



**2025 REAL ESTATE STRATEGY IMPLEMENTATION PLAN**  
**PREPARED FOR**  
**ARIZONA STATE RETIREMENT SYSTEM**  
**UPDATED FOR ISAA**  
**JUNE 10, 2025**



*The above image is a rendering of Menlo's McLearen Data Center development. The information contained in this report is confidential, may be legally privileged, and is intended only for the use of the Arizona State Retirement System.*

## PACING RECOMMENDATIONS

---

# PATH TO A 15% REAL ESTATE ALLOCATION

## DRY POWDER (MAY 2025)

- ▶ As of May 2025, dry powder in SMAs that are actively investing totals \$1.5B.
- ▶ Excluding dry powder in SMAs that we do not expect to be called, dry powder totals \$1.0B.

Strategy	ASRS Committed	Called Amount	Committed Not Yet Called	Recallable Capital	Dry Powder
Data Center	\$300	\$203	\$29	\$15	\$83
Multifamily + Build-to-rent	700	468	102	0	130
Seniors Housing	300	230	9	0	61
SoCal Sharpshooter	500	404	45	39	90
Industrial	350	315	18	77	94
Hospitality	200	173	0	17	44
Resi Preferred Equity	450	615	33	219	21
Multifamily	800	738	18	34	79
NY/Boston Sharpshooter	700	554	11	52	187
SF Bay Area Sharpshooter	300	138	8	0	155
Build-to-rent	400	121	39	27	267
Industrial	1,050	1,002	9	235	274
<b>Total</b>	<b>\$6,050</b>	<b>\$4,961</b>	<b>\$320</b>	<b>\$716</b>	<b>\$1,485</b>

# PATH TO A 15% REAL ESTATE ALLOCATION

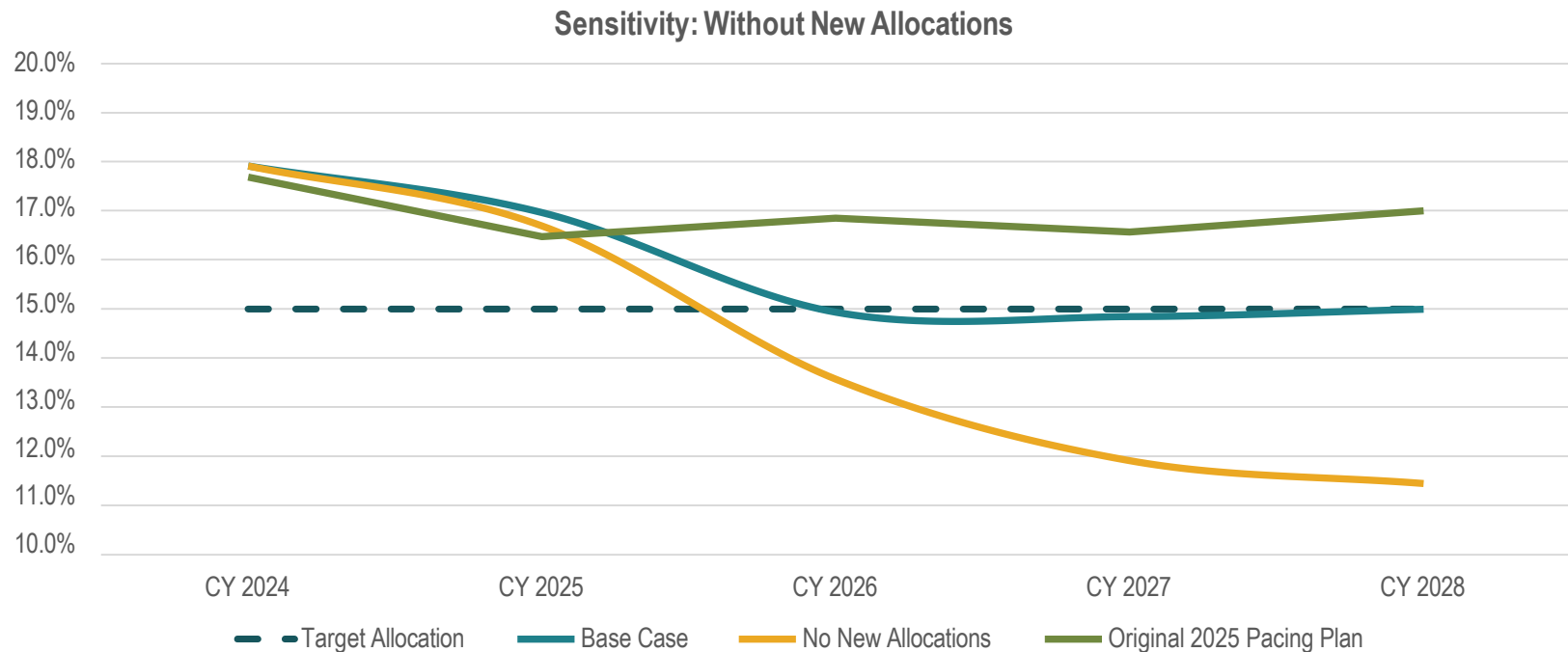
## BASE CASE ASSUMPTIONS ACHIEVE TARGET IN CY 2026

