Real Estate Strategy Semi-Annual Report (Open Session)

Prepared for California State Teachers' Retirement System

As of Q1 2026

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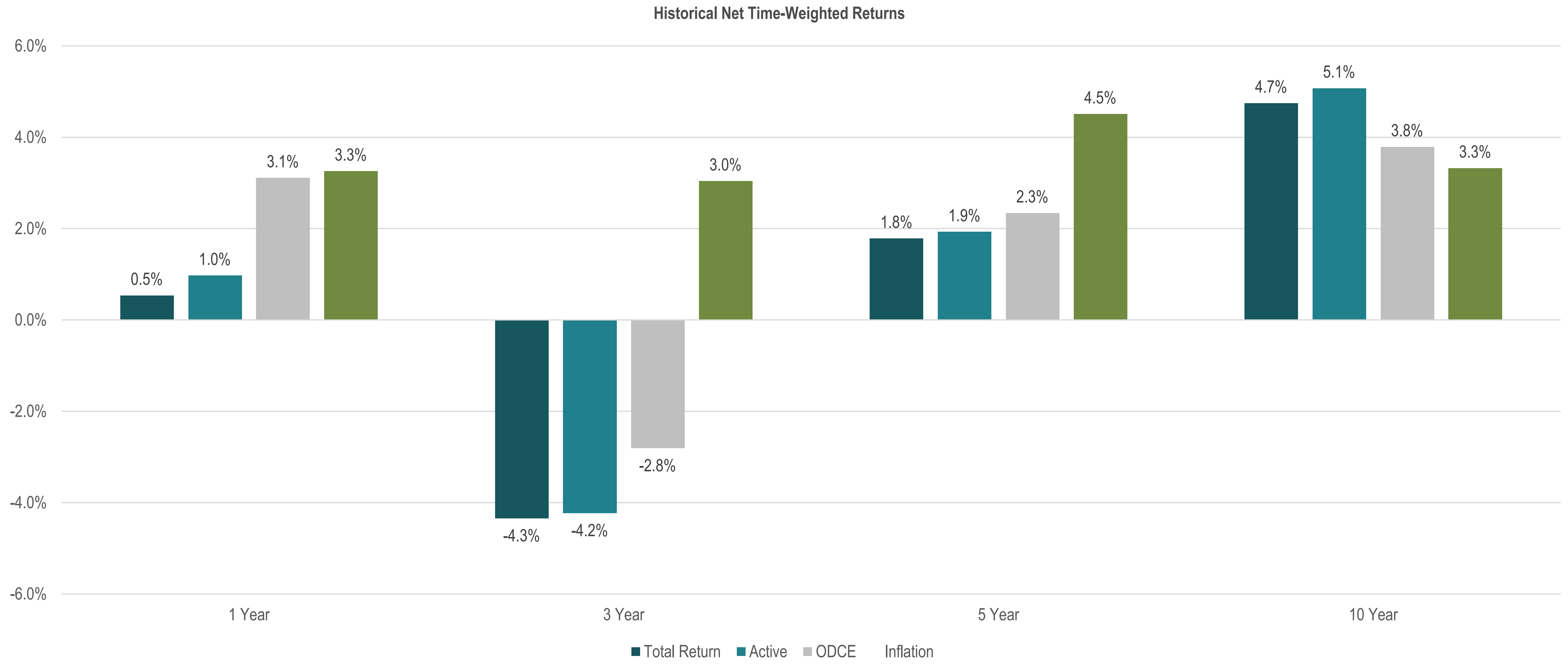
Performance

