

Sussex County

Real Estate Update

Presented by

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Real estate performance

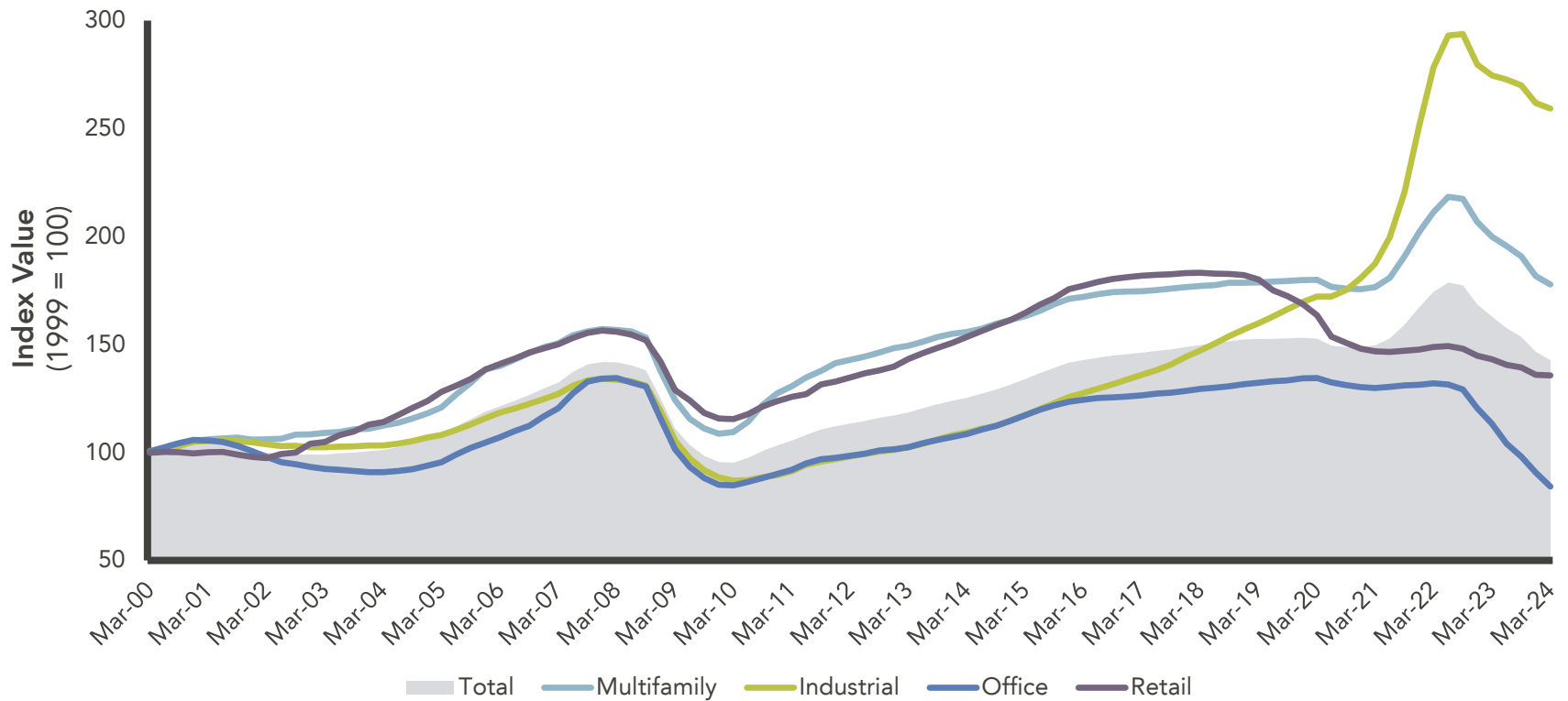
Valuation write-downs, particularly within the office sector, drove negative real estate performance for the sixth consecutive quarter