- ▶ We expect ASRS to maintain the base case target by staying disciplined with new commitments and actively managing the portfolio.
  - » Continue to wind down non-strategic and underperforming ventures as identified in previous Implementation Plans.
  - » Through the annual asset review process, conduct an annual hold/sell analysis to recommend disposition of assets where future returns are dilutive to the investment objectives and the opportunity cost of deploying that capital elsewhere is higher.
  - » Make new commitments to certain existing partners in 2025 for majority deployment in 2026 and beyond to preserve strong vintage year exposure and maintain target lifecycle and property type allocation.
  - » Explore new relationships for opportunities that cannot be met within the existing partnerships.
- ▶ Total fund growth remains at 5% per year.
- ▶ Two debt strategies will be transferred from the real estate portfolio the credit portfolio in CY 2026.
- ▶ Sale activity and deployment were adjusted for known events as well as those with a high probability to occur.

	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028
ASRS Fund	\$56,900	\$59,745	\$62,732	\$65,869	\$69,162
ASRS Real Estate	10,165	10,139	9,372	9,781	10,374
% RE of Total	17.9%	17.0%	14.9%	14.8%	15.0%
NAV of Existing Investments	10,165	8,613	6,751	4,899	4,424
Reduction in NAV of Existing		(1,552)	(1,862)	(1,852)	(475)
NAV of Projected Investments		1,526	2,621	4,882	5,950
Annual Pacing Draws		1,218	1,057	1,045	392
NAV at 15%		8,962	9,410	9,880	10,374
Over / Under		1,177	(38)	(100)	—

# PATH TO A 15% REAL ESTATE ALLOCATION EXPECTED IN CY 2026

- ▶ RFA expects to achieve the revised 15% real estate allocation within CY 2026 while committing new equity to existing Managers.
- ▶ The pace of deployment for new commitments has been slowed to adhere to the updated target.
- ▶ If no new allocations are incorporated, the real estate allocation falls below the target in CY 2026.



# PATH TO A 15% REAL ESTATE ALLOCATION

## UPDATES TO THE PACING PLAN

### 2025 PRIORITIES

- ▶ Industrial: Commit \$400M to new SMA including transfer of \$274M of dry powder from existing SMA for a net new commitment of \$126M. Limit initial commitment to \$100M in CY2025 with ASRS option to upsize by \$300M.
- ▶ Multifamily: Commit \$300M to new SMA for residential best ideas as remaining commitment is exhausted.
- ▶ Data Center: Exercise the existing option to upside the current SMA by \$200M.
- ▶ Best Ideas: Commit \$100M to best ideas outside of existing SMAs.