As of Q1 2026



Source: State Street, NCREIF, FRED

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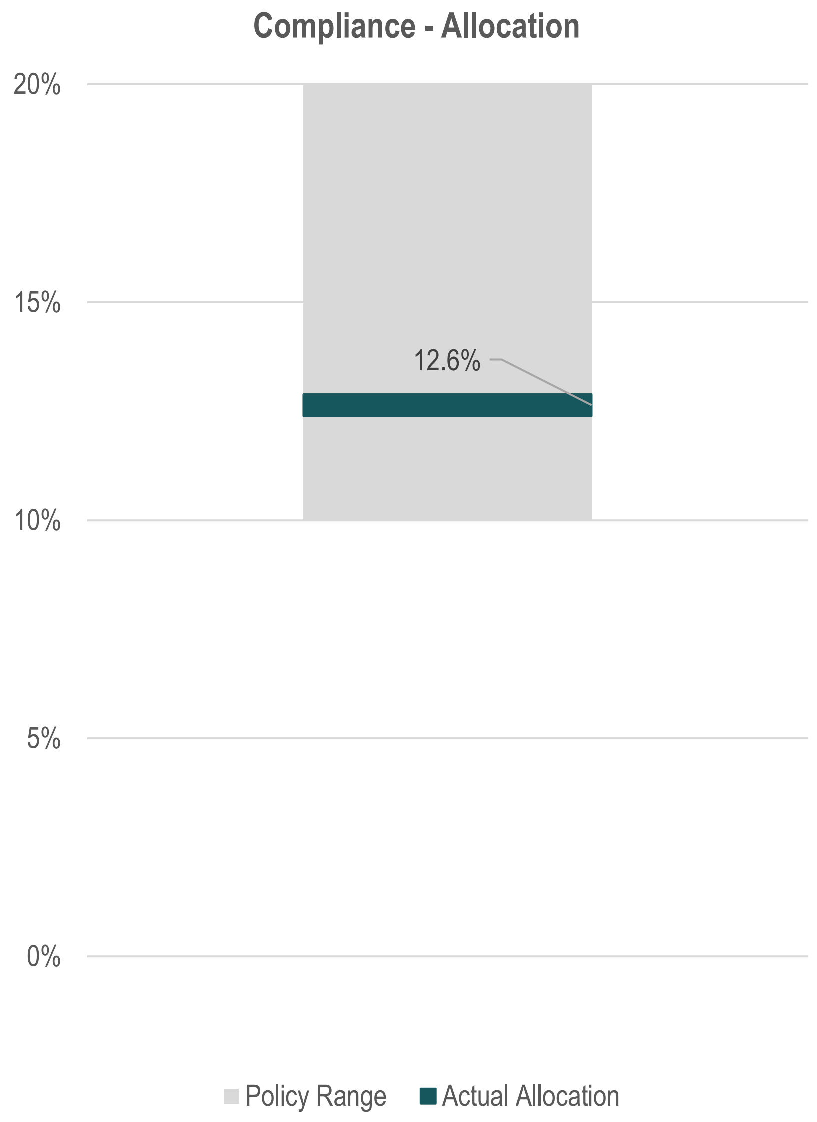
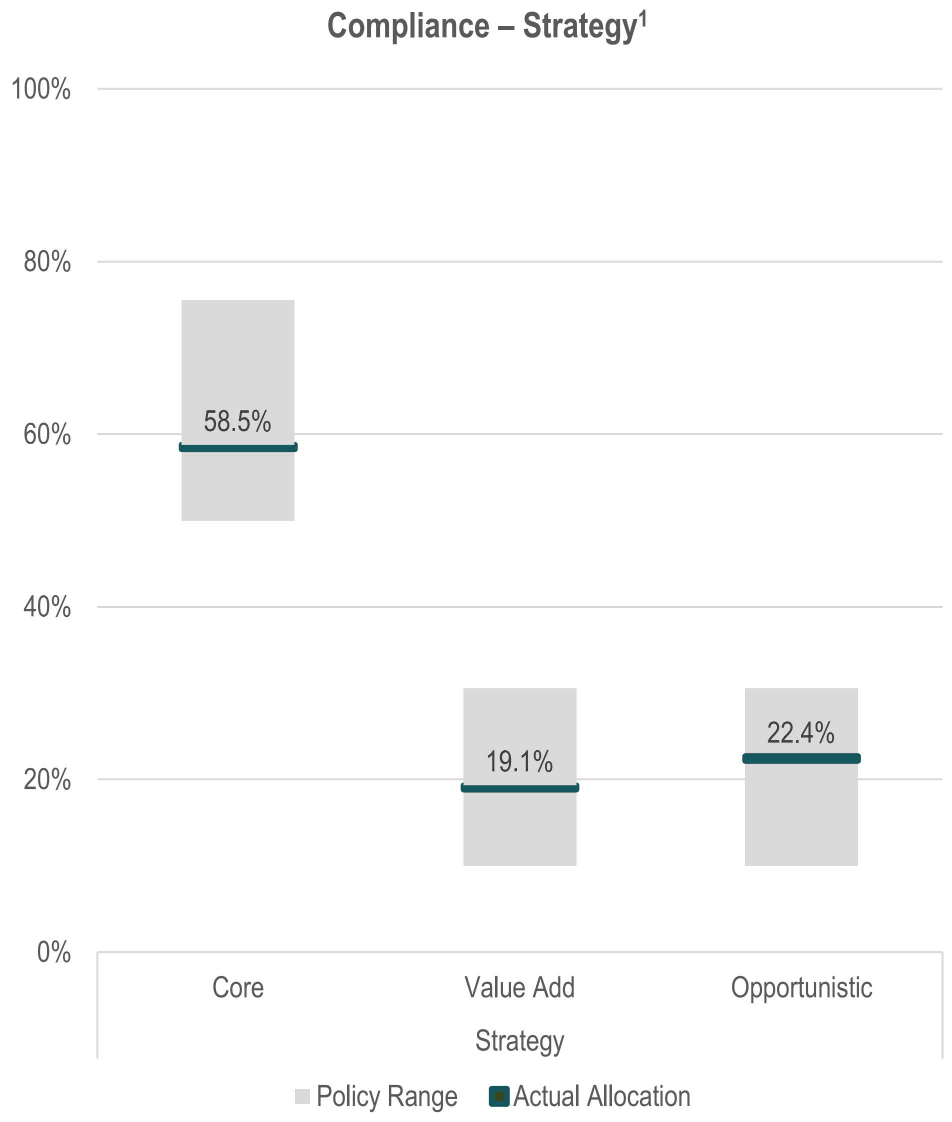
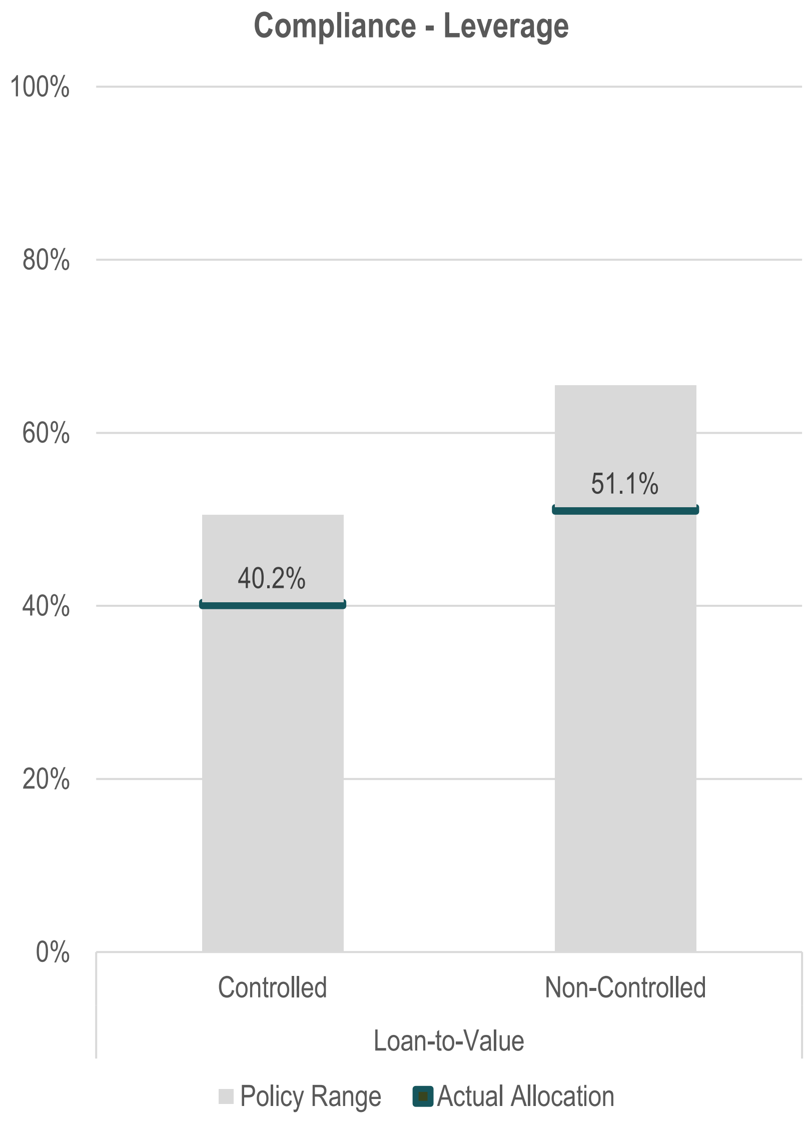
Funding Status and Compliance
As of Q1 2026







