

San Jose Police and Fire Department Retirement Plan

Real Estate Program Update

September 2023

Real Estate Program Update

- The office sector has been adversely impacted by declining demand, challenging capital markets, and deteriorating operating fundamentals. The U.S. office vacancy rate is now 18%.
- Green Street's Commercial Property Price Index estimates office values are down 31% from peak values.
- The San Jose Police & Fire plan has two real estate allocations:
- Core Real Estate (5.0% of plan, 5% target) primarily invests in stabilized income-producing properties.
 - The San Jose Police & Fire office sector exposure is 12% of the Core Real Estate NAV and 7% underweight relative to the NCREIF ODCE benchmark.
- Growth Real Estate (4.3% of plan, 4% target) invests in transitional real estate opportunities targeting higher returns.
 - San Jose Police & Fire office sector exposure is 15% of the Growth Real Estate NAV with only 1% from vintage years 2020-2023.
- The San Jose Police & Fire exposure to U.S. gateway office markets of NY, Chicago, LA, Boston, DC, and SF is 0.4% of plan.

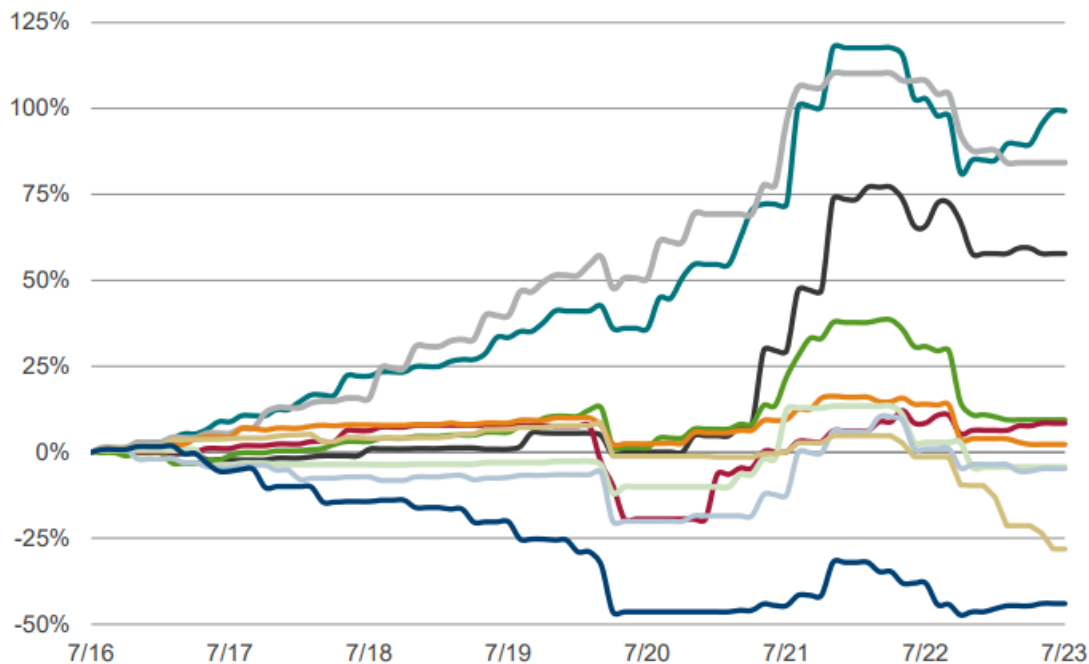


Source: Bloomberg

Property Value Changes and Forecasts

Green Street's Commercial Property Price Index® is a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted.

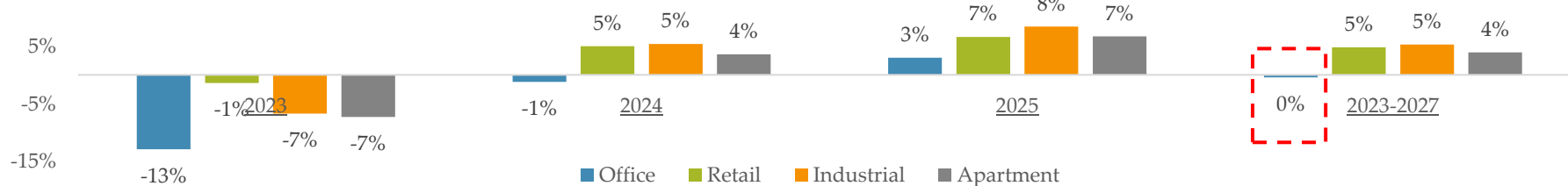
Cumulative Change in CPPI®: Past Seven Years