Future Strategies	Property Type	Commitment Year	Commitment (\$MM)	2025	2026	2027	2028	Total
Industrial	Shop	2025	\$400	\$75	\$75	\$125	\$125	\$400
Multifamily	Live	2025	300	75	100	125	0	300
Data Center	Other	2025	200	0	100	100	0	200
Multifamily	Live	2026	200	0	75	75	50	200
Senior Housing	Live	2026	200	0	50	100	50	200
Office	Work	2026	200	0	50	75	75	200
Healthcare	Work	2026	300	0	100	100	100	300
Hospitality	Work	2026	200	0	75	75	50	200
Shop (Retail and/or Industrial)	Shop	2027	300	0	0	150	150	300
Totals			\$2,300	\$150	\$625	\$925	\$600	\$2,300

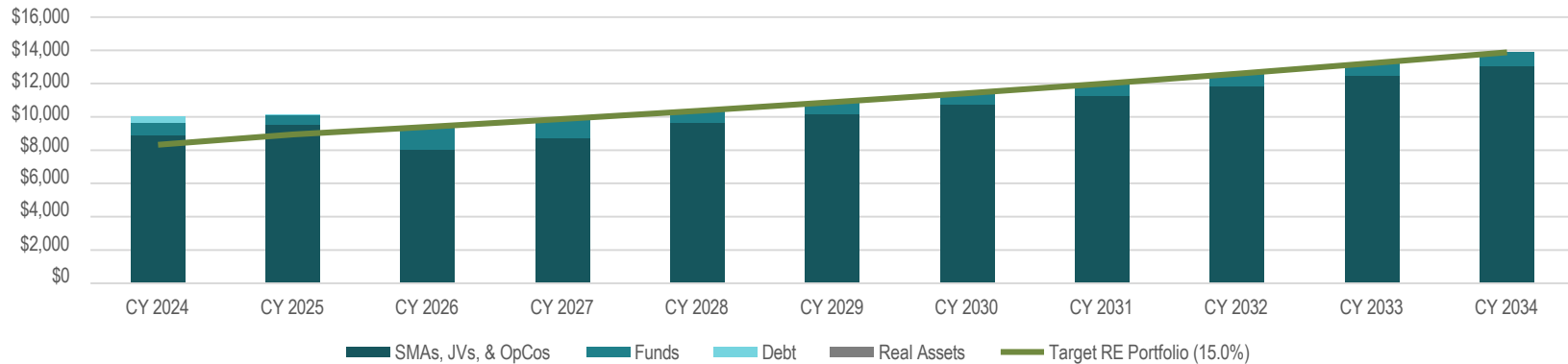
- » Value enhancement
- » Live
- » Industrial with caution
- » Tactical dislocation
- ▶ Explore new vehicles for Healthcare and Shop strategies

# PATH TO A 15% REAL ESTATE ALLOCATION

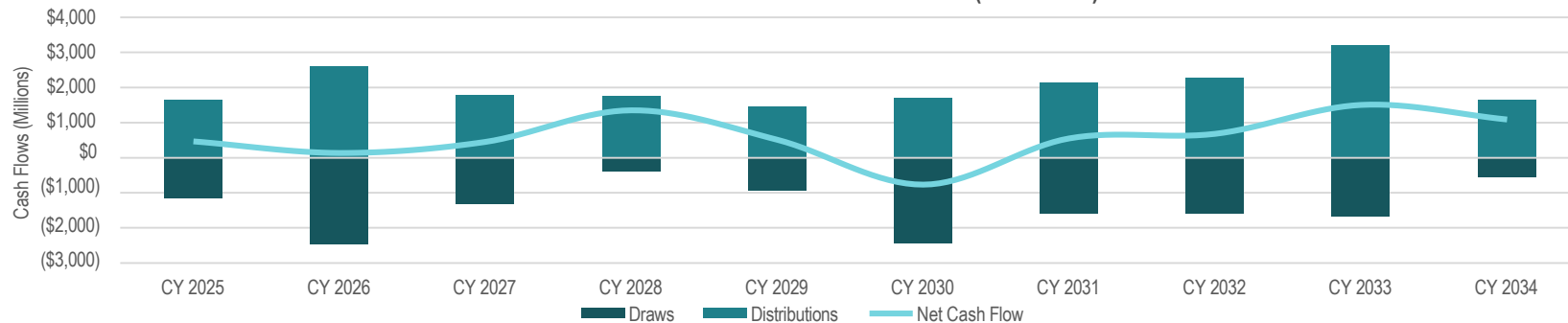
## MATERIAL COMPLIANCE EXPECTED IN CY 2026 AND BEYOND

- ▶ The real estate portfolio is projected to comply with the 15% target allocation within CY2026.
- ▶ We anticipate capital deployment for new asset acquisitions to accelerate, with a focus on the best opportunities across live, work, and shop.
- ▶ The portfolio is projected to stay within target while committing new capital to SMAs.
- ▶ Consistent capital infusions and distributions are expected throughout the forecast period as assets are cycled in and out of the portfolio.

