

Real Estate Annual Program Review

As of Quarter Ending on March 31, 2026

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Real Assets

June 15, 2026

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Program Overview



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Program Overview

Role

- Provide stable and predictable cash yield, diversification of equity risk, and inflation protection
- Returns predominantly derived from income
- Real Estate provides stable cash yield under long term leases with good credit tenants

Key Metrics

- Net Asset Value (NAV): \$54.3 billion
- 23 Partners and 50 Partnerships



Market Environment

Current Concerns

- Heightened geopolitical and macro uncertainty
- Higher financing costs and tight underwriting standards causing valuation uncertainty and delaying exits
- Transaction volumes remain low but show early signs of recovery
- Extended fundraising timelines

Deployment Themes

- Fundraising efforts are predominantly targeting value-add and opportunistic strategies
- Repricing dynamics creating more attractive entry points
- Distressed capital structures may present attractive opportunities for well-capitalized investors



Strategy and Portfolio Positioning

Positioning

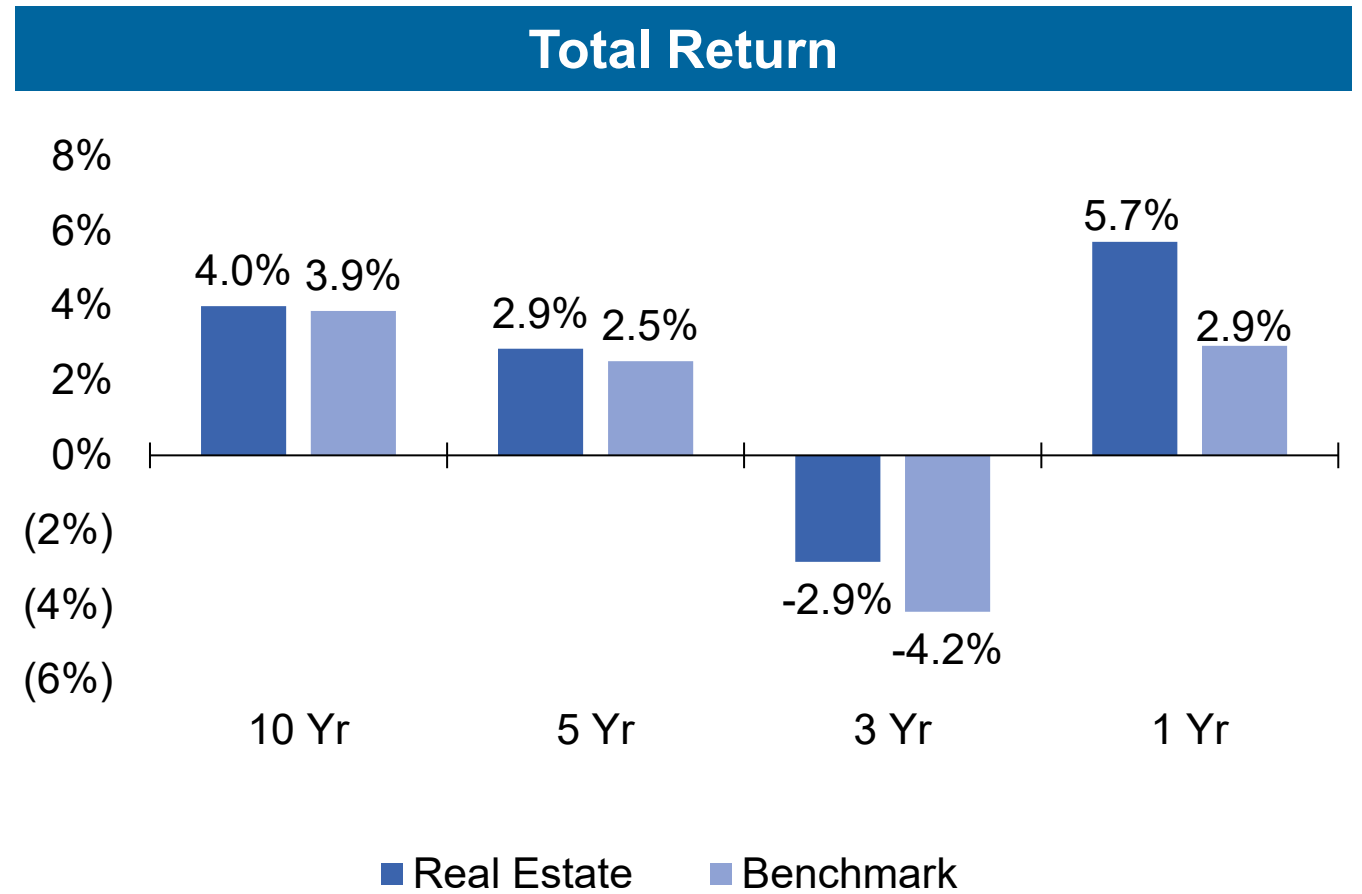
- Integrate operational, governance, and investment readiness to implement Total Portfolio Approach (TPA)
- Continue expansion of Non-Core – added additional resources and realigned staff
- Generate alpha through expansion of Non-Core strategies
- Anchor on Core strategy to provide stability and downside protection, allowing for diversification into Non-Core strategies

