

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 33-92990; 333-172900

TIAA REAL ESTATE ACCOUNT

(Exact name of registrant as specified in its charter)

NEW YORK

(State or other jurisdiction
of incorporation or organization)

NOT APPLICABLE

(I.R.S. Employer Identification No.)

C/O TEACHERS INSURANCE AND
ANNUITY ASSOCIATION OF AMERICA
730 THIRD AVENUE

NEW YORK, NEW YORK 10017-3206

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (212) 490-9000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

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TIAA REAL ESTATE ACCOUNT
SEPTEMBER 30, 2011**

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TIAA REAL ESTATE ACCOUNT
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(In millions, except per accumulation unit amounts)

	<u>September 30,</u> <u>2011</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
Investments, at fair value:		
Real estate properties (cost: \$10,386.0 and \$9,449.1)	\$ 9,827.9	\$ 8,115.5
Real estate joint ventures and limited partnerships (cost: \$2,238.4 and \$2,223.3).....	1,866.6	1,629.1
Marketable securities:		
Real estate-related (cost: \$893.4 and \$480.4).....	813.0	495.3
Other (cost: \$2,385.6 and \$2,396.6)	<u>2,385.8</u>	<u>2,396.7</u>
Total investments (cost: \$15,903.4 and \$14,549.4).....	<u>14,893.3</u>	<u>12,636.6</u>
Cash and cash equivalents.....	1.9	12.9
Due from investment advisor.....	9.6	11.1
Other.....	<u>224.2</u>	<u>179.3</u>
TOTAL ASSETS	<u>15,129.0</u>	<u>12,839.9</u>
LIABILITIES		
Mortgage loans payable—Note 8 (principal outstanding: \$1,931.5 and \$1,842.9).....	1,956.7	1,860.2
Accrued real estate property level expenses.....	169.6	153.7
Other.....	<u>29.2</u>	<u>22.9</u>
TOTAL LIABILITIES	<u>2,155.5</u>	<u>2,036.8</u>
COMMITMENTS AND CONTINGENCIES—Note 11		
NET ASSETS		
Accumulation Fund.....	12,677.2	10,535.7
Annuity Fund	<u>296.3</u>	<u>267.4</u>
TOTAL NET ASSETS	<u>12,973.5</u>	<u>10,803.1</u>
NUMBER OF ACCUMULATION UNITS		
OUTSTANDING—Notes 9 and 10	<u>52.5</u>	<u>48.1</u>
NET ASSET VALUE, PER ACCUMULATION UNIT—Note 9...	<u>\$ 241.482</u>	<u>\$ 219.173</u>

See notes to the consolidated financial statements

TIAA REAL ESTATE ACCOUNT
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)
(Unaudited)

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
INVESTMENT INCOME				
<i>Real estate income, net:</i>				
Rental income	\$ 223.9	\$222.6	\$ 657.9	\$ 652.0
Real estate property level expenses and taxes:				
Operating expenses.....	53.0	56.4	164.8	163.4
Real estate taxes	27.9	28.4	82.4	88.2
Interest expense	27.4	30.4	81.2	79.8
Total real estate property level expenses and taxes...	108.3	115.2	328.4	331.4
Real estate income, net	115.6	107.4	329.5	320.6
Income from real estate joint ventures and limited partnerships	19.8	28.1	72.9	69.5
Interest	0.7	1.0	2.8	2.1
Dividends.....	5.8	1.1	12.6	1.1
TOTAL INVESTMENT INCOME	<u>141.9</u>	<u>137.6</u>	<u>417.8</u>	<u>393.3</u>
<i>Expenses—Note 2:</i>				
Investment advisory charges	13.2	13.6	39.4	36.5
Administrative charges.....	7.5	5.4	21.8	15.1
Distribution charges	2.3	1.5	6.3	4.2
Mortality and expense risk charges	1.6	1.1	4.5	3.1
Liquidity guarantee charges.....	6.8	3.4	16.8	9.3
TOTAL EXPENSES	<u>31.4</u>	<u>25.0</u>	<u>88.8</u>	<u>68.2</u>
INVESTMENT INCOME, NET	<u>110.5</u>	<u>112.6</u>	<u>329.0</u>	<u>325.1</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND MORTGAGE LOANS PAYABLE				
<i>Net realized gain (loss) on investments:</i>				
Real estate properties	(62.1)	0.1	(71.4)	(1.2)
Real estate joint ventures and limited partnerships	(2.1)	(3.5)	(10.6)	(156.7)
Marketable securities	1.3	—	5.0	—
Net realized loss on investments	<u>(62.9)</u>	<u>(3.4)</u>	<u>(77.0)</u>	<u>(157.9)</u>
<i>Net change in unrealized appreciation (depreciation) on:</i>				
Real estate properties	309.0	249.8	775.4	273.0
Real estate joint ventures and limited partnerships	83.6	62.2	236.5	218.2
Marketable securities	(142.4)	(2.3)	(92.0)	(2.2)
Mortgage loans receivable	—	2.3	—	3.7
Mortgage loans payable.....	(6.4)	(7.8)	(6.9)	(42.1)
Net change in unrealized appreciation on investments and mortgage loans payable	<u>243.8</u>	<u>304.2</u>	<u>913.0</u>	<u>450.6</u>
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND MORTGAGE LOANS PAYABLE	<u>180.9</u>	<u>300.8</u>	<u>836.0</u>	<u>292.7</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 291.4</u>	<u>\$413.4</u>	<u>\$1,165.0</u>	<u>\$ 617.8</u>

See notes to the consolidated financial statements

TIAA REAL ESTATE ACCOUNT
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(In millions)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
FROM OPERATIONS				
Investment income, net	\$ 110.5	\$ 112.6	\$ 329.0	\$ 325.1
Net realized loss on investments	(62.9)	(3.4)	(77.0)	(157.9)
Net change in unrealized appreciation on investments and mortgage loans payable	<u>243.8</u>	<u>304.2</u>	<u>913.0</u>	<u>450.6</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>291.4</u>	<u>413.4</u>	<u>1,165.0</u>	<u>617.8</u>
FROM PARTICIPANT TRANSACTIONS				
Premiums	497.3	773.1	1,876.7	1,720.9
Annuity payments	(5.5)	(4.4)	(17.3)	(14.7)
Withdrawals and death benefits	<u>(433.0)</u>	<u>(170.4)</u>	<u>(854.0)</u>	<u>(630.8)</u>
NET INCREASE IN NET ASSETS RESULTING FROM PARTICIPANT TRANSACTIONS	<u>58.8</u>	<u>598.3</u>	<u>1,005.4</u>	<u>1,075.4</u>
NET INCREASE IN NET ASSETS	350.2	1,011.7	2,170.4	1,693.2
NET ASSETS				
Beginning of period	<u>12,623.3</u>	<u>8,561.4</u>	<u>10,803.1</u>	<u>7,879.9</u>
End of period	<u><u>\$12,973.5</u></u>	<u><u>\$9,573.1</u></u>	<u><u>\$12,973.5</u></u>	<u><u>\$9,573.1</u></u>

See notes to the consolidated financial statements

TIAA REAL ESTATE ACCOUNT
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	For the Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 1,165.0	\$ 617.8
<i>Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:</i>		
Net realized loss on investments	77.0	157.9
Net change in unrealized appreciation on investments and mortgage loans payable	(913.0)	(450.6)
Purchases of real estate properties.....	(1,108.9)	—
Capital improvements on real estate properties.....	(120.9)	(88.9)
Proceeds from sale of real estate properties.....	228.3	—
Proceeds from mortgage loan receivable.....	—	75.0
Purchases of long term investments.....	(458.1)	(369.4)
Proceeds from sale of long term investments	34.4	52.8
Decrease (increase) in other investments	18.4	(1,030.3)
Change in due to/(from) investment advisor.....	1.5	(8.2)
(Increase) decrease in other assets.....	(44.6)	3.0
Increase in accrued real estate property level expenses.....	8.5	4.9
Increase in other liabilities	6.3	1.5
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,106.1)</u>	<u>(1,034.5)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage loans proceeds received	105.0	273.2
Principal payments on mortgage loans payable	(15.3)	(329.6)
Premiums.....	1,876.7	1,720.9
Annuity payments	(17.3)	(14.7)
Withdrawals and death benefits	(854.0)	(630.8)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,095.1</u>	<u>1,019.0</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11.0)	(15.5)
CASH AND CASH EQUIVALENTS		
Beginning of period	<u>12.9</u>	<u>24.9</u>
End of period	<u>\$ 1.9</u>	<u>\$ 9.4</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 81.3</u>	<u>\$ 79.7</u>

See notes to the consolidated financial statements

**TIAA REAL ESTATE ACCOUNT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note 1—Organization and Significant Accounting Policies

Business: The TIAA Real Estate Account (“Account”) is a segregated investment account of Teachers Insurance and Annuity Association of America (“TIAA”) and was established by resolution of TIAA’s Board of Trustees (the “Board”) on February 22, 1995, under the insurance laws of the State of New York, for the purpose of funding variable annuity contracts issued by TIAA. The Account offers individual and group accumulating annuity contracts (with contributions made on a pre-tax or after-tax basis), as well as individual lifetime and term-certain variable payout annuity contracts (including the payment of death benefits to beneficiaries). Investors are entitled to transfer funds to or from the Account, and make withdrawals from the Account on a daily basis under certain circumstances. Funds invested in the Account for each category of contract are expressed in terms of units, and unit values will fluctuate depending on the Account’s performance.

The investment objective of the Account is to seek favorable long-term returns primarily through rental income and capital appreciation from real estate and real estate-related investments owned by the Account. The Account holds real estate properties directly and through subsidiaries wholly owned by TIAA for the benefit of the Account. The Account also holds interests in real estate joint ventures and limited partnerships in which the Account does not hold a controlling interest; as such, such interests are not consolidated into these consolidated financial statements. The Account also has invested in mortgage loans receivable collateralized by commercial real estate properties. Additionally, the Account invests in real estate-related and non real estate-related publicly-traded securities, cash and other instruments to maintain adequate liquidity levels for operating expenses, capital expenditures and to fund benefit payments (withdrawals, transfers and related transactions).

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which may require the use of estimates made by management. Actual results may vary from those estimates and such differences may be material. These unaudited interim consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to fairly state the results of operations and financial position for the periods presented. The following is a summary of the significant accounting policies of the Account.

Basis of Presentation: The accompanying consolidated financial statements include the Account and those subsidiaries wholly owned by TIAA for the benefit of the Account. All significant intercompany accounts and transactions between the Account and such subsidiaries have been eliminated. The Accumulation Unit Value (“AUV”) used for financial reporting purposes may differ from the AUV used for processing transactions. The AUV used for financial reporting purposes includes security and participant transactions effective through the date of the report.

Determination of Investments at Fair Value: The Account reports all investments at fair value in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 946, *Financial Services—Investment Companies*. Further in accordance with the adoption of the fair value option allowed under ASC 825, *Financial Instruments*, and at the election of Account management, mortgage loans payable are reported at fair value. The FASB has defined fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The following is a description of the valuation methodologies used to determine the fair value of the Account’s investments and investment related mortgage loans payable.

Valuation of Real Estate Properties—Investments in real estate properties are stated at fair value, as determined in accordance with policies and procedures reviewed by the Investment Committee of the Board and in accordance with the responsibilities of the Board as a whole. Accordingly, the Account does not record depreciation. Determination of fair value involves significant levels of judgment because the actual fair value of real estate can be determined only by negotiation between the parties in a sales transaction. The Account’s primary objective when valuing its real estate investments will be to produce a valuation that represents a reasonable estimate of the fair value of its investments. Implicit in the Account’s definition of fair value are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates, and interest and inflation rates. As a result, determining real estate and investment values involves many assumptions. Key inputs and assumptions include rental income and expense amounts, related rental income and expense growth rates, discount rates and capitalization rates. Valuation techniques include discounted cash flow analysis, prevailing market capitalization rates or multiples applied to earnings from the property, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties. Amounts ultimately realized from each investment may vary significantly from the fair value presented.

Real estate properties owned by the Account are initially valued based on an independent third party appraisal, as reviewed by TIAA's internal appraisal staff and as applicable the Account's independent fiduciary at the time of the closing of the purchase, which may result in a potential unrealized gain or loss reflecting the difference between an investment's fair value (i.e., exit price) and its cost basis (which is inclusive of transaction costs).

Subsequently, each property is appraised each quarter by an independent third party appraiser, reviewed by TIAA's internal appraisal staff and as applicable the Account's independent fiduciary. In general, the Account obtains appraisals of its real estate properties spread out throughout the quarter, which is intended to result in appraisal adjustments, and thus, adjustments to the valuations of its holdings (to the extent such adjustments are made) that happen regularly throughout each quarter and not on one specific day or month in each period.

Further, management reserves the right to order an appraisal and/or conduct another valuation outside of the normal quarterly process when facts or circumstances at a specific property change. For example, under certain circumstances a valuation adjustment could be made when the account receives a bona fide bid for the sale of a property held within the Account or one of the Account's joint ventures. In addition, adjustments may be made for events or circumstances indicating an impairment of a tenant's ability to pay amounts due to the Account under a lease (including due to a bankruptcy filing of that tenant). Alternatively, adjustments may be made to reflect the execution or renewal of a significant lease. Also, adjustments may be made to reflect factors (such as sales values for comparable properties or local employment rate) bearing uniquely on a particular region in which the Account holds properties. TIAA's internal appraisal staff oversees the entire appraisal process, in conjunction with the Account's independent fiduciary (the independent fiduciary is more fully described in the paragraph below). Any differences in the conclusions of TIAA's internal appraisal staff and the independent appraiser will be reviewed by the independent fiduciary, which will make a final determination on the matter (which may include ordering a subsequent independent appraisal).

The independent fiduciary, Real Estate Research Corporation, has been appointed by a special subcommittee of the Investment Committee of the Board to, among other things, oversee the appraisal process. The independent fiduciary must approve all independent appraisers used by the Account. All appraisals are performed in accordance with Uniform Standards of Professional Appraisal Practices, the real estate appraisal industry standards created by The Appraisal Foundation. Real estate appraisals are estimates of property values based on a professional's opinion. Appraisals of properties held outside of the U.S. are performed in accordance with industry standards commonly applied in the applicable jurisdiction. These independent appraisers are always expected to be MAI-designated members of the Appraisal Institute (or its European equivalent, Royal Institute of Chartered Surveyors) and state certified appraisers from national or regional firms with relevant property type experience and market knowledge. Under the Account's current procedures, each independent appraisal firm will be rotated off of a particular property at least every three

years, although such appraisal firm may perform appraisals of other Account properties subsequent to such rotation.

Also, the independent fiduciary can require additional appraisals if factors or events have occurred that could materially change a property's value (including those identified above) and such change is not reflected in the quarterly valuation review, or otherwise to ensure that the Account is valued appropriately. The independent fiduciary must also approve any valuation change of real estate-related assets where a property's value changed by more than 6% from the most recent independent annual appraisal, or if the value of the Account would change by more than 4% within any calendar quarter or more than 2% since the prior calendar month. When a real estate property is subject to a mortgage, the property is valued independently of the mortgage and the property and mortgage fair values are reported separately (see "Valuation of Mortgage Loans Payable" below). The independent fiduciary reviews and approves all mortgage valuation adjustments before such adjustments are recorded by the Account. The Account continues to use the revised value for each real estate property and mortgage loan payable to calculate the Account's daily net asset value until the next valuation review or appraisal.

Valuation of Real Estate Joint Ventures—Real estate joint ventures are stated at the fair value of the Account's ownership interests of the underlying entities. The Account's ownership interests are valued based on the fair value of the underlying real estate, any related mortgage loans payable, and other factors, such as ownership percentage, ownership rights, buy/sell agreements, distribution provisions and capital call obligations. Upon the disposition of all real estate investments by an investee entity, the Account will continue to state its equity in the remaining net assets of the investee entity during the wind down period, if any, which occurs prior to the dissolution of the investee entity.

Valuation of Real Estate Limited Partnerships—Limited partnership interests are stated at the fair value of the Account's ownership in the partnership which is based on the most recent net asset value of the partnership, as reported by the sponsor. Since market quotations are not readily available, the limited partnership interests are valued at fair value as determined in good faith under the direction of the Investment Committee of the Board and in accordance with the responsibilities of the Board as a whole.

Valuation of Marketable Securities—Equity securities listed or traded on any national market or exchange are valued at the last sale price as of the close of the principal securities market or exchange on which such securities are traded or, if there is no sale, at the mean of the last bid and asked prices on such market or exchange, exclusive of transaction costs.

