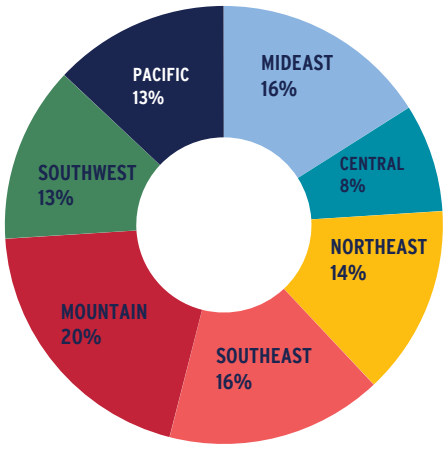
Q3 2025

Public Employee Retirement System of Idaho

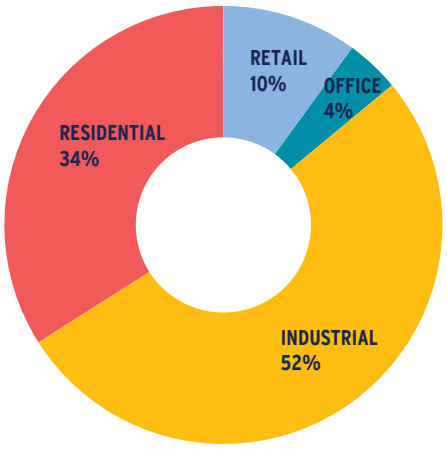
FUND SUMMARY

NET ASSET VALUE	$1,009,450,305
NUMBER OF PROPERTIES	37
PORTFOLIO OCCUPANCY	90%

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	1.55%	4.54%	6.07%	5.22%	5.37%	5.58%	5.62%
APPRECIATION	0.43%	(1.54)%	(0.06)%	(9.72)%	0.38%	2.22%	2.92%
TOTAL GROSS RETURN	1.99%	2.94%	6.00%	(4.97)%	5.77%	7.91%	8.68%
TOTAL NET RETURN	1.69%	2.05%	4.79%	(6.05)%	4.58%	6.78%	7.62%
NCREIF ODCE INDEX (NET)	0.52%	2.20%	3.19%	(6.15)%	2.59%	4.13%	5.93%
RELATIVE PERFORMANCE (NET)	117 bps	(15) bps	160 bps	10 bps	199 bps	265 bps	169 bps

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

AEW

Research Update

Shifting Balance of Risk

> **"... the balance of risks appears to be shifting ..."**
>
> **Fed Chairman Jerome Powell, August 22, 2025. Jackson Hole, WY**

In 1977, Congress amended the Federal Reserve Act, directing the Board of Governors of the Federal Reserve System and the Federal Open Market Committee (FOMC) to "maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates[1]." At times, the policy choices likely to advance one goal may not be appropriate to advance the others. At the Federal Reserve's oft anticipated Jackson Hole policy summit in August, Fed Chairman Jerome Powell ushered in the beginning of the next period of monetary policy easing by citing the emerging change in the balance of risks in the U.S. economy as worries over inflation give way to perhaps greater concerns for labor and unemployment[2]. Reflecting this, the FOMC agreed in September to lower the Fed's overnight borrowing rate by 25 basis points with an expectation of additional cuts over the next 12 to 18 months as new economic data warrants. To this point, the FOMC voted to lower the policy rate by an additional 25 basis points at their most recent meeting during the last week of October.