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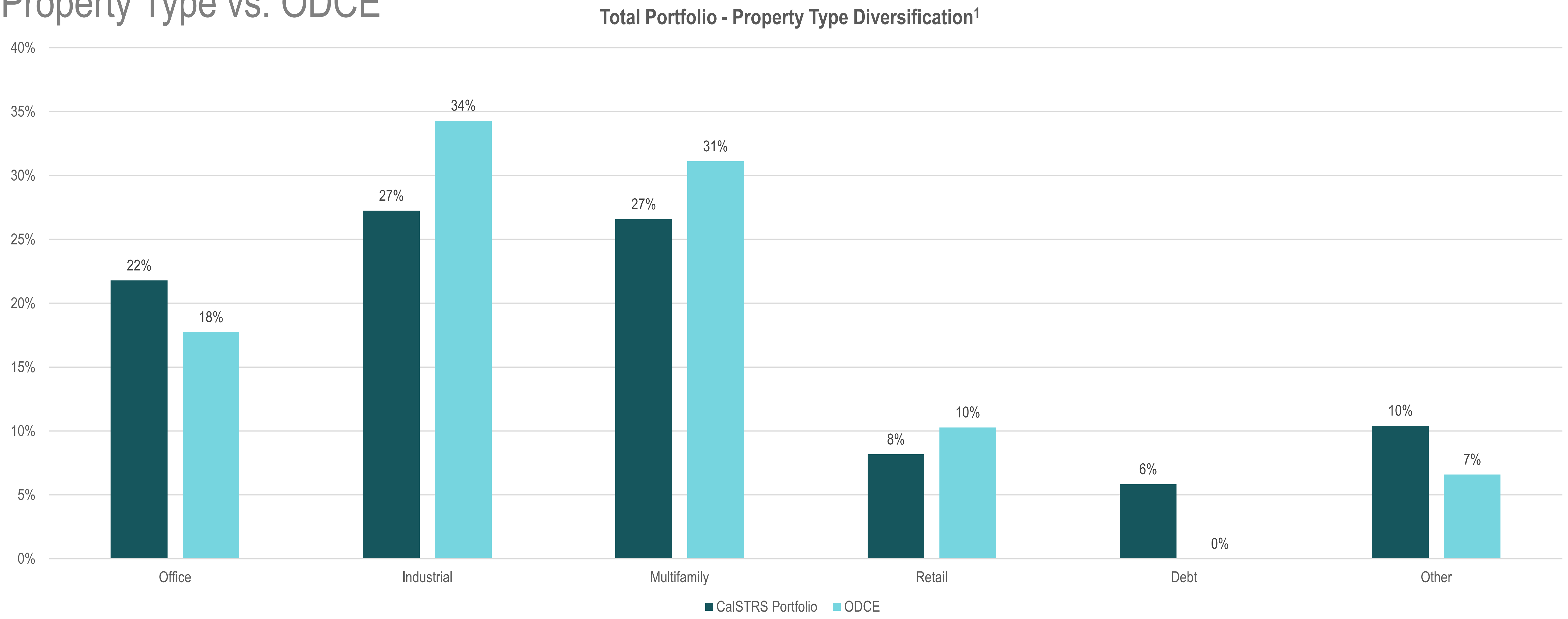
[1] Percentages do not account for the portion of Legacy assets. Public REITs included with Core.

Source: State Street

Portfolio Diversification

Property Type vs. ODCE



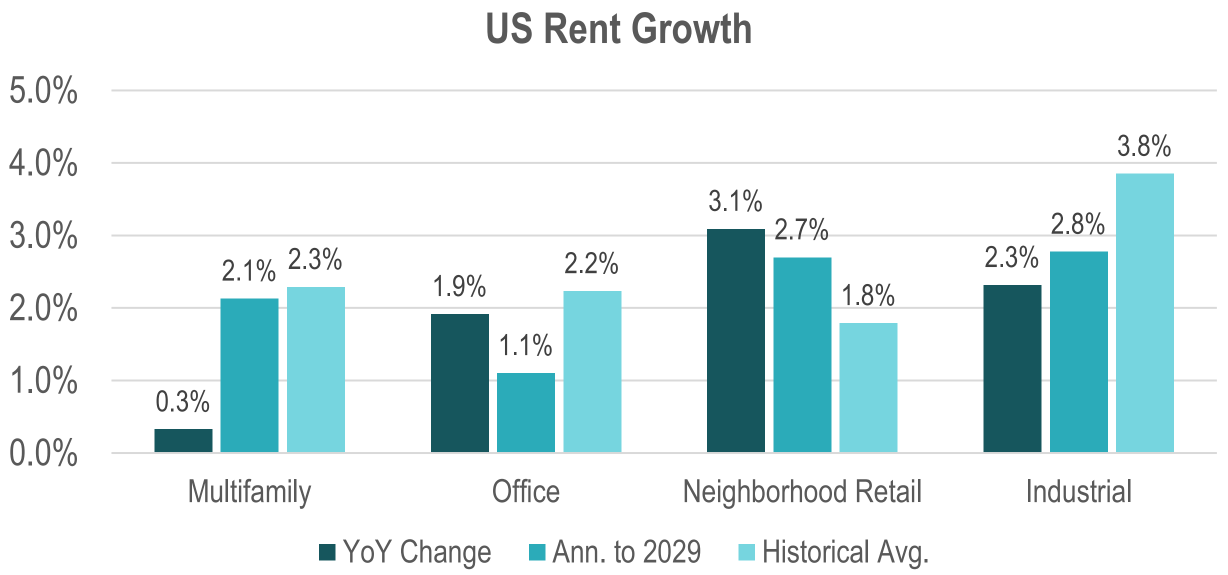
[1]The "other" property type includes the following property types: for sale housing, self-storage, hotel, data center, senior living, land, mixed-use, diversified, REOCs and other.
Note: ODCE and CalSTRS' weights based on gross real estate value.
Note: Instances where chart totals do not equal 100% are due to rounding.
Source: State Street, CalSTRS