	2Q24 (%)	1 Yr (%)	3 Yr (%)	SI (%)
Clarion Partners (Net)	-1.9	-10.2	-0.4	1.7
NFI-ODCE (Net)	-0.7	-10.0	1.0	2.0

Source: Clarion, NCREIF

Real estate valuations

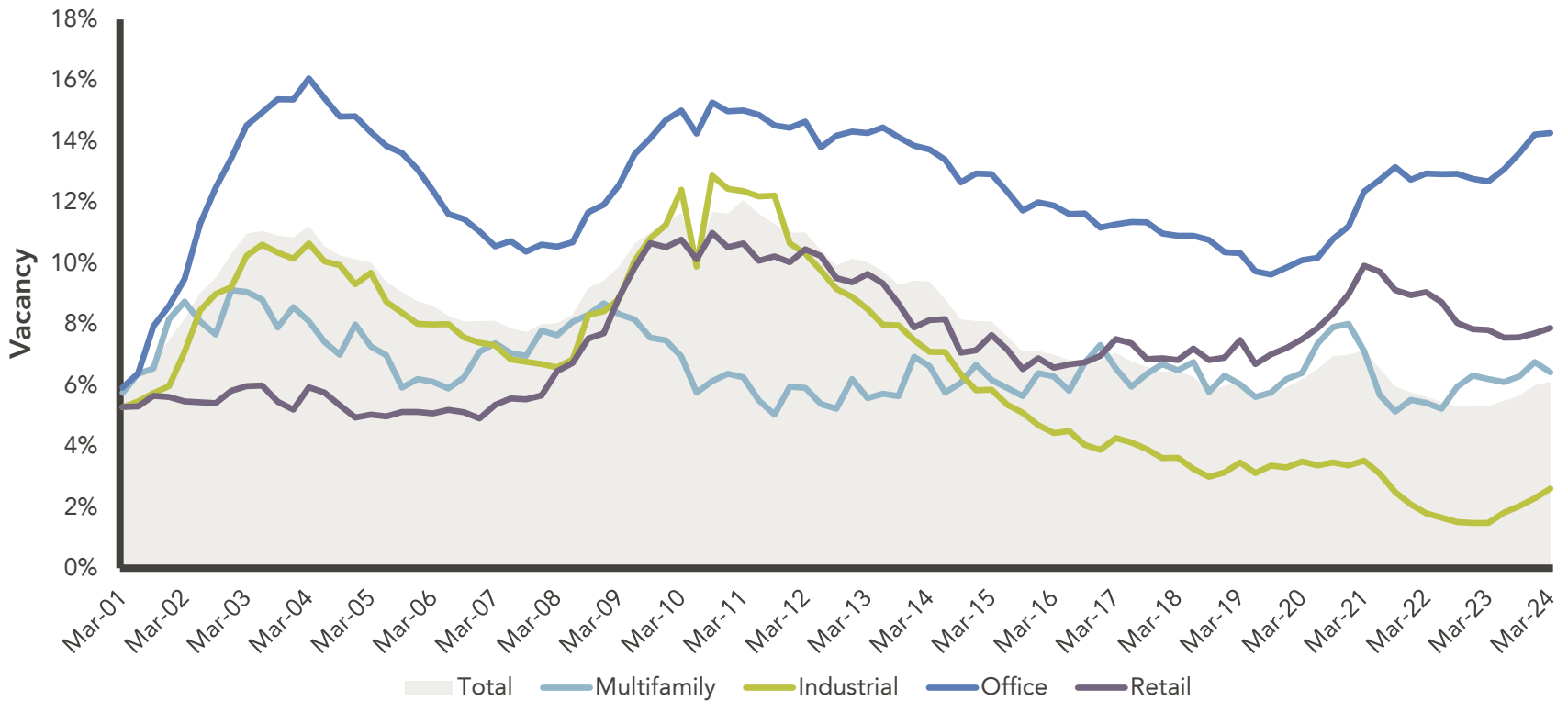
Office valuations are down 37% since the start of the pandemic, with more sector valuation pressure likely



