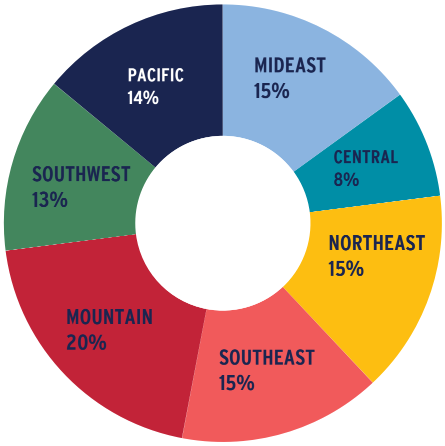
Q1 2025

Public Employee Retirement System of Idaho

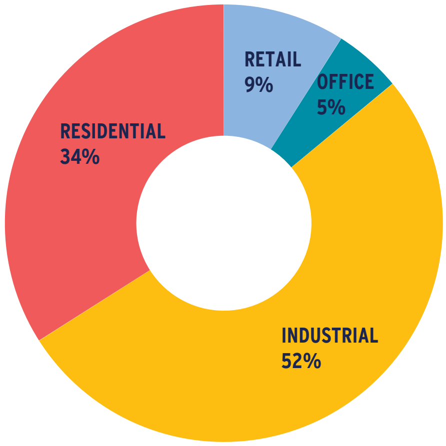
FUND SUMMARY

NET ASSET VALUE	$989,664,621
NUMBER OF PROPERTIES	36
PORTFOLIO OCCUPANCY	91%

DIVERSIFICATION BY REGION (BY NIV)



DIVERSIFICATION BY PROPERTY TYPE (BY NIV)



PERFORMANCE SUMMARY

	CURRENT QUARTER	YEAR TO DATE	ONE YEAR	THREE YEAR	FIVE YEAR	TEN YEAR	SINCE INCEPTION[1]
INCOME	1.44%	1.44%	5.77%	5.00%	5.31%	5.60%	5.59%
APPRECIATION	(0.69)%	(0.69)%	(1.26)%	(7.61)%	(0.37)%	2.84%	3.11%
TOTAL GROSS RETURN	0.74%	0.74%	4.45%	(2.97)%	4.92%	8.58%	8.86%
TOTAL NET RETURN	0.45%	0.45%	3.25%	(4.06)%	3.75%	7.47%	7.80%
NCREIF ODCE INDEX (NET)	0.85%	0.85%	1.17%	(5.07)%	2.01%	4.71%	6.06%
RELATIVE PERFORMANCE (NET)	(40) bps	(40) bps	208 bps	101 bps	174 bps	276 bps	174 bps

