

# St. Paul Teachers' Retirement Fund Association

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# Commercial Real Estate Alternatives

## Public

- Buy stocks of companies who own commercial real estate
- Primarily “REITs”
- Traded on public exchanges – typically the NYSE
- Diversified investment

## Private

- Invest with a manager who buys buildings
- Direct ownership
- Non-traded
- Concentrated investment

**SPTRFA invests in both**

# SPTRFA REIT Portfolio At A Glance

## What We Focus On

- Commercial (REITs, REOCs)
- Publicly traded
- Domestic

## What We Avoid

- Residential (homebuilders)
- Private (not listed)
- Global real estate

### Major Property Sectors:

- |                    |                |                        |
|--------------------|----------------|------------------------|
| - Office           | - Apartments   | - Healthcare           |
| - Regional Malls   | - Hotels       | - Industrial           |
| - Community Retail | - Self Storage | - Specialty Facilities |

### Public Real Estate Securities—Key Attributes:

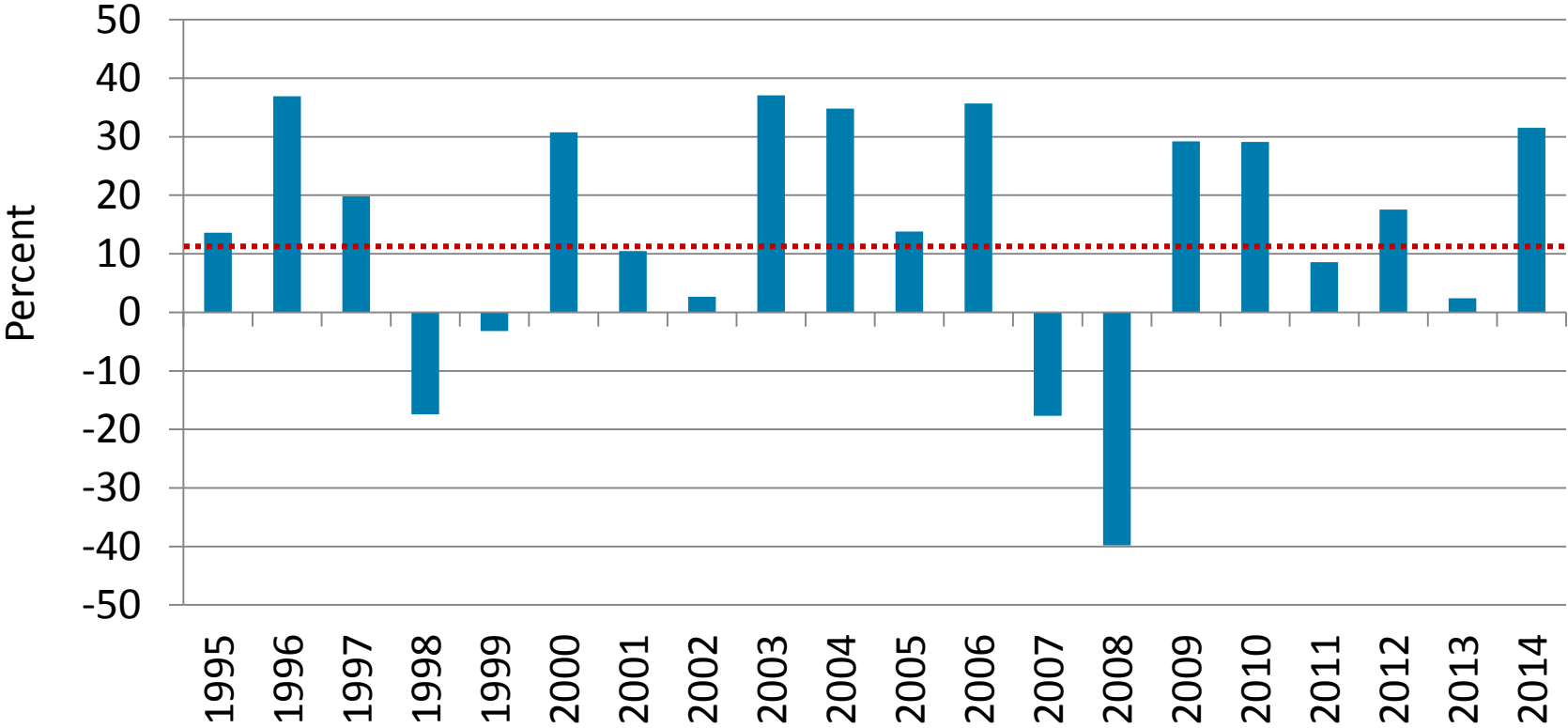
- |                       |                             |
|-----------------------|-----------------------------|
| - Strategic Liquidity | - Professional Management   |
| - Transparency        | - Attractive Return History |
| - Diversification     | - Dividends + Growth        |