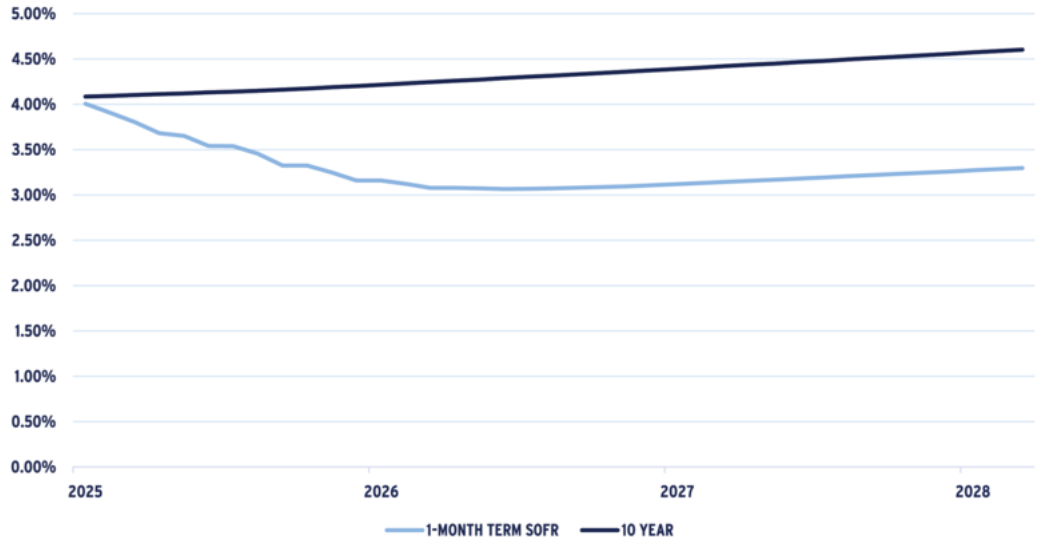
FIGURE 1
SIZE OF THE FEDERAL RESERVE BALANCE SHEET

Source: Federal Reserve

Perhaps more significantly, during the press conference following the October meeting, Fed Chairman Powel announced that on December 1, 2025, the Federal Reserve will end its quantitative tightening (QT) program, which began in June 2022. Powell emphasized that the Fed's reserves are now "somewhat above the level we judge consistent with ample reserve conditions," suggesting that the Fed is approaching its target for liquidity in the banking system. Additionally, the Fed will transition to a bills-heavy reinvestment approach, meaning it will reinvest maturing securities primarily into short-term Treasury bills rather than longer-duration assets. From this, we affirm our prior assessment that the yield curve is likely to steepen as short rates decline (i.e., long rates are unlikely to decline as quickly or as much as short rates) while broader financial market liquidity persists. In all, the Fed's holdings of Treasury and mortgage-backed securities declined by more than 25% since QT began, an aggregate reduction of approximately $2.5 trillion.

[1] *Federal Reserve Reform Act of 1977. November 16, 1977.*
[2] *See https://www.aew.com/research/fed-rate-cuts-cre-value-reflation*

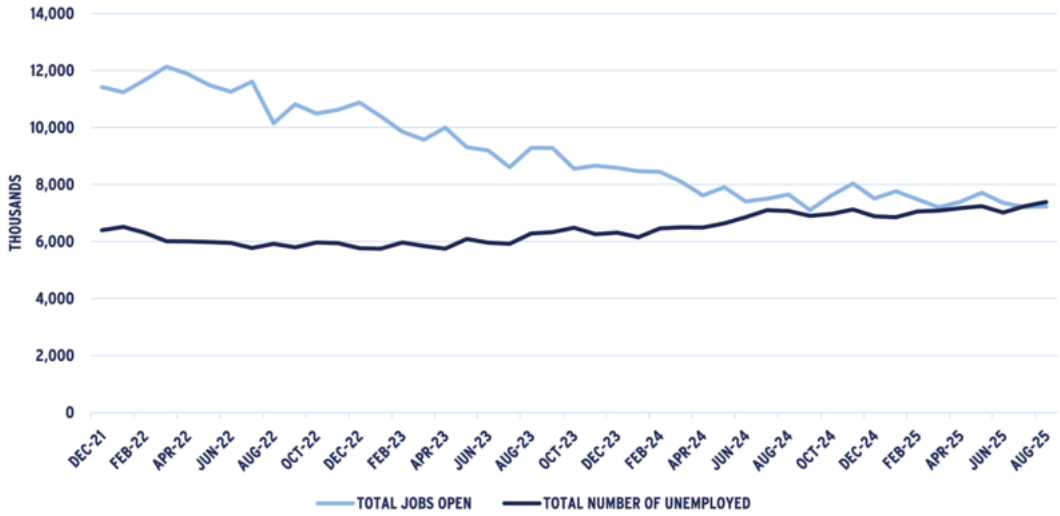
FIGURE 2
MARKET EXPECTATION OF YIELD CURVE STEEPENING



Source: Chatham Financial. October 30, 2025

From the minutes of the September meeting, we know the FOMC discussed labor market weakness, noting that for the first time since the pandemic, there are now fewer open positions nationwide than the total number of unemployed, creating an expectation of upward pressure on the unemployment rate.