Source: Green Street Commercial Property Price Index®, as of August 4, 2023

	Past 12 Months	Recent Peak
Industrial	-2%	-8%
Man Home	-11%	-12%
Self-Storage	-5%	-11%
Apartment	-16%	-21%
Lodging	0%	-3%
Health Care	-10%	-12%
Net Lease	-7%	-16%
Strip Retail	-6%	-14%
Office	-27%	-31%
Mall	-9%	-18%

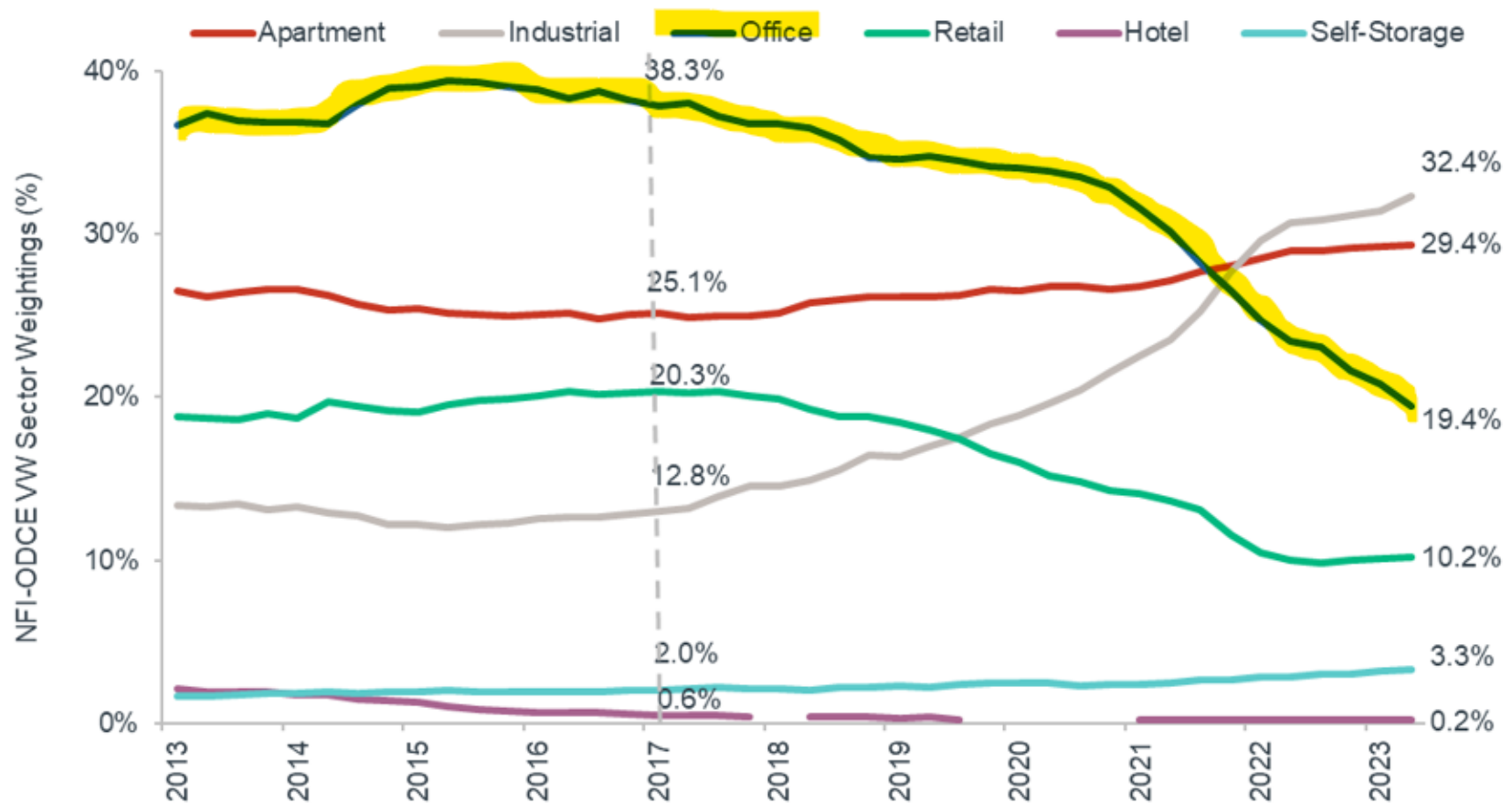
PREA Consensus U.S. Forecast Returns from 28 investment managers, advisors, and researchers



Source: Pension Real Estate Association, as of May 2023. Unlevered returns gross of management fees.