Debt securities, other than money market instruments, are generally valued at the most recent bid price or the equivalent quoted yield for such securities (or those of comparable maturity, quality and type). Money market instruments, with maturities of one year or less, are valued in the same manner as debt securities or derived from a pricing matrix.

Equity and fixed income securities traded on a foreign exchange or in foreign markets are valued using their closing values under the valuation methods generally accepted in the country where traded, as of the valuation date. This value is converted to U.S. dollars at the exchange rate in effect on the valuation day. Under certain circumstances (for example, if there are significant movements in the United States markets and there is an expectation the securities traded on foreign markets will adjust based on such movements when the foreign markets open the next day), the Account may adjust the value of equity or fixed income securities that trade on a foreign exchange or market after the foreign exchange or market has closed.

Valuation of Mortgage Loans Receivable—Mortgage loans receivable are stated at fair value and are initially valued at the face amount of the mortgage loan funding. Subsequently, mortgage loans receivable are valued at least quarterly based on market factors, such as market interest rates and spreads for comparable loans, the liquidity for mortgage loans of similar characteristics, the performance of the underlying collateral and the credit quality of the counterparty. The Account's mortgage loans receivable were repaid in full during the year ended December 31, 2010.

Valuation of Mortgage Loans Payable—Mortgage loans payable are stated at fair value. The estimated fair values of mortgage loans payable are based on the amount at which the liability could be transferred to a third party exclusive of transaction costs. Mortgage loans payable are valued internally by TIAA's internal valuation department, as reviewed by the Account's independent fiduciary, at least quarterly based on market factors, such as market interest rates and spreads for comparable loans, the performance of the

underlying collateral (such as the loan-to-value ratio and the cash flow of the underlying collateral), the liquidity for mortgage loans of similar characteristics, the maturity date of the loan, the return demands of the market, and the credit quality of the Account. Interest expense for mortgage loans payable is recorded on the accrual basis taking into account the outstanding principal and contractual interest rates.

See *Note 5—Assets and Liabilities Measured at Fair Value on a Recurring Basis* for further discussion and disclosure regarding the determination of the fair value of the Account's investments.

Foreign Currency Transactions and Translation: Portfolio investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates prevailing at the end of the period. Purchases and sales of securities, income receipts and expense payments made in foreign currencies are translated into U.S. dollars at the exchange rates prevailing on the respective dates of the transactions. The effect of any changes in foreign currency exchange rates on portfolio investments and mortgage loans payable are included in net realized and unrealized gains and losses on real estate properties and mortgage loans payable. Net realized gains and losses on foreign currency transactions include disposition of foreign currencies, and currency gains and losses between the accrual and receipt dates of portfolio investment income and between the trade and settlement dates of portfolio investment transactions.

Accumulation and Annuity Funds: The accumulation fund represents the net assets attributable to participants in the accumulation phase of their investment ("Accumulation Fund"). The annuity fund represents the net assets attributable to the participants currently receiving annuity payments ("Annuity Fund"). The net increase or decrease in net assets from investment operations is apportioned between the accounts based upon their relative daily net asset values. Once an Account participant begins receiving lifetime annuity income benefits, payment levels cannot be reduced as a result of the Account's actual mortality experience. In addition, the contracts pursuant to which the Account is offered are required to stipulate the maximum expense charge for all Account level expenses that can be assessed, which is not to exceed to 2.5% of average net assets per year. The Account pays a fee to TIAA to assume mortality and expense risks.

Accounting for Investments: The investments held by the Account are accounted as follows:

Real Estate Properties—Rent from real estate properties consists of all amounts earned under tenant operating leases, including base rent, recoveries of real estate taxes and other expenses and charges for miscellaneous services provided to tenants. Rental income is recognized in accordance with the billing terms of the lease agreements. The Account bears the direct expenses of the real estate properties owned. These expenses include, but are not limited to, fees to local property management companies, property taxes, utilities, maintenance, repairs, insurance, and other operating and administrative costs. An estimate of the net operating income earned from each real estate property is accrued by the Account on a daily basis and such estimates are adjusted when actual operating results are determined.

Real Estate Joint Ventures—The Account has limited ownership interests in various real estate joint ventures (collectively, the "Joint Ventures"). The Account records its contributions as increases to its investments in the Joint Ventures, and distributions from the Joint Ventures are treated as income within income from real estate joint ventures and limited partnerships in the Account's consolidated statements of operations. Distributions that are identified as returns of capital or capital gains or losses are recorded as unrealized gains and realized gains and losses, respectively. Income from the Joint Ventures is recorded based on the Account's proportional interest of the income distributed by the Joint Ventures. Income earned but not yet distributed to the Account by the Joint Ventures is recorded as unrealized gains and losses.

Limited Partnerships—The Account has limited ownership interests in various private real estate funds (primarily limited partnerships) and a private real estate investment trust (collectively, the "Limited Partnerships"). The Account records its contributions as increases to the investments, and distributions from the investments are treated as income within income from real estate joint ventures and limited partnerships in the Account's consolidated statements of operations. Distributions that are identified as returns of capital or capital gains or losses are recorded as unrealized gains and realized gains and losses, respectively. Unrealized gains and losses are recorded based upon the changes in the net asset values of the Limited Partnerships as determined from the financial statements of the Limited Partnerships when received by the Account. Prior to the receipt of the financial statements from the Limited Partnerships, the Account estimates the value of its interest in good faith and will from time to time seek input from the issuer or the

sponsor of the investments. Changes in value based on such estimates are recorded by the Account as unrealized gains and losses.

Marketable Securities—Transactions in marketable securities are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date within dividend income. Dividends that are identified as returns of capital or capital gains or losses are recorded as unrealized gains and realized gains and losses, respectively. Realized gains and losses on securities transactions are accounted for on the specific identification method.

Realized and Unrealized Gains and Losses—Realized gains and losses are recorded at the time an investment is sold or a distribution is received in relation to an investment sale from a Joint Venture or Limited Partnership. Real estate transactions are accounted for as of the date on which the purchase or sale transactions for the real estate properties close (settlement date). The Account recognizes a realized gain on the sale of a real estate property to the extent that the contract sales price exceeds the cost-to-date of the property being sold. A realized loss occurs when the cost-to-date exceeds the sales price.

Unrealized gains and losses are recorded as the fair values of the Account's investments are adjusted, and as discussed within the *Real Estate Joint Ventures* and *Limited Partnership* sections above.

Net Assets—The Account's net assets as of the close of each valuation day are valued by taking the sum of:

- the value of the Account's cash; cash equivalents, and short-term and other debt instruments;
- the value of the Account's other securities and other non-real estate assets;
- the value of the individual real properties (based on the most recent valuation of that property) and other real estate-related investments owned by the Account;
- an estimate of the net operating income accrued by the Account from its properties, other real estate-related investments and non-real estate-related investments (including short-term marketable securities) since the end of the prior valuation day; and
- actual net operating income earned from the Account's properties, other real estate-related investments and non-real estate-related investments (but only to the extent any such item of income differs from the estimated income accrued for on such investments),

and then reducing the sum by liabilities held within the Account, including the daily investment management fee, administration and distribution fees, mortality and expense fee, and liquidity guarantee fee, and certain other expenses attributable to operating the Account. Daily estimates of net operating income are adjusted to reflect actual net operating income on a monthly basis, at which time such adjustments (if any) are reflected in the Account's unit value.

After the end of every quarter, the Account reconciles the amount of expenses deducted from the Account (which is established in order to approximate the costs that the Account will incur) with the expenses the Account actually incurred. If there is a difference, the Account adds it to or deducts it from the Account in equal daily installments over the remaining days of the following quarter. Material differences may be repaid in the current calendar quarter. The Account's at-cost deductions are based on projections of Account assets and overall expenses, and the size of any adjusting payments will be directly affected by the difference between management's projections and the Account's actual assets or expenses.

Cash and Cash Equivalents: Cash and cash equivalents are balances held by the Account in bank deposit accounts which, at times, exceed federally insured limits. The Account's management monitors these balances to mitigate the exposure of risk due to concentration and has not experienced any losses from such concentration.

Federal Income Taxes: Based on provisions of the Internal Revenue Code, Section 817, the Account is taxed as a segregated asset account of TIAA and as such, the Account should incur no material federal income tax attributable to the net investment activity of the Account. Management has analyzed the Account's tax positions taken for all open federal income tax years (2007-2010) and has concluded no provisions for federal income tax are required as of September 30, 2011.

Restricted Cash: The Account held \$37.3 million and \$18.9 million as of September 30, 2011 and December 31, 2010, respectively, in escrow accounts for property taxes, insurance, and various other property related

matters as required by certain creditors related to the Account's outstanding mortgage loans payable. These amounts are recorded within other assets on the Consolidated Statements of Assets and Liabilities. See *Note 8—Mortgage Loans Payable* for additional information regarding the Account's outstanding mortgage loans payable.

Changes in Net Assets: Premiums include premiums paid by existing accumulation unit holders in the Account and transfers into the Account. Withdrawals and death benefits include withdrawals out of the Account which include transfers out of the Account and required minimum distributions.

Due to/from Investment Advisor: Due to/from investment advisor represents amounts that were paid or received by TIAA on behalf of the Account. Amounts generally are paid or received by the Account within one or two business days and no interest is contractually charged on these amounts.

Reclassifications: The Account has reclassified the presentation in the consolidated statements of changes in net assets with regard to transfers to and from TIAA, CREF Accounts, and TIAA-CREF Funds. Transfers into the Account have been reclassified to Premiums, and transfers out of the Account have been reclassified amongst annuity and withdrawals and death benefits as appropriate.

Certain other prior period amounts have been reclassified to conform to the current presentation. These reclassifications did not affect the Account's total net assets, results of operations or net changes in net assets previously reported.

Note 2—Management Agreements and Arrangements

Investment advisory services for the Account are provided by TIAA employees, under the direction of the Board and its Investment Committee, pursuant to investment management procedures adopted by TIAA for the Account. TIAA's investment management decisions for the Account are subject to review by the Account's independent fiduciary. TIAA also provides various portfolio accounting and related services for the Account.

The Account is a party to the *Distribution Agreement for the Contracts Funded by the TIAA Real Estate Account* (the "Distribution Agreement"), dated January 1, 2008, by and among TIAA, for itself and on behalf of the Account, and TIAA-CREF Individual and Institutional Services, LLC ("Services"), a wholly owned subsidiary of TIAA, a registered broker-dealer and a member of the Financial Industry Regulatory Authority. Pursuant to the Distribution Agreement, Services performs distribution services for the Account which include, among other things, (i) distribution of annuity contracts issued by TIAA and funded by the Account, (ii) advising existing annuity contract owners in connection with their accumulations and (iii) helping employers implement and manage retirement plans. In addition, TIAA performs administrative functions for the Account, which include, among other things, (i) computing the Account's daily unit value, (ii) maintaining accounting records and performing accounting services, (iii) receiving and allocating premiums, (iv) calculating and making annuity payments, (v) processing withdrawal requests, (vi) providing regulatory compliance and reporting services, (vii) maintaining the Account's records of contract ownership and (viii) otherwise assisting generally in all aspects of the Account's operations. Both distribution services (pursuant to the Distribution Agreement) and administrative services are provided to the Account by Services and TIAA, as applicable, on an at cost basis.

The Distribution Agreement is terminable by either party upon 60 days written notice and terminates automatically upon any assignment thereof.

TIAA and Services provide investment management, administrative and distribution services at cost. TIAA and Services receive payments from the Account on a daily basis according to formulas established each year and adjusted periodically with the objective of keeping the payments as close as possible to the Account's expenses actually incurred. Any differences between actual expenses and the amounts paid by the Account are adjusted quarterly.

TIAA also provides a liquidity guarantee to the Account, for a fee, to ensure that sufficient funds are available to meet participant transfer and cash withdrawal requests in the event that the Account's cash flows and liquid investments are insufficient to fund such requests. TIAA ensures sufficient funds are available for such transfer and withdrawal requests by purchasing accumulation units of the Account. See *Note 3—Related Party Transactions* below.

To the extent TIAA owns accumulation units issued pursuant to the liquidity guarantee, the independent fiduciary monitors and oversees, among other things, TIAA's ownership interest in the Account and may require TIAA to eventually redeem some of its units, particularly when the Account has uninvested cash or liquid investments available. TIAA also receives a fee for assuming certain mortality and expense risks.

The expenses for the services noted above that are provided to the Account by TIAA and Services are identified in the accompanying Consolidated Statements of Operations and are reflected in *Note 9—Condensed Financial Information*.

Note 3—Related Party Transactions

Pursuant to its existing liquidity guarantee obligation, as of September 30, 2011, the TIAA General Account owned 4.7 million accumulation units (which are generally referred to as “liquidity units”) issued by the Account. Since December 2008 and through September 30, 2011, TIAA paid an aggregate of \$1.2 billion to purchase these liquidity units in multiple transactions. TIAA has purchased no liquidity units since June 1, 2009.

In accordance with this liquidity guarantee obligation, TIAA guarantees that all participants in the Account may redeem their accumulation units at their accumulation unit value next determined after their transfer or cash withdrawal request is received in good order. Liquidity units owned by TIAA are valued in the same manner as accumulation units owned by the Account's participants. Management believes that TIAA has the ability to meet its obligations under the liquidity guarantee.

As discussed in the Account's prospectus and in accordance with a prohibited transaction exemption from the U.S. Department of Labor (PTE 96-76), the Account's independent fiduciary, Real Estate Research Corporation, has certain responsibilities with respect to the Account that it has undertaken or is currently undertaking with respect to TIAA's purchase of liquidity units, including among other things, reviewing the purchase and redemption of liquidity units by TIAA to ensure the Account uses the correct unit values. In addition, as set forth in PTE 96-76, the independent fiduciary's responsibilities include:

- establishing the percentage of total accumulation units that TIAA's ownership should not exceed (the “trigger point”) and creating a method for changing the trigger point;
- approving any adjustment of TIAA's ownership interest in the Account and, in its discretion, requiring an adjustment if TIAA's ownership of liquidity units reaches the trigger point; and
- once the trigger point has been reached, participating in any program to reduce TIAA's ownership in the Account by utilizing cash flow or liquid investments in the Account, or by utilizing the proceeds from asset sales. The independent fiduciary's role in participating in any such asset sales program would include (i) participating in the selection of properties for sale, (ii) providing sales guidelines and (iii) approving those sales if, in the independent fiduciary's opinion, such sales are desirable to reduce TIAA's ownership of liquidity units.

The independent fiduciary, which has the right to adjust the trigger point, has established the trigger point at 45% of the outstanding accumulation units and it will continue to monitor TIAA's ownership interest in the Account and provide further recommendations as necessary. As of September 30, 2011, TIAA owned approximately 9.0% of the outstanding accumulation units of the Account.

The independent fiduciary has indicated to management its intention to initiate systematic redemptions of the liquidity units held by the TIAA General Account from time to time. The independent fiduciary currently intends to cause such redemptions only (i) if recent historical net participant activity has been positive, i.e. net participant in-flows and (ii) if the Account is projected to hold at least 22% of its net assets in cash and cash equivalents and publicly traded liquid non-real estate related securities, after taking into account certain projected sources and uses of cash flow into the Account. In addition, the independent fiduciary's intention is that redemptions over any given period would not exceed recent historical net participant activity. In administering redemptions, the independent fiduciary has indicated to management that it intends to evaluate, among other things (i) projected acquisitions and dispositions of real estate and real estate related investments, (ii) participant inflow and outflow trends, (iii) the Account's net income and (iv) obligations to make debt service payments and pay principal balances of mortgages on Account properties. The independent fiduciary is vested with oversight and approval over any redemption of liquidity

units owned by TIAA, acting in the best interests of Account participants. Pursuant to PTE 96-76, the independent fiduciary may authorize or direct the redemption of all or a portion of liquidity units at any time and TIAA will request the approval of the independent fiduciary before any liquidity units are redeemed. As of September 30, 2011 the Account was not required to redeem any liquidity units.

As discussed in *Note 2—Management Agreements and Arrangements*, TIAA and Services provide certain services to the Account on an at cost basis. See *Note 9—Condensed Financial Information* for details of the expense charge and expense ratio.

Note 4—Credit Risk Concentrations

Concentrations of credit risk may arise when a number of properties or tenants are located in a similar geographic region such that the economic conditions of that region could impact tenants’ obligations to meet their contractual obligations or cause the values of individual properties to decline. The Account has no significant concentrations of tenants as no single tenant has annual contract rent that makes up more than 2.1% of the rental income of the Account.

