

# TIAA Real Estate Account

Real Estate

As of 6/30/2018

<b>Portfolio Net Assets</b> \$25.3 Billion	<b>Inception Date</b> 10/02/1995	<b>Symbol</b> QREARX	<b>Estimated Annual Expenses<sup>1,2</sup></b> 0.79%
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## Portfolio Strategies

This variable annuity account seeks to generate favorable total returns primarily through the rental income and appreciation of a diversified portfolio of directly held, private real estate investments and real estate-related investments while offering investors guaranteed, daily liquidity. The Account will also invest in non-real-estate-related publicly traded securities and short-term, higher-quality liquid investments that are easily converted to cash to enable the Account to meet participant redemption requests, purchase or improve properties or cover other expense needs. The Account intends to have between 75% and 85% of its net assets invested directly in real estate or real estate-related assets with the goal of producing favorable long-term returns. The Account's principal strategy is to purchase direct ownership interests in income-producing properties, primarily office, industrial, retail and multi-family residential properties. The Account may also make foreign real estate investments. Under the Account's investment guidelines, investments in direct foreign real estate, together with foreign real estate-related securities and foreign non-real-estate-related liquid investments, may not comprise more than 25% of the Account's net assets. The Account will invest the remaining portion of its assets (targeted between 15% and 25% of net assets) in publicly traded, liquid investments.

## Learn More

For more information please contact:  
**800-842-2252**  
 Weekdays, 8 a.m. to 10 p.m. (ET),  
 Saturdays, 9 a.m. to 6 p.m. (ET),  
 or visit [TIAA.org](http://TIAA.org)

## Performance

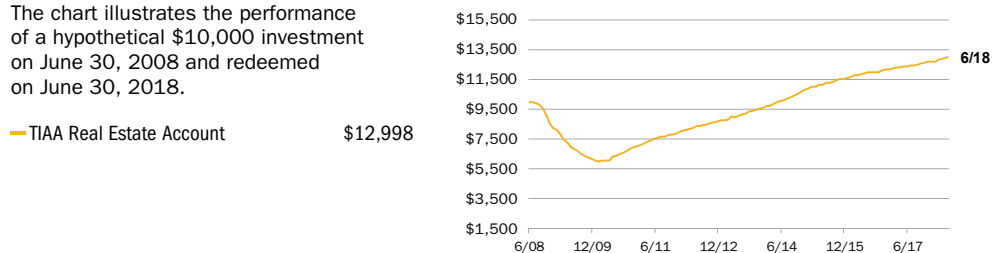
	Total Return		Average Annual Total Return				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
TIAA Real Estate Account	1.63%	2.60%	5.05%	5.30%	7.49%	2.66%	6.33%

**The returns quoted represent past performance, which is no guarantee of future results. Returns and the principal value of your investment will fluctuate. Current performance may be higher or lower than that shown, and you may have a gain or a loss when you redeem your accumulation units. For current performance information, including performance to the most recent month-end, please visit [TIAA.org](http://TIAA.org), or call 800-842-2252. Performance may reflect waivers or reimbursements of certain expenses. Absent these waivers or reimbursement arrangements, performance may be lower.**

- <sup>1</sup> The total annual expense deduction, which includes investment management, administration, and distribution expenses, mortality and expense risk charges, and the liquidity guarantee, is estimated each year based on projected expense and asset levels. Differences between actual expenses and the estimate are adjusted quarterly and are reflected in current investment results. Historically, adjustments have been small.
- <sup>2</sup> The Account's total annual expense deduction appears in the Account's prospectus, and may be different than that shown herein due to rounding. Please refer to the prospectus for further details.

## Hypothetical Growth of \$10,000

The chart illustrates the performance of a hypothetical \$10,000 investment on June 30, 2008 and redeemed on June 30, 2018.



The total returns are not adjusted to reflect sales charges, the effects of taxation or redemption fees, but are adjusted to reflect actual ongoing expenses, and assume reinvestment of dividends and capital gains, net of all recurring costs.

## Properties by Type (As of 6/30/2018)

	% of Real Estate Investments <sup>3,4</sup>
Office	41.0
Apartment	21.9
Retail	19.4
Industrial	14.6
Other	3.1

## Properties by Region (As of 6/30/2018)

	% of Real Estate Investments <sup>4</sup>
West	41.2
East	35.0
South	21.6
Midwest	2.2

<sup>3</sup> Other properties represents interests in Storage Portfolio investments, a fee interest encumbered by a ground lease real estate investment and land.

<sup>4</sup> Wholly owned properties are represented at fair value and gross of any debt, while joint venture properties are represented at the net equity value.



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## Portfolio Composition (As of 6/30/18)

Investments by Type	% of Net Assets
Real Estate Properties (Net Of Debt)	52.0%
Real Estate Joint Venture And Limited Partnerships	23.8%
Short Term Investments	16.1%
Marketable Securities Real Estate Related	5.7%
Loans Receivable	2.4%
Other (Net Receivable/Liability)	0.0%

## Top 10 Holdings<sup>5</sup> (As of 6/30/18)

	% of Total Investments <sup>6</sup>
Fashion Show	4.1%
DDR	3.9%
The Florida Mall	3.0%
1001 Pennsylvania Avenue	2.5%
Colorado Center	2.0%
Fourth and Madison	1.9%
501 Boylston Street	1.7%
99 High Street	1.6%
425 Park Avenue	1.5%
Four Oaks Place	1.4%

## Market Recap

### Economic Conditions stay strong, Real Estate tags along

The Bureau of Labor Statistics reported that the U.S. economy added 632,000 jobs during the second quarter of 2018 compared to 655,000 jobs during the first quarter. The economy created an average of 211,000 jobs over the past three months, above the 12-month average of 198,000. After holding steady for six straight months at 4.1%, the unemployment rate decreased to 3.9%, 3.8%, and 4.0% throughout the second quarter with a quarterly average of 3.9%.

