

**Date:** June 17, 2026  
**To:** Board of Retirement  
**From:** F. Robert Reveles, Retirement Financial Investment Officer  
**Subject:** First Quarter 2026 Real Estate Update and Manager Characteristics

**Recommended Action:**

Receive and file.

**Fiscal and Financial Impacts:**

There is no financial impact to receiving this informational item.

**Strategic Plan Importance and Risk Assessment:**

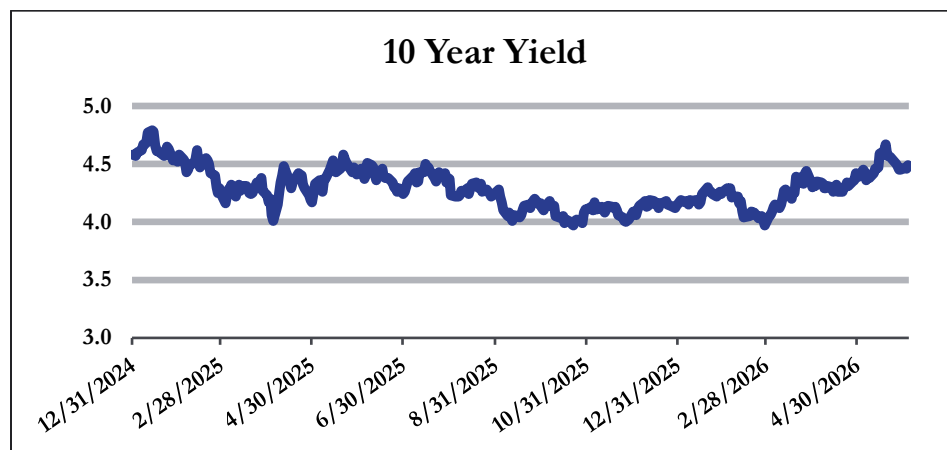
This report pertains to Goal 1 – Protect the Plan’s long-term financial health and Goal 2 – Strengthen Risk Oversight.

**Background and Discussion:**

The first quarter of 2026 saw the real estate composite outperform the benchmark by 23 basis points (bps), returning a net 1.20%, while the NFI-ODCE return was a net 0.97%. On a rolling 1-year basis, the real estate composite returned a net 4.33%, outperforming the benchmark return of a net 3.06% by 127 bps. Fiscal YTD the composite returned a net 3.50%, outperforming the benchmark of 2.22% by 128 bps.

## 10-Year Treasury Note Update

Over the quarter, the 10-Year yield rose from 4.14% to 4.30%. The chart below shows yield changes for the period from December 31, 2024, to June 3, 2026, over which the yield declined nine basis points.



## Barings Update

The Barings strategy returned a net 0.99% for the quarter and net 4.06% over the past year. For the last nine quarters, the strategy has outperformed the benchmark, and for the last eight quarters, it produced positive net returns.

Over the last year, sector allocations relative to the NFI-ODCE remained mostly consistent, with only the Industrial sector's weight changing from overweight to neutral. Residential and Retail remain overweight, while Office is underweight. The strategy believes these allocations are ideal.

Trailing-twelve-month same-store Net Operating Income (NOI) is up 3.7% year-over-year. Like last quarter, all sectors are positive except retail. Sector performance is led by Self-Storage (24.2%) and Industrial (23.6%), where expiring leases are being marked to market rates in Florida, Texas, and Southern California. The Office sector rose 6.5%, while Residential is up slightly by 0.5%. Conversely, the Retail sector is down 15.7% because the prior-period roll-offs include a one-time lease termination penalty in Sacramento.

There were no acquisitions or dispositions over the quarter.

The fund received full payoff on its sole mezzanine<sup>1</sup> debt investment, a \$16M loan that helped finance the construction of a 149-unit apartment building in Boston. Held for 43 months, the loan yielded a 17.6% IRR. The strategy selectively utilizes higher-yielding debt investments via its non-core allocation. Over the life of the fund, management has successfully completed eight mezzanine investments.

The fund continues to look for opportunities to expand into Self-Storage, Healthcare, Industrial Outdoor Storage, and Mezzanine Debt. Pipeline investments under review include Self-Storage assets in Chicago and Seattle, Retail locations in Charlotte and Miami, and Residential complexes in Boston, Denver, and Seattle.