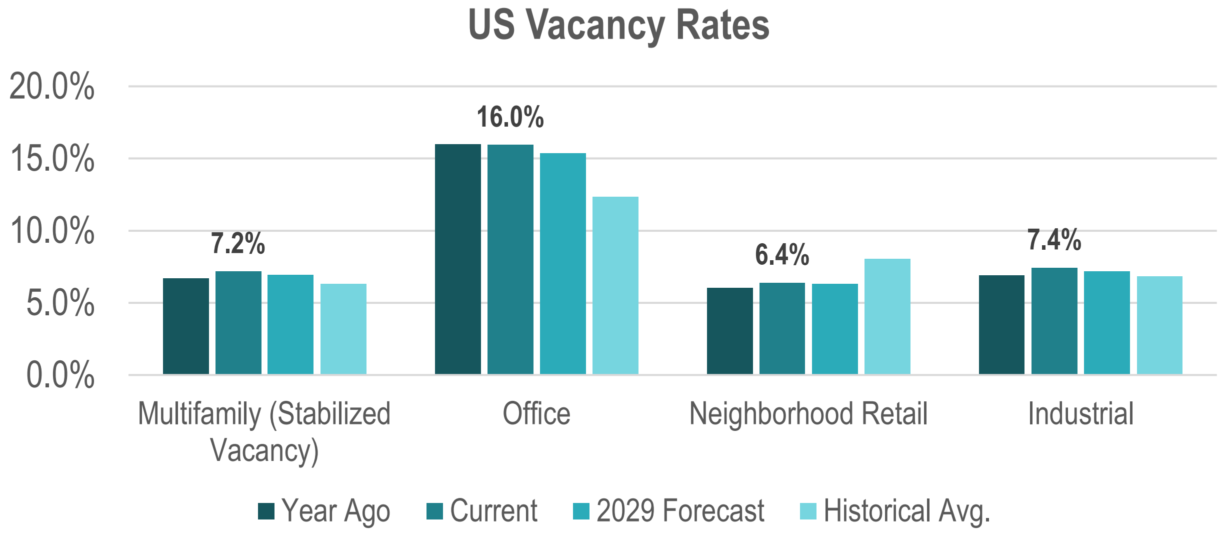
U.S. Property Markets Snapshot and Outlook

As of Q2 2026

Operating Fundamentals

- ***Multifamily*** – Annual absorption slightly outpaced completions; however, due to a supply overhang stabilized vacancy rose and YoY rent growth was a low 0.3%. An acceleration of the supply pipeline may keep fundamentals depressed in the near term.
- ***Office*** – Net absorption improved considerably although it remained outpaced by new supply. Vacancy has begun to moderate but rent growth will remain weak. Premium office properties in top submarkets should outperform.
- ***Neighborhood Retail*** – Vacancies ticked up slightly but remain below their long-term average. Rent growth is forecast to soften slightly in 2026 but limited new supply should support stable operating fundamentals through 2029.
- ***Industrial*** – Absorption improved but continued to lag completions, pushing vacancies higher. Rent growth has also slowed considerably. Fundamentals are projected to soften further in the near term before improving in the mid term.
- ***Senior housing, BTR, Self-storage*** – Structural demographic tailwinds and shifting homeownership trends are likely to drive above-inflation rent growth.
- ***Data centers*** – Strong fundamentals in near term but risk of overbuilding in the mid term.

