

5 OCT 2023 Muskan Arora, Anna Sierocinska

Penn Employees eyes industrial, retail, residential opps

- \$35.5bn allocator has \$400m for non-core in 2023, 2024
- NEPC bullish on data centers, last-mile industrial strats
- Underweight non-core, moving away from core, REITs

Follow:

Asset Raising +

Data Centres +

Distressed +

Industrial +

Opportunistic +

Public +

Real Estate Debt +

Real Estate Equity +

Residential +

Retail +

Searches +

US +

Value Add +

The \$35.5bn Pennsylvania State Employees Retirement System is eyeing industrial, retail and residential opportunities for next year's non-core real estate pacing.

The system aims to put \$200m to work this year and next, leaving up to \$400m up for grabs.

Consultant NEPC highlighted data centers and last mile industrial strategies as attractive opportunities, and flagged retail and apartment properties, as well as distressed opportunities, as potential areas of future focus.

"On the industrial side as we shift the ways in which people buy goods and order goods online, that presents opportunities for data center strategies and last-mile industrial strategies, particularly in growing population centers," said partner and head of real assets at NEPC, Matthew Ritter at a recent meeting.

The consultant also highlighted the importance of maturing debt in the space, which could lead to the emergence of distressed opportunities, while advising the investor to continue reducing exposure to office space, which remains uncertain.

NEPC has been bullish on non-core real estate, recommending its clients to step away from traditional strategies, including core and core-plus.

Similarly, Pennsylvania is actively looking to reduce its existing core/core-plus and REITs exposure – which currently make up 55% of the real estate portfolio – and shift the sub-strategy mix towards the recently changed targets.

Penn SERS real estate portfolio | sub-strate

Source: With Intelligence | Data as of March 31, 2023



Real estate sits at 7.5% or \$2.7bn against a target of 7% or \$2.5bn, as of June 30.

Geographically, the portfolio is broadly diversified across the US, with 19% invested internationally, primarily in Europe.

In 2022, the system made a commitment of \$75m to Oak Street RE Capital Fund VI, which focuses on value-add/opportunistic office, industrial, retail assets that have investment-grade tenants.

Other managers on the roster include Blackstone, BPG, Starwood and Westbrook.

Penn SERS real estate portfolio | property