As of quarter-end, the fund's redemption queue stands at about \$443M. During the quarter, the strategy accepted \$60M in new contributions, including reinvested dividends, and paid \$35M in redemptions on April 1<sup>st</sup>, 2026 (of which we received just over \$863,000). Management expects to completely pay off the redemption queue by the middle of next year.

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<sup>1</sup> Mezzanine debt is a hybrid form of financing that sits below senior bank debt and above equity in a company's repayment priority.

## RREEF Update

The RREEF strategy returned a net 1.27% for the quarter and a net 4.19% over the past year. In seven of the last nine quarters, the strategy produced positive net returns, and in six of the last nine quarters, it outperformed the benchmark.

Over the last year, sector allocations relative to the NFI-ODCE remained consistent, with only very minor changes. The strategy continues to be overweight Industrial and Retail and underweight the Residential, Office, and Self-Storage sectors. DWS RREEF maintains its allocations relative to its internal house view. Compared to this view, Industrial and Office are at the top of their ranges, while Residential and Self-Storage are below the ranges. Only Retail is comfortably in the middle range. The strategy continues to work toward aligning the portfolio with the house view by selling non-strategic older buildings, developing residential projects, and finding attractively priced Self-Storage assets.

Trailing-twelve-month same-store NOI is up 1.3% year-over-year. Sector performance is led by Industrial (3.8%) and Retail (1.7%). The Office and Residential sectors decreased slightly by 0.9% and 1.0%, respectively. The Self-Storage sector, which includes a single asset, was down 15.4%. Because only one asset is included for the period, the NOI is extremely sensitive to changes at the property.

The strategy acquired two investments during the quarter: land for a student housing development in Utah and a Self-Storage complex in North Carolina. In Salt Lake City, the fund acquired the land for Chapter SLC, a 250-plus unit student housing development about one mile from the University of Utah campus. The development sits in an emerging, transit-oriented submarket directly connecting the university to downtown. A light rail station across the street offers a less than 10-minute commute to campus. The building will offer premium amenities like a ski simulator, a wellness/fitness suite, and a rooftop lounge and pool. Additionally, RREEF estimates only 3% of full-time students are currently accommodated in dedicated student housing. Due to the limited supply of developable land, restrictive zoning, and undersupply of student housing, the fund believes this project will capture unmet demand and achieve strong lease-up performance upon delivery.

In Holly Springs, NC, the strategy purchased its fourth Self-Storage property. Situated adjacent to the Holly Springs Business Park, a hub for biomanufacturing and life science industries, the climate-controlled, 563-unit building is in an area that has experienced significant population growth since 2010. Like the other three properties in the portfolio, this one is also operated by Extra Space Storage.

The fund completed one disposition in Tukwila, Washington, consistent with its goal to reduce the fund's industrial overweight within the western U.S. At 96% occupancy, the complex was well positioned for a sale. Additionally, there were re-leasing concerns, as the property included 23 suites, each averaging approximately 12,000 square feet. Traditionally, smaller suites with large office percentages require higher tenant improvements. In prior cycles, this type of product and tenancy fared worse than traditional large-bay industrial. The fund received just under \$77M.

## Kayne Update

On April 1, 2026, Kayne called another \$11.4M. We now have \$20M invested in the strategy. We do not expect to have any additional capital called on July 1, 2026, but do expect to have capital called by October 1, 2026. Over the next year, we will continue to increase funding up to our target allocation of 3.67% (of the total portfolio) or approximately \$33M.

The portfolio returned a net 1.58% for the quarter and had no acquisitions or dispositions.

The Kayne strategy contains 197 properties across 36 states, with half the portfolio strategically located in the five high-growth states of Florida, Texas, North Carolina, Georgia, and Tennessee. The fund provides MCERA with its primary exposure to the NFI-ODCE alternative sectors of Medical Office, Senior Housing, and Student Housing. Overall occupancy is 96%.

## LaSalle Update

MCERA expects to complete side-letter negotiations with the LaSalle Property Fund by the end of June. We will initially commit \$5M, which we expect will be called in September, with a ramp up to a full allocation of about \$33M by the end of calendar-year 2027.