FIGURE 3
TOTAL JOBS OPEN AND UNEMPLOYED PERSONS

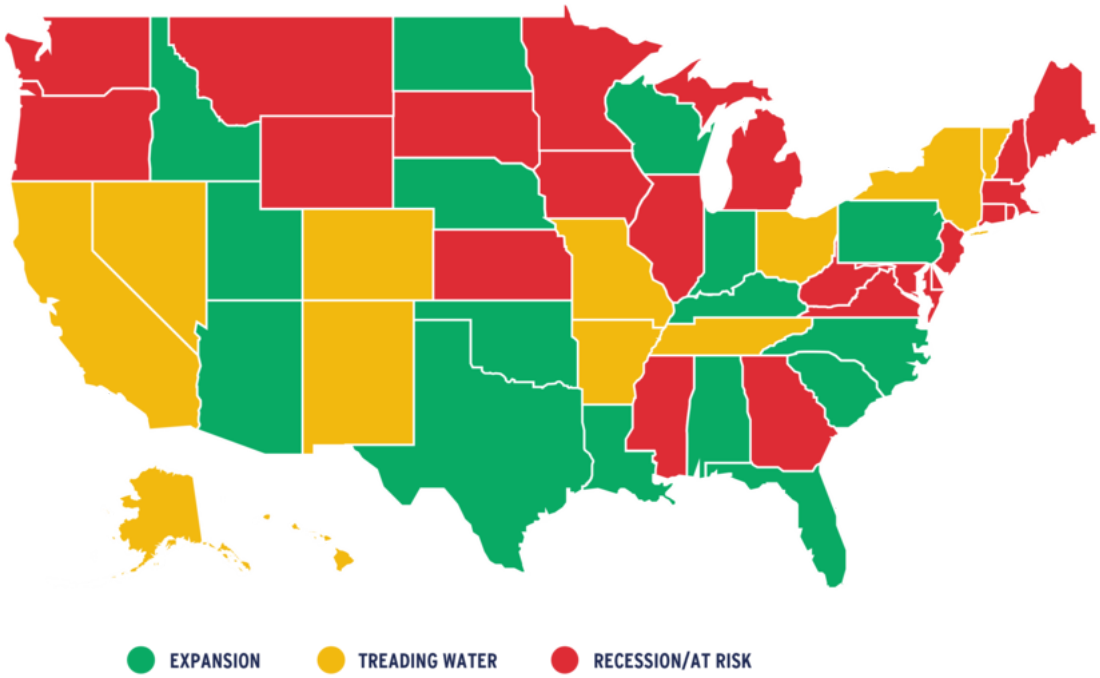


Source: Job Openings and Labor Turnover Survey (JOLTS), Bureau of Labor Statistics

Currently, there is no official measure of U.S. GDP growth for the third quarter due to the ongoing federal government shutdown, but recent business cycle analysis from Moody's Chief Economist, Mark Zandi, suggests that as many as half of U.S. states are likely in or near recession[3]. According to Zandi, "the states most impacted are the ones more reliant on agriculture and manufacturing. Those sectors are more likely to be impacted by tariff increases." If correct, this assessment suggests the return to a more typical pattern of economic expansion and contraction, similar to what was referred to as "rolling recession" prior to the global financial crisis (GFC). In contrast, economic contraction during the GFC period and later during the pandemic period, was both abrupt and geographically widespread. For the GFC, this reflected the broad and rapid shutdown of credit and liquidity and for the pandemic, the catalyst was the rapid contraction in demand due to mandated restrictions of activity.

[3] *"23 States in Recession Reveal the Fragility of the U.S. Economy". Mark Zandi, Chief Economist at Moody's Analytics. October 22, 2025.*

FIGURE 4
STATES LIKELY IN OR NEAR RECESSION



Source: https://www.linkedin.com/pulse/23-states-recession-reveal-fragility-us-economy-mark-zandi-dybre/?trackingId=q0V62TuyR8yEWtQ2%2FMDC3w%3D%3D

Our current base case outlook assumes slow aggregate near-term economic growth but no broad-based contraction (i.e., no recession). While economic uncertainty remains elevated, significant income and wealth effects related to all things AI (data centers, chips, equity valuations, etc.) seem likely to keep aggregate consumption growing, as long as these conditions persist. We do, however, acknowledge heightened risk in this system, particularly the risk embedded in current equity market valuations. To this point, various metrics of extreme valuation in the past such as the so-called Buffet Indicator (ratio of equity market capitalization to GDP) and Shiller's cyclically adjusted price to earnings ratio (CAPE) suggest similar concerns today. Obviously, any sudden meaningful change in stock market valuations would represent a corresponding change in the current outlook.