Source: NCREIF (NPI Appreciation indices for properties held in ODCE funds) as of March 31, 2024

Vacancy rates

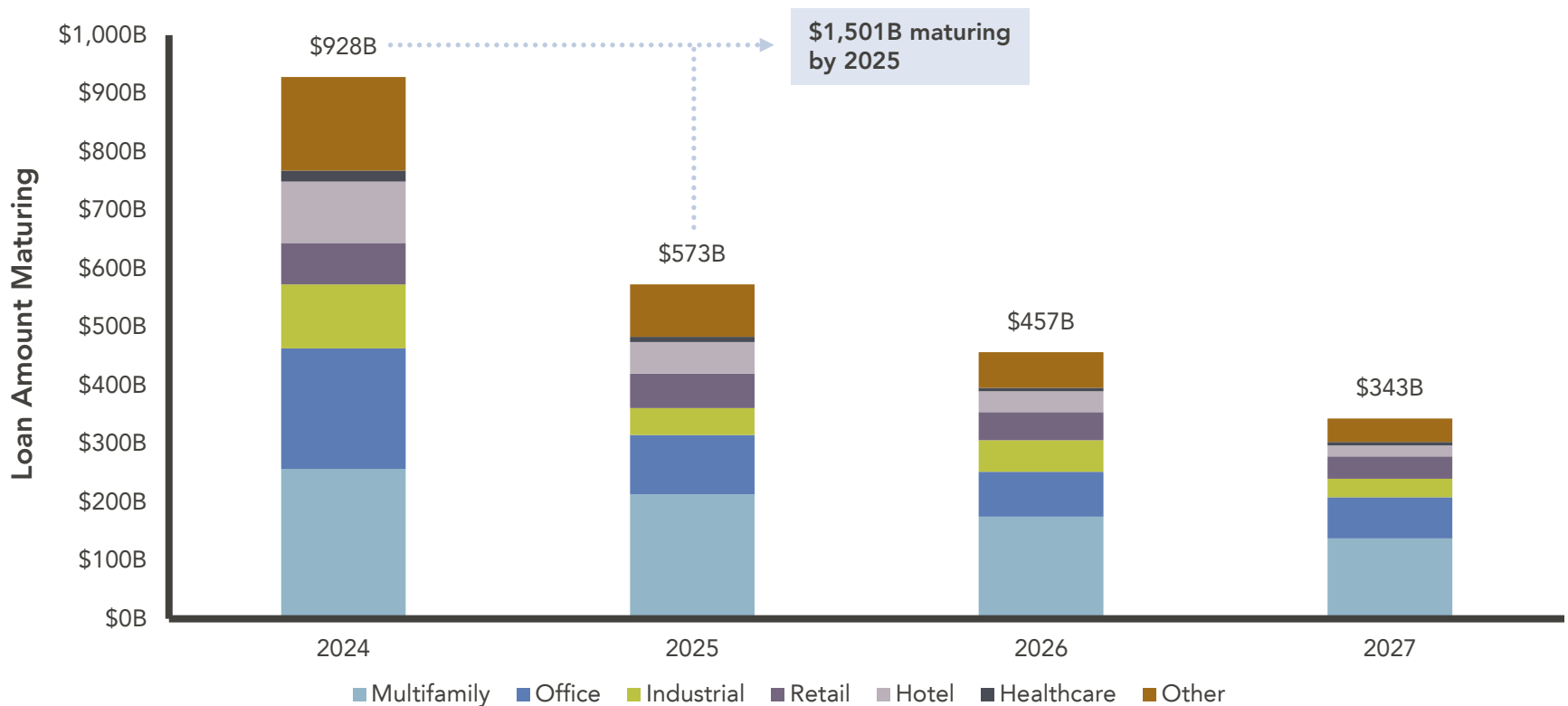
Office vacancy continues to rise; rates across healthier sectors are also off post-pandemic lows as the market digests new supply