## Additional Risk Statistics

| <u>Ending Q1 2026</u>                              | <u>Barings</u> | <u>RREEF</u>      | <u>Kayne</u> |
|----------------------------------------------------|----------------|-------------------|--------------|
| Net Asset Value (\$B)                              | \$ 1.6         | \$ 11.6           | \$ 3.4       |
| Leverage                                           | 26.1%          | 26.1%             | 24.9%        |
| Trailing 12 Month Distribution Yield               | 3.2%           | 4.0% <sup>2</sup> | 5.0%         |
| <u>For the period Q1 2012 through Q1 2026</u>      |                |                   |              |
| Tracking Risk                                      | 2.7%           | 2.2%              | N/A          |
| Annualized Standard Deviation                      | 5.8%           | 5.5%              | N/A          |
| Correlation with S&P 500                           | (0.1780)       | (0.1908)          | N/A          |
| Correlation with S&P 500 (prior to Fed rate hikes) | (0.0971)       | 0.0012            | N/A          |

### Attachment:

1. Real Estate Portfolio Characteristics – 3/31/26

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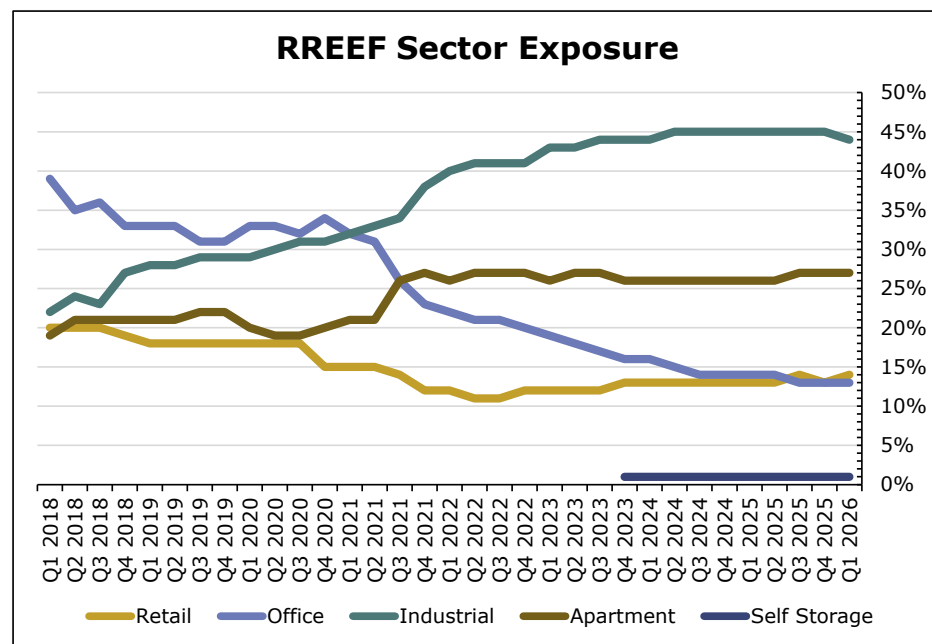
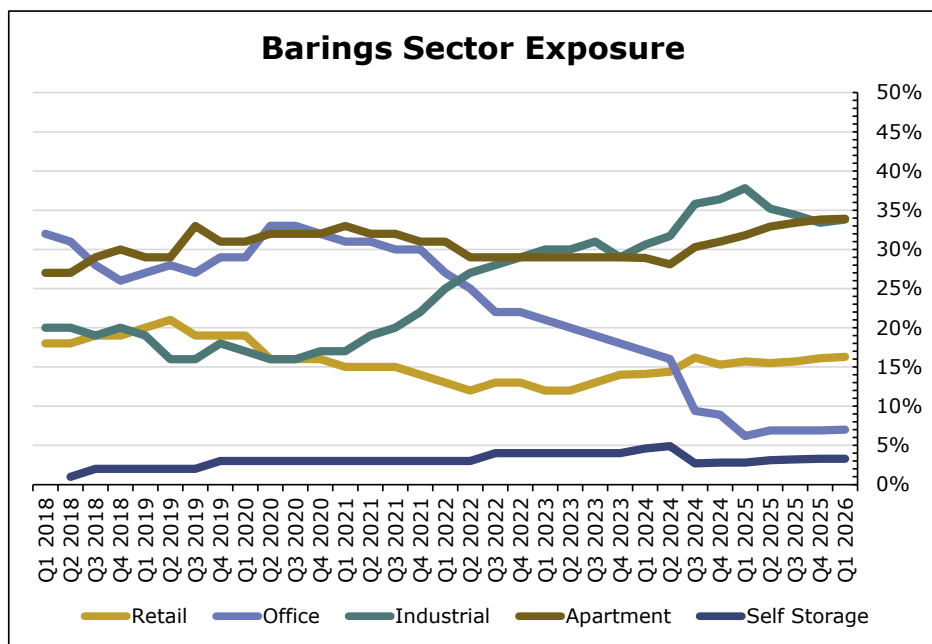
<sup>2</sup> Increased yield due to \$5M redemption in February 2026