The substantial majority of the Account’s wholly owned real estate investments and investments in joint ventures are located in the United States. The following table represents the diversification of the Account’s portfolio by region and property type:

Diversification by Fair Value⁽¹⁾						
	<u>East</u>	<u>West</u>	<u>South</u>	<u>Midwest</u>	<u>Foreign⁽²⁾</u>	<u>Total</u>
Office	22.7%	15.8%	9.3%	0.4%	2.3%	50.5%
Apartment	6.8%	5.6%	4.9%	0.0%	0.0%	17.3%
Industrial	1.3%	6.7%	4.4%	1.2%	0.0%	13.6%
Retail	2.9%	2.8%	7.6%	0.1%	1.9%	15.3%
Other ⁽³⁾	3.0%	0.2%	0.1%	0.0%	0.0%	3.3%
Total	<u>36.7%</u>	<u>31.1%</u>	<u>26.3%</u>	<u>1.7%</u>	<u>4.2%</u>	<u>100.0%</u>

⁽¹⁾ Wholly-owned properties are represented at fair value and gross of any debt, while joint venture properties are represented at the net equity value.

⁽²⁾ Represents real estate investments in the United Kingdom and France.

⁽³⁾ Represents interest in Storage Portfolio investment and fee interest encumbered by a ground lease real estate investment.

Properties in the “East” region are located in: CT, DC, DE, KY, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

Properties in the “West” region are located in: AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Properties in the “South” region are located in: AL, AR, FL, GA, LA, MS, OK, TN, TX

Properties in the “Midwest” region are located in: IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI

Note 5—Assets and Liabilities Measured at Fair Value on a Recurring Basis

Valuation Hierarchy: The Account’s fair value measurements are grouped categorically into three levels, as defined by the FASB. The levels are defined as follows:

Level 1—Valuations using unadjusted quoted prices for assets traded in active markets, such as stocks listed on the New York Stock Exchange. Active markets are defined as having the following characteristics for the measured asset or liability: (i) many transactions, (ii) current prices, (iii) price quotes not varying substantially among market makers, (iv) narrow bid/ask spreads and (v) most information regarding the issuer is publicly available. Level 1 assets held by the Account are generally marketable equity securities.

Level 2—Valuations for assets and liabilities traded in less active, dealer or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities. Level 2

inputs for fair value measurements are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active (that is, markets in which there are few transactions for the asset (or liability), the prices are not current, price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly);
- c. Inputs other than quoted prices that are observable within the market for the asset (or liability) (for example, interest rates and yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates that are observable at commonly quoted intervals); and
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (for example, market-corroborated inputs).

Examples of securities which may be held by the Account and included in Level 2 include certificates of deposit, commercial paper, government agency notes, variable notes, United States Treasury securities, and debt securities.

Level 3—Valuations for assets and liabilities that are derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market, and require significant professional judgment in determining the fair value assigned to such assets or liabilities. Examples of Level 3 assets and liabilities which may be held by the Account from time to time include investments in real estate, investments in joint ventures and limited partnerships, and mortgage loans receivable and payable.

An investment's categorization within the valuation hierarchy described above is based upon the lowest level of input that is significant to the fair value measurement.

The Account's determination of fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon vendor-provided, evaluated prices or internally-developed models that primarily use market-based or independently-sourced market data, including interest rate yield curves, market spreads, and currency rates. Valuation adjustments will be made to reflect changes in credit quality, counterparty's creditworthiness, the Account's creditworthiness, liquidity, and other observable and unobservable inputs that are applied consistently over time.

The methods described above are considered to produce fair values that represent a good faith estimate of what an unaffiliated buyer in the marketplace would pay to purchase the asset or would receive to transfer the liability. Since fair value calculations involve significant professional judgment in the application of both observable and unobservable attributes, actual realizable values or future fair values may differ from amounts reported. Furthermore, while the Account believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments, while reasonable, could result in different estimates of fair value at the reporting date. As discussed in *Note 1—Organization and Significant Accounting Policies* in more detail, the Account generally obtains independent third party appraisals on a quarterly basis; there may be circumstances in the interim in which the true realizable value of a property is not reflected in the Account's daily net asset value calculation or in the Account's periodic financial statements. This disparity may be more apparent when the commercial and/or residential real estate markets experience an overall and possibly dramatic decline (or increase) in property values in a relatively short period of time between appraisals.

The following tables show the major categories of assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 (unaudited) and December 31, 2010, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3) (in millions, unaudited):

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at September 30, 2011
Real estate properties	\$ —	\$ —	\$ 9,827.9	\$ 9,827.9
Real estate joint ventures	—	—	1,564.3	1,564.3
Limited partnerships.....	—	—	302.3	302.3
Marketable securities:				
Real Estate Related.....	813.0	—	—	813.0
Government Agency Notes	—	1,631.7		1,631.7
United States Treasury securities.....	—	754.1		754.1
Total Investments at September 30, 2011	<u>\$813.0</u>	<u>\$2,385.8</u>	<u>\$11,694.5</u>	<u>\$14,893.3</u>
Mortgage loans payable	<u>\$ —</u>	<u>\$ —</u>	<u>\$(1,956.7)</u>	<u>\$(1,956.7)</u>

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2010
Real estate properties	\$ —	\$ —	\$ 8,115.5	\$ 8,115.5
Real estate joint ventures.....	—	—	1,358.8	1,358.8
Limited partnerships.....	—	—	270.3	270.3
Marketable securities:				
Real Estate Related.....	495.3	—	—	495.3
Government Agency Notes.....	—	1,484.8	—	1,484.8
United States Treasury securities.....	—	911.9	—	911.9
Total Investments at December 31, 2010	<u>\$495.3</u>	<u>\$2,396.7</u>	<u>\$ 9,744.6</u>	<u>\$12,636.6</u>
Mortgage loans payable.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$(1,860.2)</u>	<u>\$(1,860.2)</u>

The following tables show the reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine months ended September 30, 2011 and September 30, 2010 (in millions, unaudited):

	Real Estate Properties	Real Estate Joint Ventures	Limited Partnerships	Total Level 3 Investments	Mortgage Loans Payable
For the three months ended September 30, 2011					
Beginning balance July 1, 2011.....	\$9,452.6	\$1,495.2	\$287.0	\$11,234.8	\$(1,952.6)
Total realized and unrealized gains (losses) included in changes in net assets.....	246.9	71.2	10.3	328.4	(6.4)
Purchases ⁽¹⁾	318.8	0.2	8.8	327.8	—
Sales	(189.4)	—	—	(189.4)	—
Settlements ⁽²⁾	(1.0)	(2.3)	(3.8)	(7.1)	2.3
Ending balance September 30, 2011	<u>\$9,827.9</u>	<u>\$1,564.3</u>	<u>\$302.3</u>	<u>\$11,694.5</u>	<u>\$(1,956.7)</u>

	<u>Real Estate Properties</u>	<u>Real Estate Joint Ventures</u>	<u>Limited Partnerships</u>	<u>Total Level 3 Investments</u>	<u>Mortgage Loans Payable</u>
For the nine months ended September 30, 2011:					
Beginning balance January 1, 2011	\$8,115.5	\$1,358.8	\$270.3	\$ 9,744.6	\$(1,860.2)
Total realized and unrealized gains (losses) included in changes in net assets.....	704.0	193.9	32.0	929.9	(6.9)
Purchases ⁽¹⁾	1,237.0	13.9	10.0	1,260.9	(105.0)
Sales	(228.3)	—	—	(228.3)	—
Settlements ⁽²⁾	(0.3)	(2.3)	(10.0)	(12.6)	15.4
Ending balance September 30, 2011	<u>\$9,827.9</u>	<u>\$1,564.3</u>	<u>\$302.3</u>	<u>\$11,694.5</u>	<u>\$(1,956.7)</u>

	<u>Real Estate Properties</u>	<u>Real Estate Joint Ventures</u>	<u>Limited Partnerships</u>	<u>Mortgage Loans Receivable</u>	<u>Total Level 3 Investments</u>	<u>Mortgage Loans Payable</u>
For the three months ended September 30, 2010:						
Beginning balance July 1, 2010	\$7,517.3	\$1,347.7	\$227.2	\$ 72.7	\$9,164.9	\$(1,890.0)
Total realized and unrealized gains (losses) included in changes in net assets.....	249.8	47.9	10.8	2.3	310.8	(7.8)
Purchases ⁽¹⁾	48.1	3.8	—	—	51.9	—
Sales	—	(28.3)	—	—	(28.3)	—
Settlements ⁽²⁾	—	(65.6)	—	(75.0)	(140.6)	53.9
Ending balance September 30, 2010	<u>\$7,815.2</u>	<u>\$1,305.5</u>	<u>\$238.0</u>	<u>\$ —</u>	<u>\$9,358.7</u>	<u>\$(1,843.9)</u>

	<u>Real Estate Properties</u>	<u>Real Estate Joint Ventures</u>	<u>Limited Partnerships</u>	<u>Mortgage Loans Receivable</u>	<u>Total Level 3 Investments</u>	<u>Mortgage Loans Payable</u>
For the nine months ended September 30, 2010:						
Beginning balance January 1, 2010	\$7,437.3	\$1,314.6	\$200.3	\$ 71.3	\$9,023.5	\$(1,858.1)
Total realized and unrealized gains (losses) included in changes in net assets.....	271.9	32.1	29.3	3.7	337.0	(42.1)
Purchases ⁽¹⁾	106.0	84.1	8.4	—	198.5	—
Sales	—	(57.1)	—	—	(57.1)	—
Settlements ⁽²⁾	—	(68.2)	—	(75.0)	(143.2)	56.3
Ending balance September 30, 2010	<u>\$7,815.2</u>	<u>\$1,305.5</u>	<u>\$238.0</u>	<u>\$ —</u>	<u>\$9,358.7</u>	<u>\$(1,843.9)</u>

⁽¹⁾ Includes purchases, contributions for joint ventures and limited partnerships, and capital expenditures.

⁽²⁾ Includes operating income for real estate joint ventures and limited partnerships, net of distributions and principal payments on mortgage loans payable.

During the nine months ended September 30, 2011 and 2010 there were no transfers in or out of Levels 1, 2 or 3. The amount of net unrealized gains included in changes in net assets attributable to investments and mortgage loans payable using significant unobservable inputs still held as of the reporting date is as follows (in millions, unaudited):

	<u>Real Estate Properties</u>	<u>Real Estate Joint Ventures</u>	<u>Limited Partnerships</u>	<u>Total Level 3 Investments</u>	<u>Mortgage Loans Payable</u>
For the three months ended September 30, 2011	<u>\$362.5</u>	<u>\$ 75.1</u>	<u>\$10.3</u>	<u>\$ 447.9</u>	<u>\$ (6.4)</u>
For the nine months ended September 30, 2011	<u>\$840.4</u>	<u>\$213.8</u>	<u>\$32.1</u>	<u>\$1,086.3</u>	<u>\$ (6.9)</u>
For the three months ended September 30, 2010	<u>\$249.7</u>	<u>\$ 47.9</u>	<u>\$10.8</u>	<u>\$ 308.4</u>	<u>\$ (7.8)</u>
For the nine months ended September 30, 2010	<u>\$273.0</u>	<u>\$ 37.4</u>	<u>\$29.3</u>	<u>\$ 339.7</u>	<u>\$(42.1)</u>

Note 6—Investments in Joint Ventures

The Account owns interests in several real estate properties through joint ventures and receives distributions and allocations of profits and losses from the joint ventures based on the Account's ownership interest percentages. Several of these joint ventures have mortgage loans payable on the properties owned by the joint ventures. At September 30, 2011, the Account held 11 investments in joint ventures with non-controlling ownership interest percentages that ranged from 50% to 85%. Certain joint ventures are subject to adjusted distribution percentages when earnings in the investment reach a pre-determined threshold. The Account's equity in the joint ventures was \$1.6 billion and \$1.4 billion at September 30, 2011 and December 31, 2010, respectively. The Account's most significant joint venture investment is the DDR TC LLC joint venture ("DDR Joint Venture"), which represented 2.6% of the Account's net assets.

The Account's proportionate share of the mortgage loans payable within the joint venture investments at fair value was \$1.6 billion at September 30, 2011 and December 31, 2010. The Account's share in the outstanding principal of the mortgage loans payable within the joint ventures was \$1.6 billion at September 30, 2011 and December 31, 2010.

A condensed summary of the financial position and results of operations of the joint ventures are shown below (in millions, unaudited):

	<u>September 30, 2011</u> <u>(Unaudited)</u>	<u>December 31, 2010</u>
Assets		
Real estate properties, at fair value	\$4,812.8	\$4,454.9
Other assets	<u>134.8</u>	<u>141.8</u>
Total assets	<u>\$4,947.6</u>	<u>\$4,596.7</u>
Liabilities and Equity		
Mortgage loans payable, at fair value	\$2,269.6	\$2,276.9
Other liabilities	<u>91.4</u>	<u>97.5</u>
Total liabilities	2,361.0	2,374.4
Equity	<u>2,586.6</u>	<u>2,222.3</u>
Total liabilities and equity	<u>\$4,947.6</u>	<u>\$4,596.7</u>

	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010
	(Unaudited)	(Unaudited)
Operating Revenues and Expenses		
Revenues	\$338.7	\$350.4
Expenses	<u>208.0</u>	<u>219.0</u>
Excess of revenues over expenses.....	<u>\$130.7</u>	<u>\$131.4</u>

Management of the Account monitors the financial position of the Account's joint venture partners. To the extent that management of the Account determines that a joint venture partner has financial or liquidity concerns, management will evaluate all actions and remedies available to the Account under the applicable joint venture agreement to minimize any potential adverse implications to the Account.

Note 7—Investments in Limited Partnerships

The Account invests in limited partnerships that own real estate properties and real estate-related securities and the Account receives distributions from the limited partnerships based on the Account's ownership interest percentages. At September 30, 2011, the Account held five limited partnership investments and one private real estate equity investment trust (all of which featured non-controlling ownership interests) with ownership interest percentages that ranged from 5.3% to 18.5%. Under the terms of the partnership agreements governing such investments, and based upon the expected term of each such partnership, the partnerships could engage in liquidation activities beginning in 2012 through 2015. The Account's ownership interest in limited partnerships was \$302.3 million and \$270.3 million at September 30, 2011 and December 31, 2010, respectively.

Note 8—Mortgage Loans Payable

At September 30, 2011, the Account had outstanding mortgage loans payable secured by the following properties (in millions, unaudited):

Property	Interest Rate and Payment Frequency ⁽³⁾	Principal Amounts as of September 30, 2011	Maturity
1 & 7 Westferry Circus ⁽¹⁾⁽²⁾⁽⁵⁾	5.40% paid quarterly	\$ 205.6	November 15, 2012
Reserve at Sugarloaf ⁽¹⁾⁽⁵⁾	5.49% paid monthly	24.4	June 1, 2013
South Frisco Village	5.85% paid monthly	26.3	June 1, 2013
Fourth & Madison	6.40% paid monthly	145.0	August 21, 2013
1001 Pennsylvania Avenue	6.40% paid monthly	210.0	August 21, 2013
50 Fremont	6.40% paid monthly	135.0	August 21, 2013
Pacific Plaza ⁽¹⁾⁽⁵⁾	5.55% paid monthly	8.2	September 1, 2013
Wilshire Rodeo Plaza ⁽⁵⁾	5.28% paid monthly	112.7	April 11, 2014
1401 H Street ⁽¹⁾⁽⁵⁾	5.97% paid monthly	112.6	December 7, 2014
1050 Lenox Park Apartments ⁽⁵⁾	4.43% paid monthly	24.0	August 1, 2015
San Montego Apartments ⁽⁵⁾⁽⁶⁾	4.47% paid monthly	21.8	August 1, 2015
Montecito Apartments ⁽⁵⁾⁽⁶⁾	4.47% paid monthly	20.3	August 1, 2015
Phoenician Apartments ⁽⁵⁾⁽⁶⁾	4.47% paid monthly	21.3	August 1, 2015
The Colorado ⁽¹⁾⁽⁵⁾	5.65% paid monthly	84.7	November 1, 2015
99 High Street	5.52% paid monthly	185.0	November 11, 2015
The Legacy at Westwood ⁽¹⁾⁽⁵⁾	5.95% paid monthly	40.6	December 1, 2015
Regents Court ⁽¹⁾⁽⁵⁾	5.76% paid monthly	34.6	December 1, 2015
The Caruth ⁽¹⁾⁽⁵⁾	5.71% paid monthly	40.5	December 1, 2015
Lincoln Centre	5.51% paid monthly	153.0	February 1, 2016
The Legend at Kierland ⁽⁵⁾⁽⁷⁾	4.97% paid monthly	21.8	August 1, 2017
The Tradition at Kierland ⁽⁵⁾⁽⁷⁾	4.97% paid monthly	25.8	August 1, 2017
Red Canyon at Palomino Park ⁽⁵⁾⁽⁸⁾	5.34% paid monthly	27.1	August 1, 2020
Green River at Palomino Park ⁽⁵⁾⁽⁸⁾	5.34% paid monthly	33.2	August 1, 2020
Blue Ridge at Palomino Park ⁽⁵⁾⁽⁸⁾	5.34% paid monthly	33.4	August 1, 2020
Ashford Meadows ⁽⁵⁾	5.17% paid monthly	44.6	August 1, 2020
The Corner ⁽⁵⁾	4.66% paid monthly	105.0	June 1, 2021
Publix at Weston Commons ⁽⁵⁾	5.08% paid monthly	35.0	January 1, 2036
Total Principal Outstanding		\$1,931.5	
Fair Value Adjustment ⁽⁴⁾		25.2	
Total mortgage loans payable		\$1,956.7	

⁽¹⁾ The mortgage is adjusted monthly for principal payments.