FIGURE 5
U.S. EQUITY MARKET VALUATION INDICATORS

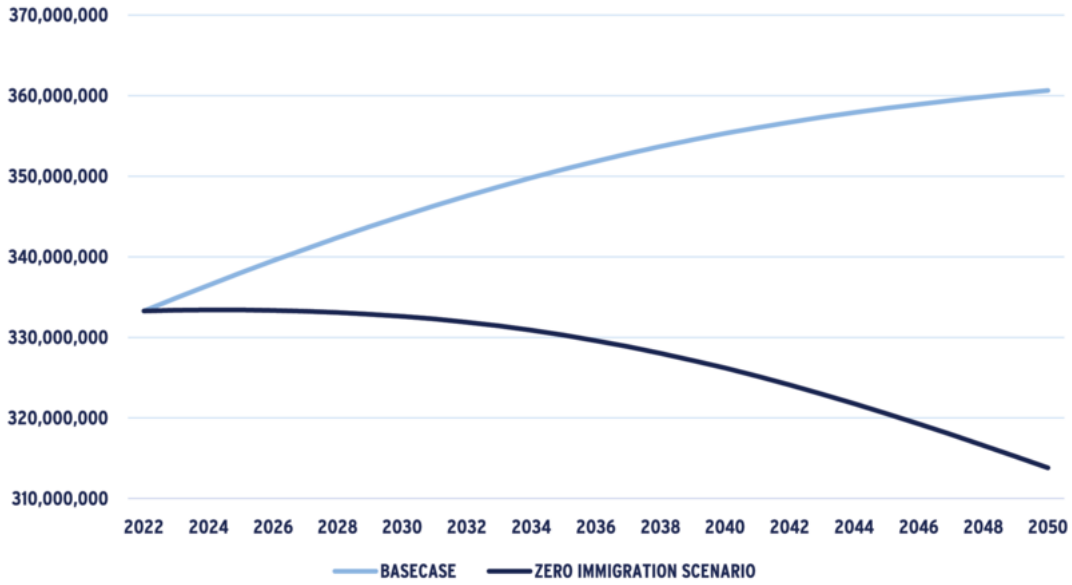
Source: Wilshire, Bureau of Economic Analysis, http://www.econ.yale.edu/~shiller/data.htm

More fundamentally, U.S. economic growth and, by extension, property demand is tied to broad metrics such as population, household and labor force growth. On this, a recent paper published by the American Enterprise Institute in conjunction with Brookings finds current federal immigration policy to be broadly negative for economic growth.

"We assess the macroeconomic implications of the observed and expected changes to immigration policy during the second Trump administration. We project that net migration in 2025 will be between −525,000 and 115,000, reflecting a dramatic decrease in inflows and somewhat higher outflows. Net migration may be reduced even further in 2026 before rebounding in 2027 and 2028. These changes will reduce gross domestic product growth by 0.3–0.4 percentage points in 2025 and put significant downward pressure on growth in the labor force and employment. Monthly payroll employment growth could be near zero or negative in the next few years[4]."

Other groups such as Pew Research[5] and the Center for Immigration Studies[6] estimate that the number of foreign-born people leaving the United States this year range from 1.5 million to as many as 2.2 million, and these estimates are obviously only partial-year totals at this point. Longer term, the U.S. Census Bureau regularly produces a "zero immigration" population forecast that starkly shows the impact of reduced or, in the extreme, zero immigration on the long-term demographic outlook for the country. With fertility rates well below replacement, the U.S. and most advanced economies would experience significant population decline absent positive net immigration.