Finance and professional & business services are the primary drivers of office space demand. The financial services sector added 28,000 jobs as compared to 37,000 in the first quarter of 2018, while the professional and business services sector added 152,000 jobs compared to 140,000 previously. According to data from CB Richard Ellis Econometric Advisors ("CBRE-EA"), demand for both suburban and downtown office space led to a decrease in vacancy, from 13.1% in the first quarter to 13.0% in the second quarter. Vacancy rates declined in 40 of the 63 markets tracked by CBRE-EA.

The national industrial availability rate ticked down to 7.2% in the second quarter, as compared to 7.3% in the first quarter. Overall, availability rates decreased in 39 of the 64 industrial markets tracked by CBRE-EA. Continuing strength in domestic economic fundamentals including gains in employment, real disposable income, and households' net worth continue to be supportive of strong consumer activity, suggesting that the industrial sector still has ways to go in its growth cycle.

The national apartment vacancy rate decreased to 4.6% in the second quarter from 5.0% in the first quarter. Of the 66 apartment markets tracked by CBRE-EA, data indicates that vacancy rates increased in 35 markets, and remained unchanged in three. Market conditions are expected to continue to soften as new supply delivers, however many markets have room to tighten. Generally, the U.S. economy continues to support strong rental demand and solid growth, but the evolving balance of supply and demand and increased competition has led to moderation in rent growth and increased concessions.

Preliminary data from the U.S. Census Bureau indicate that retail sales excluding motor vehicles and parts increased 1.7% during the second quarter when compared to the first quarter. Further, the previous quarter had a quarter-over-quarter growth of nearly half, at 0.8%. Availability rates decreased to 9.3% for the second quarter as compared to 9.4% during the first quarter. Economic conditions have led to increased consumer spending, potentially resulting in a higher demand for retail space in the coming quarters.

Note: Data subject to revision

## Important Information

<sup>5</sup> The top 10 holdings are subject to change and may not be representative of the Account's current or future investments. The holdings listed only include the Account's long-term investments. Money market instruments and/or futures contracts, if applicable, are excluded. The holdings do not include the Account's entire investment portfolio and should not be considered a recommendation to buy or sell a particular security.

<sup>6</sup> Real estate fair value as of June 30, 2018, is presented gross of debt. Investments in joint ventures are presented at the Account's ownership interest.

**Fashion Show** is held in a joint venture with General Growth Properties, in which the Account holds 50% interest, and is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$420.7 million.

**DDR Joint Venture**, in which the Account holds an 85% interest, consists of 23 retail properties located in 10 states, and is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$591.7 million.

**The Florida Mall** is held in a joint venture with Simon Property Group, L.P., in which the Account holds a 50% interest, and is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$166.6 million.

**1001 Pennsylvania Avenue** is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$321.0 million.

**Colorado Center** is held in a joint venture with EOP Operating LP, in which the Account holds a 50% interest, and is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$261.6 million.

**Fourth and Madison** is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$285.3 million.

**501 Boylston Street** is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$209.8 million.

**99 High Street** is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$269.7 million.

**Four Oaks Place** is held in a joint venture with Allianz US Private REIT LP, in which the Account holds a 51% interest, and is presented gross of debt. As of June 30, 2018, this debt had a fair value of \$80.1 million.

Real estate investment portfolio turnover rate was 2.7% for the year ended 12/31/2017. Real estate investment portfolio turnover rate is calculated by dividing the lesser of purchases or sales of real estate property investments (including contributions to, or return of capital distributions received from,

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existing joint venture and limited partnership investments) by the average value of the portfolio of real estate investments held during the period. Marketable securities portfolio turnover rate was 5.7% for the year ended 12/31/2017. Marketable securities portfolio turnover rate is calculated by dividing the lesser of purchases or sales of securities, excluding securities having maturity dates at acquisition of one year or less, by the average value of the portfolio securities held during the period.

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**THIS MATERIAL MUST BE PRECEDED OR ACCOMPANIED BY A CURRENT PROSPECTUS FOR THE TIAA REAL ESTATE ACCOUNT. PLEASE CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS, CHARGES, AND EXPENSES BEFORE INVESTING AND CAREFULLY READ THE PROSPECTUS. ADDITIONAL COPIES OF THE PROSPECTUS CAN BE OBTAINED BY CALLING 877-518-9161.**

## A Note About Risks

In general, the value of the TIAA Real Estate Account will fluctuate based on the underlying value of the direct real estate or real estate-related securities in which it invests.

The risks associated with investing in the Real Estate Account include the risks associated with real estate ownership including among other things fluctuations in property values, higher expenses or lower income than expected, risks associated with borrowing and potential environmental problems and liability, as well as risks associated with participant flows and conflicts of interest. For a more complete discussion of these and other risks, please consult the prospectus.