⁽²⁾ The mortgage is denominated in British pounds and the principal payment had been converted to U.S. dollars using the exchange rate as of September 30, 2011. The interest rate is fixed. The cumulative foreign currency translation adjustment (since inception) was an unrealized gain of \$23.5 million. Foreign currency translation adjustments recorded during the nine months ended September 30, 2011 was an unrealized gain of \$1.0 million.

⁽³⁾ Interest rates are fixed, unless stated otherwise.

⁽⁴⁾ The fair value adjustment consists of the difference (positive or negative) between the principal amount of the outstanding debt and the fair value of the outstanding debt. See Note 1—*Organization and Significant Accounting Policies*.

⁽⁵⁾ These properties are each owned by separate wholly owned subsidiaries of TIAA for benefit of the Account. The assets and credit of each of these borrowings entities are not available to satisfy the debts and other obligations of the Account or any other entity or person other than such borrowing entity.

⁽⁶⁾ Represents mortgage loans payable on these individual properties which are held within the Houston Apartment Portfolio.

⁽⁷⁾ Represents mortgage loans payable on these individual properties which are held within the Kierland Apartment Portfolio.

⁽⁸⁾ Represents mortgage loans payable on these individual properties which are held within Palomino Park.

Note 9—Condensed Financial Information

Selected condensed financial information for an Accumulation Unit of the Account is presented below.

	For the Nine Months Ended September 30, 2011 (Unaudited)	Years Ended December 31,		
		2010	2009	2008
Per Accumulation Unit data:				
Rental income	\$ 13.080	\$ 19.516	\$ 22.649	\$ 18.794
Real estate property level expenses and taxes	6.529	9.987	11.193	9.190
Real estate income, net	6.551	9.529	11.456	9.604
Other income	1.755	2.214	2.778	3.808
Total income	8.306	11.743	14.234	13.412
Expense charges ⁽¹⁾	1.765	2.167	2.280	2.937
Investment income, net	6.541	9.576	11.954	10.475
Net realized and unrealized gain (loss) on investments and mortgage loans payable	15.768	16.143	(85.848)	(54.541)
Net (decrease) increase in Accumulation Unit Value ..	22.309	25.719	(73.894)	(44.066)
Accumulation Unit Value:				
Beginning of period	219.173	193.454	267.348	311.414
End of period	\$ 241.482	\$ 219.173	\$ 193.454	\$ 267.348
Total return	10.18%	13.29%	-27.64%	-14.15%
Ratios to Average net Assets ⁽²⁾ :				
Expenses ⁽¹⁾	0.73%	1.09%	1.01%	0.95%
Investment income, net	2.72%	4.84%	5.29%	3.38%
Portfolio turnover rate ⁽²⁾ :				
Real estate properties ⁽³⁾	2.16%	1.01%	0.75%	0.64%
Marketable securities ⁽⁴⁾	0.93%	19.18%	0.00%	25.67%
Accumulation Units outstanding at end of period (in millions)	52.5	48.1	39.5	41.5
Net assets end of period (in millions)	\$12,973.5	\$10,803.1	\$ 7,879.9	\$11,508.9

⁽¹⁾ Expense charges per Accumulation Unit and the Ratio of Expenses to average net assets reflect the year to date Account-level expenses and exclude real estate property level expenses which are included in real estate income, net. If the real estate property level expenses were included, the expense charge per Accumulation Unit for the nine months ended September 30, 2011 would be \$8.294 (\$12.154, \$13.473, and \$12.127, for the years ended December 31, 2010, 2009, and 2008, respectively), and the Ratio of Expenses to average net assets for the nine months ended September 30, 2011 would be 3.45% (6.14%, 5.96%, and 3.91%, for the years ended December 31, 2010, 2009, and 2008, respectively).

⁽²⁾ Amounts for the nine month period ended September 30, 2011 are not annualized.

⁽³⁾ 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, existing joint venture and limited partnership investments) by the average value of the portfolio of real estate investments held during the period. Amounts for the twelve months ended December 31, 2010 are not annualized.

⁽⁴⁾ 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.

Note 10—Accumulation Units

Changes in the number of Accumulation Units outstanding were as follows (in millions):

	For the Nine Months Ended September 30, 2011	For the Year Ended December 31, 2010
	(Unaudited)	
Outstanding:		
Beginning of period	48.1	39.5
Credited for premiums	8.1	12.9
Annuity, other periodic payments, withdrawals and death benefits	<u>(3.7)</u>	<u>(4.3)</u>
End of period	<u>52.5</u>	<u>48.1</u>

Note 11—Commitments, Contingencies and Subsequent Events

Commitments—As of September 30, 2011, the Account had outstanding commitments to purchase additional interests in three of its limited partnership investments. During the three month period ended September 30, 2011, the Account funded an additional \$8.8 million towards its outstanding commitments. As of September 30, 2011, the Account’s remaining commitments totaled \$25.5 million, which can be called in full or in part by each limited partnership at any time.

Contingencies—The Account is party to various claims and routine litigation arising in the ordinary course of business. Management of the Account does not believe the results of any such claims or litigation, individually, or in the aggregate, will have a material effect on the Account’s business, financial position, or results of operations.

Note 12—New Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (“SFAS No. 167”), which amends guidance related to the identification of a variable interest entity, variable interests, the primary beneficiary, and expands required note disclosures to provide greater transparency to the users of financial statements. In December 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-17, “Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,” which amended the Codification with the guidance contained in SFAS No. 167. In February 2010, the FASB issued ASU No. 2010-10, “Amendments for Certain Investment Funds,” which defers the applicability of ASU No. 2009-17 in certain instances. These standards were effective on January 1, 2010 and did not result in a significant impact to the Account’s financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, “Improving Disclosures about Fair Value Measurements” which requires new disclosures related to transfers in and out of levels 1 and 2, and the separate disclosure of purchases, sales, issuances and settlements when reconciling activity in level 3. This ASU also amends prior disclosure requirements to call for the disaggregation of assets and liabilities into appropriate subsets, and the disclosure of valuation techniques and inputs for recurring and nonrecurring fair value measurements in levels 2 and 3. The new disclosure requirement for reconciling level 3 activity was effective January 1, 2011. All other new or amended disclosure requirements were effective January 1, 2010 for the Account and are reflected in the notes to the consolidated financial statements. These changes did not impact the Account’s financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, “Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs”, with the intention to converge fair value standards between U.S. GAAP and International Financial and Reporting Standards. This ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands ASC 820’s existing disclosure requirements for fair value measurements and makes other amendments. Many of these amendments are being made to eliminate unnecessary wording differences between U.S. GAAP and IFRS. However, some could change how the fair value measurement guidance in ASC 820 is applied. Changes in applying fair value standards and additional disclosure requirements are effective on January 1, 2012. The Account is currently assessing the impact of applying the revised standards but does not anticipate a material impact to the Account’s financial position or results of operations.

TIAA REAL ESTATE ACCOUNT
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REAL ESTATE PROPERTIES—65.99% and 64.22%

<u>Location/Description</u>	<u>Type</u>	<u>Fair Value</u>	
		<u>2011</u>	<u>2010</u>
Arizona:			
Camelback Center.....	Office	\$ 33.9	\$ 33.2
Kierland Apartment Portfolio.....	Apartments	100.3 ⁽¹⁾	96.0 ⁽¹⁾
Phoenix Apartment Portfolio.....	Apartments	25.4	23.0
California:			
3 Hutton Centre Drive.....	Office	37.9	32.2
50 Fremont Street.....	Office	327.6 ⁽¹⁾	315.1 ⁽¹⁾
88 Kearny Street.....	Office	80.1	65.4
275 Battery Street.....	Office	206.0	180.4
Rancho Cucamonga Industrial Portfolio.....	Industrial	94.9	83.4
Centerside I.....	Office	40.1	34.0
Centre Pointe and Valley View.....	Industrial	21.2	19.9
Great West Industrial Portfolio.....	Industrial	95.7	73.5
Larkspur Courts.....	Apartments	84.2	70.1
Northpark Village Square.....	Retail	40.5	—
Northern CA RA Industrial Portfolio.....	Industrial	42.1	39.7
Ontario Industrial Portfolio.....	Industrial	268.7 ⁽¹⁾	223.7 ⁽¹⁾
Pacific Plaza.....	Office	60.1 ⁽¹⁾	56.2 ⁽¹⁾
Regents Court.....	Apartments	68.0 ⁽¹⁾	65.0 ⁽¹⁾
Southern CA RA Industrial Portfolio.....	Industrial	77.9	75.5
The Forum at Carlsbad.....	Office	178.0 ⁽¹⁾	— ⁽¹⁾
The Legacy at Westwood.....	Apartments	96.5 ⁽¹⁾	93.2 ⁽¹⁾
Wellpoint.....	Office	—	41.0
Westcreek.....	Apartments	30.8	29.6
West Lake North Business Park.....	Office	43.9	40.8
Westwood Marketplace.....	Retail	97.0	89.0
Wilshire Rodeo Plaza.....	Office	171.5 ⁽¹⁾	165.5 ⁽¹⁾
Colorado:			
Palomino Park.....	Apartments	192.8 ⁽¹⁾	168.7 ⁽¹⁾
The Lodge at Willow Creek.....	Apartments	46.6	39.7
Connecticut:			
Ten & Twenty Westport Road.....	Office	134.8	100.7
Florida:			
701 Brickell Avenue.....	Office	218.5	201.2
North 40 Office Complex.....	Office	35.1	36.4
Plantation Grove.....	Retail	10.2	9.4
Pointe on Tampa Bay.....	Office	37.3	35.2
Publix at Weston Commons.....	Retail	45.7 ⁽¹⁾	45.2 ⁽¹⁾
Quiet Waters at Coquina Lakes.....	Apartments	25.5	23.7
Seneca Industrial Park.....	Industrial	68.3	63.3
South Florida Apartment Portfolio.....	Apartments	69.7	60.0
Suncrest Village Shopping Center.....	Retail	12.2	12.6
The Fairways of Carolina.....	Apartments	23.7	22.3
Urban Centre.....	Office	91.5	89.7
Weston Business Center.....	Industrial	84.1	—

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<u>Location/Description</u>	<u>Type</u>	<u>Fair Value</u>	
		<u>2011</u> <u>(Unaudited)</u>	<u>2010</u>
France:			
Printemps de L'Homme	Retail	\$ 216.8	\$ 223.7
Georgia:			
Atlanta Industrial Portfolio.....	Industrial	42.4	38.8
Glenridge Walk	Apartments	35.5	33.6
Reserve at Sugarloaf	Apartments	45.0 ⁽¹⁾	43.7 ⁽¹⁾
Shawnee Ridge Industrial Portfolio.....	Industrial	51.8	49.0
Windsor at Lenox Park.....	Apartments	53.1 ⁽¹⁾	50.8 ⁽¹⁾
Illinois:			
Chicago Caleast Industrial Portfolio	Industrial	54.7	50.8
Chicago Industrial Portfolio	Industrial	64.7	58.9
Oak Brook Regency Towers	Office	—	70.6
Parkview Plaza	Office	42.8	43.1
Maryland:			
Broadlands Business Park	Industrial	27.6	24.2
GE Appliance East Coast Distribution Facility.....	Industrial	34.2	29.1
Massachusetts:			
99 High Street.....	Office	329.5 ⁽¹⁾	255.0 ⁽¹⁾
Needham Corporate Center	Office	18.1	18.6
Northeast RA Industrial Portfolio.....	Industrial	26.7	22.1
Residence at Rivers Edge	Apartments	80.0	—
The Newbry.....	Office	291.8	252.0
Minnesota:			
Champlin Marketplace	Retail	—	12.7
Nevada:			
Fernley Distribution Facility.....	Industrial	6.3	7.1
New Jersey:			
Konica Photo Imaging Headquarters	Industrial	18.7	14.5
Marketfair.....	Retail	67.2	66.2
Morris Corporate Center III.....	Office	—	71.9
Plainsboro Plaza.....	Retail	26.5	27.5
South River Road Industrial.....	Industrial	45.7	38.5
New York:			
425 Park Avenue	Ground Lease	320.0	—
780 Third Avenue	Office	336.1	300.6
The Colorado	Apartments	152.0 ⁽¹⁾	123.0 ⁽¹⁾
The Corner.....	Apartments	215.0 ⁽¹⁾	—
Pennsylvania:			
Lincoln Woods	Apartments	30.4	29.1
The Pepper Building	Apartments	52.9	—
Tennessee:			
Airways Distribution Center.....	Industrial	12.2	12.1
Summit Distribution Center	Industrial	15.5	15.8

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<u>Location/Description</u>	<u>Type</u>	<u>Fair Value</u>	
		<u>2011</u>	<u>2010</u>
		<u>(Unaudited)</u>	
Texas:			
Dallas Industrial Portfolio	Industrial	\$ 151.5	\$ 140.6
Four Oaks Place	Office	416.4	383.7
Houston Apartment Portfolio	Apartments	198.9 ⁽¹⁾	186.9 ⁽¹⁾
Lincoln Centre	Office	209.6 ⁽¹⁾	195.4 ⁽¹⁾
Pinnacle Industrial Portfolio	Industrial	40.1	38.4
South Frisco Village	Retail	29.0 ⁽¹⁾	29.0 ⁽¹⁾
The Caruth	Apartments	61.8 ⁽¹⁾	56.1 ⁽¹⁾
The Maroneal	Apartments	42.2	37.6
United Kingdom:			
1 & 7 Westferry Circus	Office	263.6 ⁽¹⁾	260.0 ⁽¹⁾
Virginia:			
8270 Greensboro Drive	Office	29.8	27.9
The Palantine	Apartments	141.5	—
Ashford Meadows Apartments	Apartments	101.2 ⁽¹⁾	95.4 ⁽¹⁾
One Virginia Square	Office	61.3	51.7
The Ellipse at Ballston	Office	82.2	76.7
Washington:			
Creeksides at Centerpoint	Office	17.5	16.6
Fourth and Madison	Office	379.1 ⁽¹⁾	330.0 ⁽¹⁾
Millennium Corporate Park	Office	127.7	125.2
Northwest RA Industrial Portfolio	Industrial	22.1	17.0
Rainier Corporate Park	Industrial	74.5	66.8
Regal Logistics Campus	Industrial	62.2	52.5
Washington DC:			
1001 Pennsylvania Avenue	Office	655.2 ⁽¹⁾	589.8 ⁽¹⁾
1401 H Street, NW	Office	206.7 ⁽¹⁾	179.3 ⁽¹⁾
1900 K Street, NW	Office	241.6	246.4
Mazza Gallerie	Retail	<u>80.7</u>	<u>76.0</u>
TOTAL REAL ESTATE PROPERTIES			
(Cost \$10,386.0 and \$9,449.1)		<u>\$9,827.9</u>	<u>\$8,115.5</u>

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OTHER REAL ESTATE-RELATED INVESTMENTS—12.53% and 12.89%
REAL ESTATE JOINT VENTURES—10.50% and 10.75%

