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

**Public Real Estate Securities—Key Attributes:**
- Strategic Liquidity
- Transparency
- Diversification
- Professional Management
- Attractive Return History
- 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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