FIGURE 6
U.S. BASELINE POPULATION PROJECTION VS NO IMMIGRATION SCENARIO



Source: U.S. Census

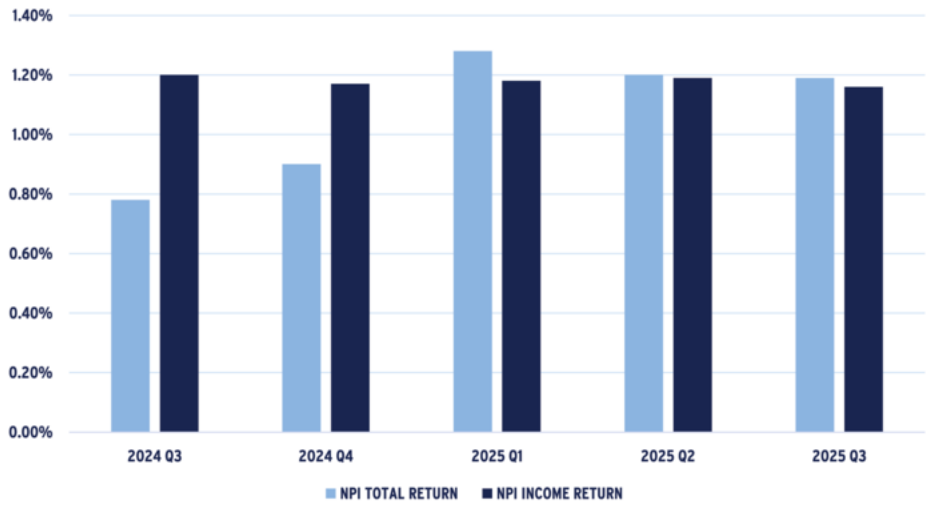
While it is unclear how long the phenomenon of U.S. negative net migration might persist, there are likely geographic implications. The largest concentrations of foreign-born persons in the U.S. are, understandably, found in large coastal gateway markets such as New York and Los Angeles. In terms of share of population that is foreign born, southeast Florida, Miami in particular, stands out with roughly 45% of the total population being born outside of the U.S. In the current political environment, the demand outlook, particularly for demographically oriented property sectors such as residential and retail, in markets with outsized foreign-born populations will remain uncertain.

[4] *"Immigration Policy and Its Macroeconomic Effects in the Second Trump Administration." Wendy Edelberg, Stan Veuger, and Tara Watson. AEI Economic Perspectives. July 02, 2025.*
[5] *"What the data says about immigrants in the U.S." Stephanie Kramer and Jeffrey S. Passel. August 21, 2025. https://www.pewresearch.org/short-reads/2025/08/21/key-findings-about-us-immigrants/*
[6] *"Why the Decline in the Foreign-Born in the Monthly Household Survey in 2025 Is Very Likely Real."Steven A. Camarota and Karen Zeigler. October 8, 2025. www.cis.org*

Commercial Property Outlook

Through the third quarter, U.S. commercial property has delivered positive total return for five consecutive quarters, predominantly or entirely due to income return. While we believe that the next cycle of positive property appreciation began during the second half of 2024, property value increases have, thus far, been limited.

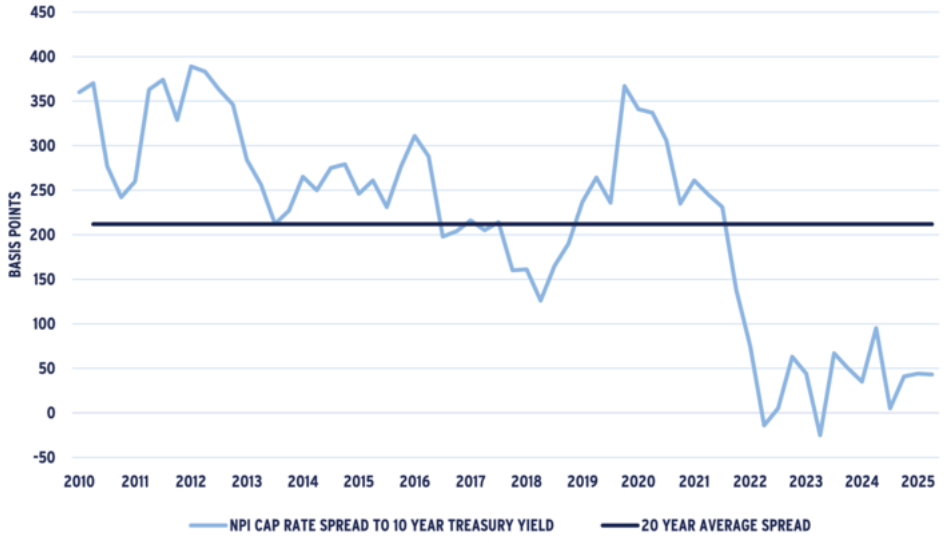
FIGURE 7
NCREIF PROPERTY INDEX (NPI) QUARTERLY RETURN