[1] *Returns are for the period January 1, 2013 to date.*

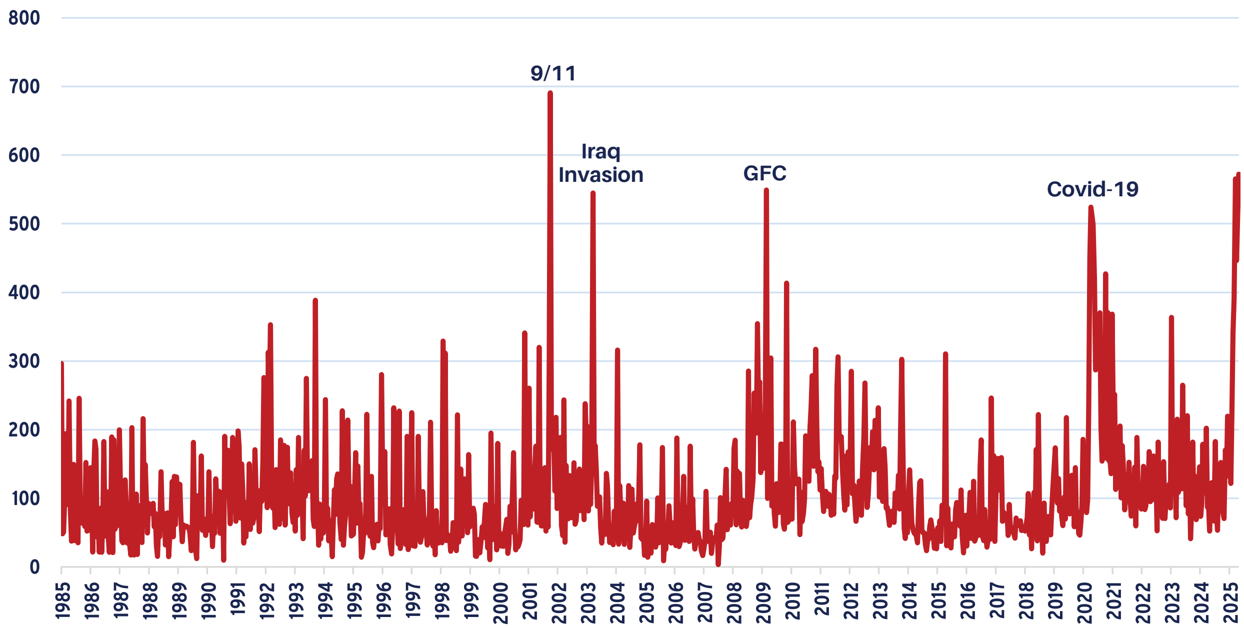
Research Update

Research Update

2025 Q1 U.S. Economic and Property Market Outlook

To date, 2025 has been marked by two distinct but related developments: slowing economic growth, as evidenced by weaker Q1 GDP growth, even when excluding the pull-forward effects of accelerated imports[1], and rapidly rising economic and political policy uncertainty; specifically, policies related to tariffs and trade but also those covering areas such as federal government employment, research funding, taxes and immigration. Although new, higher U.S. tariff rates by country and product were not announced until after the end of the first quarter (April 2, aka "Liberation Day"); policy uncertainty during the first quarter had already risen to levels last seen during prior significant economic and political crises such as the period immediately following the September 11th terrorist attacks (2001), the onset of the global financial crisis (2009) and the outbreak of the COVID-19 pandemic (2020).

FIGURE 1: ECONOMIC POLICY UNCERTAINTY INDEX FOR UNITED STATES



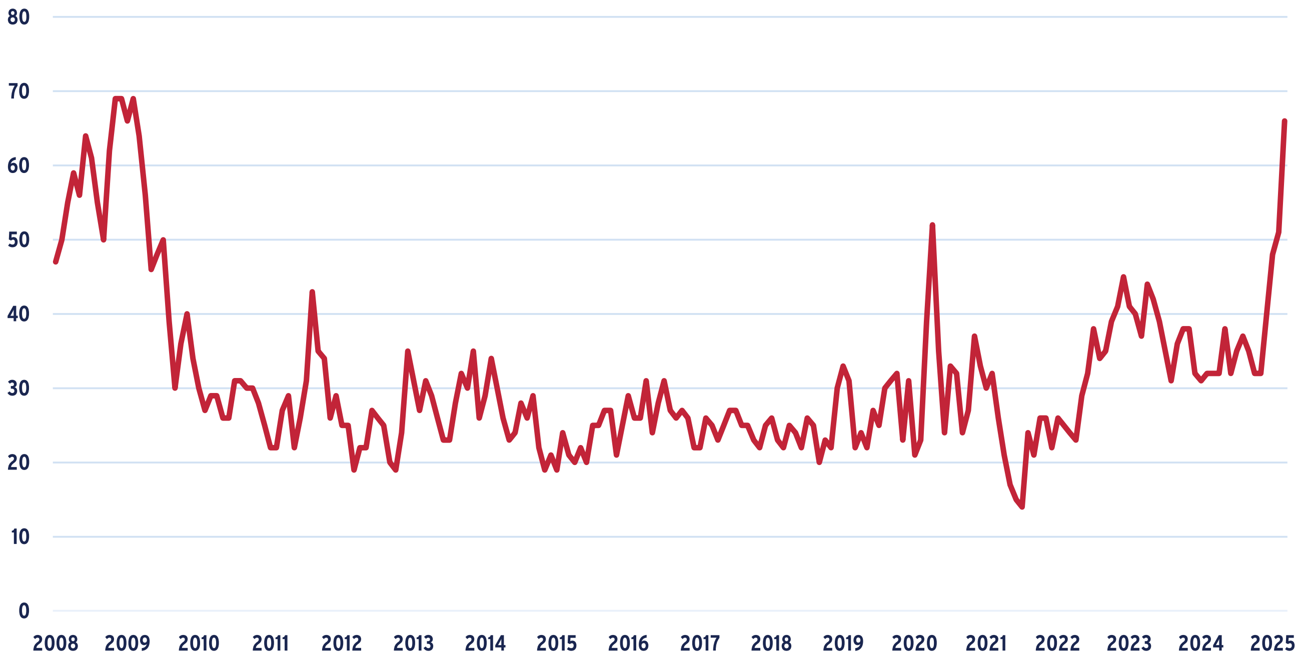
Source: FRED, Baker, Scott R.; Bloom, Nick; Davis, Stephen J. via FRED

While other "hard" economic data such as employment and retail sales do not yet fully reflect impacts from changing and uncertain government policy, "soft" data such as consumer and CEO sentiment do. For example, the Conference Board survey of consumer confidence recently noted that "consumer confidence declined for a fifth consecutive month in April, falling to levels not seen since the onset of the COVID pandemic"[2]. Similarly, the most recent University of Michigan Survey of Consumers found a comparable decline in overall sentiment and, more specifically, recorded the largest share of consumers since the global financial crisis who believe that unemployment will be higher over the next year, typically a harbinger of weaker consumer spending and overall economic growth.

