



INVESTMENT COMMITTEE

Staff Report

File #: 24-270

Agenda Date: 7/18/2024

Agenda #: 4.

FROM: Don Pierce, Chief Investment Officer

SUBJECT: Informational: 2024 Real Estate Pacing Plan Update

RECOMMENDATION:
2024 Real Estate Pacing Plan Update.

BACKGROUND:

In January 2024, the Board approved a pacing plan of \$120 million for Real Estate commitments in 2024. The objective of the pacing plan process is to set a pace for deployment to implement the Board approved asset allocation targets, over time. Pacing plan recommendations are made annually based on the target weight, actual commitments, current weight in the portfolio, and projected contributions/distributions of existing investments. There were no pre-identified Real Estate investments identified in the initial recommendation.

Real estate markets have continued to face challenges of low demand for office space and higher interest rates. While we have started to see some price discovery and leasing activity, we believe there is still meaningful uncertainty around valuations and future demand for certain assets, especially office.

SBCERA made a commitment of \$150 million to the TPG Angelo Gordon Essential Housing Fund in April of this year. This allocation fully committed the amount in the pacing plan for this year plus an additional \$30 million. Staff and the consultant were comfortable making the recommendation of a larger commitment than the current pacing plan because of the attractiveness of the opportunity and SBCERA has under-allocated relative to the Real Estate pacing plan by \$172 million over the last three years. The Essential Housing Fund is a debt strategy exclusively in real estate, and is included as part of SBCERA's core real estate exposure.

No other real estate investments are contemplated at this point for the remainder of calendar year 2024.

BUDGET IMPACT:
None.

STRATEGIC PLANNING GOAL/OBJECTIVE:
Prudent Fiscal Management

STAFF CONTACT:
Thomas Kim
Jacob Abbott

ATTACHMENTS:

None.