Strategies

- Implement TPA – collaborate with asset classes to align capital with highest risk-adjusted returns
- Rebalance portfolio between Core and Non-Core strategies
- Optimize Core portfolio holdings – take advantage of pricing resets while exiting non-strategic assets
- Capitalize on CalPERS competitive advantages – brand, scale, certainty

Portfolio Performance | Real Estate

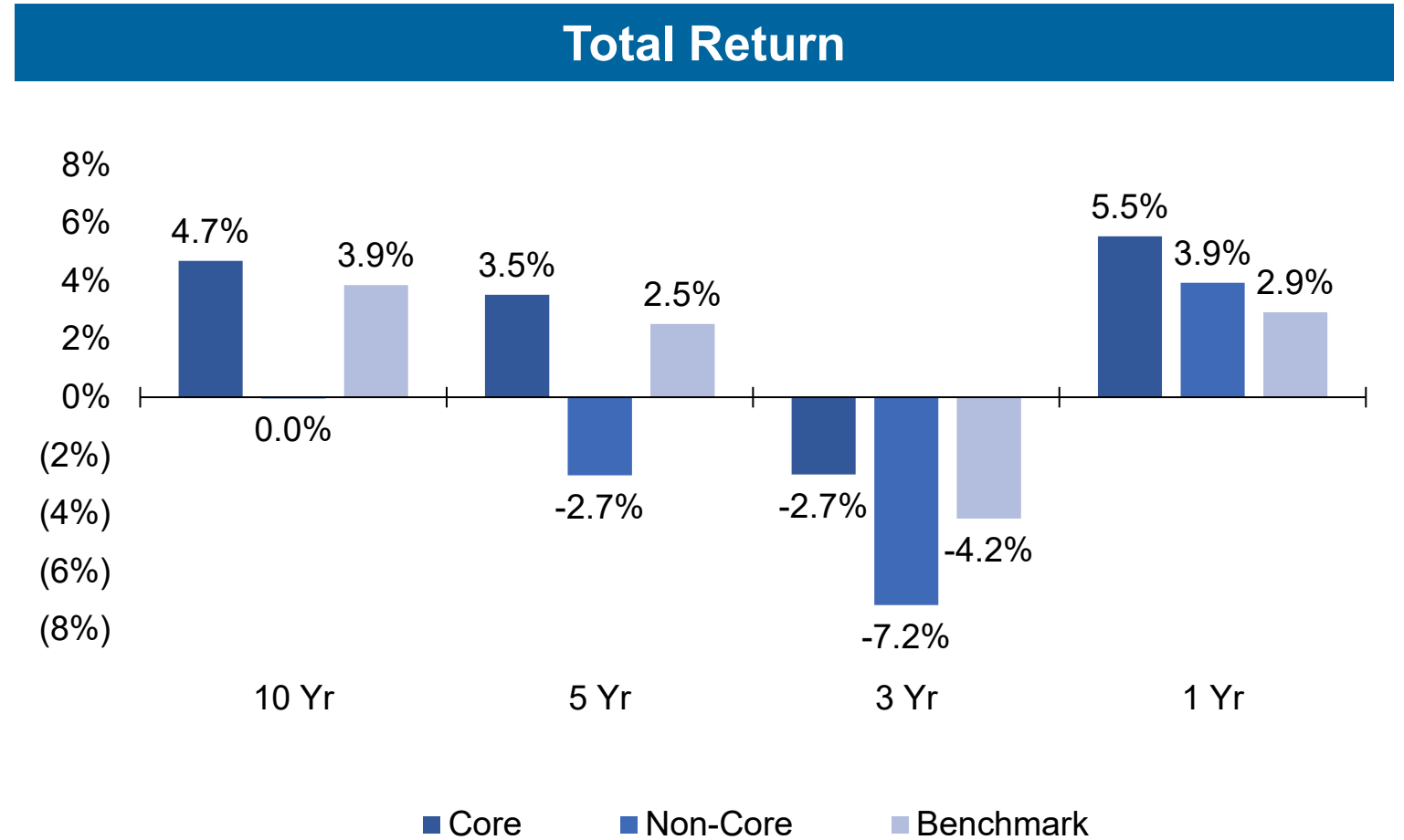
Property Type	% of NAV
Industrial	41%
Apartment	24%
Office	15%
Retail	18%
Other	2%
Total	100%





