
Investment Committee Semi-Annual Activity Report

| 5. Real Estate



Fast Facts (12/31/22)

Net Asset Value
(\$ in millions): \$52,727

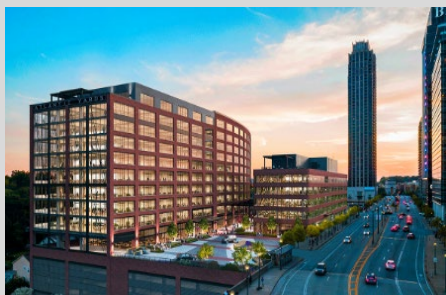
RE Allocation as Percent of Total Portfolio:

- Current: 17.45%
- Long-term target: 15.00%

Benchmark:

NFI-ODCE Value-weighted Index
Net of fees (quarter lag)

SOLD!



Atlantic Yards

Located in Atlanta, GA this 523,511 RSF trophy office campus was constructed alongside Hines and Invesco in 2017. The two-building campus was designed to achieve LEED gold certification and was subsequently fully leased to Microsoft Corp. The property sold in Q3 for \$385 million to an all-cash buyer and generated a 24% net IRR and an equity multiple of 2.15x, exceeding pro forma expectations.



Rize Irvine

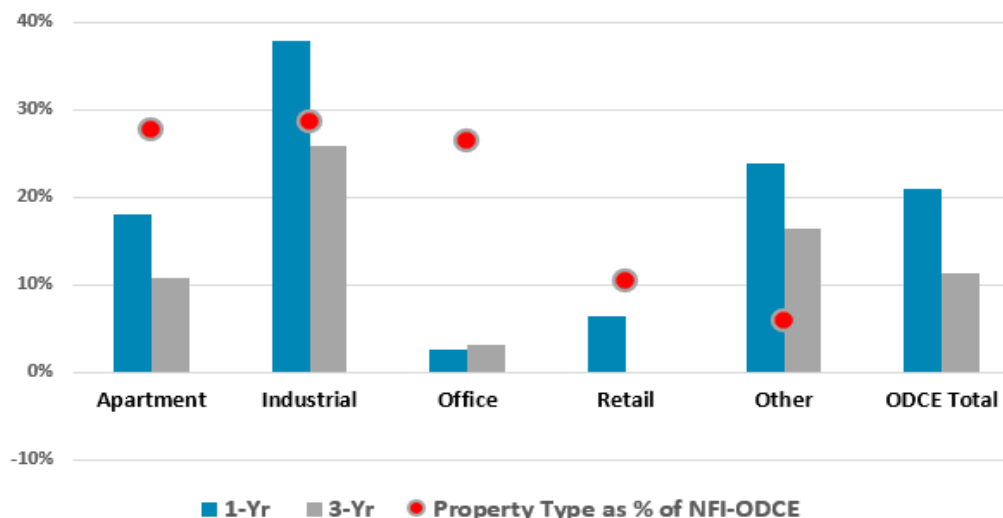
Rize, a 363-unit multifamily property in Irvine, CA sold in Q4 of 2022. The property was acquired as land by the Fairfield California Housing Fund in 2015. Fairfield completed construction in 2018. The property sold for \$190M (\$535K/unit) and generated a 16.6% net IRR and an equity multiple of 2.1x, outperforming pro forma.

Real Estate Net Time Weighted Returns (09/30/2022)

2022 Q3	NAV (\$ in millions)	Current Quarter	1 Year	3 Year	5 Year
Total Portfolio	\$51,922	0.2%	20.2%	12.8%	11.3%
NFI-ODCE Net	\$279,920	0.3%	21.0%	11.4%	9.3%

*Green cells denote outperformance relative to NFI-ODCE

Performance by Property Type (09/30/2022)



U.S. real estate returns weakened in Q3 2022 as higher interest rates impacted market pricing and values, leading to a slowdown in returns from the record levels over the past year. Despite the pullback in the third quarter, NFI-ODCE recorded a total return of 21 percent over the one-year time frame. The diverging performance by property type was most pronounced between Industrial and Office, with the former returning 37.9 percent over one year and the latter returning just 2.7 percent. We expect sector allocation may continue to have an impact on relative performance going forward.

Real Estate Market Snapshot - Debt

The second half of 2022 saw major banks on the sideline in debt markets while borrower demand remained strong. Spreads for borrowing increased 150-600 bps, on top of historically high base rates due to actions by the Fed. Over the next year, the market anticipates new loans will face tighter underwriting and lower LTVs. This should allow real estate debt investments to generate high single to low double-digit yields.

The CalSTRS Real Estate debt team has created multiple partnerships with industry leaders. CalSTRS generally retains control over individual debt investments in its portfolio. The first debt investments were started in 2005 and have grown to 8.5% of total real estate NAV as of 09.30.22. The team views this environment as an opportunity to achieve attractive risk-adjusted returns.

Material Real Estate Commitment Activity (July 2022 - Dec 2022)

Investment Name	Control / Non-Control*	Strategy	Vehicle	Property Type	Amount (\$ in millions)
3650 Cal Bridge Lending, LLC	Control	Core	JV	Debt	\$400
CHICal	Control	Core	JV	Industrial	\$500
CSJV IUK BX Holding	Control	Opportunistic	SA	Multifamily	\$145
IDS Realty JV III, LLC	Control	Diversified	JV	Industrial	\$500
PrinCal	Control	Diversified	JV	Retail	\$300
Waterton Core Venture LLC	Control	Core	JV	Multifamily	\$300
Beacon Capital Strategic Partners 9	Non-Control	Value Add	Fund	Office	\$150
Niam Nordic VIII	Non-Control	Opportunistic	Fund	Diversified	\$204
Safari II REIT	Non-Control	Core	Fund	Diversified	\$300
Workforce Housing REIT	Non-Control	Value Add	Fund	Diversified	\$400

* Control Investments are subject to CalSTRS approval for every investment.

Real Estate Disposition Activity* (July 2022- Dec 2022)

Investment Name	Location	Strategy	Vehicle	Property Type	Net Sale Amount to CalSTRS (\$ in millions)
Atlantic Yards	Georgia	Core	SA	Office	\$178
800 South Hope	California	Core	SA	Office	\$128
Rize Irvine	California	Core	JV	Residential	\$87
684 W Maude	California	Core	SA	Office	\$86
Plaza Fiesta	Georgia	Core	JV	Retail	\$78
285A Crown	Australia	Value Add	JV	Office	\$39
6383 Verden	Germany	Opportunistic	JV	Industrial	\$39
Omiya Southgate	Japan	Value Add	JV	Office	\$38
Torrey Reserves	California	Core	SA	Office	\$33

* Excludes Partial Sales and Sales returning \$30 million or less.