# Annual Return History

Wilshire Real Estate Securities Index (WRESI)

The WRESI has delivered positive returns 16 of the last 20 years

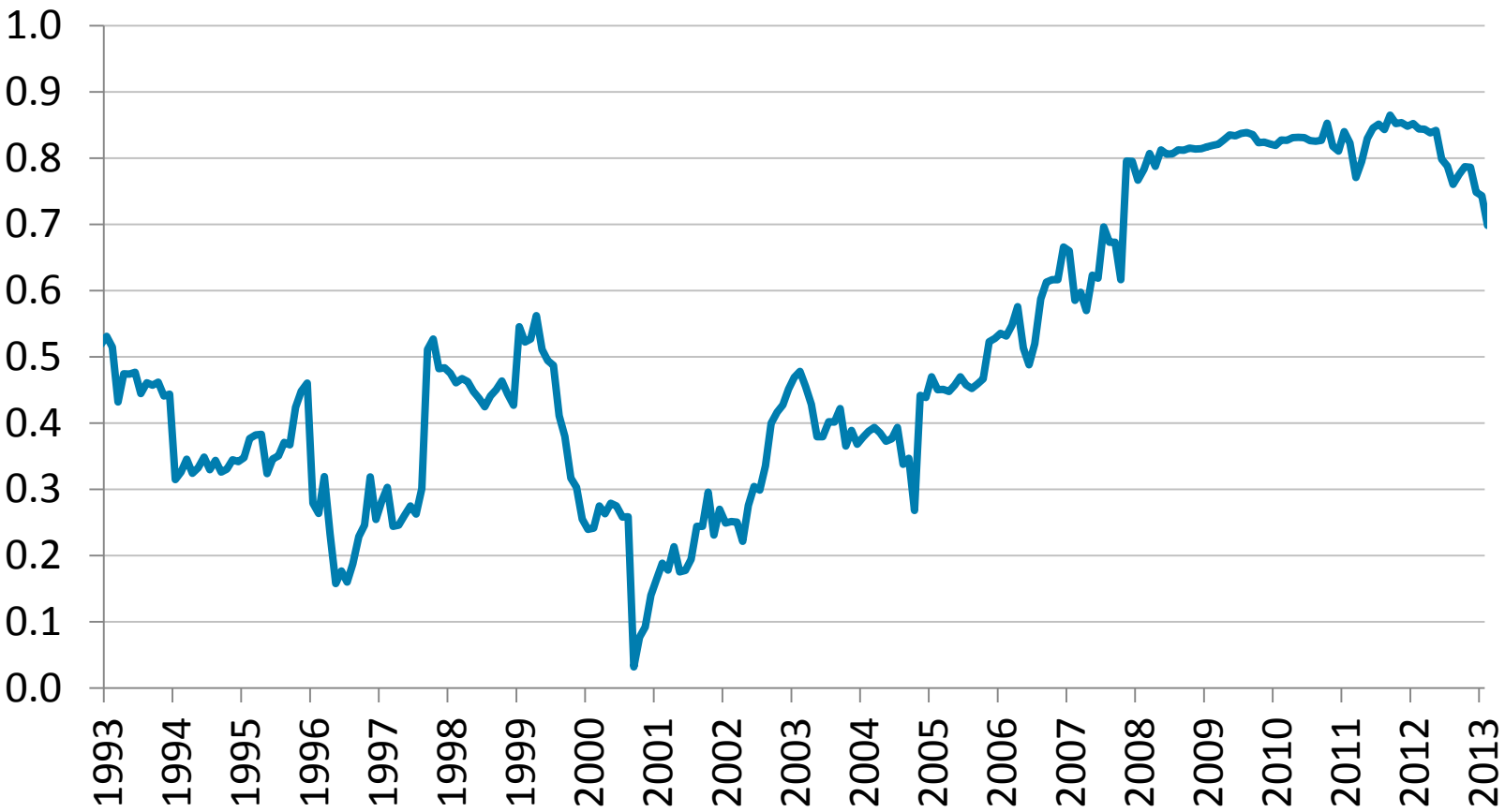
Compound Annual Return: 10.9%



Wilshire US Real Estate Securities is an unmanaged index comprised of securities that represent the real estate securities market. It is not possible to invest directly in an index.