<u>Location/Description</u>	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
	<u>(Unaudited)</u>	
California:		
CA—Colorado Center LP		
Yahoo Center (50% Account Interest)	\$ 193.1 ⁽²⁾	\$ 157.5 ⁽²⁾
CA—Treat Towers LP		
Treat Towers (75% Account Interest)	77.2	67.1
Florida:		
Florida Mall Associates, Ltd		
The Florida Mall (50% Account Interest)	283.6 ⁽²⁾	239.0 ⁽²⁾
TREA Florida Retail, LLC		
Florida Retail Portfolio (80% Account Interest).....	166.1	165.5
West Dade Associates		
Miami International Mall (50% Account Interest).....	109.4 ⁽²⁾	93.2 ⁽²⁾
Georgia:		
GA—Buckhead LLC		
Prominence in Buckhead (75% Account Interest)	49.9	39.8
Massachusetts:		
MA—One Boston Place REIT		
One Boston Place (50.25% Account Interest)	193.3	150.3
Tennessee:		
West Town Mall, LLC		
West Town Mall (50% Account Interest).....	51.8 ⁽²⁾	50.6 ⁽²⁾
Various:		
DDR TC LLC		
DDR Joint Venture (85% Account Interest)	331.7 ^(2,3)	303.7 ^(2,3)
Storage Portfolio I, LLC		
Storage Portfolio (75% Account Interest)	64.6 ^(2,3)	52.8 ^(2,3)
Strategic Ind Portfolio I, LLC		
IDI Nationwide Industrial Portfolio (60% Account Interest)	43.6 ^(2,3)	39.3 ^(2,3)
TOTAL REAL ESTATE JOINT VENTURES		
(Cost \$1,937.6 and \$1,922.4).....	<u>\$ 1,564.3</u>	<u>\$1,358.8</u>
LIMITED PARTNERSHIPS—2.03% and 2.14%		
Cobalt Industrial REIT (10.998% Account Interest)	\$ 24.9	\$ 26.3
Colony Realty Partners LP (5.27% Account Interest).....	21.3	18.1
Heitman Value Partners Fund (8.43% Account Interest)	18.3	17.3
Lion Gables Apartment Fund (18.46% Account Interest).....	217.6	190.0
MONY/Transwestern Mezz RP II (16.67% Account Interest).....	3.5	9.7
Transwestern Mezz Realty Partners III, LLC (11.708% Account Interest)	16.7	8.9
TOTAL LIMITED PARTNERSHIPS		
(Cost \$300.8 and \$300.9).....	<u>\$ 302.3</u>	<u>\$ 270.3</u>
TOTAL REAL ESTATE JOINT VENTURES AND LIMITED PARTNERSHIPS		
(Cost \$2,238.4 and \$2,223.3).....	<u>\$ 1,866.6</u>	<u>\$1,629.1</u>

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MARKETABLE SECURITIES—21.48% and 22.89%

REAL ESTATE-RELATED MARKETABLE SECURITIES—5.46% and 3.92%

<u>Shares</u>		<u>Issuer</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>
			(Unaudited)	
92,462	50,398	Acadia Realty Trust.....	\$ 1.7	\$ 0.9
25,960	11,416	Agree Realty Corporation.....	0.6	0.3
3,783	2,574	Alexander's, Inc.	1.4	1.1
136,507	66,883	Alexandria Real Estate Equities, Inc.	8.4	4.9
—	200,791	AMB Property Corporation	—	6.4
88,603	—	American Assets Trust Inc	1.6	—
153,339	81,463	American Campus Communities, Inc.	5.7	2.6
264,043	142,051	Apartment Investment and Management Company.....	5.8	3.7
149,993	65,637	Ashford Hospitality Trust, Inc.	1.1	0.6
92,295	52,433	Associated Estates Realty Corporation	1.4	0.8
204,720	102,725	Avalonbay Communities, Inc.	23.3	11.6
287,597	155,007	BioMed Realty Trust, Inc.....	4.8	2.9
315,964	168,877	Boston Properties, Inc.	28.2	14.5
294,369	157,851	Brandywine Realty Trust.....	2.4	1.8
164,258	77,519	BRE Properties, Inc.	7.0	3.4
154,216	83,321	Camden Property Trust	8.5	4.5
82,558	37,593	Campus Crest Communities, Inc.....	0.9	0.5
150,899	75,517	CapLease, Inc.....	0.5	0.4
327,317	167,965	CBL & Associates Properties, Inc.	3.7	2.9
152,815	70,256	Cedar Shopping Centers, Inc.....	0.5	0.4
39,517	8,763	Chatham Lodging Trust	0.4	0.2
74,212	20,047	Chesapeake Lodging Trust	0.9	0.4
116,477	54,270	Cogdell Spencer Inc.	0.4	0.3
188,864	95,610	Colonial Properties Trust.....	3.4	1.7
48,303	20,917	CoreSite Realty Corporation	0.7	0.3
157,193	80,891	Corporate Office Properties Trust.....	3.4	2.8
239,606	123,682	Cousins Properties Incorporated.....	1.4	1.0
220,040	—	Cubsmart.....	1.9	—
533,880	253,113	DCT Industrial Trust Inc.	2.3	1.3
614,068	309,541	Developers Diversified Realty Corporation.....	6.7	4.4
367,697	188,954	DiamondRock Hospitality Company.....	2.6	2.3
216,122	107,907	Digital Realty Trust, Inc.....	11.9	5.6
205,213	113,097	Douglas Emmett, Inc.	3.5	1.9
560,086	298,785	Duke Realty Corporation	5.9	3.7
134,746	72,632	DuPont Fabros Technology, Inc.	2.7	1.5
59,989	33,167	EastGroup Properties, Inc.	2.3	1.4
158,681	65,151	Education Realty Trust, Inc.	1.4	0.5
103,012	56,762	Entertainment Properties Trust.....	4.0	2.6
87,088	37,659	Equity Lifestyle Properties, Inc.	5.5	2.1
127,616	58,543	Equity One, Inc.....	2.0	1.1
638,750	339,604	Equity Residential.....	33.1	17.6
72,289	38,018	Essex Property Trust, Inc.....	8.7	4.3
65,065	21,898	Excel Trust, Inc.....	0.6	0.3
207,842	107,440	Extra Space Storage Inc.	3.9	1.9
137,296	73,740	Federal Realty Investment Trust	11.3	5.7

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<u>Shares</u>		<u>Issuer</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>
			(Unaudited)	
271,895	122,336	FelCor Lodging Trust Incorporated	\$ 0.6	\$ 0.9
191,213	71,146	First Industrial Realty Trust, Inc.....	1.5	0.6
110,661	57,529	First Potomac Realty Trust.....	1.4	1.0
181,429	98,729	Franklin Street Properties Corp.....	2.1	1.4
1,017,890	560,577	General Growth Properties, Inc.....	12.3	8.7
56,458	28,271	Getty Realty Corp.....	0.8	0.9
20,610	10,676	Gladstone Commercial Corporation	0.3	0.2
220,762	107,080	Glimcher Realty Trust.....	1.6	0.9
78,067	38,023	Government Properties Income Trust	1.7	1.0
881,276	387,498	HCP, Inc.	30.9	14.3
382,735	175,223	Health Care REIT, Inc.	17.9	8.3
160,772	79,299	Healthcare Realty Trust Incorporated.....	2.7	1.7
372,823	209,343	Hersha Hospitality Trust	1.3	1.4
155,319	84,755	Highwoods Properties, Inc.....	4.4	2.7
103,500	45,795	Home Properties, Inc.	5.9	2.5
273,810	150,100	Hospitality Properties Trust	5.8	3.5
1,533,536	798,787	Host Hotels & Resorts, Inc.....	16.8	14.3
180,198	88,294	HRPT Properties Trust.....	3.4	2.3
59,902	20,487	Hudson Pacific Properties, Inc.....	0.7	0.3
198,739	109,424	Inland Real Estate Corporation	1.4	1.0
176,691	98,903	Investors Real Estate Trust.....	1.3	0.9
1,500,000	1,500,000	iShares Dow Jones US Real Estate Index Fund.....	75.8	83.9
129,963	61,706	Kilroy Realty Corporation.....	4.1	2.3
879,374	485,461	Kimco Realty Corporation	13.2	8.8
146,123	83,099	Kite Realty Group Trust	0.5	0.5
187,282	86,269	LaSalle Hotel Properties	3.6	2.3
345,585	165,849	Lexington Realty Trust.....	2.3	1.3
251,650	138,566	Liberty Property Trust	7.3	4.4
68,836	30,038	LTC Properties, Inc.....	1.7	0.8
189,553	93,900	Mack-Cali Realty Corporation.....	5.1	3.1
114,299	53,134	Maguire Properties, Inc.....	0.2	0.1
247,227	136,282	Medical Properties Trust, Inc.	2.2	1.5
81,264	41,729	Mid-America Apartment Communities, Inc.....	4.9	2.6
36,864	20,269	Mission West Properties, Inc.....	0.3	0.1
81,077	44,989	Monmouth Real Estate Investment Corporation.....	0.6	0.4
63,644	34,293	National Health Investors, Inc.	2.7	1.5
207,000	101,670	National Retail Properties, Inc.....	5.6	2.7
—	152,266	Nationwide Health Properties, Inc.	—	5.5
226,273	120,251	Omega Healthcare Investors, Inc.	3.6	2.7
38,237	16,016	One Liberty Properties, Inc.....	0.6	0.3
52,329	27,787	Parkway Properties, Inc.....	0.6	0.5
113,497	—	Pebblebrook Hotel Trust	1.8	—
122,245	63,708	Pennsylvania Real Estate Investment Trust.....	0.9	0.9
379,392	77,918	Piedmont Office Realty Trust, Inc.	6.1	1.6
359,167	196,790	Plum Creek Timber Company, Inc.....	12.5	7.4
106,883	59,612	Post Properties, Inc.....	3.7	2.2
88,608	49,003	Potlatch Corporation	2.8	1.6
997,591	681,117	ProLogis.....	24.2	9.8

TIAA REAL ESTATE ACCOUNT
CONSOLIDATED STATEMENTS OF INVESTMENTS
September 30, 2011 and December 31, 2010
(Dollar values shown in millions)

Shares		Issuer	Fair Value	
2011	2010		2011	2010
			(Unaudited)	
41,980	22,706	PS Business Parks, Inc.....	\$ 2.1	\$ 1.3
277,416	153,807	Public Storage, Inc.....	30.9	15.6
87,600	42,225	Ramco-Gershenson Properties Trust.....	0.7	0.5
261,199	97,616	Rayonier Inc.....	9.6	5.1
279,343	141,919	Realty Income Corporation.....	9.0	4.9
68,656	—	Retail Opportunity Investment.....	0.8	—
197,908	97,060	Regency Centers Corporation.....	7.0	4.1
69,694	—	RLJ Lodging Trust.....	0.9	—
33,036	17,498	Saul Centers, Inc.....	1.1	0.8
330,697	150,706	Senior Housing Properties Trust.....	7.1	3.3
636,140	352,460	Simon Property Group, Inc.....	70.0	35.1
183,739	93,168	SL Green Realty Corp.....	10.7	6.3
61,829	34,147	Sovran Self Storage, Inc.....	2.3	1.3
20,050	—	Stag Industrial Inc.....	0.2	—
385,489	186,401	Strategic Hotels & Resorts, Inc.....	1.7	1.0
59,168	—	Summit Hotel Properties Inc.....	0.4	—
46,326	24,737	Sun Communities, Inc.....	1.6	0.8
60,363	29,324	Sun Healthcare Group, Inc.....	0.6	0.5
262,606	137,832	Sunstone Hotel Investors, L.L.C.....	1.5	1.4
178,864	49,191	Tanger Factory Outlet Centers, Inc.....	4.6	2.5
126,129	50,042	Taubman Centers, Inc.....	6.3	2.5
16,174	11,532	Terreno Realty Corporation.....	0.2	0.2
286,812	155,462	The Macerich Company.....	12.2	7.4
472,751	220,400	UDR, Inc.....	10.5	5.2
21,414	5,400	UMH Properties, Inc.....	0.2	0.1
30,218	16,113	Universal Health Realty Income Trust.....	1.0	0.6
50,503	27,120	Urstadt Biddle Properties Inc.....	0.8	0.5
—	119,610	U-Store-It Trust.....	—	1.1
623,780	188,915	Ventas, Inc.....	30.8	9.9
399,663	219,149	Vornado Realty Trust.....	29.8	18.3
145,677	78,376	Washington Real Estate Investment Trust.....	4.1	2.4
262,970	142,411	Weingarten Realty Investors.....	5.6	3.4
1,164,958	646,348	Weyerhaeuser Company.....	18.1	12.2
61,407	22,256	Winthrop Realty Trust.....	0.5	0.3
TOTAL REAL ESTATE EQUITY SECURITIES				
(Cost \$893.4 and \$480.4)			\$813.0	\$495.3

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(Dollar values shown in millions)

OTHER MARKETABLE SECURITIES—16.02% and 18.97%
GOVERNMENT AGENCY NOTES—10.96% and 11.75%

<u>Principal</u>		<u>Issuer</u>	<u>Yield⁽⁴⁾</u>	<u>Maturity Date</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>				<u>2011</u>	<u>2010</u>
					(Unaudited)	
\$ —	\$ 15.1	Fannie Mae Discount Notes	0.172%	1/18/11	\$ —	\$ 15.1
—	21.2	Fannie Mae Discount Notes	0.172%	2/1/11	—	21.2
—	43.6	Fannie Mae Discount Notes	0.183%	2/3/11	—	43.6
—	13.5	Fannie Mae Discount Notes	0.183%	2/14/11	—	13.5
—	50.0	Fannie Mae Discount Notes	0.137%	2/15/11	—	50.0
—	32.5	Fannie Mae Discount Notes	0.162%-0.178%	3/1/11	—	32.5
—	32.4	Fannie Mae Discount Notes	0.172%	3/2/11	—	32.4
—	14.0	Fannie Mae Discount Notes	0.162%	3/8/11	—	14.0
—	19.6	Fannie Mae Discount Notes	0.178%	3/21/11	—	19.6
—	31.9	Fannie Mae Discount Notes	0.162%	3/23/11	—	31.9
—	20.2	Fannie Mae Discount Notes	0.178%	4/13/11	—	20.2
16.9	—	Fannie Mae Discount Notes	0.030%	10/3/11	16.9	—
34.3	—	Fannie Mae Discount Notes	0.041%	10/19/11	34.3	—
25.0	—	Fannie Mae Discount Notes	0.025%	10/24/11	25.0	—
43.5	—	Fannie Mae Discount Notes	0.061%	10/26/11	43.5	—
46.3	—	Fannie Mae Discount Notes	0.061%-0.081%	11/2/11	46.3	—
11.0	—	Fannie Mae Discount Notes	0.101%	11/23/11	11.0	—
40.0	—	Fannie Mae Discount Notes	0.152%	12/1/11	40.0	—
100.0	—	Fannie Mae Discount Notes	0.041%	12/2/11	100.0	—
50.0	—	Fannie Mae Discount Notes	0.081%	12/7/11	50.0	—
50.0	—	Fannie Mae Discount Notes	0.071%	12/9/11	50.0	—
27.5	—	Fannie Mae Discount Notes	0.081%	12/12/11	27.5	—
7.9	—	Fannie Mae Discount Notes	0.041%	12/29/11	7.9	—
36.9	—	Fannie Mae Discount Notes	0.051%	1/3/12	36.9	—
50.0	—	Fannie Mae Discount Notes	0.152%	5/3/12	50.0	—
52.5	—	Fannie Mae Discount Notes	0.051%-0.142%	11/2/11	52.5	—
—	30.0	Federal Home Loan Bank Discount Notes....	0.162%	1/5/11	—	30.0
—	25.0	Federal Home Loan Bank Discount Notes....	0.162%	1/7/11	—	25.0
—	30.0	Federal Home Loan Bank Discount Notes....	0.172%	1/12/11	—	30.0
—	50.0	Federal Home Loan Bank Discount Notes....	0.183%	1/14/11	—	50.0
—	30.0	Federal Home Loan Bank Discount Notes....	0.177%	1/19/11	—	30.0
—	15.8	Federal Home Loan Bank Discount Notes....	0.157%	1/20/11	—	15.8
—	30.0	Federal Home Loan Bank Discount Notes....	0.177%	1/21/11	—	30.0
—	36.4	Federal Home Loan Bank Discount Notes....	0.122%	1/26/11	—	36.4
—	50.0	Federal Home Loan Bank Discount Notes....	0.157%-0.172%	1/28/11	—	50.0
—	39.1	Federal Home Loan Bank Discount Notes....	0.167%-0.178%	2/2/11	—	39.1
—	30.0	Federal Home Loan Bank Discount Notes....	0.167%	2/4/11	—	30.0
—	20.1	Federal Home Loan Bank Discount Notes....	0.157%	2/9/11	—	20.1
—	47.0	Federal Home Loan Bank Discount Notes....	0.147%	2/16/11	—	47.0
—	41.4	Federal Home Loan Bank Discount Notes....	0.157%-0.183%	2/18/11	—	41.4
—	35.4	Federal Home Loan Bank Discount Notes....	0.183%	2/23/11	—	35.4
—	25.0	Federal Home Loan Bank Discount Notes....	0.188%	2/25/11	—	25.0
—	32.8	Federal Home Loan Bank Discount Notes....	0.162%	3/9/11	—	32.8
—	27.7	Federal Home Loan Bank Discount Notes....	0.162%	3/11/11	—	27.7
—	25.0	Federal Home Loan Bank Discount Notes....	0.162%	3/16/11	—	25.0
—	23.8	Federal Home Loan Bank Discount Notes....	0.178%	4/15/11	—	23.8