Net Asset Value by Investment Vehicle



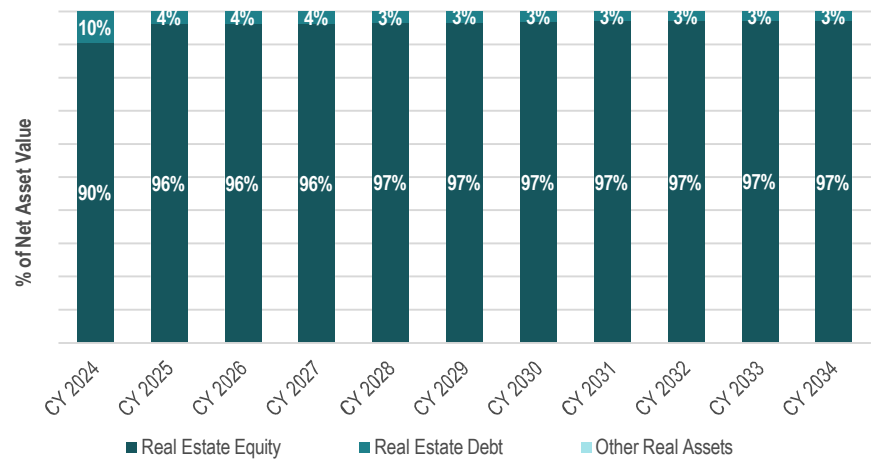
Forecasted Draws and Distributions (Base Case)