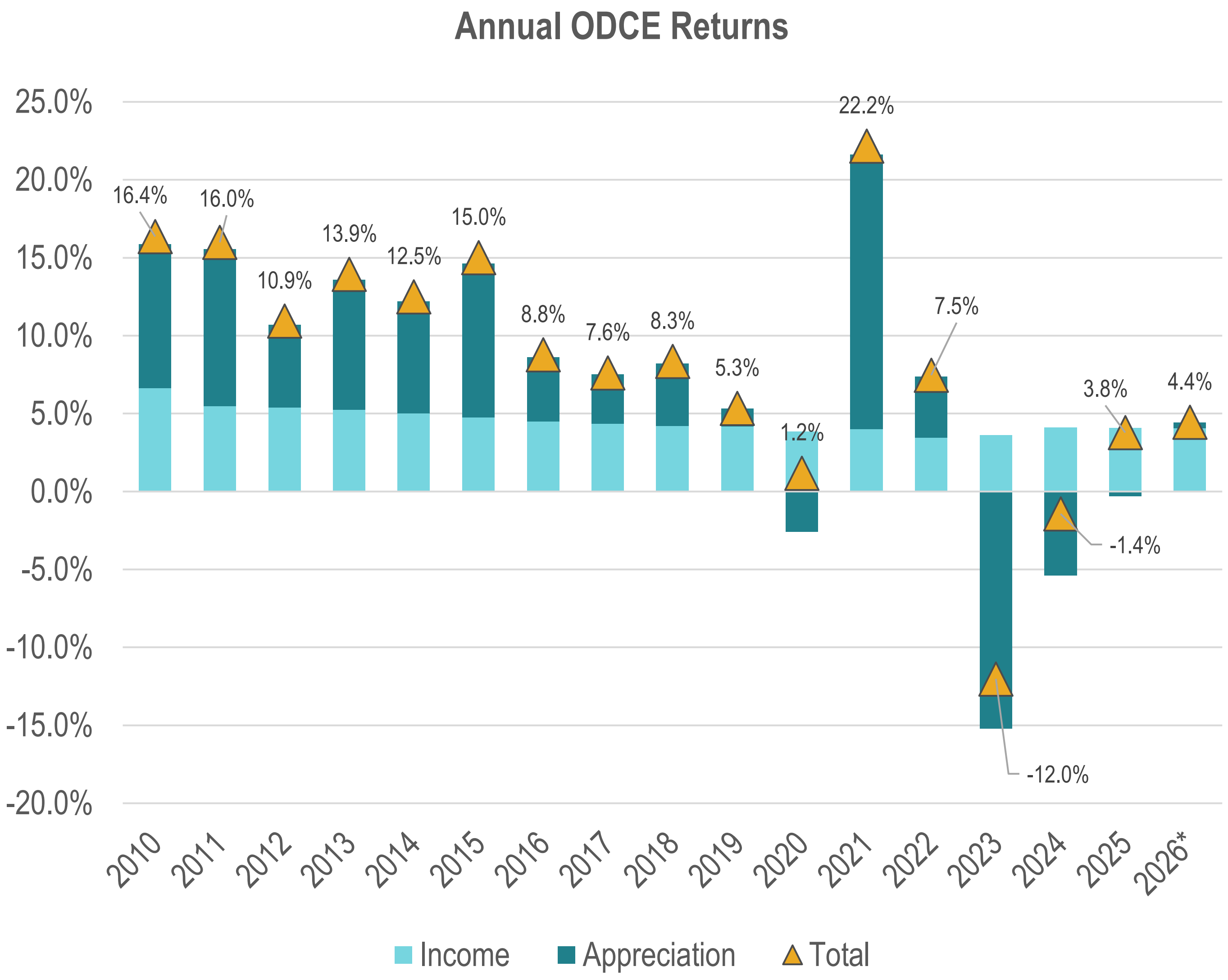


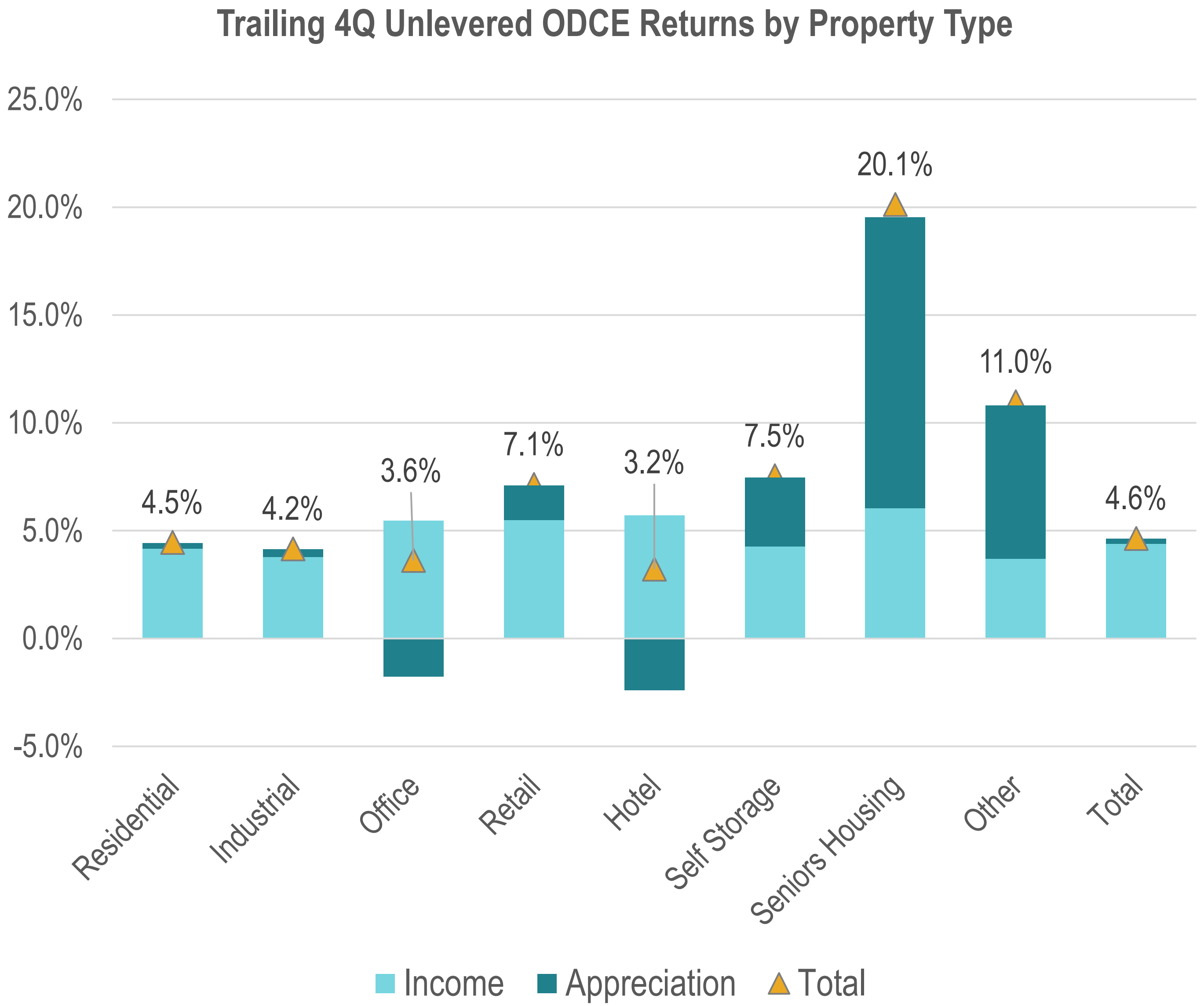


Data are as of 2026 Q2.
Note: Vacancy and rent growth rates are rolling four-quarter averages; office and multifamily data are filtered for Class A&B; apartment vacancy reflects stabilized vacancy.
Source: CoStar