Source: NCREIF (NPI Trends Report) as of March 31, 2024

Near-term maturing loans

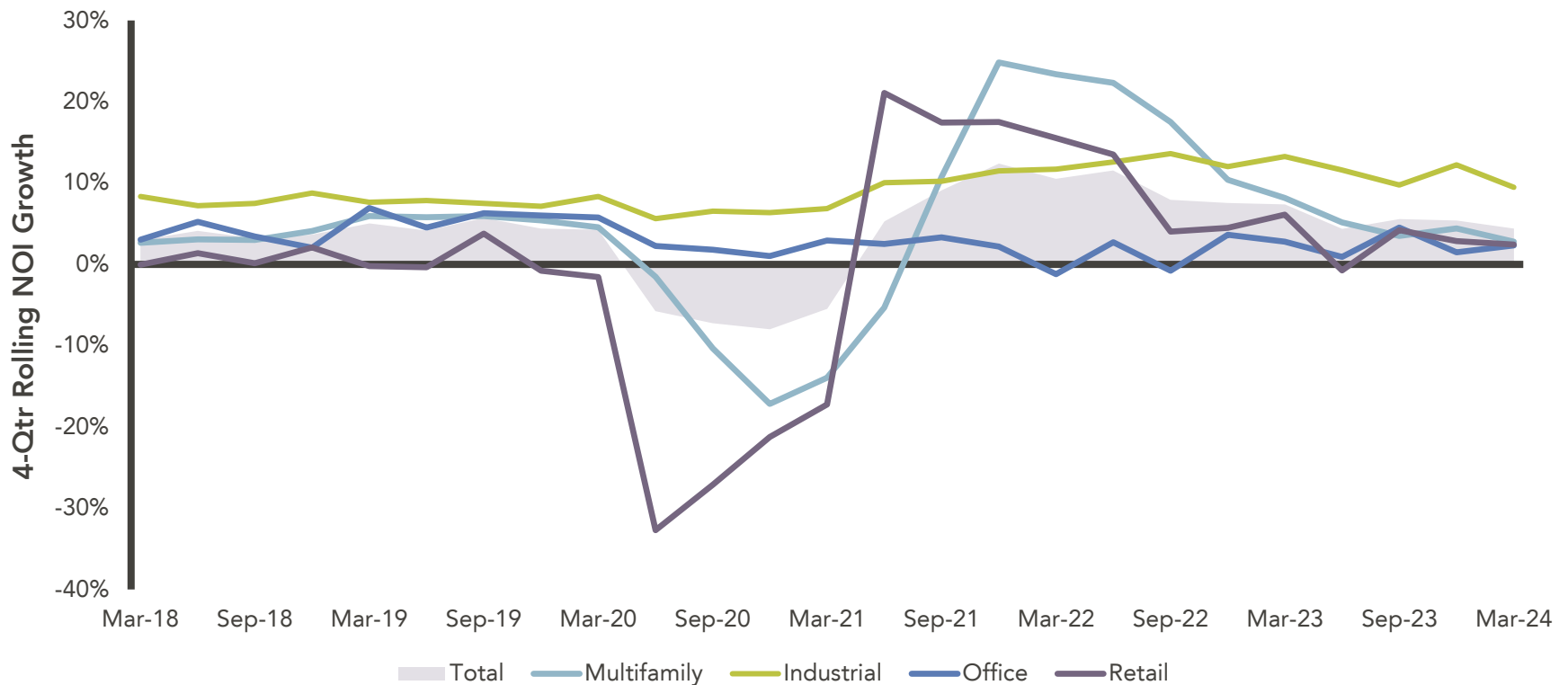
A sizeable pool of real estate loans maturing in 2024, particularly within the office space, could put further pressure on the sector