[1] *The preliminary estimate for first quarter real GDP growth showed a small contraction for Q1 but this includes a more than 50% increase in Q1 imports in advance of expected tariff increases. GDP includes the net of exports and imports and the unusually large increase in Q1 imports subtracted five percentage points from overall annualized growth.*

[2] *https://www.conference-board.org/topics/consumer-confidence "US Consumer Confidence Plunged Again in April." April 29, 2025*

FIGURE 2: SHARE OF CONSUMERS THAT EXPECTED HIGHER UNEMPLOYMENT OVER NEXT YEAR



Source: University of Michigan Surveys of Consumer

Survey data on sentiment is not a perfect predictor of future economic performance, but the abrupt change in sentiment is concerning. The U.S. economy remains consumption centric. Tariffs are a form of tax, specifically a tax on the consumption of goods produced outside of the country. Consumption-based taxes are typically regressive, disproportionately impacting lower income consumers. Tariffs, however, also touch many discretionary items (e.g., French wine or German automobiles). Economics teaches that if you tax something, you will get less of it. Thus, higher tariffs beget less consumption and, in a consumption-oriented economy, lower aggregate growth.

Not surprisingly, the higher base tariffs announced in April, even with the 90-day pause in the so-called reciprocal tariffs, combined with broader uncertainty about a range of additional policy areas, has led many macroeconomic forecasting groups to raise their probability of near-term recession. Looming tariffs have also complicated the Federal Reserve's recent decisions regarding when and how much to lower policy interest rates. To this point, in the press conference following the most recent meeting of the Federal Open Market Committee (FOMC), Fed Chair Powell responded to numerous questions with some mention of federal government policy uncertainty.

> **"Forecasting right now, it's—you know, forecasting is always very, very hard. And in the current situation, I just think it's—uncertainty is remarkably high."[3]**

Reflecting the Chairman's statements, the Federal Reserve appears unlikely to make any significant changes to monetary policy until there is greater clarity of the impact that tariffs (and other recent changes in federal government policies) have on the economy generally and on future inflation. As such, we continue to expect the overall yield environment to remain elevated relative to what we had expected during the last quarter of 2024.

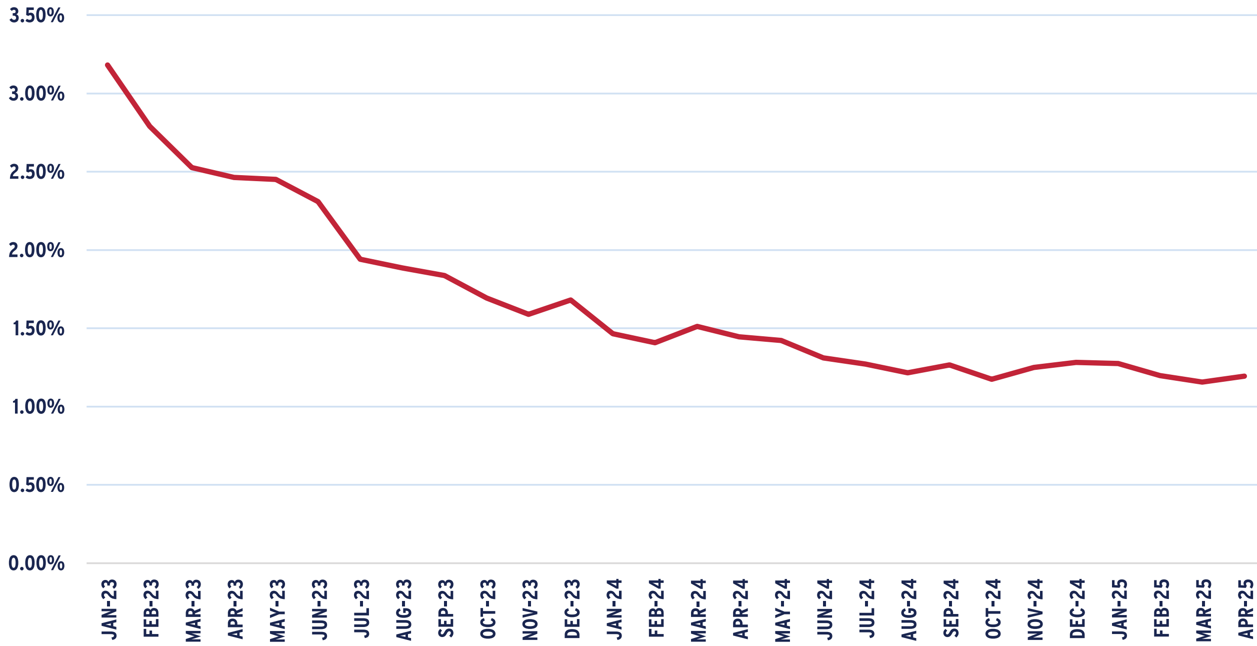
Hard data tracking the fundamentals of the economy remains in line with recent periods, with forward-looking surveys far weaker. For example, the April employment report showed a greater than expected increase in U.S. total employment, consistent with the growth recorded over the past year. Any direct employment impacts from the new higher tariffs would likely manifest with some degree of time lag reflecting the slowdown in new orders for now higher priced goods, the expected

[3] *Federal Reserve Chair Jerome Powell, March 19, 2025*

shipping time from point of origin to destination, the expected transit time from port of entry to store shelves and so on. Absent a meaningful change in the new tariff regime, we anticipate any direct employment impacts in logistics and retailers are likely to begin showing up in the data over the summer and into the fall.