Performance and Allocation Analysis | Real Estate

Risk Type	% of NAV
Core	88%
Non-Core	12%
Total	100%





Business Updates and Key Initiatives | Evaluation

- Real Estate outperformed the policy benchmark over the 1, 3, 5, and 10-year periods
- Positive momentum with sustained recovery – six consecutive quarters of positive returns
- Portfolio outlook appears favorable with property fundamentals in equilibrium, modest growth in net operating income, and valuations rebounding
- Established new Non-Core relationships and deepened existing manager relationships
- Expanded research analytics to include Non-Core coverage
- Progress made towards Sustainable Investments (SI) 2030 Plan goals
- Collaborated with Total Fund to advance modernization of Data and Technology Initiative



Key Initiatives

- Facilitate TPA implementation and promote Total Fund collaboration
- Scale Non-Core exposure; Optimize Core portfolio
- Strengthen portfolio characteristics through continued liquidation of non-strategic assets
- Take advantage of CalPERS scale, brand, and transaction certainty
- Advance Data & Technology Initiative to achieve operational readiness



Key Initiatives | Integration of Governance and Sustainability

Sustainable Investment Activities	Description / Status
Climate Solutions & Energy Transition	<ul style="list-style-type: none"> Continued to collaborate with SI to implement CalPERS 2030 Sustainable Investments Strategy and working towards CalPERS pledge to invest \$100 billion in climate solutions by 2030
Sustainability Integration	<ul style="list-style-type: none"> Collaborated with SI to develop a Sustainability Integration framework focused on risk assessment and mitigation related to ESG factors Started implementation in Q2 2025 with the review of five investment opportunities to date
Energy Optimization (EO) Initiative for Real Estate	<ul style="list-style-type: none"> Ongoing identification of accretive EO opportunities, reducing carbon intensity and generating cost savings over time

Appendix

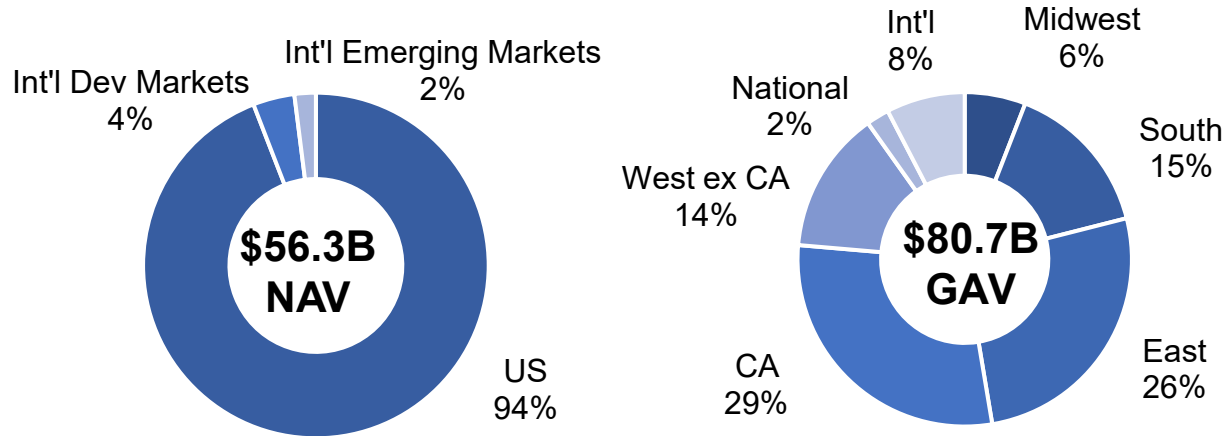
Investment Beliefs

- A long investment horizon is a responsibility and an advantage (IB 2)
- CalPERS will take risk only where we have a strong belief that we will be rewarded for it (IB 7)
- Costs matter and need to be effectively managed (IB 8)
- Strong processes, teamwork and deep resources are needed to achieve CalPERS goals and objectives (IB 10)

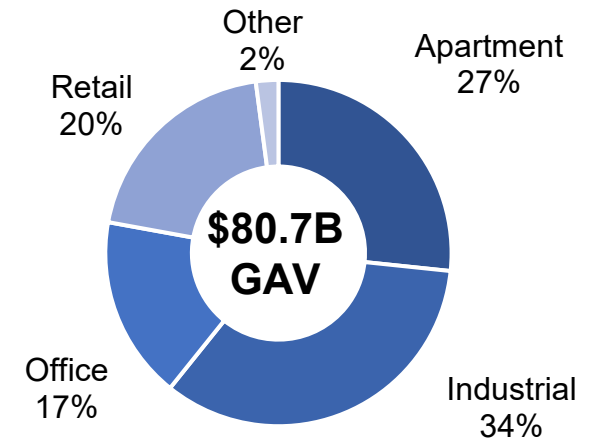


Exposures | Real Estate

Geography



Property Type



Difference versus Property Type Benchmarks*