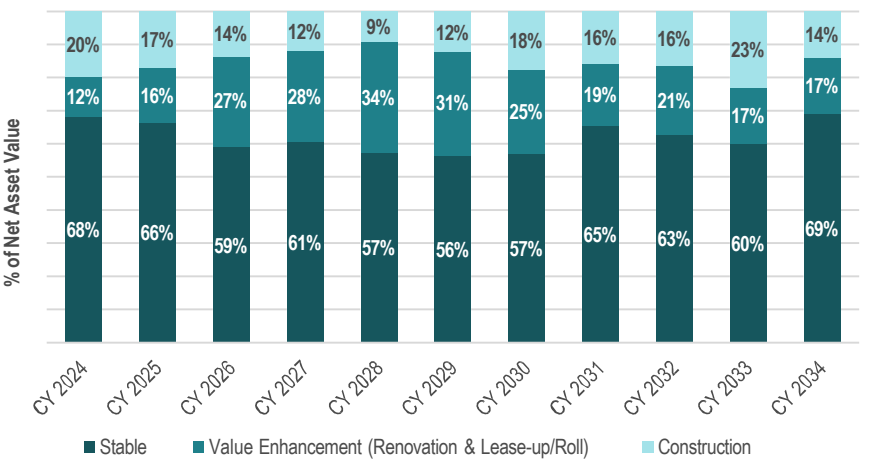
# MODEL ALLOCATION FORECAST

## FORECASTED COMPLIANCE OVER THE LONG TERM

Allocation by Investment Vehicle



Allocation by Risk Profile



Allocation by Property Type Category



Allocation by Asset Class





# RFA BEST INVESTMENT IDEAS – 2025

## “LIVE” OPPORTUNITIES MOST PREVALENT

EQUITY	STABILIZED ACQUISITIONS (CORE) UNLEVERED IRR: 7%-9%	REFRESH AND RENOVATE (VALUE- ADD) UNLEVERED IRR: 9%-11%	CONSTRUCT. AND OPPORTUNISTIC UNLEVERED IRR: 14%-18%
Income	<ul style="list-style-type: none"> <li>» Senior Housing</li> <li>» Single-Family Build-to-Rent</li> <li>» Manufactured Housing</li> <li>» Data Centers</li> <li>» Self-Storage</li> <li>» Next Generation Office</li> </ul>		
Growth		<ul style="list-style-type: none"> <li>» Senior Housing</li> <li>» Manufactured Housing</li> <li>» Self-Storage</li> <li>» Medical Office Strategic Conversion</li> <li>» Industrial</li> </ul>	<ul style="list-style-type: none"> <li>» Data Centers</li> <li>» Manufactured Housing</li> <li>» Single-Family Build-To-Rent</li> <li>» Operating Company/General Partner Investments</li> </ul>
DEBT	LOW RISK UNLEVERED IRR: 6%-7%		HIGH RISK UNLEVERED IRR: 13%-16%
Other	<ul style="list-style-type: none"> <li>» Senior Debt</li> </ul>	<ul style="list-style-type: none"> <li>» Construction Financing</li> <li>» Mezzanine Debt/ Preferred Equity</li> <li>» Recapitalizations</li> </ul>	<ul style="list-style-type: none"> <li>» Distressed Debt</li> </ul>

## RETURN, INVESTOR SENTIMENT AND RISK CHARTS

---

# RETURN, INVESTOR SENTIMENT AND RISK CHARTS

- ▶ RFA has developed a model to compare different investment strategies based on fundamental demand, risk and investor sentiment. The following scores reflect medium- to long-term outlook. In the near-term, most investment strategies are likely to be challenging given capital market constraints and uncertain near-term demand.
- ▶ The table below shows value add and development strategies with high Return/Risk Scores that are likely to meet ASRS return objectives:

Non-Stabilized Strategies - High Return/Risk Scores		
LIVE	WORK	SHOP & REAL ASSETS
Manufactured Housing – V, D	Medical Office – Strategic Conversion	Data Centers – D
Single-Family Rental – V, D		Industrial – D
Senior Housing – V, D		
For-Sale Homebuilding – D		
Self-Storage – V		

- ▶ The following table shows attractive stabilized strategies that have been repriced due to interest rates or economic conditions and may meet ASRS investment objectives:

Stabilized Strategies - High Return/Risk Scores		
LIVE	WORK	SHOP & REAL ASSETS
Senior Housing – S	NextGen Office – S	Data Centers – S
Single-Family Rental – S		Industrial – S
Manufactured Housing – S		
Self-Storage – S		
Multifamily – S		

