

### Fund Objective and Investment Approach

The TIAA Real Estate Account seeks favorable long-term investment results primarily from rental income and appreciation of real estate investments owned by the Account. The Account strives to invest between 70% and 95% of its assets directly in real estate or real estate-related securities, with the remainder held in liquid non-real estate-related and other net assets. The Account is allowed to hold direct ownership interests in income-producing real estate, including office, industrial, retail and multifamily residential properties. The Account may hold other real estate or real estate-related investments through joint ventures, real estate partnerships or real estate investment trusts (REITs), and in conventional mortgage loans, participating mortgage loans, common or preferred stock of companies whose operations involve real estate, and mortgage-backed securities. The Account may hold foreign investments totaling a maximum of 25% of the assets.

Properties held within the TIAA Real Estate Account are typically purchased on a buy and hold basis as a result of the relatively low level of liquidity and high transaction costs associated with markets for directly-owned real estate. While the frequency of sales is generally low within the Account, sales are made on a selective basis depending upon an individual property's characteristics and prevailing market conditions. All properties held in the Account are independently appraised every calendar quarter. Investor transfers in to the account and out of the account are limited to prevent excessive activity that could hinder the account's performance.

### Performance Commentary

For the one-year period ended December 31, 2010, the TIAA Real Estate Account returned 1.8%, reporting one quarter in arrears, outperforming by 440 basis points the Real Estate Composite Index return of -2.6%. The Account's occupancy levels are relatively high at approximately 90% across the portfolio, producing a reasonable level of rental income. The Account has trailed the Real Estate Account Composite Index over the three-, five- and ten-year time periods by 1,490, 910 and 470 basis points, respectively.

<b>Fund Characteristics</b>	<b>TIAA Real Estate Account</b>
Total Fund Assets	\$10.8 billion
Composition	Real Estate Assets 77.3% Non-Real Estate-Related Assets 22.2 Other (Net Receivable/Liability) 0.5
Turnover	n/a
Fees	1.06% Annually
Portfolio Manager (tenure)	Margaret Brandwein (7 years) Thomas Garbutt (15 years) Philip McAndrews (13 years)

There is no universe comparison graph for the TIAA Real Estate Account because there is not a broad universe of competing funds.

**Historical Returns**

	TIAA Real Estate Account *	REA Composite Index *	Return Difference
	Return	Return	
2001	8.4	10.1	-1.7
2002	3.5	7.1	-3.6
2003	6.6	6.9	-0.3
2004	10.6	6.7	3.9
2005	14.1	9.7	4.4
2006	15.5	12.9	2.6
2007	13.7	13.4	0.3
2008	1.0	10.8	-9.8
2009	-33.8	0.7	-34.5
2010	1.8	-2.6	4.4
Trailing 3-Year	-12.1%	2.8%	-14.9
Trailing 5-Year	-2.2	6.9	-9.1
Trailing 10-Year	3.0	7.7	-4.7

\* Performance is reported one quarter in arrears.

There are currently no publicly available sources of returns that investors can use as a direct comparison for assessing the account's performance. In order to provide a relative measure of comparison, TIAA has constructed a composite index. The account's composite benchmark is composed of:

- 75%: the total return for all real estate properties owned or managed by open-end funds, as derived from the database of the National Council of Real Estate Investment Fiduciaries (NCREIF), an independent party,
- 5%: the Wilshire Real Estate Securities Index for real estate securities, and
- 20%: the iMoney-Net for short-term, cash-like investments.

REA Composite Index historical results may be re-stated if the NCREIF Open-end data contributors, including TIAA, revise their historical information. Because the NCREIF Open-end as well as the other indices comprising the REA Composite Index are subject to revisions, the most current return time series available is used to calculate the reported trailing returns. Results for periods longer than one quarter may differ from those reconstructed using previously reported data.

**Assessment**

The TIAA Real Estate Account is an actively managed, direct real estate strategy. The Account holdings are broadly diversified by property type and location. Investors are allowed one transfer out of the Account per quarter. In five of the past ten years, the Account has outperformed the REA Composite Index. We recommend retention of this fund.