Source: AEW Capital Management as of March 31, 2024

NOI growth

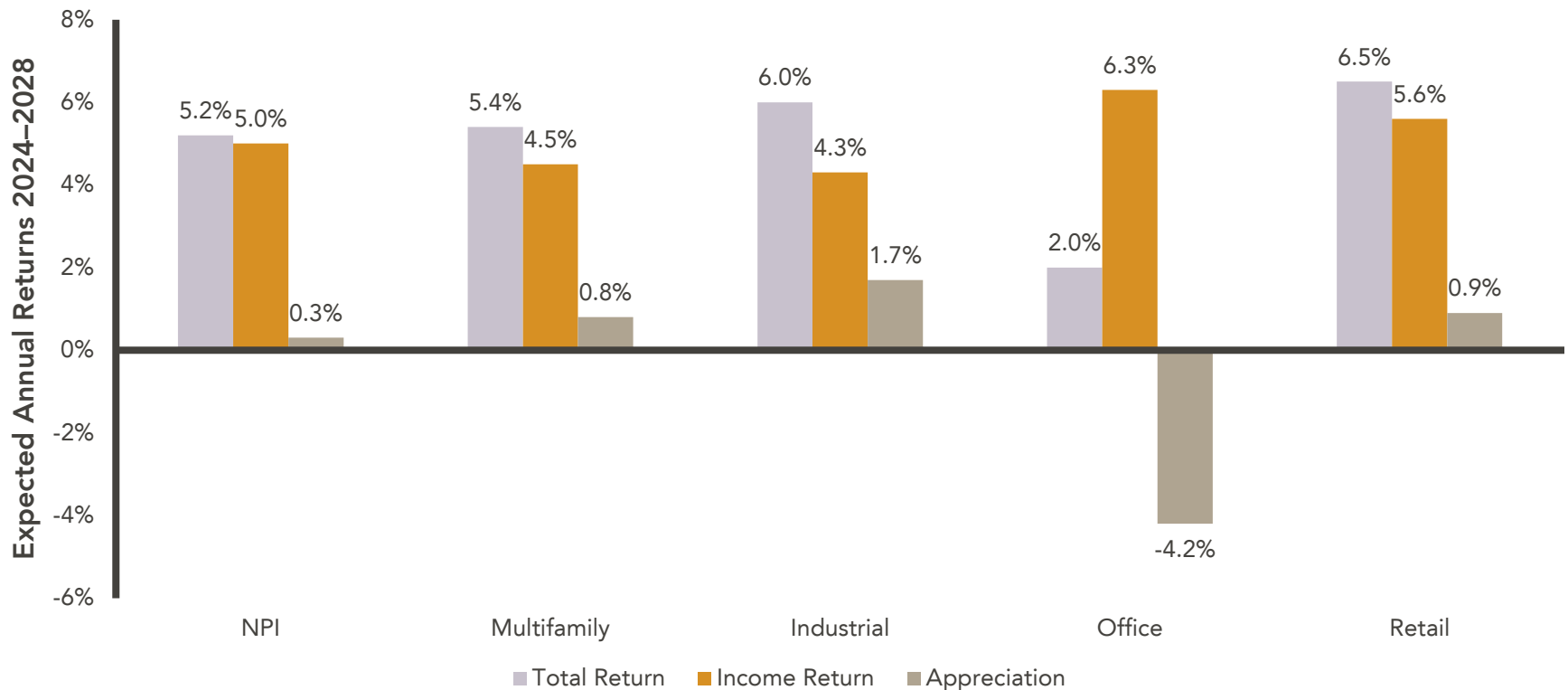
Despite some contraction in recent years, overall NOI growth remains positive