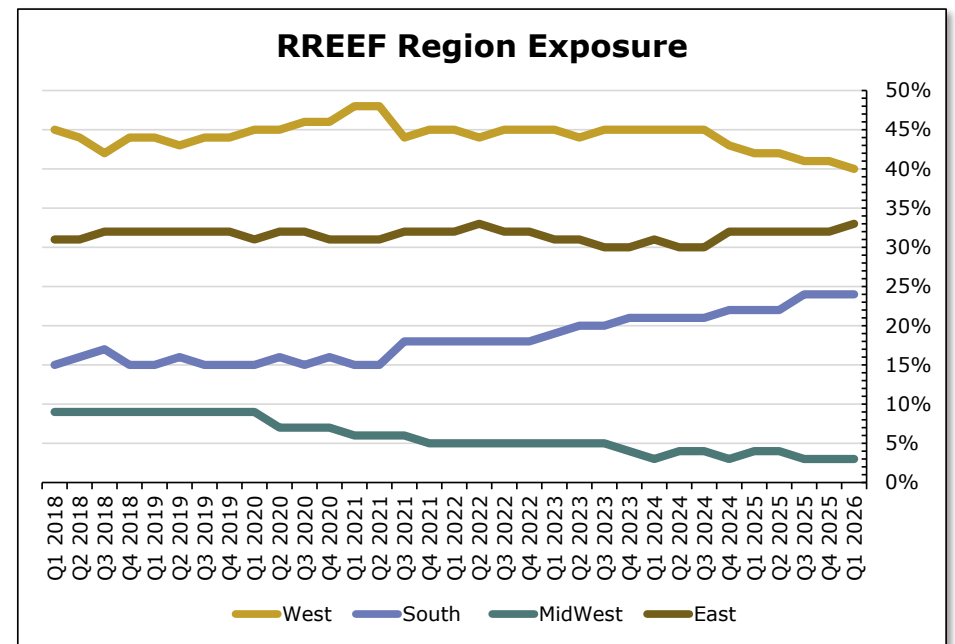
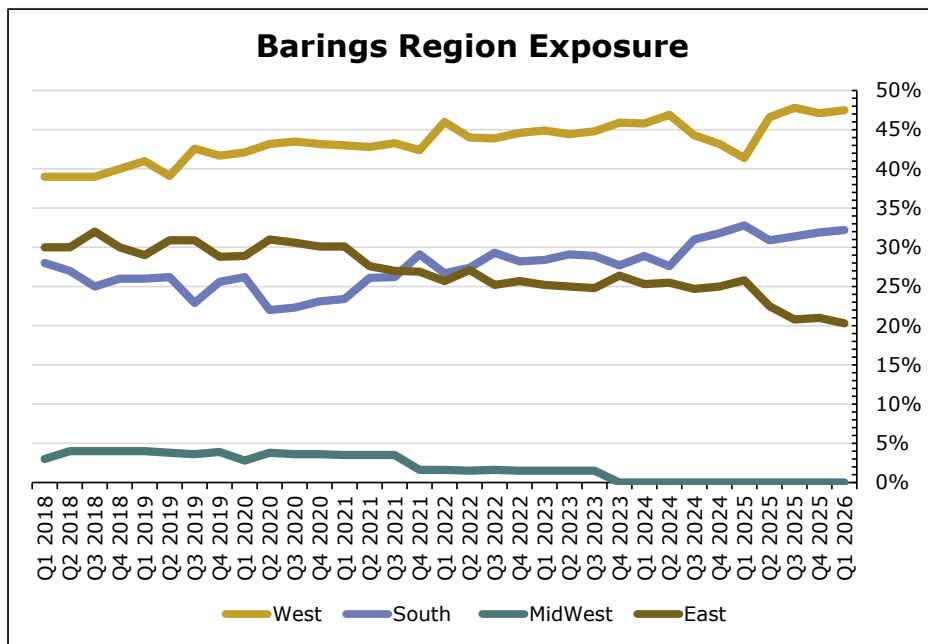
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# Real Estate Characteristics