Still, expectations can change as policy evolves. For now, we (AEW Research) are not assuming near-term economic recession as our base case outlook but are certainly risk aware. Regardless of whether the broader economy slips into a period of outright economic contraction (i.e., a recession), we are concerned that near-term demand for specific property sectors could be constrained by the pernicious impacts of tariffs and other current policy initiatives.

FIGURE 3: YEAR-OVER-YEAR GROWTH IN U.S. TOTAL EMPLOYMENT SOURCE: BUREAU OF LABOR STATISTICS



Source: Bureau of Labor Statistics

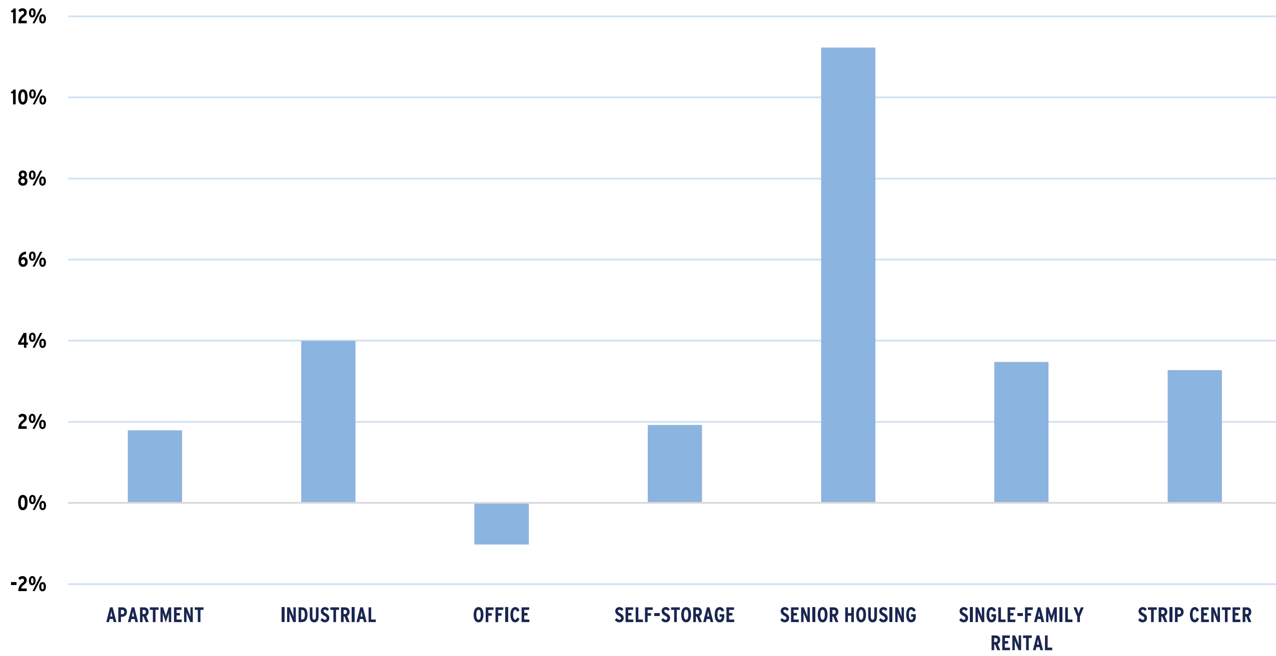
Commercial Property Outlook

Despite these developments, our overall narrative for the near-term outlook for U.S. commercial property remains largely unchanged. Commercial property values declined over the two-year period from mid-2022 to mid-2024. This was the first time in the past fifty years where property values recorded sustained decline absent an economic recession. Rather, nearly all the change in value over this period reflected a commensurate change in investors' required yield as the Federal Reserve dramatically raised interest rates to stem unexpected, outsized inflation. Over the next few years, we do not believe that investors can underwrite meaningful decline in yields in most cases but must look instead to property income growth to drive valuations.

Higher tariffs and other disruptive federal government policy implementation do not change this but do narrow the potential opportunity set of markets and property sectors where investors may look for property income growth. While there has been no cyclical (i.e., recessionary) decline in property market fundamentals (i.e., occupancy rates, rental rates, etc.), there are sectors where excess new supply, triggered by the surge in property values in 2012 and 2022, has caused localized increases in vacancies and softening of rents, primarily in certain apartment growth markets and major industrial property hubs. As excess supply is absorbed, there will be targeted markets/property sector where higher near-term expected rent and income growth may be expected.

Additionally, the seniors housing sector is both better insulated from the economic vagaries of tariffs and is also experiencing conditions comparable to cyclical recovery. Not surprisingly, our own projections as well as those from third-party sources indicate significantly stronger near-term property net operating income (NOI growth) in the seniors housing relative to other major property sectors.