## Key

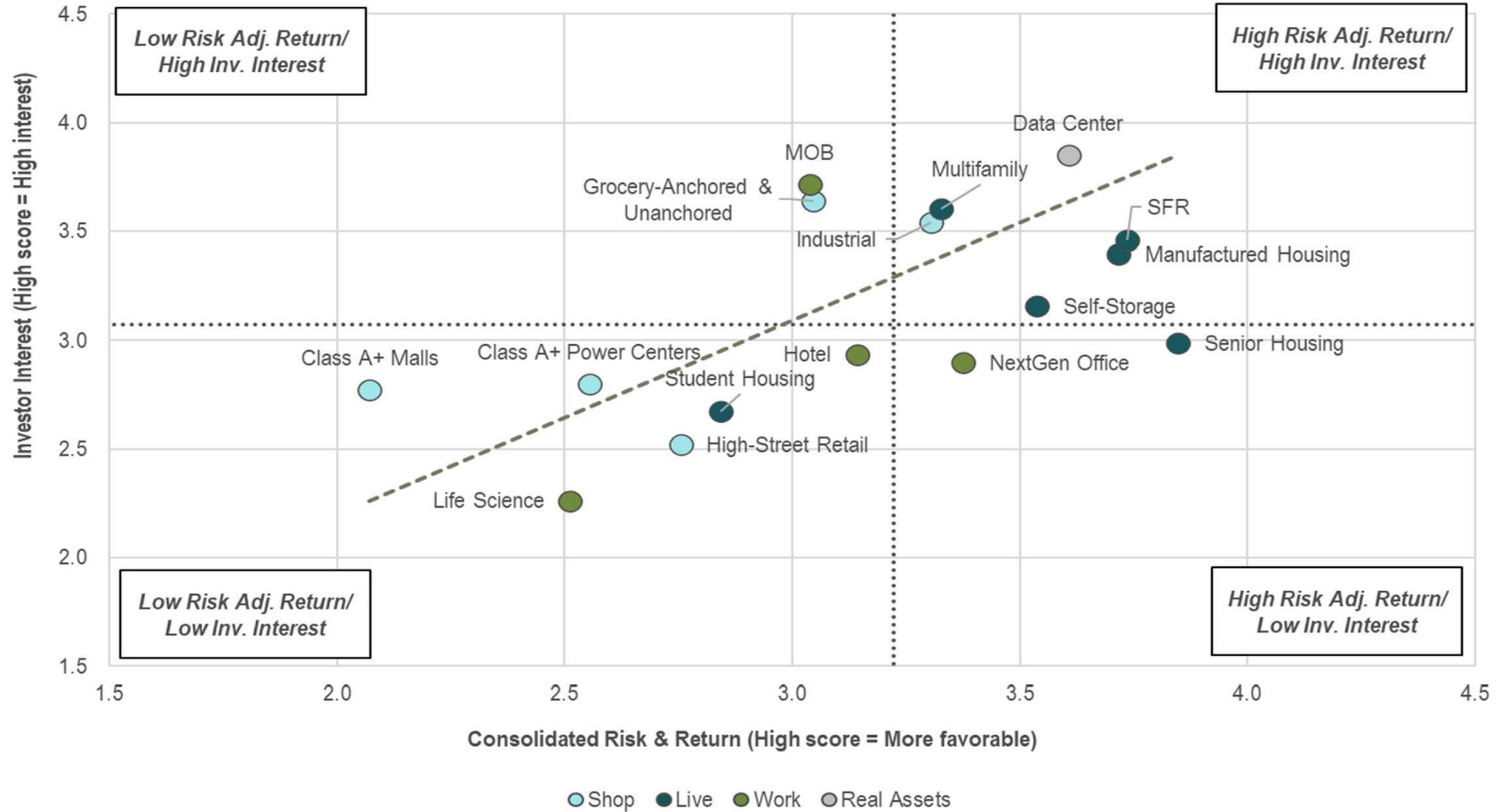
S – Stabilized

V – Value Creation

D – Development

# PROPERTY TYPE TRENDS – STABILIZED

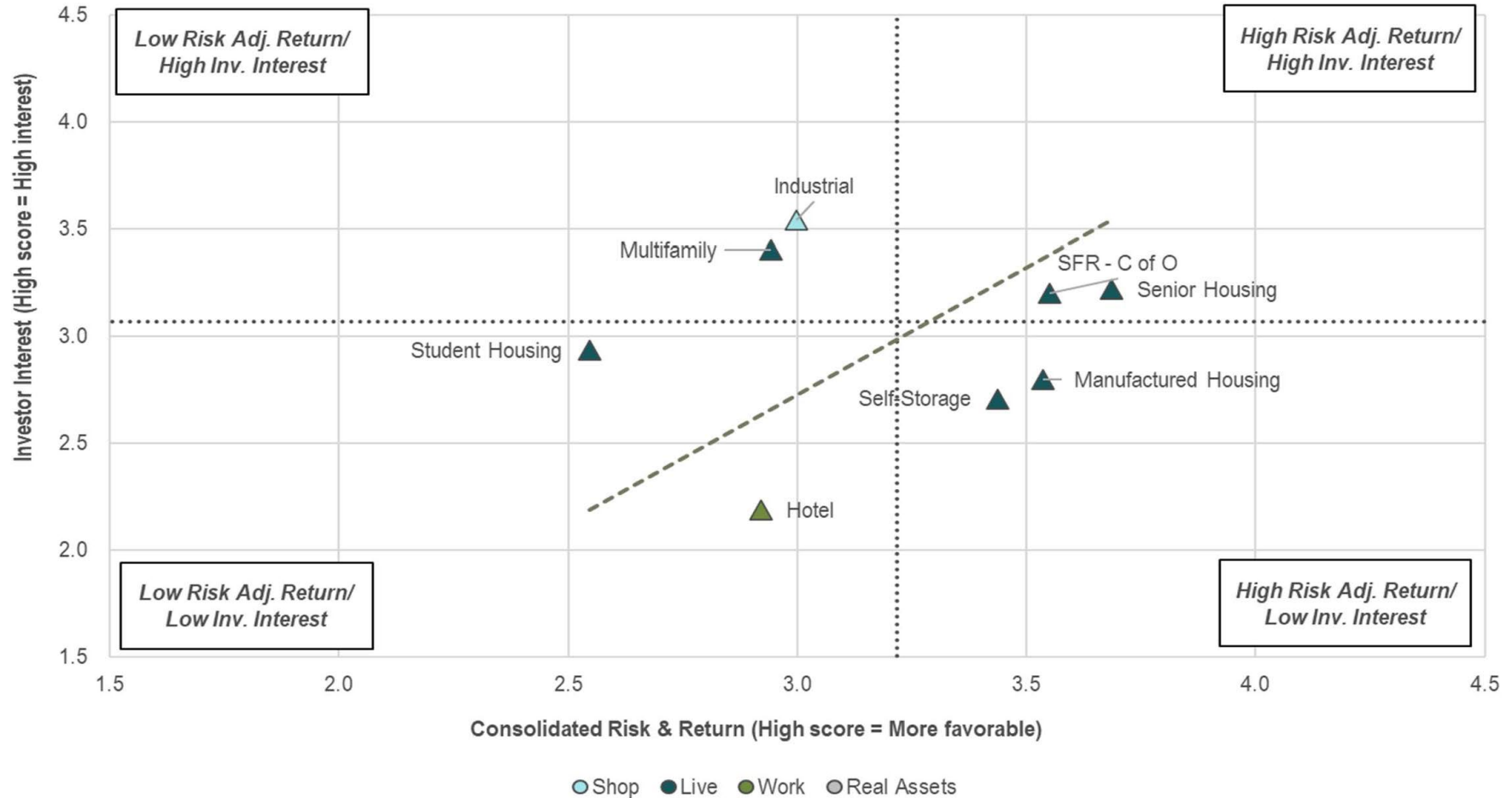
Consolidated Risk/Return vs. Investor Interest