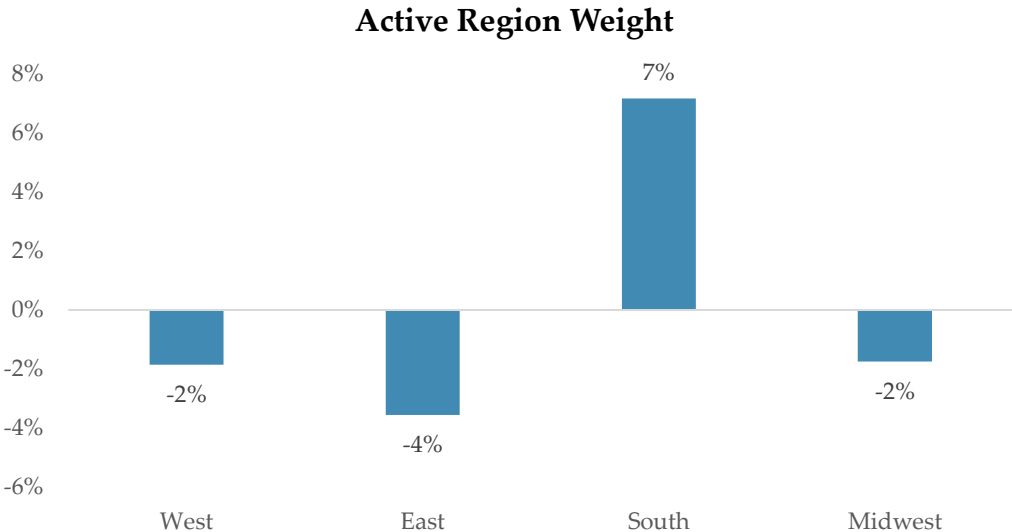
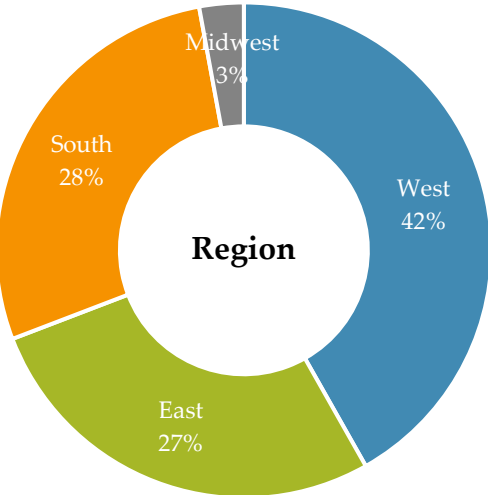
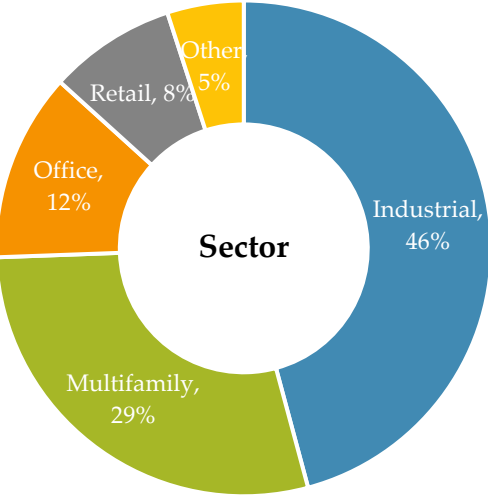
Core Real Estate Index Sector Allocations Shifting

ODCE Sector Allocation In Recent History (As Of Q2 2023)