Source: NCREIF, 2025 Q3

Prior value recovery cycles in U.S. commercial property have been marked by two complementary forces, strong growth in property net operating income (NOI), typically driven by cyclical recovery in occupancy and rent following a period of economic contraction (recession), and declining required yield (capitalization rates), typically in response to falling Treasury yields. In the current environment, aggregate NOI growth is modest, consistent with slower late-cycle economic growth, and property yields are largely stable, consistent with gradual steepening of the yield curve as the Fed lowers short rates. Additionally, property yields, as measured by average appraisal cap rates, remain at historically low spreads to Treasury yields. As such, we expect little or no near-term compression in average appraisal (carrying value) yields and, consequently, limited near-term appreciation.

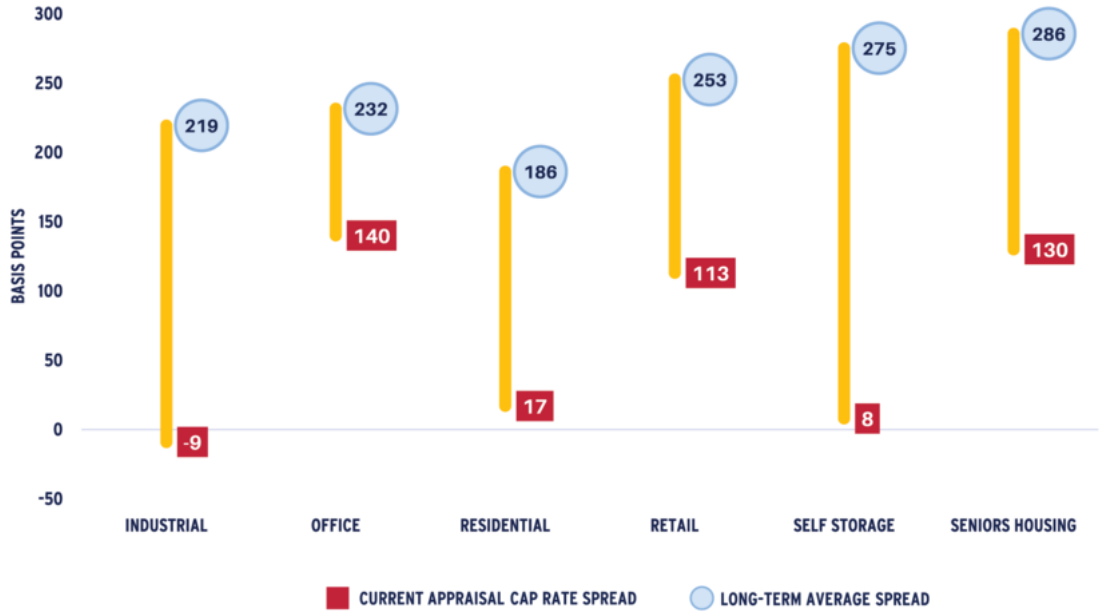
FIGURE 8
NPI AVERAGE CAP RATE SPREAD TO 10 YEAR TREASURY YIELD



Source: NCREIF, 2025 Q3

Currently, the range of existing yield spread relative to long-term average varies considerably by property sector, with appraisal cap rates still quite low in sectors such as industrial and apartment and much closer to long-term norms in office and retail. Near-term go-forward investment returns will likely reflect the differences in initial yield adjusted for differences in the durability of in-place income as well as the capital expenditure demands of the property. On this point, office properties, for example, might provide higher initial yield even with reduced occupancy, but investors will likely question the durability of that income as leases roll and future leasing becomes dependent upon significant capital expenditures.