FIGURE 4: EXPECTED AVERAGE ANNUAL GROWTH IN SAME STORE NOI BY PROPERTY SECTOR 2025-2029



Source: Green Street, 2025 Q1 Preliminary Forecast

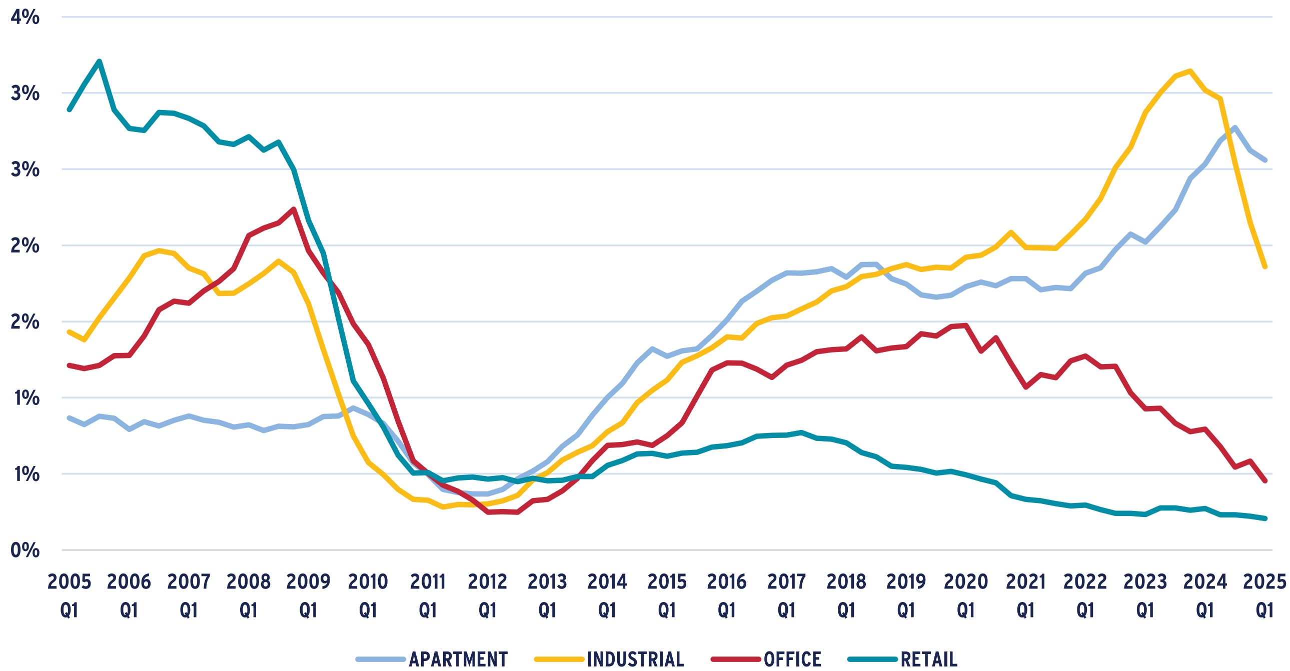
For other property sectors, the anticipated impact of tariffs is varied. The obvious primary concern is centered on potential reduction in aggregate global trade flow and the ultimate impact of any slowdown this may have on demand in U.S. distribution centers and large port-oriented warehouse markets such as the industrial property markets of Southern California or Northern New Jersey (and others). Additionally, higher costs of goods resulting from tariffs will impact many retailers and, by extension, retail properties to some degree but seem likely to have a greater impact on discretionary consumer spending, at least in the near term. Generally, necessity economic activities are more likely to protect against the vagaries of policy uncertainty. For example, grocery-anchored retail should shoulder the impact of rising cost of goods better than other, more discretionary retail activities.

In addition to tariff and trade policy specifically, we are also mindful of the potential economic and property market impacts of policy changes and federal government actions including:

- Capricious, large scale and abrupt job cuts across wide swaths of the federal government workforce, with greater geographic impacts in areas of high federal government job concentrations such as suburban Maryland and Northern Virginia
- The freezing or elimination of previously approved federal funding of academic and scientific research, typically concentrated in and around college and university clusters with potential negative impacts to education/research/life science centers such as Boston or San Diego
- Generalized disruption of foreign student visa programs and other actions likely to discourage and decrease foreign student applications to colleges and universities with potential negative impacts for local economies with greater concentrations of universities with higher shares of foreign students such as Boston and Chicago

The folk singer Arlo Guthrie once remarked that “you can’t have a light without a dark to stick it in,” and there is a light for commercial property related to the darker demand-side uncertainty stemming from the new tariff regime. While tariffs and greater economic and political uncertainty may contribute to slower near-term economic growth and, consequently, property demand, it will also hasten the slowdown in new property construction (supply growth) in most markets. Across all major U.S. property sectors, the pace of growth of the total stock had already peaked for this cycle prior to the start of the year. Greater uncertainty around future labor and materials availability and cost will make it increasingly more difficult to underwrite future development projects and, more significantly, obtain financing for them. As the economy eventually adjusts to the new tariff regime through the remainder of the year, more limited new construction may set the stage for stronger than previously expected rent growth in later years.