# REIT Correlations vs. S&P 500

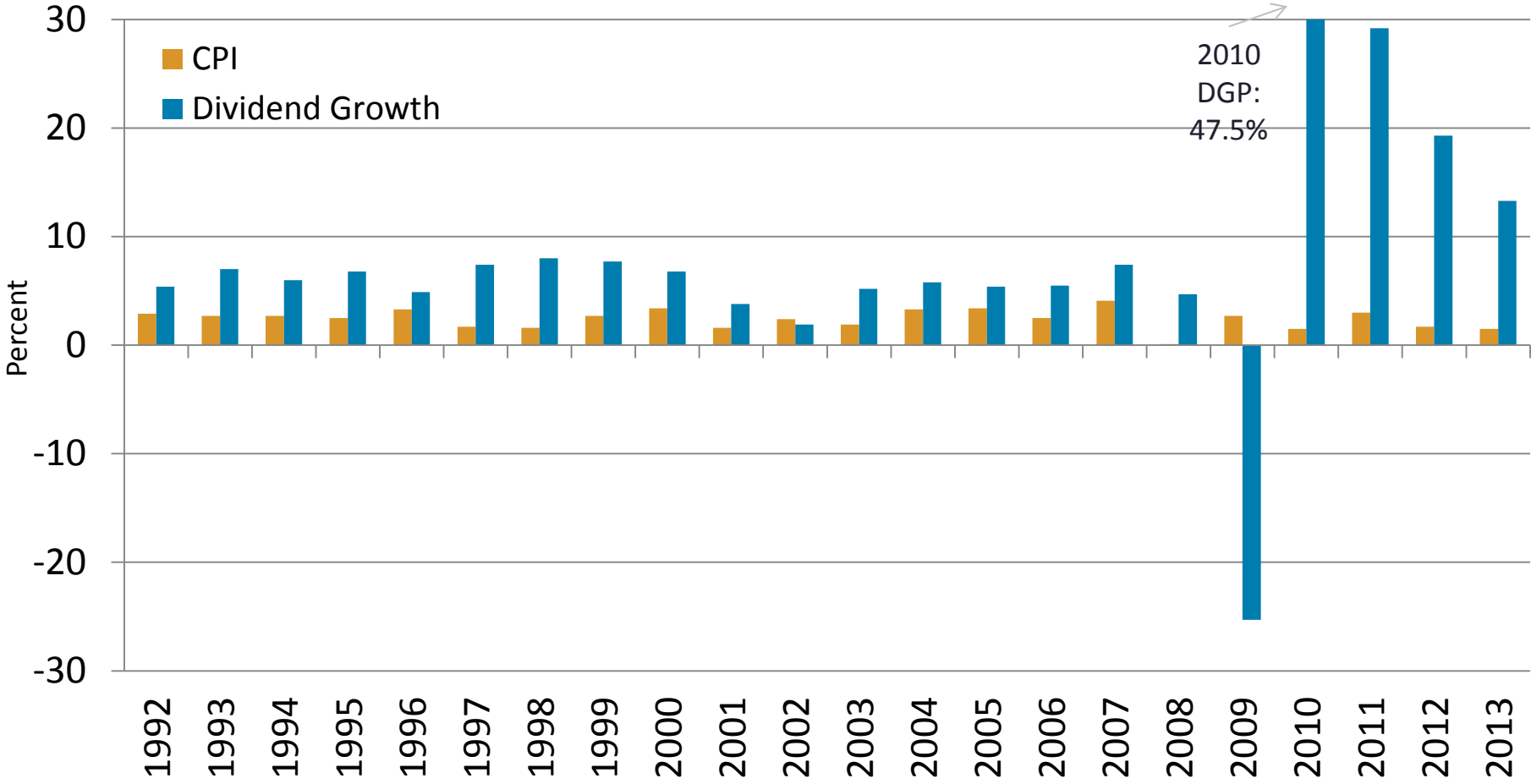
36 Month Rolling Correlation



Source: REIT returns represented by Wilshire Real Estate Securities Index, Wilshire Compass.

# REIT Dividend Growth Rates Per Share

Relative to Consumer Price Index



Source: REIT dividend growth rates represented by NAREIT, SNL Financial.

# REIT Outlook for 2015

- Today's economic environment appears favorable for commercial real estate
  - Improving economic and employment growth
  - Continued low interest rates
- We believe REIT valuations are consistent with historic relationships
- Sector appears attractive relative to corporate bonds
- Potential for 3% dividend yield with potential for 8-10% growth
- Merger/Acquisition activity highly likely—we expect some REITs to be privatized

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