Source: NCREIF, Clarion Partners Investment Research

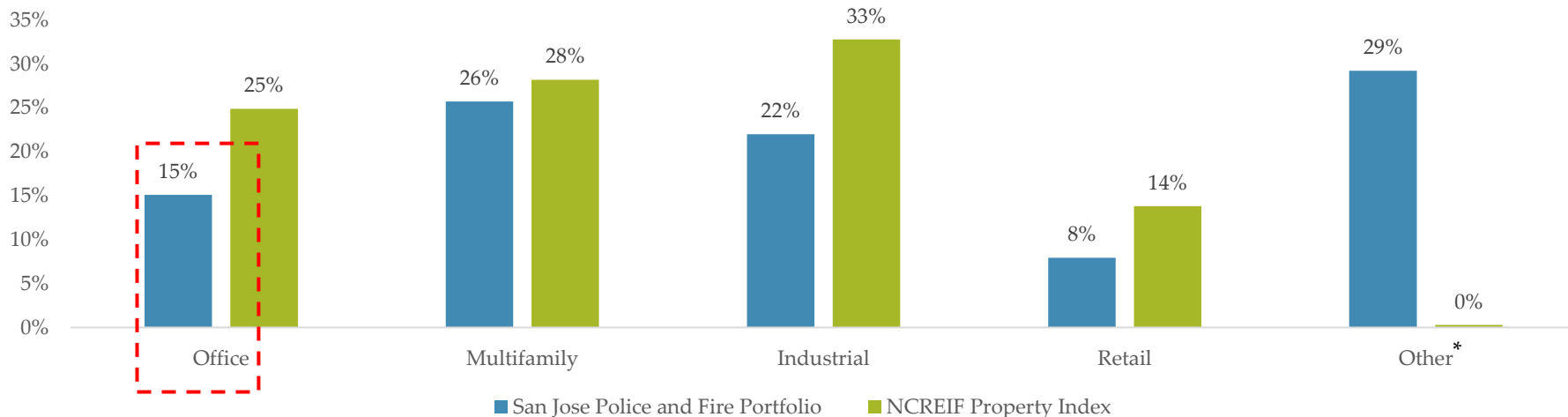
San Jose Police and Fire Core Real Estate Portfolio Update



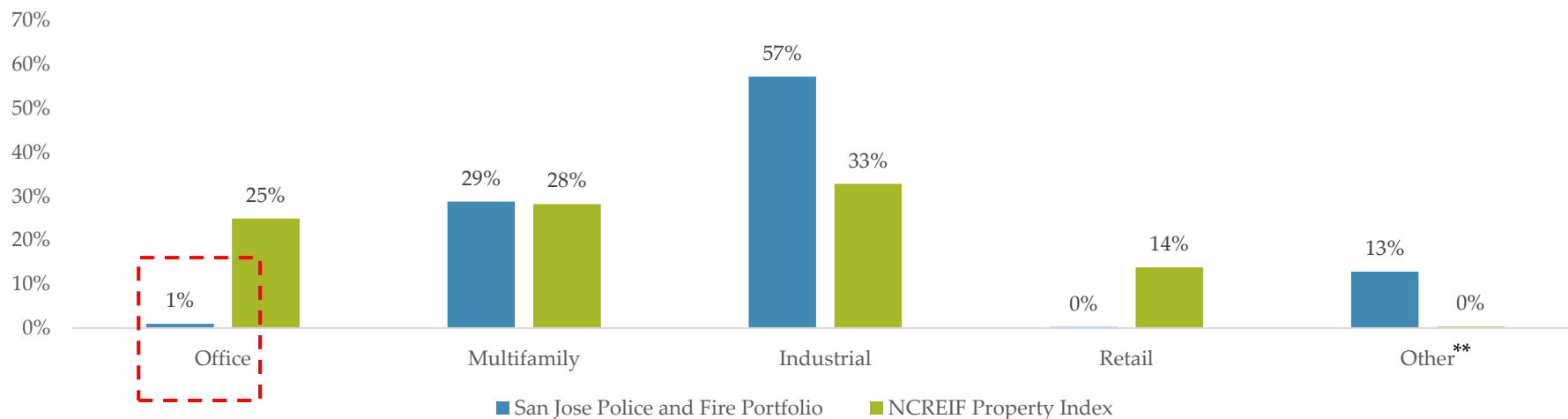
As of June 30, 2023

San Jose Police and Fire Growth Real Estate Portfolio Update

Property Type Exposure



Property Type Exposure - Vintage Years 2020-2023



Source: San Jose Staff, NCREIF

As of March 31, 2023. Values based on NAVs

* Other category of 29% includes 18% hospitality, 3% lab office, 3% single-family rentals, 2% self-storage, 1% student housing

** Other category of 13% includes 7% self-storage, 5% hospitality, 1% lab office