FIGURE 5: YEAR-OVER-YEAR GROWTH IN TOTAL STOCK BY PROPERTY TYPE



Source: CBRE-EA

Despite heightened uncertainty, aggregate transaction volume, which has been muted throughout each of the past two years, has accelerated (from low levels) during the first part of 2025, rising nearly 14% during the first quarter as compared to the same period in 2024, though comparison to 2023 transaction volumes may be more appropriate given the much lower levels of transaction in 2024 in most cases. We continue to expect overall transaction volume to continue to build throughout the year but now have less conviction regarding the pace of that improvement. The fundamental drivers for this have not changed, however, as most institutional investors remain meaningfully below their target allocation for real estate and rebalancing discipline has not been repealed.

TABLE 1: Q1 U.S. COMMERCIAL PROPERTY TRANSACTION VOLUME BY PROPERTY SECTOR
$ BILLIONS

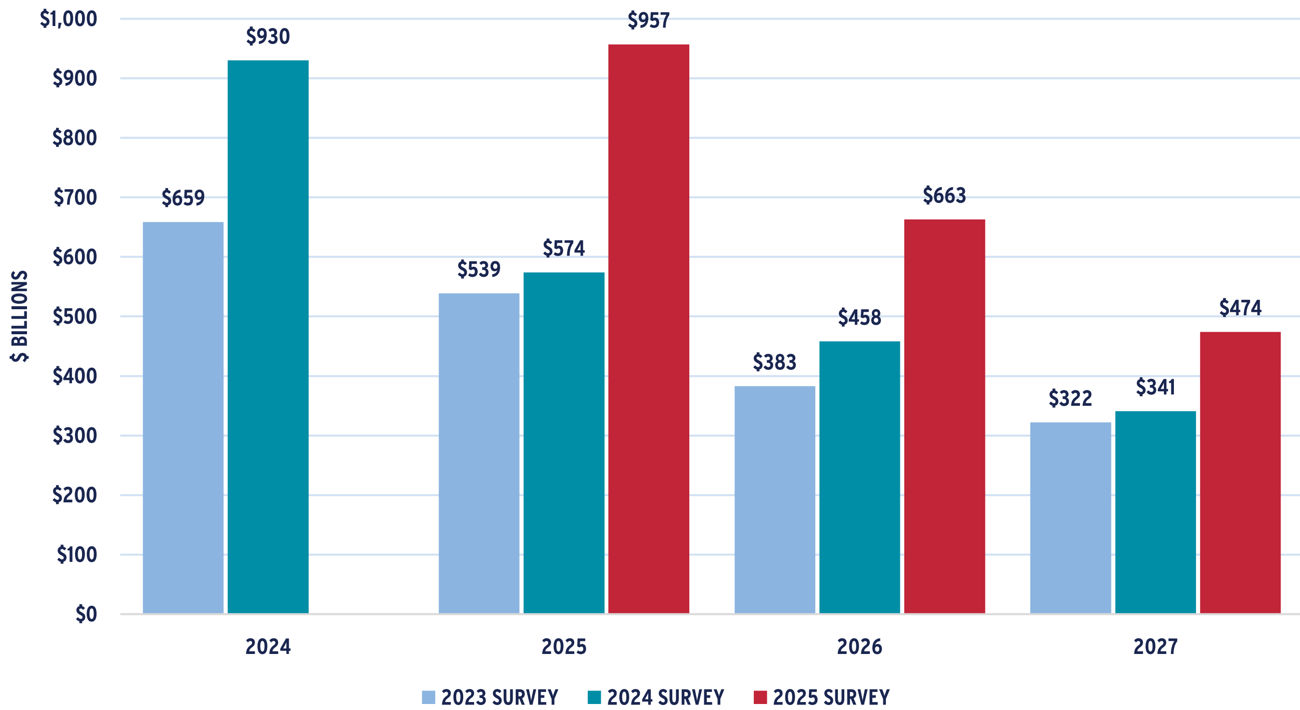
	2023	2024	2025	PERCENT CHANGE FROM 2024	PERCENT CHANGE FROM 2023
Apartment	$27.4	$21.8	$29.8	36.9%	8.7%
Industrial	$20.8	$17.7	$22.1	24.8%	6.1%
Office	$11.5	$16.7	$12.6	-24.3%	9.9%
Retail	$18.2	$16.2	$16.7	2.8%	-8.5%
Self-Storage	$1.6	$1.7	$1.6	-4.7%	4.0%
Seniors Housing	$1.7	$0.9	$2.2	130.7%	27.0%
Hotels	$6.4	$3.9	$5.3	35.3%	-17.9%
Other	$6.9	$6.4	$6.5	3.1%	-4.9%
Total	**$94.5**	**$85.2**	**$96.8**	**13.5%**	**2.4%**

Source: RCA/MSCI

Finally, despite the current media focus on disruption originating from Washington, there is a larger backdrop to the commercial property outlook that should not be overlooked. Commercial and multifamily mortgages totaling approximately $2 trillion are scheduled to mature over the next three years (2025-2027), one-third of all outstanding CRE loans. This wall of maturity is occurring at the same time as property values have reached their trough for this valuation cycle.