# PROPERTY TYPE TRENDS – VALUE-ADD

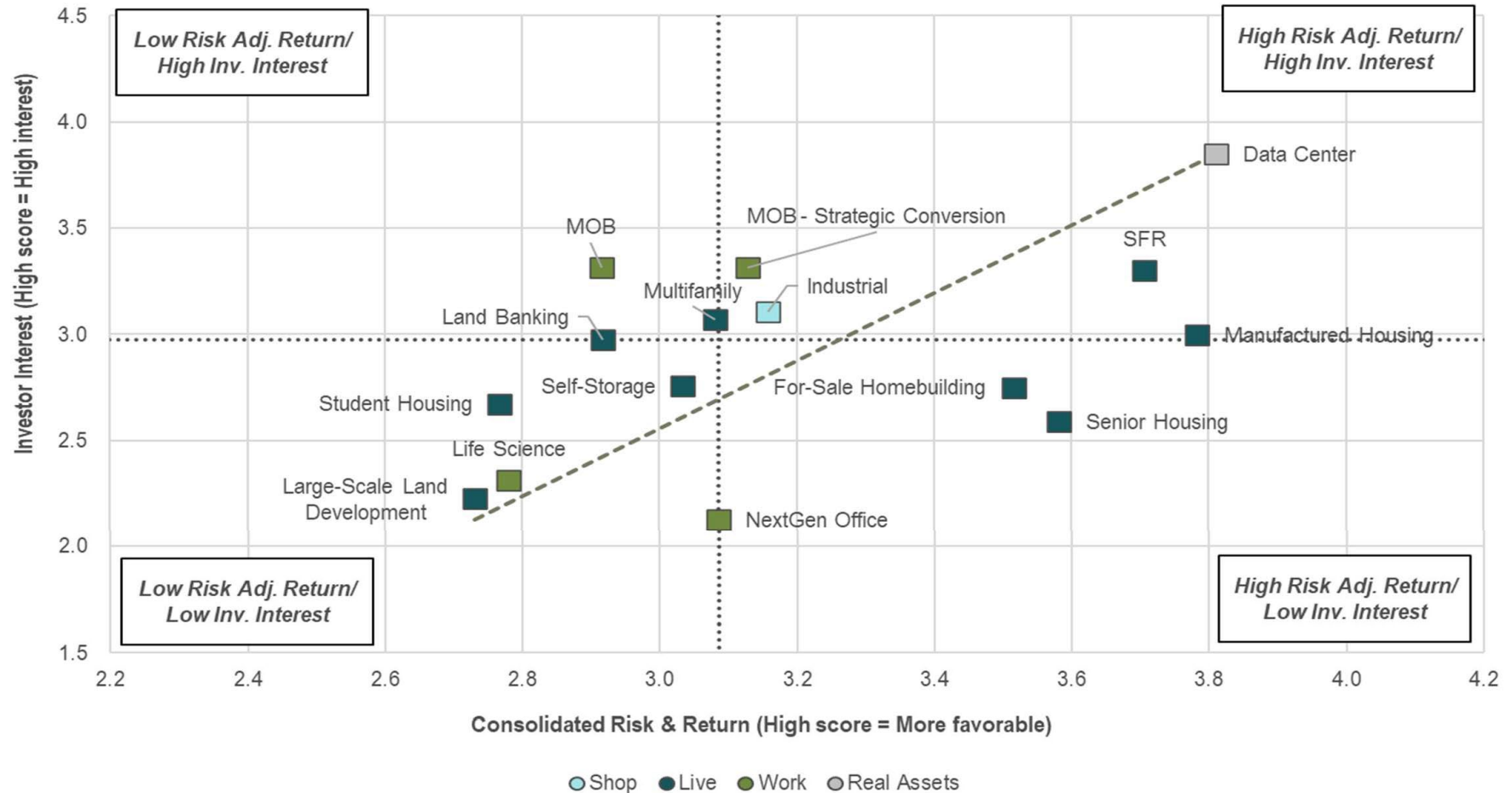
## INVESTOR ACTIVITY VS. MARKET FUNDAMENTALS