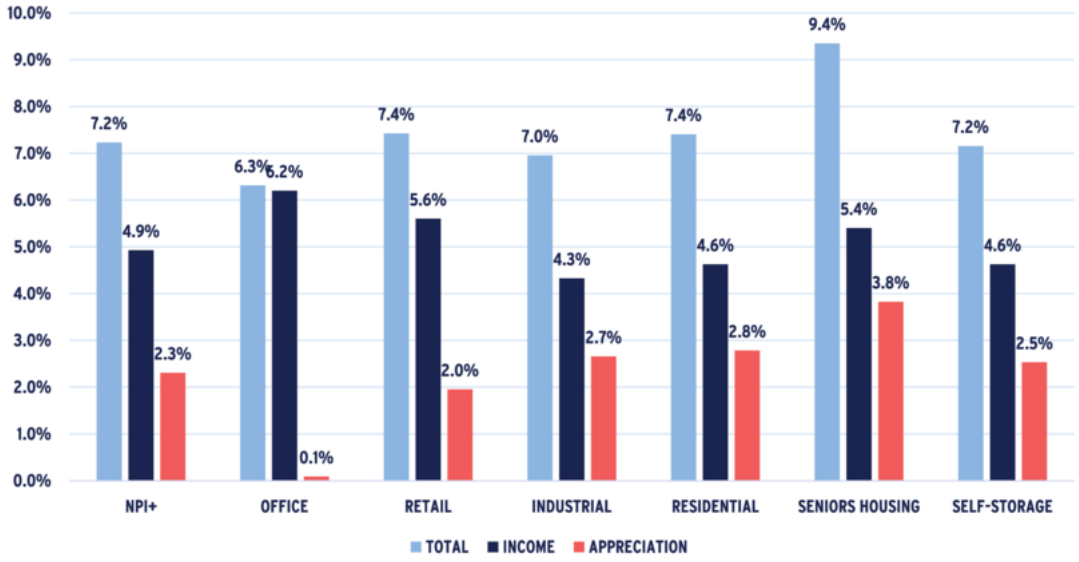
FIGURE 9
CURRENT APPRAISAL CAP RATE SPREAD TO TREASURY YIELD AND LONG-TERM AVERAGE SPREAD



Source: NCREIF, AEW Research, 2025 Q3

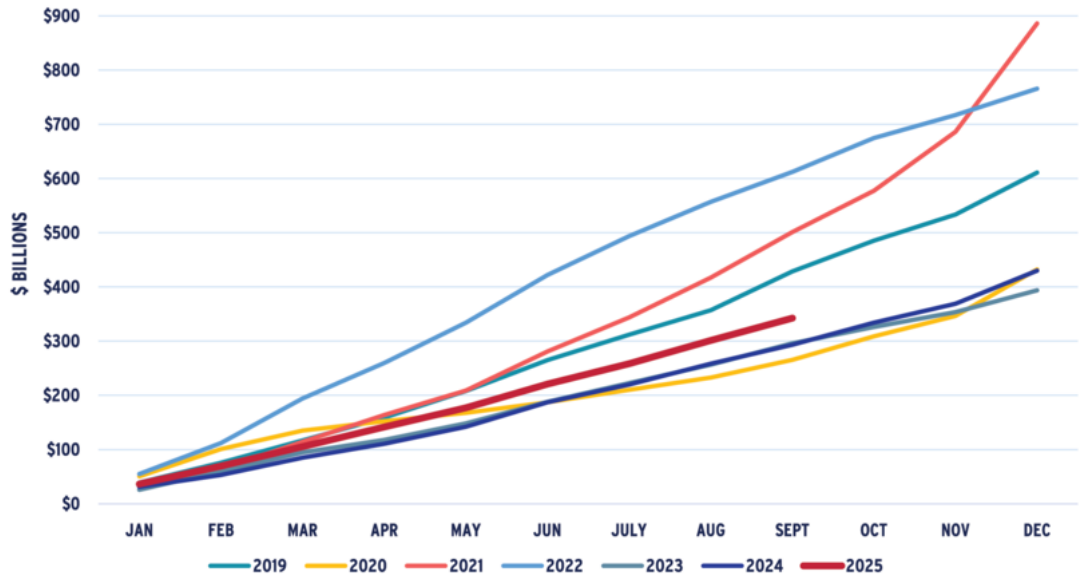
Reflecting the unique nature of the nascent valuation reflation cycle, the outlook for go-forward near-term returns is somewhat range bound. Given the absence of true cyclical downturn and recovery, the outlook for most property sectors is clustered near 7.0% to 7.5% in the most recent survey of institutional investors, with seniors housing and office properties representing the upper and lower bounds, respectively.

FIGURE 10
NPI+ EXPECTED RETURN 2026-2029



Source: PREA Consensus Survey, 2025 Q3

FIGURE 11
CUMULATIVE TOTAL CRE TRANSACTION VOLUME BY YEAR



Source: RCA/MSCI, 2025 Q3

Aggregate commercial property transaction volume has improved considerably throughout the year and, as of the end of Q3, is running more than 15% ahead of last year's pace. Volume in all property sectors except hotel is above year-ago pacing and seniors housing is likely to finish the year at nearly twice the total volume of 2024, albeit still a relatively small aggregate dollar level given the comparative size of the sector.