Source: NCREIF (NPI Trends Report) as of March 31, 2024

Expected returns by property type

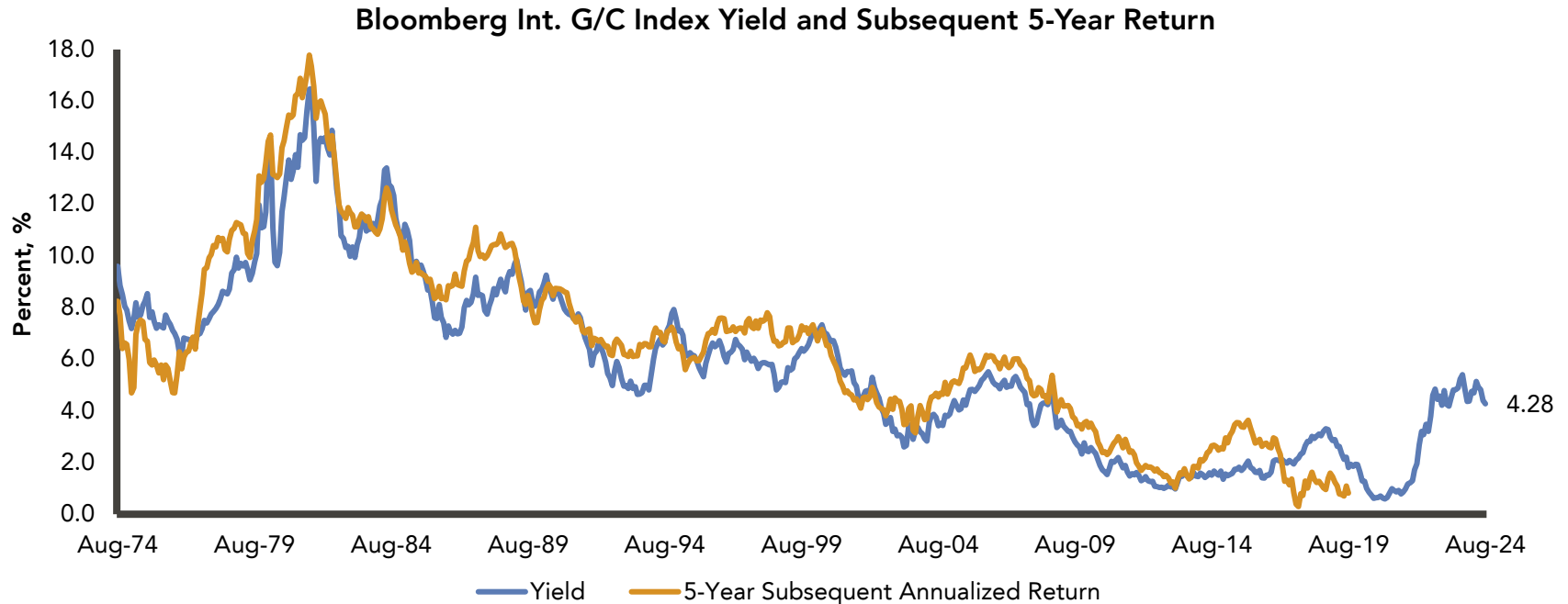
Leasing activity and mark-to-market rent growth, rather than cap rate compression, are expected to drive real estate returns through 2028