Consolidated Risk/Return vs. Investor Interest



# PROPERTY TYPE TRENDS – DEVELOPMENT

Consolidated Risk/Return vs. Investor Interest



### ***Micheal Copeland, Portfolio Manager Private Markets***

Micheal Copeland is currently Senior Portfolio Manager Private Markets with the Arizona State Retirement System, responsible for co-managing the Private Equity and managing the Real Estate asset classes. Prior to joining ASRS in 2013, Mr. Copeland was a Portfolio Analyst at Protective Life Insurance Company in Birmingham, AL focusing on publicly traded debt. Mr. Copeland also holds the Chartered Financial Analyst® designation, awarded in 2013, and graduated from the University of Florida with a BSBA in Finance with a minor in Leadership. Mr. Copeland served in the United States Marine Corps Reserve from Jan 2000 - Jan 2006 and deployed to Iraq in 2003. Outside of work, Mr. Copeland enjoys spending time with his wife and two young kids. His interests and hobbies include hiking, golf, college football, playing guitar, interesting movies/shows, music and reading.



### ***TAYLOR MAMMEN CEO, RCLCO FUND ADVISORS (RFA)***

Taylor Mammen is Chief Executive Officer of RCLCO Fund Advisors (RFA), which advises institutional investors on all aspects of their complex real estate investment portfolios, from strategy development to underwriting and asset management. Taylor helped pioneer this business beginning in the aftermath of the Global Financial Crisis, when several prominent pension funds turned to RFA with the goal to construct better performing and more resilient real estate portfolios, and has grown it to become a highly respected institutional real estate advisor, working with some of the largest and most dynamic institutional investors in the world. In the process, Taylor and RFA have sourced, underwritten, and overseen investments on behalf of clients well in excess of \$10 billion. Taylor leads the firm's institutional investor client relationships and is responsible for the firm's growth and development, in addition to serving on the boards of clients' portfolio companies. Taylor is also a member of the Executive Committee of RCLCO, an RFA affiliate, which manages shared resources and oversees overall strategy for both companies.



Before helping to build RFA, Taylor joined RCLCO after serving as director of research for a boutique government relations consulting firm in Washington, D.C. and working with the Boston Redevelopment Authority on a public-private initiative to revitalize and "re-knit" downtown Boston in response to the "Big Dig." He received his Masters in City Planning from the Massachusetts Institute of Technology and a Bachelor of Arts in Political Science from Brigham Young University. He is an active member of the Pension Real Estate Association (PREA) and the Urban Land Institute, and is currently on the board of Envision Utah.