TABLE 1
TRANSACTION VOLUME THROUGH Q3 BY SECTOR ($ BILLIONS)

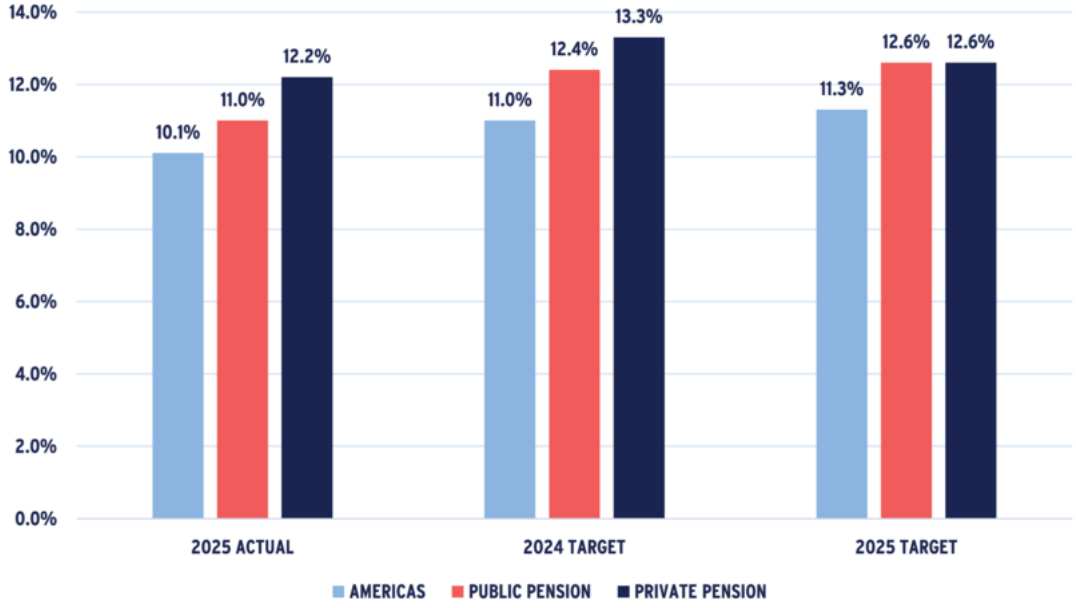
	2024	2025	PERCENT CHANGE
Apartment	$100.7	$108.8	8.1%
Industrial	$64.2	$73.1	13.8%
Office	$42.1	$51.9	23.3%
Retail	$40.5	$49.6	22.5%
Self-Storage	$4.8	$5.2	7.7%
Seniors Housing	$5.0	$9.4	87.1%
Hotels	$17.8	$17.6	-0.9%
Other	$18.2	$26.7	46.9%
Total	$293.4	$342.4	16.7%

Source: RCA/MSCI

Conclusion

The next commercial property value reflation cycle has begun, but progress has thus far been limited and is likely to remain tepid through 2026. Economic growth is mixed with most things and places related to artificial intelligence booming while many other sectors and areas are soft or worse. More accommodative monetary policy is certainly positive for asset markets but, for reasons discussed, we continue to believe that the yield effect for property valuation will be limited, at least in the near term. Positively, capital has and will be moving into property, likely at an accelerating pace. Most institutional investors find themselves well below target allocations for real estate and as equity market valuations grow higher, property allocations inevitably fall farther behind, necessitating additional capital deployment. Given this, we expect transaction volume to continue to increase through 2026 and beyond as property yields gradually grow back into reasonable spreads. Overall, go-forward return expectations for property, while lower than previous recovery cycles, are reasonable and competitive with equities and fixed income and property is well positioned for a potentially longer, albeit less extreme, period of income oriented total return.

FIGURE 12
PENSION FUND REAL ESTATE ALLOCATIONS RELATIVE TO TARGET



Source: Hodes-Weill & Associates

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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.

Risks: Investments in real estate and real estate-related debt instruments are subject to various risks, including, but not limited to, the risk of borrower default. 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 collateral. There can be no assurance that any investments in real estate and real estate-related debt instruments will achieve their investment objectives.

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.