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(Dollar values shown in millions)

<u>Principal</u>		<u>Issuer</u>	<u>Yield⁽⁴⁾</u>	<u>Maturity Date</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>				<u>2011</u>	<u>2010</u>
\$ —	\$ 16.1	Federal Home Loan Bank Discount Notes....	0.178%	4/29/11	\$ —	\$ 16.1
—	20.0	Federal Home Loan Bank Discount Notes....	0.211%	5/6/11	—	20.0
—	31.8	Federal Farm Credit Bank Discount Notes ...	0.172%	5/9/11	—	31.8
—	100.0	Federal Home Loan Bank Discount Notes....	0.217%	8/12/11	—	100.0
36.7	—	Federal Home Loan Bank Discount Notes....	0.041%	10/5/11	36.7	—
38.4	—	Federal Home Loan Bank Discount Notes....	0.051%	10/7/11	38.4	—
43.0	—	Federal Home Loan Bank Discount Notes....	0.041%	10/21/11	43.0	—
15.7	—	Federal Home Loan Bank Discount Notes....	0.020%	11/2/11	15.7	—
10.0	—	Federal Home Loan Bank Discount Notes....	0.051%	11/4/11	10.0	—
36.1	—	Federal Home Loan Bank Discount Notes....	0.030%-0.051%	11/14/11	36.1	—
22.5	—	Federal Home Loan Bank Discount Notes....	0.030%	11/16/11	22.5	—
62.5	—	Federal Home Loan Bank Discount Notes....	0.020%-0.046%	11/18/11	62.4	—
6.7	—	Federal Home Loan Bank Discount Notes....	0.020%	11/23/11	6.7	—
20.5	—	Federal Home Loan Bank Discount Notes....	0.015%	12/7/11	20.5	—
46.4	—	Federal Home Loan Bank Discount Notes....	0.046%-0.152%	12/14/11	46.4	—
50.0	—	Federal Home Loan Bank Discount Notes....	0.025%-0.030%	12/16/11	50.0	—
5.8	—	Federal Home Loan Bank Discount Notes....	0.030%	12/23/11	5.8	—
11.5	—	Federal Home Loan Bank Discount Notes....	0.071%	2/17/12	11.5	—
7.2	—	Federal Home Loan Bank Discount Notes....	0.071%	2/24/12	7.2	—
16.1	—	Federal Home Loan Bank Discount Notes....	0.112%	3/7/12	16.1	—
20.0	—	Federal Home Loan Bank Discount Notes....	0.164%	1/13/12	20.0	—
—	45.9	Freddie Mac Discount Notes.....	0.157%-0.162%	1/3/11	—	45.9
—	82.7	Freddie Mac Discount Notes.....	0.183%	1/10/11	—	82.7
—	28.0	Freddie Mac Discount Notes.....	0.152%	1/25/11	—	28.0
—	28.2	Freddie Mac Discount Notes.....	0.172%	1/31/11	—	28.1
—	18.1	Freddie Mac Discount Notes.....	0.142%	2/22/11	—	18.1
—	49.4	Freddie Mac Discount Notes.....	0.162%-0.178%	3/7/11	—	49.4
—	26.7	Freddie Mac Discount Notes.....	0.162%	3/14/11	—	26.7
—	14.9	Freddie Mac Discount Notes.....	0.172%	3/21/11	—	14.9
—	24.6	Freddie Mac Discount Notes.....	0.183%	4/18/11	—	24.6
—	10.1	Freddie Mac Discount Notes.....	0.193%	4/19/11	—	10.1
—	50.0	Freddie Mac Discount Notes.....	0.133%-0.137%	11/9/11	—	49.9
15.0	—	Freddie Mac Discount Notes.....	0.051%	11/14/11	15.0	—
52.6	—	Freddie Mac Discount Notes.....	0.020%-0.081%	11/7/11	52.6	—
50.0	—	Freddie Mac Discount Notes.....	0.143%-0.147%	11/9/11	50.0	—
19.8	—	Freddie Mac Discount Notes.....	0.117%	10/17/11	19.8	—
9.9	—	Freddie Mac Discount Notes.....	0.071%	10/19/11	9.9	—
13.4	—	Freddie Mac Discount Notes.....	0.041%	11/3/11	13.4	—
50.0	—	Freddie Mac Discount Notes.....	0.051%	11/10/11	50.0	—
45.2	—	Freddie Mac Discount Notes.....	0.020%-0.061%	11/21/11	45.2	—
25.0	—	Freddie Mac Discount Notes.....	0.020%	11/22/11	25.0	—
50.0	—	Freddie Mac Discount Notes.....	0.107%	11/28/11	50.0	—
51.6	—	Freddie Mac Discount Notes.....	0.046%-0.061%	12/5/11	51.6	—
25.0	—	Freddie Mac Discount Notes.....	0.081%	12/12/11	25.0	—
9.6	—	Freddie Mac Discount Notes.....	0.035%	12/19/11	9.6	—
26.9	—	Freddie Mac Discount Notes.....	0.091%	12/20/11	26.9	—
31.3	—	Freddie Mac Discount Notes.....	0.152%	12/21/11	31.3	—
40.0	—	Freddie Mac Discount Notes.....	0.041%	12/27/11	40.0	—

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(Dollar values shown in millions)

<u>Principal</u>		<u>Issuer</u>	<u>Yield⁽⁴⁾</u>	<u>Maturity Date</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>				<u>2011</u>	<u>2010</u>
						(Unaudited)
\$ 22.1	\$ —	Freddie Mac Discount Notes.....	0.056%-0.076%	12/28/11	\$ 22.1	\$ —
20.0	—	Freddie Mac Discount Notes.....	0.051%	2/14/12	20.0	—
28.0	—	Freddie Mac Discount Notes.....	0.101%	2/21/12	28.0	—
5.5	—	Freddie Mac Discount Notes.....	0.091%	3/19/12	5.5	—
TOTAL GOVERNMENT AGENCY NOTES						
(Cost \$1,631.6 and \$1,484.7).....					\$1,631.7	\$1,484.8

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UNITED STATES TREASURY SECURITIES—5.06% and 7.22%

<u>Principal</u>		<u>Issuer</u>	<u>Yield⁽⁴⁾</u>	<u>Maturity Date</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>				<u>2011</u>	<u>2010</u>
					(Unaudited)	
\$ —	\$32.3	United States Treasury Bills	0.130%	1/13/11	\$ —	\$ 32.3
—	31.6	United States Treasury Bills	0.152%	1/27/11	—	31.6
—	32.4	United States Treasury Bills	0.129%	2/10/11	—	32.4
—	30.0	United States Treasury Bills	0.133%	2/17/11	—	30.0
—	30.0	United States Treasury Bills	0.140%	2/24/11	—	30.0
—	91.0	United States Treasury Bills	0.106%-0.137%	3/3/11	—	91.0
—	41.4	United States Treasury Bills	0.132%-0.178%	3/10/11	—	41.4
—	46.3	United States Treasury Bills	0.142%-0.163%	3/17/11	—	46.3
—	34.0	United States Treasury Bills	0.141%	3/24/11	—	34.0
—	30.0	United States Treasury Bills	0.147%	3/31/11	—	30.0
—	50.0	United States Treasury Bills	0.137%	4/7/11	—	50.0
—	38.2	United States Treasury Bills	0.148%-0.173%	4/14/11	—	38.1
—	30.0	United States Treasury Bills	0.133%-0.173%	4/21/11	—	30.0
—	25.0	United States Treasury Bills	0.173%	4/28/11	—	25.0
—	28.6	United States Treasury Bills	0.153%	5/5/11	—	28.6
—	55.0	United States Treasury Bills	0.162%-0.184%	5/12/11	—	55.0
—	49.2	United States Treasury Bills	0.190%-0.210%	5/19/11	—	49.2
—	47.1	United States Treasury Bills	0.170%-0.200%	5/26/11	—	47.1
—	0.2	United States Treasury Bills	0.061%-0.167%	6/9/11	—	0.2
—	19.3	United States Treasury Bills	0.137%-0.178%	6/16/11	—	19.3
—	4.3	United States Treasury Bills	0.168%-0.181%	6/23/11	—	4.3
68.4	—	United States Treasury Bills	0.020%-0.158%	10/20/11	68.4	—
66.9	—	United States Treasury Bills	0.053%-0.059%	10/6/11	66.9	—
47.4	—	United States Treasury Bills	0.052%-0.109%	10/13/11	47.4	—
50.0	—	United States Treasury Bills	0.041%	10/27/11	50.0	—
50.7	—	United States Treasury Bills	0.076%-0.089%	11/10/11	50.7	—
13.0	—	United States Treasury Bills	0.099%-0.107%	11/25/11	13.0	—
18.7	—	United States Treasury Bills	0.086%-0.101%	12/1/11	18.7	—
25.0	—	United States Treasury Bills	0.071%	12/22/11	25.0	—
9.6	—	United States Treasury Bills	0.015%	12/29/11	9.6	—
—	29.5	United States Treasury Notes	0.148%	2/28/11	—	29.5
—	50.8	United States Treasury Notes	0.174%-0.227%	3/31/11	—	50.9
—	21.5	United States Treasury Notes	0.245%	4/30/11	—	21.5
—	33.7	United States Treasury Notes	0.237%	6/30/11	—	33.8
—	30.4	United States Treasury Notes	0.267%	9/30/11	—	30.4
25.0	—	United States Treasury Notes	0.276%	12/15/11	25.1	—
50.0	—	United States Treasury Notes	0.259%	1/15/12	50.2	—
20.0	—	United States Treasury Notes	0.345%	2/15/12	20.1	—
15.0	—	United States Treasury Notes	0.078%	3/15/12	15.1	—
50.0	—	United States Treasury Notes	0.106%	6/15/12	50.5	—
47.3	—	United States Treasury Notes	0.156%	8/15/12	48.0	—
32.1	—	United States Treasury Notes	0.169%	10/31/11	32.1	—
11.5	—	United States Treasury Notes	0.024%	1/31/12	11.5	—

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<u>Principal</u>		<u>Issuer</u>	<u>Yield⁽⁴⁾</u>	<u>Maturity Date</u>	<u>Fair Value</u>	
<u>2011</u>	<u>2010</u>				<u>2011</u>	<u>2010</u>
						(Unaudited)
\$50.0	\$ —	United States Treasury Notes	0.200%	11/30/11	\$ 50.1	\$ —
30.6	—	United States Treasury Notes	0.138%	2/29/12	30.6	—
6.3	—	United States Treasury Notes	0.264%	3/31/12	6.3	—
53.4	—	United States Treasury Notes	0.101%-0.115%	5/31/12	53.6	—
11.1	—	United States Treasury Notes	0.119%	7/31/12	11.2	—
TOTAL UNITED STATES TREASURY SECURITIES						
(Cost \$754.0 and \$911.9)					\$754.1	\$911.9
TOTAL OTHER MARKETABLE SECURITIES						
(Cost \$2,385.6 and \$2,396.6)					\$ 2,385.8	\$ 2,396.7
TOTAL MARKETABLE SECURITIES						
(Cost \$3,279.0 and \$2,877.0)					\$ 3,198.8	\$ 2,892.0
TOTAL INVESTMENTS						
(Cost \$15,903.4 and \$14,549.4)					\$14,893.3	\$12,636.6

(1) The investment has a mortgage loan payable outstanding, as indicated in Note 8.

(2) The market value reflects the Account's interest in the joint venture and is net of debt.

(3) Properties within this investment are located throughout the United States.

(4) Yield represents the annualized yield at the date of purchase.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and notes contained in this report and with consideration to the sub-section entitled "Forward-Looking Statements," which begins below, and the section of the Account's Annual Report on Form 10-K for the year ended December 31, 2010 (the "Form 10-K") entitled "Item 1A. Risk Factors." The past performance of the Account is not indicative of future results.

Forward-Looking Statements

Some statements in this Form 10-Q which are not historical facts may be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about management's expectations, beliefs, intentions or strategies for the future, include the assumptions underlying these forward-looking statements, and are based on current expectations, estimates and projections about the real estate industry, domestic and global economic conditions, including conditions in the credit and capital markets, the sectors and markets in which the Account invests and operates, and the transactions described in this Form 10-Q. While management believes the assumptions underlying any of its forward-looking statements and information to be reasonable, such information may be subject to uncertainties and may involve certain risks which may be difficult to predict and are beyond management's control. These risks and uncertainties could cause actual results to differ materially from those contained in any forward-looking statement. These risks and uncertainties include, but are not limited to, the following:

- Acquiring and Owning Real Estate: The risks associated with acquiring and owning real property, including general economic and real estate market conditions, the availability of, and economic cost associated with, financing the Account's properties, the risk that the Account's properties become too concentrated (whether by geography, sector or by tenant mix), competition for acquiring real estate properties, leasing risk (including tenant defaults) and the risk of uninsured losses at properties (including due to terrorism and acts of violence);*
- Selling Real Estate: The risk that the sales price of a property might differ, perhaps significantly, from its estimated or appraised value, leading to losses or reduced profits to the Account, the risk that the Account might not be able to sell a property at a particular time for a price which management believes represents its fair or full value, the lack of availability of financing (for potential purchasers of the Account's properties), disruptions in the credit and capital markets, and the risk that the Account may be required to make significant expenditures before the Account is able to market and/or sell a property;*
- Valuation: The risks associated with property valuations, including the fact that appraisals can be subjective in a number of respects, the fact that the Account's appraisals are generally obtained on a quarterly basis and the fact that there may be periods in between appraisals of a property during which the value attributed to the property for purposes of the Account's daily accumulation unit value may be more or less than the actual realizable value of the property;*
- Borrowing: Risks associated with financing the Account's properties, including the risk of default on loans secured by the Account's properties or properties held in a joint venture in which the Account has an interest (which could lead to foreclosure), the risk associated with high loan to value ratios on the Account's properties (including the fact that the Account may have limited, or no net value in such a property), the risk that significant sums of cash could be required to make principal and interest payments on the loans and the risk that the Account may not have the ability to obtain financing or refinancing on favorable terms (or at all), which may be aggravated by general disruptions in credit and capital markets;*
- Participant Transactions and Cash Management: Investment risk associated with participant transactions, in particular that (i) significant net participant transfers out of the Account may impair our ability to pursue or consummate new investment opportunities that are otherwise attractive to the Account and/or may result in sales of real estate-related assets to generate liquidity and (ii) significant net participant transfers into the Account may result, on a temporary basis, in our cash holdings and/or*

holdings in liquid real estate- related investments exceeding the Account's long-term targeted holding levels;

- *Joint Venture Investments: The risks associated with joint venture partnerships, including the risk that a co-venturer may have interests or goals inconsistent with that of the Account, that a co-venturer may have financial difficulties, and the risk that the Account may have limited rights with respect to operation of the property and transfer of the Account's interest;*
- *Regulatory Matters: Uncertainties associated with environmental liability and regulations and other governmental regulatory matters such as zoning laws, rent control laws, and property taxes;*
- *Foreign Investments: The risks associated with purchasing, owning and disposing of foreign investments (primarily real estate properties), including political risk, the risk associated with currency fluctuations, regulatory and taxation risks and risks of enforcing judgments;*
- *Conflicts of Interest: Conflicts of interest associated with TIAA serving as investment manager of the Account and provider of the liquidity guarantee at the same time as TIAA and its affiliates are serving as an investment manager to other real estate accounts or funds, including conflicts associated with satisfying its fiduciary duties to all such accounts and funds associated with purchasing, selling and leasing of properties;*
- *Required Property Sales: The risk that, if TIAA were to own too large a percentage of the Account's accumulation units through funding the liquidity guarantee (as determined by the independent fiduciary), the independent fiduciary could require the sales of properties to reduce TIAA's ownership interest, which sales could occur at times and at prices that depress the sale proceeds to the Account;*
- *Government and Government Agency Securities: Risks associated with investment securities issued by U.S. government agencies and U.S. government-sponsored entities, including the risk that the issuer may not have their securities backed by the full faith and credit of the U.S. government, and that transaction activity may fluctuate significantly from time to time, which could negatively impact the value of the securities and the Account's ability to dispose of a security at a favorable time;*
- *Liquid Assets and Securities: Risks associated with investments in real estate-related liquid assets (which could include, from time to time, REIT securities and CMBS), and non-real estate-related liquid assets, including:*
 - *Financial/credit risk—Risks that the issuer will not be able to pay principal and interest when due or that the issuer's earnings will fall;*
 - *Market volatility risk—Risk that the changing conditions in financial markets may cause the Account's investments to experience price volatility;*
 - *Interest rate volatility risk—Risk that interest rate volatility may affect the Account's current income from an investment; and*
 - *Deposit/money market risk—Risk that the Account could experience losses if banks fail; and*
- *Other factors, including the risk factors discussed in "Item 1A. Risk Factors" in the Form 10-K.*

More detailed discussions of certain risk factors are also contained in this Form 10-Q including in the section entitled "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

Caution should be taken not to place undue reliance on management's forward-looking statements, which represent management's views only as of the date that this report is filed. Neither management nor the Account undertake any obligation to update publicly or revise any forward-looking statement, whether as a result of new information, changed assumptions, future events or otherwise.