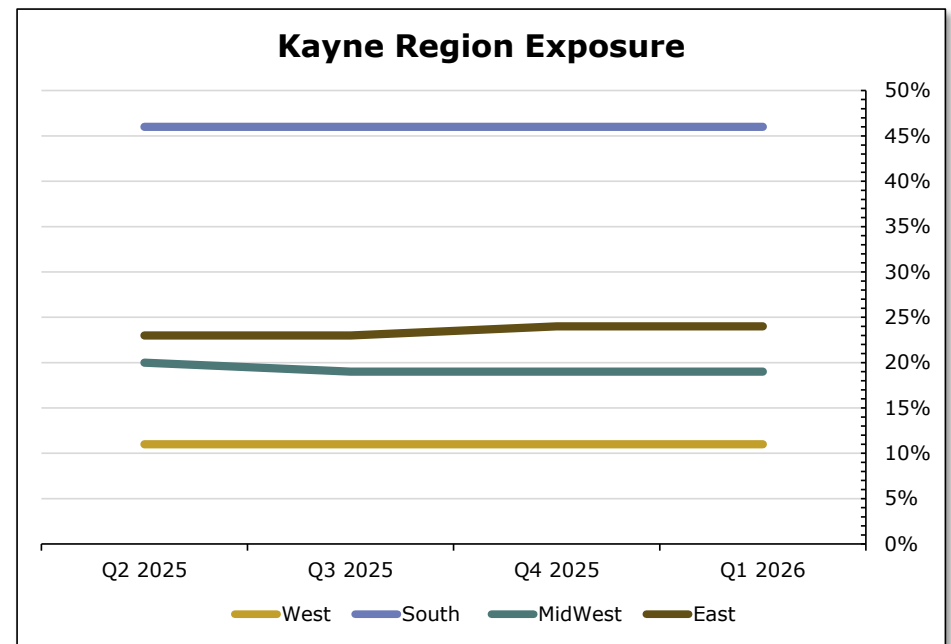
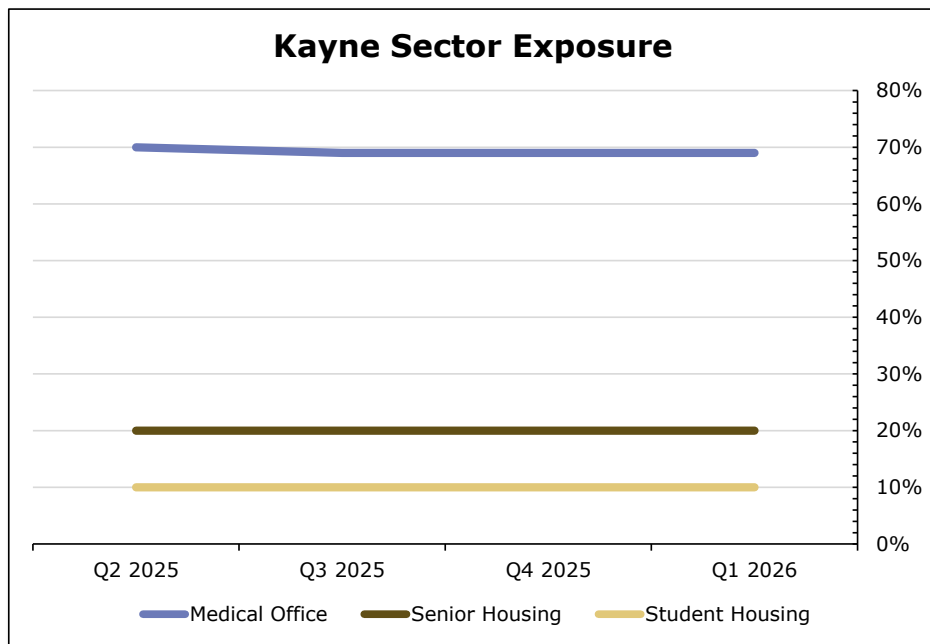
# Sectors - 3/31/26