Annual ODCE Returns Rose Slightly to 4.4% in Q2

Seniors Housing and Other Led ODCE Returns; Hotel and Office Lagged



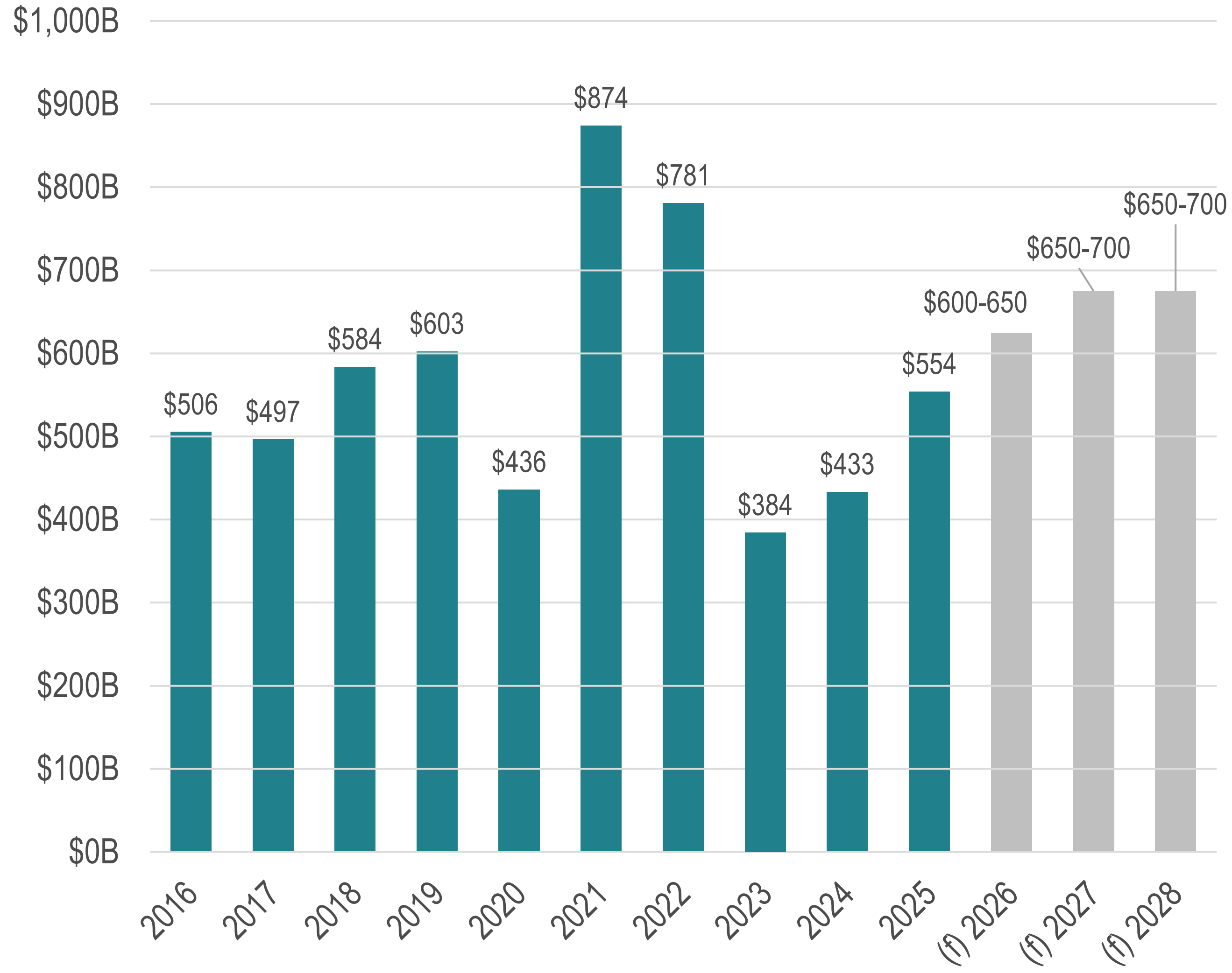


Data are as of 2026 Q2.
Note: Total returns are levered, gross of fees at ownership share; property type returns are unlevered, gross of fees, at ownership share.
Source: NCREIF

U.S. Transaction Volume Is Forecast to Continue Increasing

Transaction Volumes Have Increased Over 20% YoY in All Property Types Except Apartments

Annual Transaction Volume



Trailing Four-Quarter Transaction Volume

Data are as of 2026 Q2.
Source: MSCI, RFA

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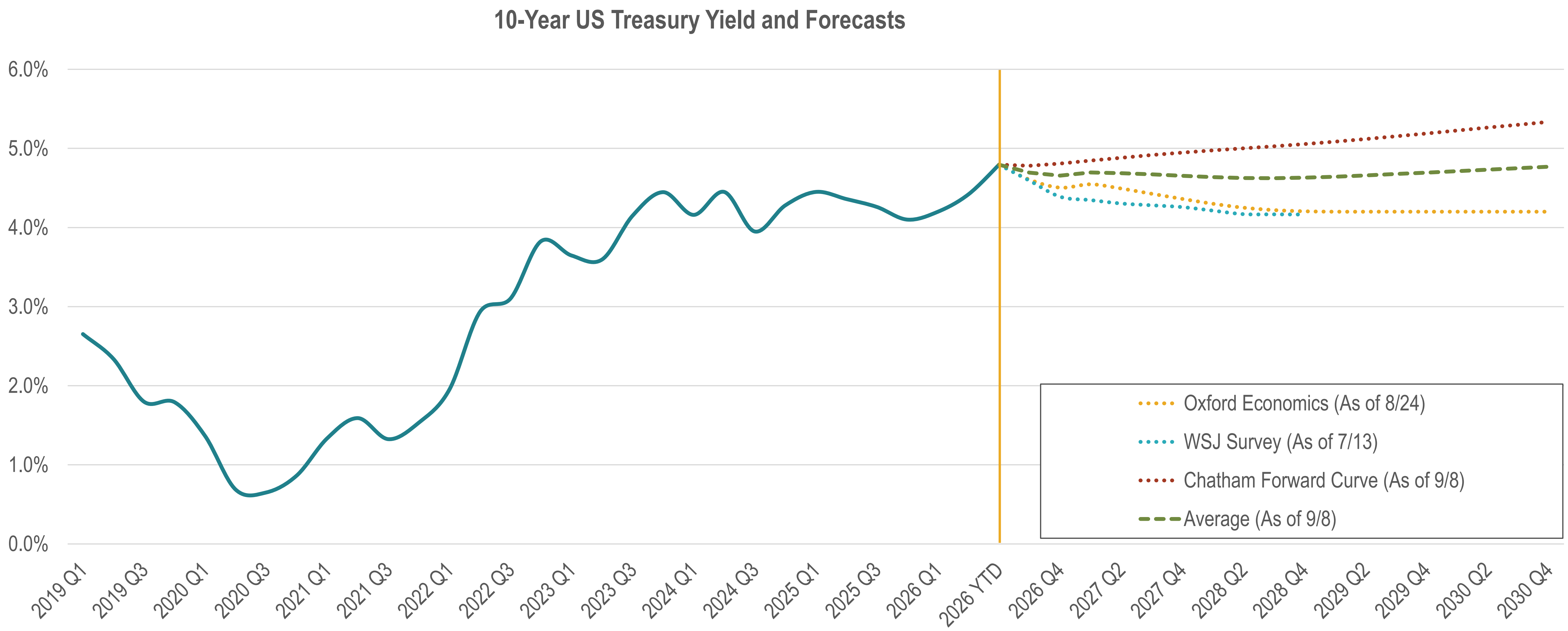
Treasury Yields Rose Further in 2026

10-Year Treasury Yields Are Projected to remain above 4.0% through 2030, a Headwind for Cap Rates and Valuations