ABOUT THE TIAA REAL ESTATE ACCOUNT

The TIAA Real Estate Account was established in February 1995 as a separate account of TIAA and interests in the Account were first offered to eligible participants on October 2, 1995. The Account offers individual and group accumulating annuity contracts (with contributions made on a pre-tax or after-tax basis), as well as individual lifetime and term-certain variable payout annuity contracts (including the

payment of death benefits to beneficiaries). Investors are entitled to transfer funds to or from the Account under certain circumstances. Funds invested in the Account for each category of contract are expressed in terms of units, and unit values will fluctuate depending on the Account's performance.

Investment Objective and Strategy

The Account seeks favorable long-term returns primarily through rental income and appreciation of real estate investments owned by the Account. 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.

Real Estate-Related Investments. The Account intends to have between 75% and 85% of its net assets invested directly in real estate or real estate-related investments with the goal of producing favorable long-term returns primarily through rental income and appreciation. These investments may consist of:

- Direct ownership interests in real estate,
- Direct ownership of real estate through interests in joint ventures,
- Indirect interests in real estate through real estate-related securities, such as:
 - real estate limited partnerships,
 - real estate investment trusts ("REITs"), which investments may consist of common or preferred stock interests,
 - investments in equity or debt securities of companies whose operations involve real estate (*i.e.*, that primarily own or manage real estate) which may not be REITs, and
 - conventional mortgage loans, participating mortgage loans, and collateralized mortgage obligations, including commercial mortgage-backed securities ("CMBS") and other similar investments.

The Account's principal strategy is to purchase direct ownership interests in income-producing real estate, primarily office, industrial, retail and multi-family residential properties. The Account is targeted to hold between 65% and 80% of the Account's net assets in such direct ownership interests at any time. Historically, over 70% of the Account's net assets have been comprised of such direct ownership interests in real estate.

In addition, while the Account is authorized to hold up to 25% of its net assets in liquid real estate-related securities, such as REITs and CMBS, management intends that the Account will not hold more than 10% of its net assets in such securities on a long-term basis. Historically, less than 10% of the Account's net assets have been comprised of interests in these securities. In particular, under the Account's current investment guidelines, the Account is authorized to hold up to 10% of its net assets in CMBS.

Non-Real Estate-Related Investments. The Account will invest the remaining portion of its assets (targeted to be between 15% and 25% of its net assets) in publicly-traded, liquid investments; namely:

- U.S. treasury securities,
- securities issued by U.S. government agencies or U.S. government sponsored entities,
- corporate debt securities,
- money market instruments, and
- stock of companies that do not primarily own or manage real estate.

However, from time to time (and most recently between late 2008 and mid 2010), the Account's non-real estate-related liquid investments may comprise less than 15% (and possibly less than 10%) of its assets (on a net basis and/or a gross basis), especially during and immediately following periods of significant net participant outflows, in particular due to significant participant transfer activity. In addition, the Account, from time to time and on a temporary basis, may hold in excess of 25% of its net assets in non-real estate-related liquid investments, particularly during times of significant inflows into the Account and/or there is a lack of attractive real estate-related investments available in the market.

Liquid Securities. Primarily due to management's need to manage fluctuations in cash flows, in particular during and immediately following periods of significant participant net transfer activity into or out of the Account, the Account may, on a temporary basis (i) exceed the upper end of its targeted holdings (currently 35% of the Account's net assets) in liquid securities of all types, including both publicly-traded non-real estate-related liquid investments and liquid real estate-related securities, such as REITs and CMBS, or (ii) be below the low end of its targeted holdings in such liquid securities (currently 15% of the Account's net assets).

- The portion of the Account's net assets invested in liquid investments of all types may exceed the upper end of its target, for example, if (i) the Account receives a large inflow of money in a short period of time, in particular due to significant participant transfer activity into the Account, (ii) the Account receives significant proceeds from sales of direct real estate assets, (iii) there is a lack of attractive direct real estate investments available on the market, and/or (iv) the Account anticipates more near-term cash needs, including to apply to acquire direct real estate investments, pay expenses or repay indebtedness.

Foreign Investments. The Account from time to time will 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. However, through the date of this Form 10-Q, such foreign real estate-related investments have never represented more than 7.5% of the Account's net assets and management does not intend such foreign investments to exceed 10% of the Account's net assets.

THIRD QUARTER 2011 U.S. ECONOMIC AND COMMERCIAL REAL ESTATE OVERVIEW

Commercial real estate market statistics discussed in this section are obtained by the Account from sources that management considers reliable, but some of the data are preliminary for the period ended September 30, 2011 and may be subsequently revised. Prior period data may have been adjusted to reflect updated calculations. Investors should not rely exclusively on the data presented below in forming a judgment regarding the current or prospective performance of the commercial real estate market generally.

The Account invests primarily in high-quality, core commercial real estate in order to meet its investment objective of obtaining favorable long-term returns through rental income and the appreciation of its real estate holdings. The Account does not directly invest in either single-family residential real estate, nor does it currently invest in residential mortgage-backed securities, although it may invest in such securities in the future.

Economic and Capital Markets Overview and Outlook

The U.S. economy generally remained sluggish during the third quarter of 2011, but the pace of economic growth increased modestly. The Bureau of Economic Analysis's advance estimate of Gross Domestic Product ("GDP") in the third quarter of 2011 improved to 2.5%, as compared to 1.3% in the second quarter of 2011 and 0.4% in the first quarter of 2011. Economic activity in the third quarter was hampered by domestic factors, including the negative impacts of the downgrade of U.S. government debt following the impasse over debt ceiling negotiations, and global factors, particularly the ongoing sovereign debt crisis in Europe. As Federal Reserve Chairman Ben Bernanke noted in his October 4, 2011 speech before the Joint Economic Committee, U.S. Congress, the recovery since the financial crisis has been extremely weak, with economic output still below the aggregate level generated before the crisis. Chairman Bernanke observed that more sluggish growth in the first half of the year was attributable in large part to temporary factors that were expected to fade; however, "...incoming data suggest that other, more persistent factors also continue to restrain the pace of recovery." These factors include cautious household spending, an extremely weak job market, a depressed housing market, lingering stress from the global financial crisis, and the drag from layoffs and spending cuts by the government sector. The Federal Open Market Committee ("FOMC") now expects a slower pace of economic growth over coming quarters than it previously did at the time of its June 2011 meeting, when its last economic forecasts were provided.

In the same October 4, 2011 speech, Chairman Bernanke observed that there have been many positive developments since the financial crisis started some three years ago. These include the improved functioning of the U.S. financial and banking system, a 15% rise in manufacturing production since its recessionary trough, a decline in the trade deficit, continued business investment in equipment and software, and sizeable

productivity gains in a number of industries. Still, the recovery since the crisis has been far less robust than was expected. Employment growth, in particular, has been anemic. U.S. employment grew by 287,000 during the third quarter of 2011, which was virtually identical to the 290,000 increase in the second quarter, but well short of the 497,000 gain in the first quarter of 2011. The unemployment rate remains stuck at 9.1% as the pace of job growth is not sufficient to absorb both new entrants into the labor force and the currently unemployed. Tepid job growth, in turn, has resulted in lackluster consumer spending which accounts for approximately 70% of economic activity.

The housing market continues to be another drag on the economy. While home prices appear to be stabilizing and the inventory of available homes is being worked down slowly, the downturn in home prices has eliminated trillions of dollars in household wealth and undermined consumer confidence. Academic studies estimate that consumer spending in 2010 was approximately \$240 billion lower than it would have been as a result of the decline in home values over the 2005-2009 period. Residential construction, which has historically provided a boost to the economy following a recession, is currently at a historic low, given current market conditions.

Prospects for an increase in consumer spending have also been dampened by recent stock market volatility resulting from the escalation of Europe's sovereign debt crisis. Investors have become skittish that a potential default by Greece could trigger defaults by Ireland and Portugal and even Italy or Spain. Sovereign defaults, in turn, would likely result in sizeable losses at many European banks which hold significant amounts of European government debt. The tepid response of the European Central Bank also fanned investor fears as did the wavering support of the German and French governments plans to provide the necessary capital for a bailout fund. In late October, a new rescue plan was announced in which banks and insurers agreed to take a 50% loss on Greek bond holdings, the European Financial Stability Facility was leveraged to increase its bailout capacity to 1 trillion euros, and measures were implemented to recapitalize European banks. However, full details still need to be worked out, and the ongoing support of Germany, France, and other Eurozone members will be required. While Europe's troubles thus far have had only an indirect negative effect on the U.S. economy through weakened household and business confidence, 72% of economists surveyed as part of the October 1 Blue Chip Financial Forecast publication believe that spillover effects from the European crisis pose the biggest threat to continued growth in the U.S. economy in the coming year.

Uncertainties about the global economy and particularly the European sovereign debt crisis resulted in sizeable declines in global equity markets during the third quarter. The Dow Jones Industrial Average lost 13% in the third quarter of 2011, while the S&P 500 dropped 15%. The bond market was the primary beneficiary of investor skittishness and a new round of bond buying by the Federal Reserve, with the yield on the 10-year Treasury falling from 3.20% at the start of the quarter to under 2.00% at the end of the quarter. Gold and commodity prices, which had surged through the first half of the year, tumbled as evidence accumulated that the global economy was slowing.

In its September 21, 2011 statement, the FOMC observed that "there are significant downside risks to the economic outlook, including strains in global financial markets." Consequently, the FOMC reiterated its plans to keep the target range for the federal funds rate at 0 to $\frac{1}{4}$ percent and expects that economic conditions will warrant keeping the target rate at this level until mid-2013. The FOMC will also take steps to provide additional stimulus to the economy by purchasing \$400 billion of Treasuries with longer term maturities and selling an equal amount of securities with shorter maturities. "Operation Twist", which would be accomplished over an 18 month period, is expected to put downward pressure on long-term interest rates and thereby make broad financial conditions more supportive of economic growth. Shortly after the announcement, yields on 10-year Treasuries fell below 2% but have since ticked up to around 2.25% which is still very low by historic standards. Many private sector economists are skeptical that Operation Twist will provide a substantial economic boost given the already low interest rate environment.

Economists have also begun cutting their forecasts for the U.S. economy. A primary concern is that the extremely fragile nature of the recovery makes the economy particularly vulnerable to exogenous shocks and/or policy mistakes that could trigger a recession. The consensus of economists surveyed as part of the October 1 Blue Chip Financial Forecast publication puts the odds of recession by the end of 2011 at 35%. However, most of these same economists continue to believe that the U.S. economy will not fall into recession but will continue on its slow growth path into 2012. While sub-par growth is expected, improvement in the U.S. economy is expected over the course of 2012.

Election year politics could impact upcoming negotiations on the \$1.5 trillion in additional budget cuts that were mandated by the debt ceiling compromise along with job bill proposals, proposals to extend unemployment benefits and other long-standing issues like Social Security. As Chairman Bernanke observed in his October 4, 2011 testimony, there is a need to put in place a credible plan for reducing future federal budget deficits over the longer term that does not impede the economic recovery in the short term: "In sum, the nation faces difficult and fundamental fiscal choices, which cannot be safely or responsibly postponed." However, an election year is an especially challenging time to fully address issues of this magnitude.

Recent trends in key economic indicators are summarized in the table below. Evidence of the slowdown in economic activity is apparent in the sluggish GDP and employment growth over the course of 2011. The meager gains in employment, particularly compared with the fourth quarter of 2010 and the first quarter of 2011 are especially noteworthy. Note, however, that growth of private sector payrolls (not shown below) was stronger, with a gain of 352,000 in the third quarter of 2011, 415,000 in the second quarter and 574,000 in the first quarter of 2011. Employment cuts by state and local governments, and more recently, the federal government, have measurably reduced overall employment growth. The unemployment rate remained at 9.1% in September, but economists expect it to decline gradually over the course of 2012. Forecasts for 2012 indicate that U.S. employment is expected to grow by 1.0 to 1.6 million, or around 335,000 to 525,000 per quarter. This relatively wide range of 2012 forecast employment growth is indicative of the uncertain economic outlook, with forecast outcomes predicated on key assumptions on interest rates, government policy initiatives, and the like.

Economic Indicators*

	2010	2010Q4	2011Q1	2011Q2	2011Q3	Forecast	
						2011	2012
Economy⁽¹⁾							
Gross Domestic Product (GDP)	3.0%	2.3%	0.4%	1.3%	2.5%	1.7%	2.0%
Employment Growth (Thousands)	940	416	497	290	287	1,200-1,400	1,000-1,600
Interest Rates⁽²⁾							
10 Year Treasury	3.21%	2.86%	3.46%	3.21%	2.43%	2.80%	2.60%
Federal Funds Rate.....	0.0-0.25%	0.0-0.25%	0.0-0.25%	0.0-0.25%	0.0-0.25%	0.0-0.25%	0.0-0.25%

Sources: BEA, BLS, Federal Reserve, Blue Chip Consensus Forecasts, and Moody's Analytics

* Data subject to revision

⁽¹⁾ GDP growth rates are annual rates.

⁽²⁾ The Treasury rates are an average over the stated time period. The Federal Funds rates are as of the end of the stated time period.

N/A indicates data not available.

Other indicators of U.S. economic activity, including those summarized in the table below, highlight the modest growth of the U.S. economy. Retail sales increased during the third quarter of 2011; however, consumers are becoming more cautious according to anecdotal reports from major retailers. The housing market continues to limp along with existing home sales declining 3.0% in September and median home prices (not shown) down 3.5% compared with September 2010. While mortgage interest rates are very attractive, realtors believe that tight underwriting standards and lagging appraisal values have curtailed sales.

Broad Economic Indicators*

	Full Year		July 2011	Aug. 2011	Sep. 2011
	2009	2010			
% Change from prior month or year					
Inflation (Consumer Price Index)	-0.4%	1.6%	0.5%	0.4%	0.3%
Retail Sales (excl. auto, parts & gas)	-2.9%	4.2%	0.3%	0.5%	0.5%
Existing Home Sales	4.9%	-4.8%	-3.5%	8.4%	-3.0%
New Home Sales	-22.9%	-13.9%	-2.0%	-0.3%	5.7%
Single-family Housing Starts	-28.5%	5.9%	-4.2%	-2.8%	1.7%
Annual or Monthly Average					
Unemployment Rate	9.3%	9.6%	9.1%	9.1%	9.1%

* Data subject to revision

Inflation is the year-over-year percentage change in the unadjusted annual average.

Sources: Census Bureau, Bureau of Labor Statistics, National Association of Realtors, Moody's Analytics

The October 19, 2011 Beige Book reported that economic activity continued to expand in all twelve Federal Reserve Districts (“Districts”) since the September 7, 2011 report. However, many Districts reported the pace of growth as “modest” or “slight”, with weaker or less certain outlooks for business conditions being noted. Consistent with recently released economic data, consumer spending was up slightly in most Districts. Similarly, business spending increased at a modest rate, but many Districts noted restraint in hiring and capital spending. Manufacturing activity generally continued to expand, and particularly in Districts involved in the production of autos and other transportation-related equipment. A few Districts reported slight improvement in construction and real estate activity. Residential real estate conditions remained exceptionally weak though rental demand continued to rise in a number of Districts. Commercial real estate construction also remained weak, but increased leasing activity and an increase in demand for distribution facilities was noted in several Districts. In short, regional reports provided confirmation of the moderation in economic activity that continued during the third quarter of 2011.