These maturing loans represent a wide variety of loan types, asset type and quality and cash flow health. Some loans will, of course, be repaid, some will default and many others will likely be extended as the combination of new higher borrowing costs (relative to when the loans were originated) and more stringent lending conditions (e.g., lower loan-to-value ratios applied to now lower values) create capital structure stress, sometimes even in cases where there is no significant property operational stress. We continue to believe this intersection of peak loan maturity and trough valuations will reveal myriad new investment opportunities for both debt and equity investors.

FIGURE 6: EXPECTED COMMERCIAL PROPERTY LOAN MATURITIES



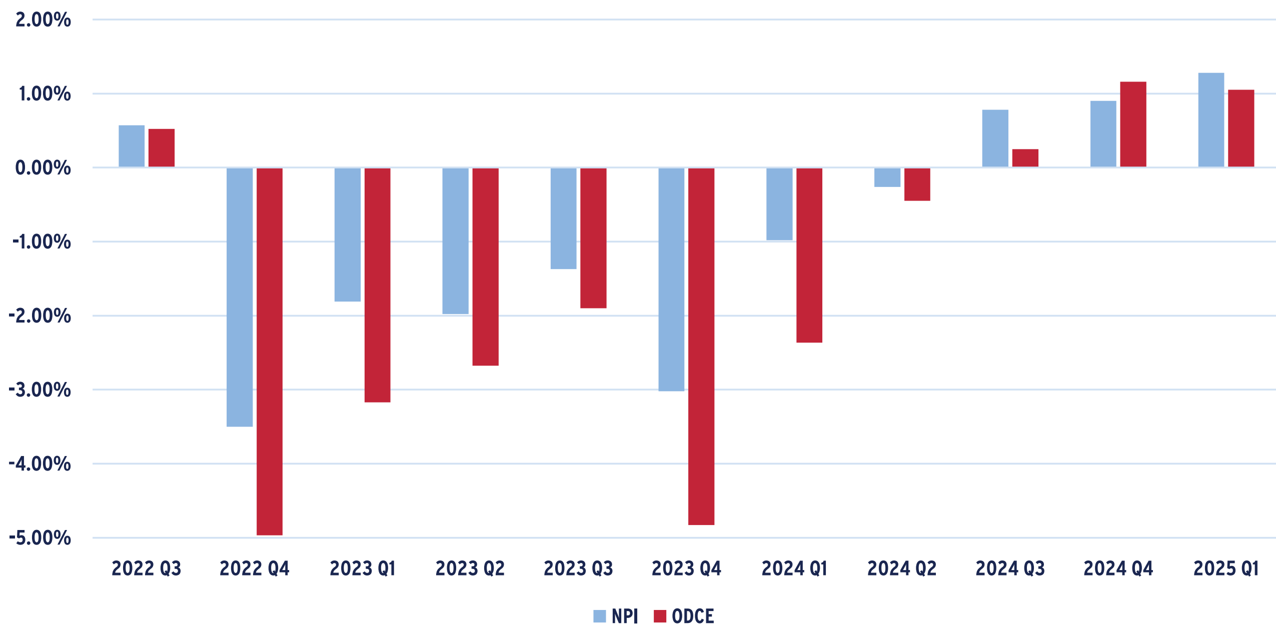
Source: Mortgage Bankers Association (MBA)

Conclusion

Q1 marked the third consecutive quarter of positive total return for U.S. commercial property. More significantly, the first quarter marked the first time the capital value component of the NCREIF Property Index (NPI) posted a positive return (albeit it a small one) since the second quarter of 2022. In some ways, the commercial property asset class is like a giant tanker sailing on the ocean; often the turn is signaled long before the ship shows change in course. We believe we are at this turning point, looking out over the beginning of the next, hopefully elongated, up cycle in property valuations and returns.