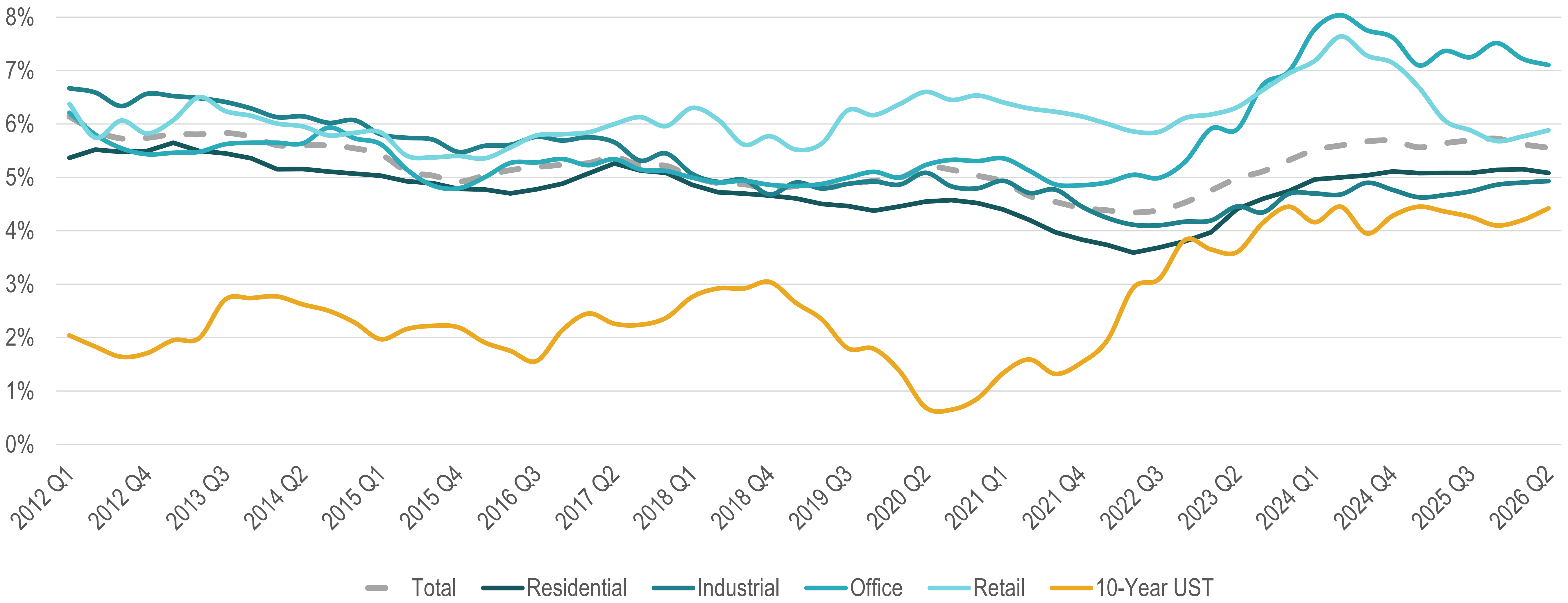


Data are as of September 2026.
Source: FRED, Chatham Financial

Cap Rates Remained Mostly Stable in Early 2026

Office and Residential Drove Modest Decline in NPI Transaction Cap Rates

NPI Transaction Cap Rates by Property Type (Trailing 4Q)



Data are as of 2026 Q2.
Note: Mix of NPI property types varies from quarter to quarter, potentially impacting average cap rates.
Source: NCREIF; MSCI

Political & Regulatory Risk: Selected Media Coverage

TIME

"Mamdani's Promised Rent Freeze Approved in New York"

TIME | June 26, 2026

REUTERS

"Trump Signs Order to Restrict Wall Street Firms From Buying Single-Family Homes"

Reuters | January 20, 2026

CNN BUSINESS

"A New Law Limits Mega-Investor Home Purchases. Will That Make Homes Cheaper?"

CNN Business | July 12, 2026

THE WASHINGTON POST

"New York Becomes First State to Impose Data Center Moratorium"

The Washington Post | July 14, 2026

THE NEW YORK TIMES

"The Movement to Stop Data Centers"

The New York Times | June 9, 2026

BLOOMBERG

"ICE Begins Buying 'Mega' Warehouse Detention Centers Across US"

Bloomberg CityLab | January 30, 2026

CALMATTERS

"Job Killer or Neighborhood Protector? Newsom Signs Warehouse Rules that Divided Inland Empire"

CALMATTERS | September 29, 2024

THE NEW YORK TIMES

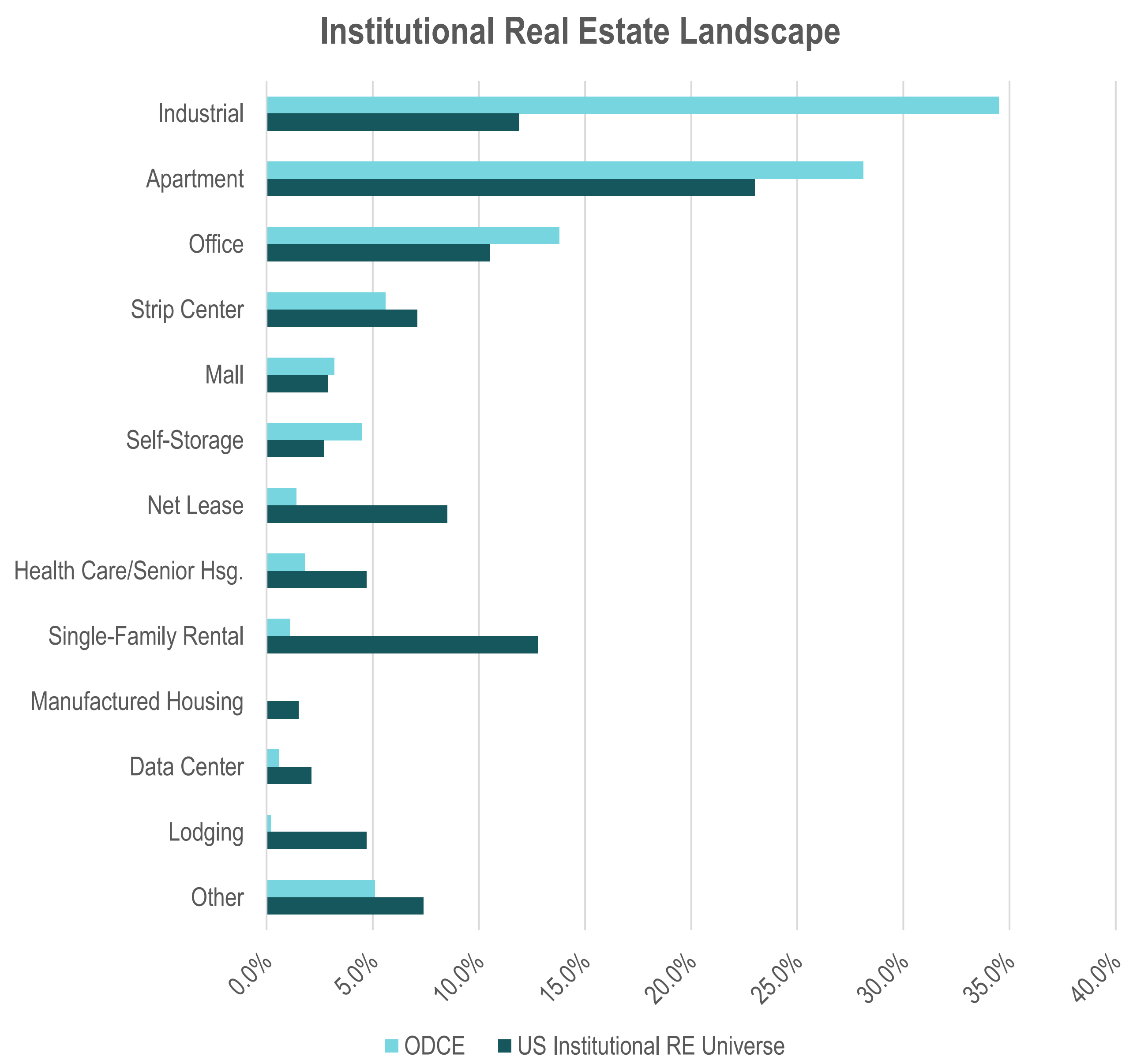
"Wildfires Hasten Another Climate Crisis: Homeowners Who Can't Get Insurance"