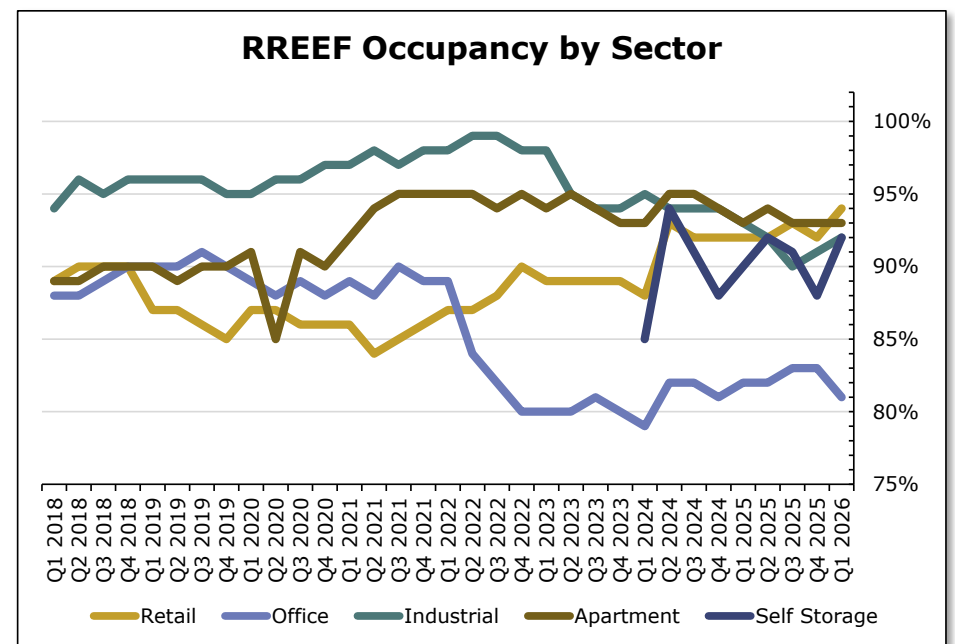
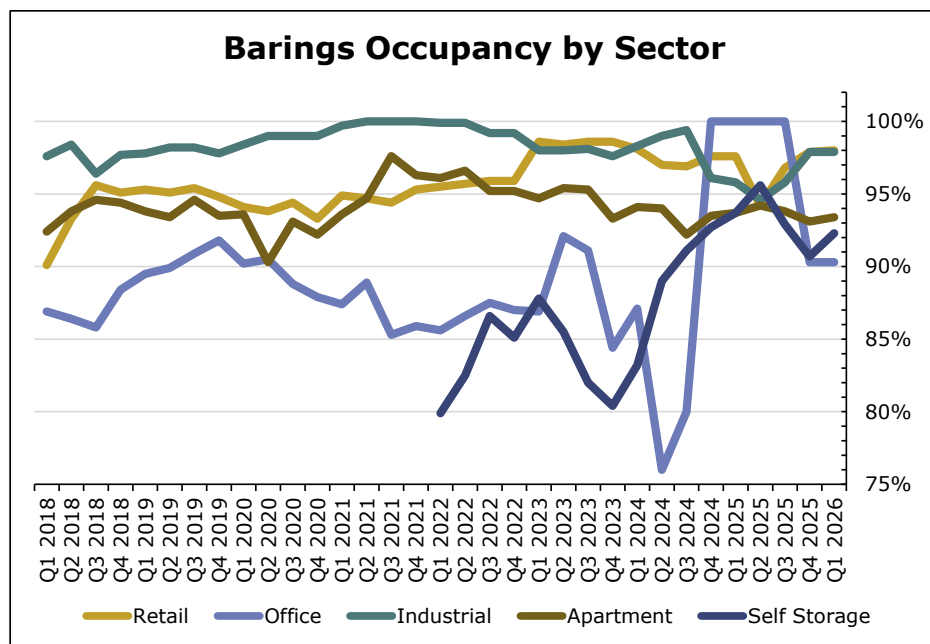
# Regions – 3/31/26