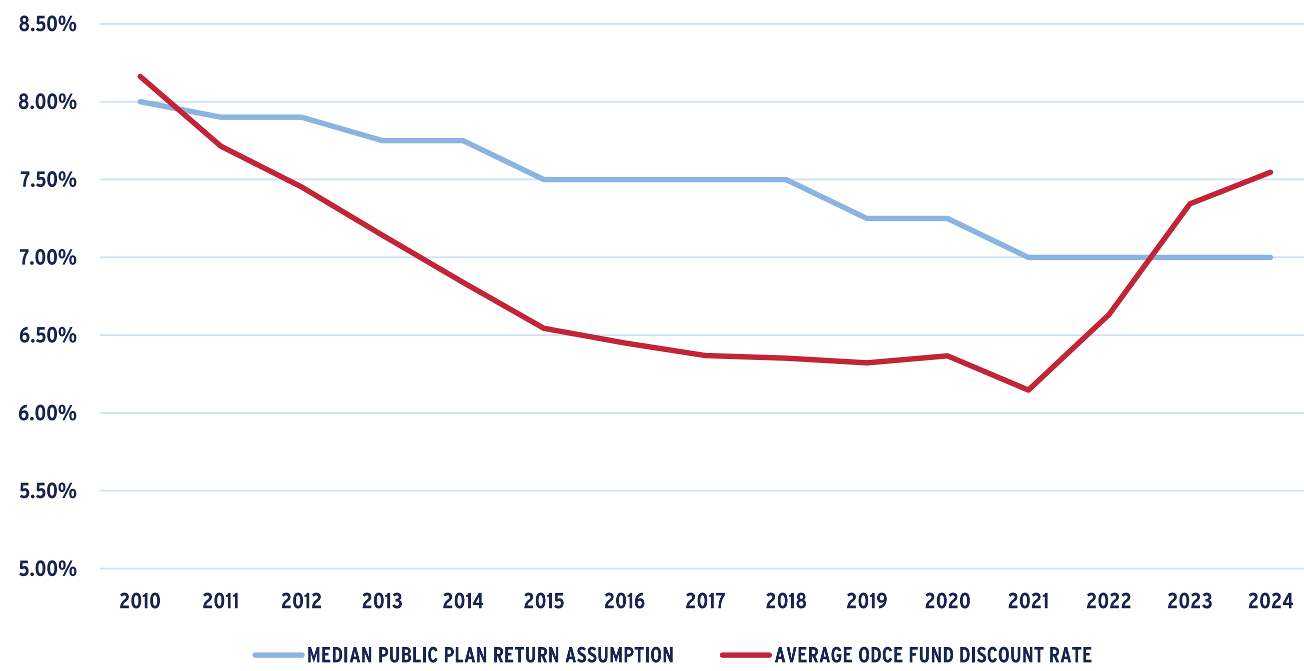
In most periods, go-forward expected return for unleveraged, stabilized core property can be approximated by the combination of the initial property yield and expected growth in property net operating income. Today, the average NPI cap rate is just shy of 5% and, as highlighted above (Figure 3), the average expected growth in NOI across the various property sectors (excluding the seniors housing outlier) is 2.5%, or 7.5% in total. Interestingly, 7.5% is also the average discount rate currently employed in the valuation of properties held by core, open-ended real estate funds (ODCE funds). More significantly, this average discount rate is now above the average U.S. public pension fund expected return on plan assets for the first time since 2010, signaling what we believe is a positive absolute and relative expected return environment for U.S. commercial property investment.

FIGURE 7: PRIVATE MARKET CRE QUARTERLY TOTAL RETURN



Source: NCREIF

FIGURE 8: ODCE FUND AVERAGE PROPERTY DISCOUNT RATE AND PUBLIC PLAN EXPECTED RETURN ON ASSETS



Source: Altus, NASRA

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Index Performance: Indices are unmanaged, and investors cannot actually make investments in an index. The index performance shown does not reflect the deduction of management fees or other expenses, which would reduce an index's performance returns.

ODCE Index: The IDA Fund I, LLC is benchmarked against the NCREIF Fund Index–Open-End Diversified Core Equity ("NFI- ODCE"). The NFI-ODCE is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage (i.e., returns reflect the IDA Fund I, LLC's actual ownership positions and financing strategy). The inception date of the index is the first quarter of 1978.

Past Performance: The performance data presented in this report represents past performance and all dollar amounts are in USD. Past performance is not an indication of future performance, provides no guarantee for the future, and is not constant over time. The value of an investment in the IDA Fund I, LLC may fluctuate and may be worth more or less than its original cost when redeemed. Current performance may be lower or higher than the performance data quoted.

Performance Returns: Performance returns presented are computed monthly using a time-weighted total rate of return methodology adjusted for daily weighted cash flows. Quarterly returns are calculated by linking monthly returns, and annual returns are calculated by linking quarterly returns. Returns shown for periods greater than one year have been annualized. The sum of presented income and appreciation returns may not equal their respective total returns due to the chain-linking of returns. Returns are presented beginning January 1, 2013, the effective transfer date of IDA Fund I, LLC's is November 1, 2012.

Portfolio Holdings: The portfolio holdings, characteristics, weightings, and allocations presented in this report represent the portfolio at the time this report was completed and are subject to change without notice. Although these transactions presented in this report represent the types we may pursue in the future, no representative is made that similar opportunities will be available.

Risks: Investments in real estate and real estate related entities are subject to various risks, including fluctuating property values, changes in interest rates, property taxes and mortgage-related risks. International investing involves certain risks, such as currency exchange rate fluctuations, political or regulatory developments, economic instability, and lack of information transparency. Investment in fewer issuers or concentrating investments by region or sector involves more risk than a fund that invests more broadly. The use of leverage in connection with any investment (in the form of either debt or preferred equity) creates greater potential for loss and increases exposure to adverse economic factors such as rising interest rates, economic downturns, or deterioration in the condition of a real estate asset or market. If a real estate asset that secures a loan is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the lender will be entitled to exercise the remedies specified under the loan documents and applicable law, which may include acceleration of the indebtedness and foreclosure on the real estate asset. There can be no assurance that any investments in real estate or real estate related entities will achieve their investment objectives.

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Valuation and Account Policy: Assets are valued quarterly by the independent valuation advisor and appraised annually by an independent member of the Appraisal Institute. Additional information, including IDA Fund I's valuation policy, is presented in the notes accompanying the financial statements.