Source: PREA Consensus Survey, AEW as of March 31, 2024

Core fixed income outlook

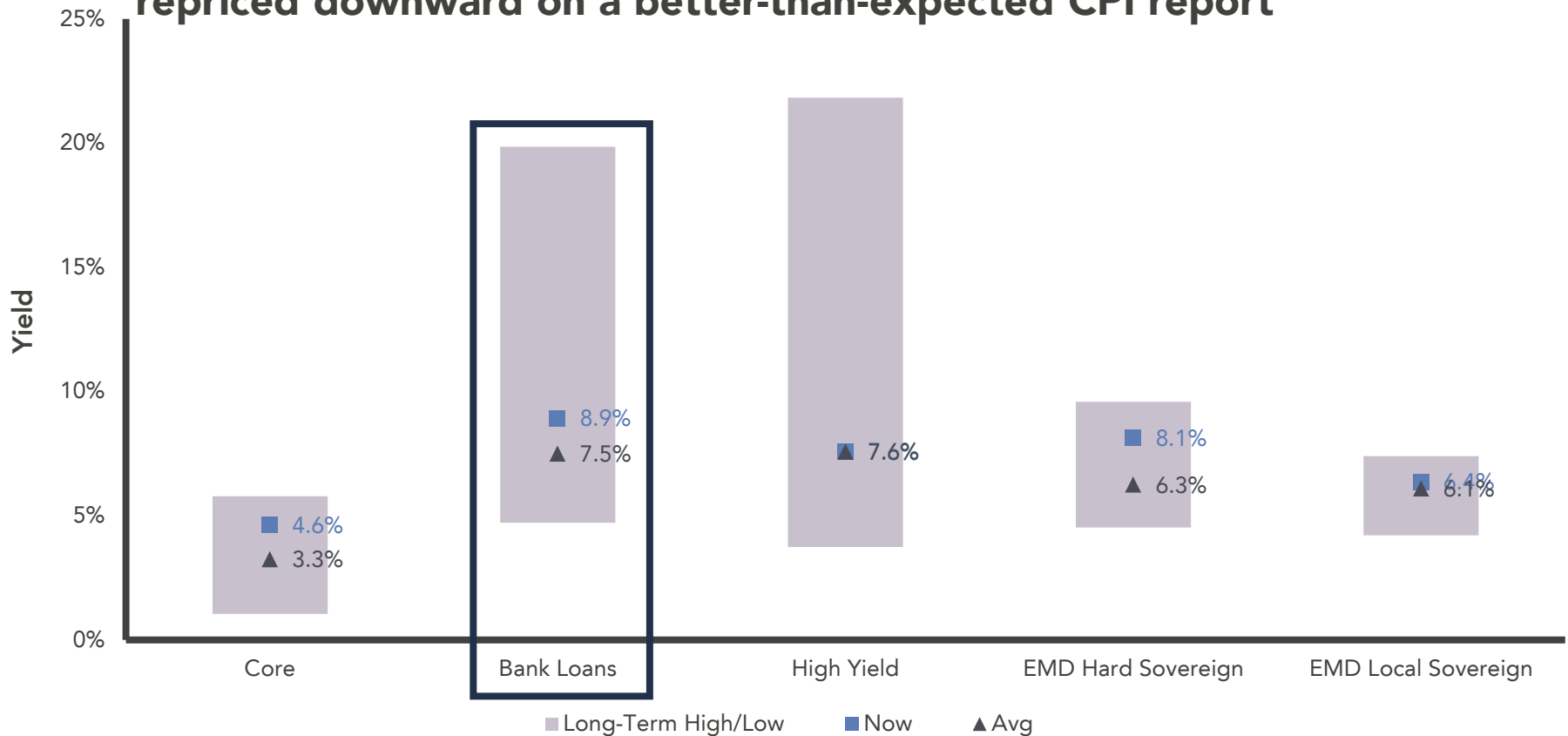
Higher yields leave a better outlook for fixed income



Source: Refinitiv






Fixed income yields

Yields were lower across fixed income sectors in May as Treasury rates repriced downward on a better-than-expected CPI report



Source: Bloomberg, Credit Suisse, JPMorgan as of July 31, 2024. Long-term high, low, and average based on longest available data for each index.

Sussex asset allocation

Asset Class	IPS (%)		Option A (%)		Option B (%)
U.S. Equity	45		45		45
Non-U.S. Equity	15		15		15
Real Estate	3		 0		 0
Infrastructure	7		7		7
Fixed Income	26		 29		 28
Bank Loans	3		3		 4
Cash	1		1		1
Total Fund	100		100		100

Avg. Ann. 10 Yr. Return	6.9%		6.8%		6.9%
Avg. Ann. 10 Yr. Volatility	10.5%		10.4%		10.5%
Avg. Return/Avg. Volatility	0.7		0.7		0.7

Source: Marquette Associates Asset Allocation Analysis using June 30, 2024 capital markets assumptions.



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