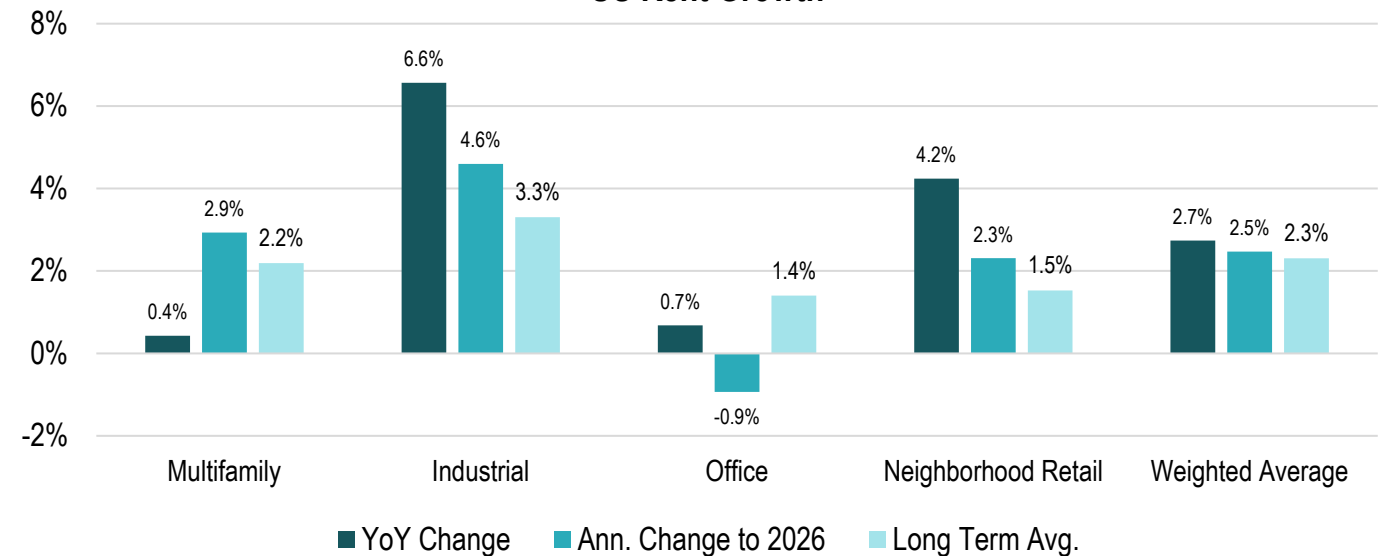
Industrial

- Industrial vacancy rose over the past year but is well below the long-term average. Little change is expected over next three years.
- Rent growth led all property types over the past year and will do so through 2026.

US Vacancy Rates



US Rent Growth



Disclaimers

Critical Assumptions

Our analysis depends on the correctness and completeness of data available as of the date of this memo. The future performance of the global, national, and local economy and real estate market, and other factors similarly outside our controlled may vary. Given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously. Stable and moderate growth patterns are historically not sustainable over extended periods of time; the economy is cyclical; and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

Our analysis cannot predict unusual economic shocks on the national and/or local economy, potential benefits from major "booms" that may occur, or the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable and comprehensive. This study is based on estimates, assumptions, and other information developed by RCLCO Fund Advisors from its independent research effort and general knowledge of the industry. No responsibility is assumed for inaccuracies in reporting by any data source used in preparing or presenting this study. This memo is based on information that to our knowledge was current as of the date of this memo, and RCLCO Fund Advisors has not undertaken any update of its research effort since such date.



Cover Image: Mountain View Village, Riverton, UT

Back Cover Image: The Village at Totem Lake, Kirkland, WA

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