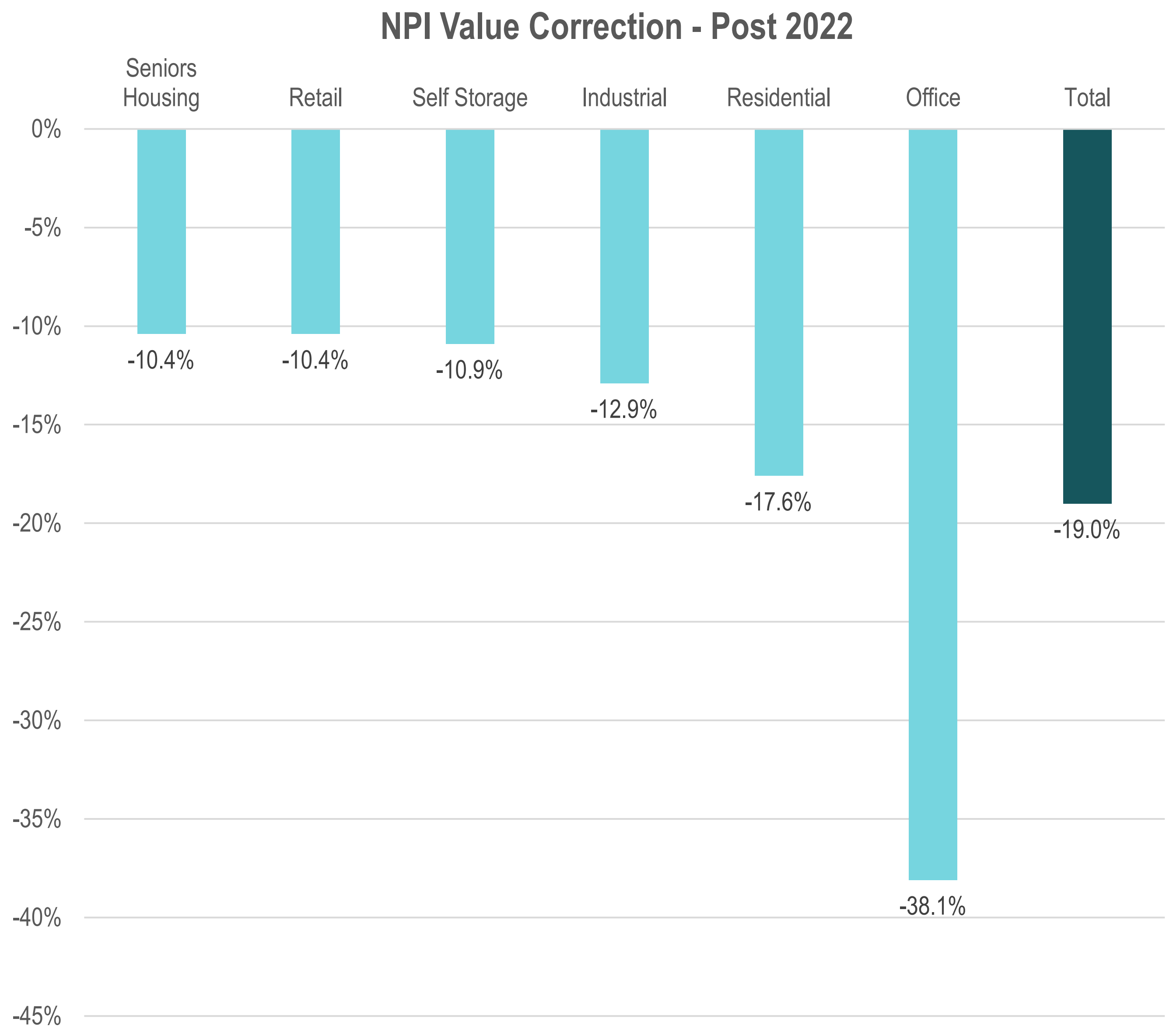
The New York Times

● RENT CONTROL ● SFR OWNERSHIP ● DATA CENTERS ● INDUSTRIAL NIMBYISM ● INSURANCE / CLIMATE

Source: TIME, Reuters, CNN, Washington Post, NYT, Bloomberg, CalMatters,

Real Estate Market Landscape and Recent Valuation Corrections





Note: "Net Lease" includes all other retail.
Note: "Single-Family Rental" includes BTR and Scattered-site SFR.
Note: "Other" includes Life Science, Cold Storage, IOS, student housing, skilled nursing, age restricted housing, and other.
Source: Nareit, NCREIF, Clarion

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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 control 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.

Images: *1100 Spinks Road, Dallas, TX*

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