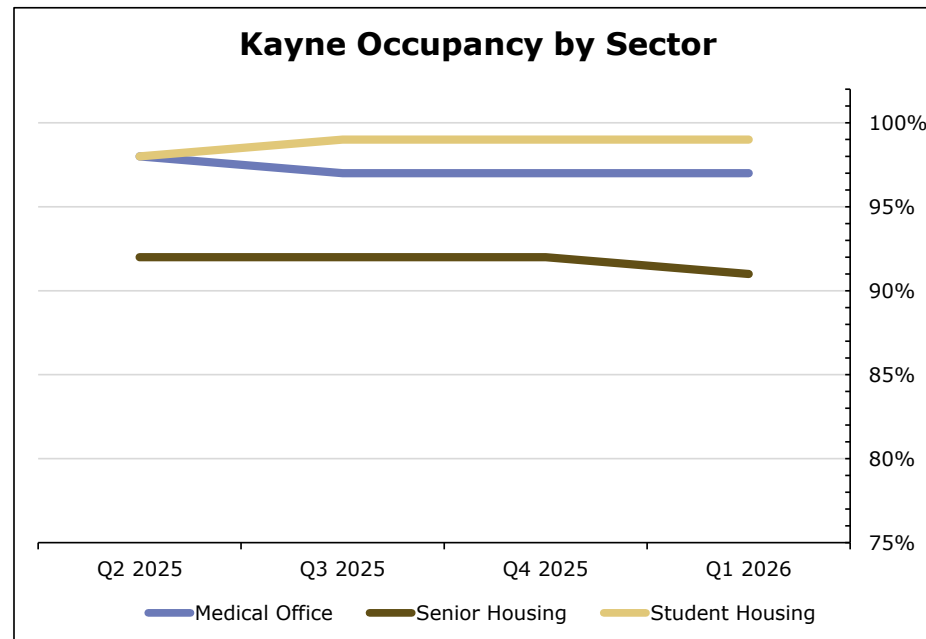
# Sectors and Regions – 3/31/26



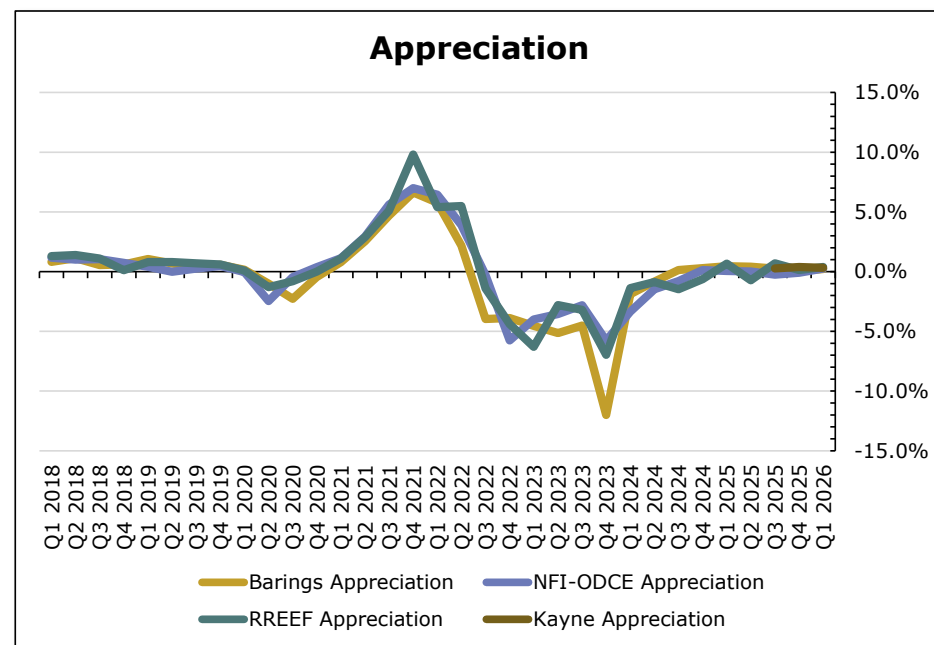
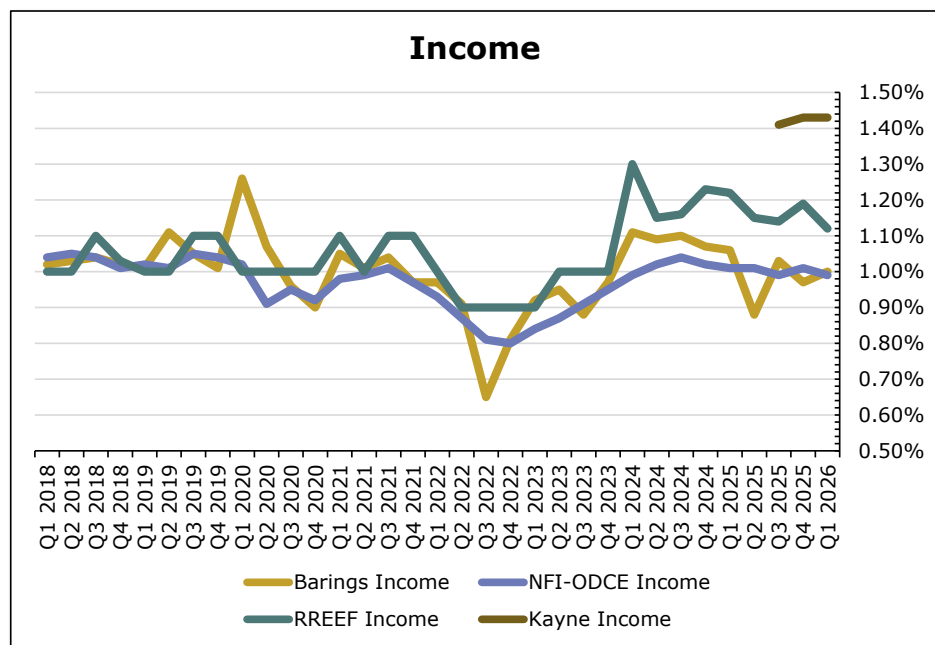
# Occupancy Rates – 3/31/26



# Occupancy Rates – 3/31/26



## Income and Appreciation Returns (Gross) – 3/31/26



# Net Returns – 3/31/26

## Barings Fund Level Net Returns - March 31, 2026

| <u>Period</u>       | <u>Income</u> | <u>Appreciation</u> | <u>Total</u> |
|---------------------|---------------|---------------------|--------------|
| Trailing 12 months  | 3.38%         | 0.67%               | 4.05%        |
| Trailing 36 months  | 3.40%         | -7.91%              | -4.51%       |
| Trailing 60 months  | 3.19%         | -3.14%              | 0.05%        |
| Trailing 120 months | 3.24%         | -0.65%              | 2.59%        |

## RREEF Fund Level Net Returns - March 31, 2026

| <u>Period</u>       | <u>Income</u> | <u>Appreciation</u> | <u>Total</u> |
|---------------------|---------------|---------------------|--------------|
| Trailing 12 months  | 3.69%         | 0.51%               | 4.20%        |
| Trailing 36 months  | 3.66%         | -5.51%              | -1.85%       |
| Trailing 60 months  | 3.37%         | -0.23%              | 3.14%        |
| Trailing 120 months | 3.33%         | 1.17%               | 4.50%        |

## NFI-ODCE Net Returns - March 31, 2026

| <u>Period</u>       | <u>Income</u> | <u>Appreciation</u> | <u>Total</u> |
|---------------------|---------------|---------------------|--------------|
| Trailing 12 months  | 3.18%         | -0.10%              | 3.08%        |
| Trailing 36 months  | 3.20%         | -6.00%              | -2.80%       |
| Trailing 60 months  | 2.96%         | -0.64%              | 2.32%        |
| Trailing 120 months | 3.13%         | 0.67%               | 3.80%        |



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Thank you