The general consensus of both public and private economists is that economic activity will gain strength over the course of 2012. There is a wide range of views as to how strong economic activity will be in 2012, but a pickup in growth is expected as forces which slowed economic activity in the first half of 2011 dissipate. Monetary policy initiatives should provide additional support by improving credit availability and boosting consumer and business confidence. Considerable downside risk remains from a variety of factors including the desire of businesses and households to reduce overall debt levels rather than increase spending, the negative effects of greater than expected fiscal tightening by the federal government, and detrimental spillover effects from a worsening of the European debt crisis. Nonetheless, most economists expect the economy to continue on its slow growth path during 2012. The consensus of economists surveyed as part of the October 1 Blue Chip Financial Forecast publication is for U.S. GDP to grow at a 2.0% rate during the fourth quarter of 2011 and to be followed by growth of 2.0%, 2.3%, 2.6% and 2.8% in the subsequent quarters of 2012. Similarly, the consensus of Blue Chip economists is for employment growth to average a meager 80,000 over each of the last four months of 2011 but to grow to grow by an average of 130,000 per month in all of 2012. While GDP and employment growth of this magnitude would be historically weak compared with other post-recession periods, it would provide support for further improvement in commercial real estate market conditions over the course of 2012.

Real Estate Market Conditions and Outlook

Commercial real estate market statistics discussed in this section are obtained by the Account from sources that Management considers reliable, but some of the data are preliminary for the quarter ended September 30, 2011 and may subsequently be revised. Prior period numbers may have been adjusted to reflect updated data. Industry sources such as CB Richard Ellis Economic Advisors calculate vacancy based on square footage. Except where otherwise noted, the Account’s vacancy data is calculated as a percentage of net rentable space leased, weighted by square footage, in keeping with industry standards. Investors should not rely exclusively on the data presented below in forming a judgment regarding the current or prospective performance of the real estate market generally.

Commercial real estate investment activity remained healthy during the third quarter of 2011; however, there were anecdotal reports that leasing activity moderated in the latter part of the quarter as concerns about the global economy and sovereign debt crisis increased. Nonetheless, commercial real estate fundamentals remained largely steady, except in the apartment market where increased demand and solid rent growth were reported in markets across the country. Improvements in office, industrial and retail market conditions were more modest, but still noteworthy given the lackluster economy. Given the modest economic growth, commercial real estate fundamentals could soften in the coming quarters since the commercial real estate industry tends to lag broader economic trends.

Commercial property sales activity remained healthy in the third quarter but it also tapered off in the latter part of the quarter as concerns grew about the cooling of the global economy. According to Real Capital Analytics (“RCA”), sales of office, industrial, retail and apartment properties totaled \$50 billion in the third quarter of 2011, up 38% from the third quarter of 2010 but down 14% compared to the second quarter of 2011. The sales growth rate moderated in each month during the quarter as investor concerns grew, but cap rates and prices held firm according to RCA, and particularly for high quality properties. Sales volume through the first three quarters of 2011 totaled \$140 million, which already exceeds the full year total for 2010. The office and apartment sectors continued to be the most active, with investor interest

concentrated on major markets such as Washington DC, New York, Boston, San Francisco and Los Angeles. RCA notes that sales activity in some secondary markets also picked up as investors broadened their geographical targets.

The moderation in economic and sales activity was reflected in Green Street Advisors' Commercial Property Price Index ("CPPI"). The CPPI, which is based on sales transactions and weighted by property value such that the larger properties have a proportionally larger impact on the index, increased 1% in the third quarter of 2011 as compared with a 5% increase in the second quarter of 2011. The slowdown in momentum was evident in August and September when the CPPI registered no increase. Commercial property prices as measured by the index have recovered much of the decline experienced during the 2007-2009 downturn; however, prices are still some 10% below their August 2007 highs. According to Green Street, three factors are responsible for the rebound in prices: (1) plunging return hurdles across most asset classes; (2) a dearth of distressed sellers; and (3) a quicker than expected rebound in fundamentals in some major property sectors.

Asset values continued to rise in the third quarter of 2011, contributing to healthy total returns for the commercial property sector. For the four quarter period ending September 30, 2011, NCREIF Property Index ("NPI") returns were 16.1%, consisting of a 6.3% income return and a 9.4% capital return. By comparison, returns for the four quarter period ending June 30, 2011 were 16.7%. Returns have now been positive across the four major property types for seven consecutive quarters.

Data for the Account's top five markets in terms of market value as of September 30, 2011 are provided below. These markets represent 43.4% of the Account's total real estate portfolio. The Account's top five markets were unchanged compared with the second quarter. Occupancies fell below 90% in both Washington, DC and San Francisco due to the relocation of two large tenants from the Account's office buildings in those markets.

Metropolitan Area	Account % Leased Market Value Weighted*	# of Property Investments	Metro Areas as a % of Total Real Estate Portfolio	Metro Area as a % of Total Investments
Washington-Arlington- Alexandria DC-VA-MD-WV	84.8%	9	14.1%	10.7%
New York-Wayne-White Plains NY-NJ	97.9%	5	9.1%	7.0%
Boston-Quincy MA	90.3%	5	7.5%	5.8%
Los Angeles-Long Beach-Glendale CA	91.1%	8	6.5%	5.0%
San Francisco-San Mateo-Redwood City CA....	80.9%	4	6.1%	4.7%

* Weighted by market value, which differs from the calculations provided for market comparisons to CBRE-EA data and are used here to reflect the fair market value of the Account's monetary investments in those markets.

Office

According to CB Richard Ellis Economic Advisors ("CBRE-EA"), the national office vacancy rate was 16.2% in the third quarter of 2011, which was unchanged from the second quarter of 2011. The vacancy rate had declined in the prior four consecutive quarters as a result of the improving national economy but held steady during the third quarter as a result of the moderation in economic activity. By comparison, the vacancy rate for the Account's office portfolio remained well below the national average but increased to 12.8% as of the third quarter of 2011 as compared with 10.3% in the second quarter of 2011. As shown in the table below, the vacancy rate of properties owned by the Account in three of its top five office markets—Boston, Seattle and Houston—declined and remained well below their respective market averages. The vacancy rate of the Account's properties in its top market, Washington DC, increased to 18.3% as the result of a relocation by a large tenant in one of the Account's properties. The recently vacated space is currently being marketed to new tenants with proposals out for approximately one-third of the space. Similarly, the vacancy rate of the Account's properties in San Francisco jumped to 21.5% in the third quarter from 6.2% in the second quarter due to the loss of a large tenant. The recently vacated space is being marketed with negotiations underway to re-lease a large portion of the space to a new tenant.

Sector	Metropolitan Area	Total Sector by Metro Area (\$M)	% of Total Investments	Account Weighted Average Vacancy		Metropolitan Area Vacancy*	
				2011Q3	2011Q2	2011Q3	2011Q2
Office	Account/Nation			12.8%	10.3%	16.2%	16.2%
1	Washington-Arlington- Alexandria DC-VA-MD-WV	\$1,276.8	8.6%	18.3%	6.4%	13.2%	13.3%
2	Boston-Quincy MA	\$ 832.6	5.6%	10.5%	12.1%	13.0%	13.1%
3	San Francisco-San Mateo-Redwood City CA	\$ 613.7	4.1%	21.5%	6.2%	11.7%	12.0%
4	Seattle-Bellevue-Everett WA	\$ 524.1	3.5%	8.7%	10.2%	15.9%	15.8%
5	Houston-Sugar Land-Baytown TX	\$ 416.4	2.8%	4.7%	6.2%	15.1%	15.3%

* Source: CBRE-EA. Vacancy is defined as the percentage of space vacant. The Account's vacancy is defined as the weighted percentage of unleased space.

The Account's results for the third quarter of 2011 are largely consistent with the moderation in office market conditions at the national level. Demand for office space is driven largely by job growth in the financial and professional and business services sectors. During the third quarter of 2011, the financial sector shed 6,000 jobs after a loss of 2,000 jobs in the second quarter of 2011. Banks and financial firms have been paring payrolls largely because of pending regulatory changes that will be instituted as a result of the financial crisis, and several major banks have announced layoffs after third quarter earnings fell far short of Wall Street's estimates. The professional and business services sector continued to expand in the third quarter, albeit at a still modest pace, adding 125,000 jobs in the quarter, following a gain of 102,000 in the second quarter of 2011. Further improvement in office market conditions depends upon an increase in office employment.

While office employment growth is the primary driver of aggregate demand for space, the leasing activity that occurs each quarter is to a large extent a function of the expiration of leases signed in prior years, which in turn constitute a second source of demand for vacant space. In the current economic and market environment, many companies are looking for opportunities to upgrade their space and plan for the long term as leases expire, but they are often leasing less space in order to reduce overhead costs. Similarly, many companies are moving from older, less efficient buildings to newer, technologically functional buildings where they are able to reduce their space requirements by reducing the average square feet per employee and eliminating or reducing the amount of meeting rooms and common space. This reevaluation of space needs has presented tenants with options: relocate to space in other buildings but incur the time and physical expense of moving or renew leases at existing buildings, thereby, saving moving costs and upheaval, but enduring the period of construction required to upgrade space. Class A buildings have been the primary beneficiaries of a "flight to quality". The Account's investments in a number of major markets are well positioned to benefit from this trend; however, two of the Account's buildings in Washington, DC and San Francisco have lost large tenants which moved to new buildings in order to avoid the disruption from retrofitting existing space.

Industrial

Conditions in the industrial market are influenced to a large degree by growth in GDP, industrial production and international trade flows. After nine consecutive quarters of GDP growth, a 5.1% increase in industrial production during the third quarter of 2011, and a rebound of global trade flows, U.S. industrial market conditions continued to improve, particularly in coastal markets where global trade activity is centered. During the third quarter of 2011, the national industrial availability rate declined for the fourth consecutive quarter to 13.7% as compared to 13.9% in the second quarter of 2011. By comparison, the vacancy rate for the Account's industrial property portfolio declined to an average of 4.9% in the third quarter of 2011 as compared with 6.8% in the second quarter of 2011. The vacancy rate of the Account's properties in four of its top five industrial markets remained well below their respective market averages. The vacancy rate of the Account's properties in Los Angeles increased to 12.1% from 8.8% in the second quarter due to the relocation of a medium sized tenant.

Sector	Metropolitan Area	Total Sector by Metro Area (\$M)	% of Total Investments	Account Weighted Average Vacancy		Metropolitan Area Availability*	
				2011Q3	2011Q2	2011Q3	2011Q2
Industrial	Account/Nation			4.9%	6.8%	13.7%	13.9%
1	Riverside-San Bernardino- Ontario CA	\$459.3	3.1%	5.0%	3.5%	12.1%	12.5%
2	Dallas-Plano-Irving TX	\$191.6	1.3%	1.3%	1.3%	15.3%	15.3%
3	Fort Lauderdale-Pompano Beach-Deerfield Beach FL	\$152.4	1.0%	3.9%	6.9%	13.9%	13.9%
4	Chicago-Naperville-Joliet IL	\$119.4	0.8%	3.7%	3.7%	15.4%	15.8%
5	Los Angeles-Long Beach- Glendale CA	\$ 99.1	0.7%	12.1%	8.8%	6.8%	7.3%

* Source: CBRE-EA. Availability is defined as the percentage of space available for rent. Account vacancy is defined as the weighted percentage of unleased space.

Multi-Family

Apartment markets tightened further during the third quarter of 2011. The national vacancy rate declined to an average of 5.1% in the third quarter of 2011 as compared to 5.8% in the third quarter of 2010. Year-over-year comparisons are necessary to account for seasonal leasing patterns. Effective rents, which include concessions such as free rent, increased in virtually all markets tracked by CBRE-EA. The improvement in market conditions has been due to a combination of a decline in home-ownership rates as a result of the housing crisis and an increase in household formations as a result of modest job growth. Consistent with conditions at the national level, the vacancy rate of the Account's multi-family portfolio remained low at an average of 2.7% in the third quarter of 2011 versus 2.3% in the second quarter of 2011. As shown in the table below, the average vacancy rate for the Account's properties in most of the top apartment markets increased slightly in the third quarter, but all remained low compared to their respective market averages.

Sector	Metropolitan Statistical Area	Total Sector by Metro Area (\$M)	% of Total Investments	Account Weighted Average Vacancy		Metropolitan Area Vacancy*	
				2011Q3	2011Q2	2011Q3	2011Q2
Apartment	Account/Nation			2.7%	2.3%	5.1%	5.8%
1	New York-Wayne-White Plains NY-NJ	\$367.0	2.5%	2.0%	0.9%	4.0%	5.4%
2	Washington-Arlington-Alexan- dria DC-VA-MD-WV	\$242.7	1.6%	5.3%	3.2%	3.9%	3.8%
3	Houston-Bay Town-Sugar Land TX	\$241.1	1.6%	2.8%	2.3%	8.5%	8.8%
4	Denver-Aurora CO	\$239.2	1.6%	2.1%	0.6%	4.7%	4.6%
5	Atlanta-Sandy Springs-Marietta GA	\$133.7	0.9%	2.0%	2.8%	9.0%	9.0%

* Source: CBRE-EA. Vacancy is defined as the percentage of units vacant. The Account's vacancy is defined as the weighted percentage of unleased units.

Retail

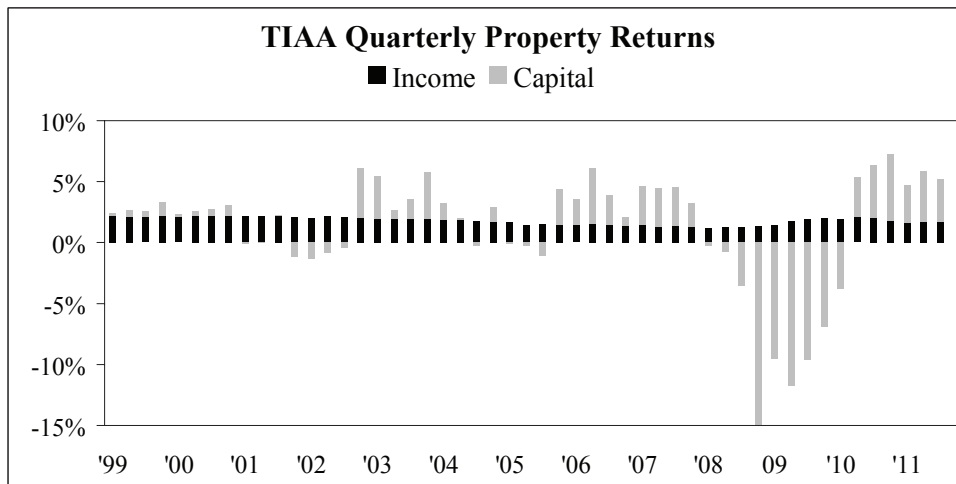
Retail market conditions continued to reflect softness in consumer spending due to job worries, persistently high unemployment and stagnant home prices. Preliminary data from the U.S. Census Bureau indicate that retail sales excluding motor vehicles and parts increased 1.1% in the third quarter of 2011 over

the second quarter of 2011, and 8.1% over the third quarter of 2010. Availability rates in neighborhood and community centers averaged 13.2% in the third quarter of 2011, unchanged from the second quarter of 2011, as retailers remained cautious about opening new stores given the modest growth in retail sales. Additionally, Gap announced plans to close 20% of its Gap stores, and it is possible that other retail chains will close underperforming stores if retail sales remain soft, which could cause retail availability rates to rise. Contrary to trends at the national level, the vacancy rate for the Account's retail portfolio declined to 8.9% during the third quarter of 2011 as compared with 10.8% in the second quarter of 2011. The vacancy rate of the Account's retail portfolio is well below-average, and the portfolio vacancy rate has now declined for three consecutive quarters.

Outlook

Despite continued moderation in the U.S. and global economic activity, commercial real estate market conditions improved modestly in the third quarter of 2011. Similarly, commercial property values and returns remained healthy but did not increase compared to the second quarter. Recent softness in the economy coupled with European debt concerns provide a somewhat uncertain backdrop for commercial real estate as business leaders require a clearer picture of their business prospects when making long-term space decisions. Indeed, anecdotal reports from local market contacts indicate that corporate leasing decisions now typically involve both extended negotiations and an extended timeframe for completion. Small business owners are acting with greater speed but are still highly rate sensitive. While activity slowed in the third quarter of 2011, aggregate leasing velocity has increased in most markets over the first three quarters of 2011 as compared with the first three quarters of 2010. We believe leasing is likely to remain modest during the last quarter of 2011 given the uncertain economic outlook, but if economic conditions do strengthen over the course of 2012 as economists expect, commercial real estate fundamentals could see further improvement. If economic growth does not strengthen, commercial real estate fundamentals could weaken as businesses postpone leasing and expansion decisions. Nonetheless, moderate economic growth in combination with minimal construction has historically provided a favorable backdrop for the commercial real estate sector.

Management continued to implement its strategy to rebalance the property portfolio's geographic and property sector concentrations. During the third quarter of 2011, the Account acquired a lifestyle shopping center in a major California market and an industrial property in the South Florida market. The Account also disposed of two office buildings and a retail center in non-target markets and a self storage facility, which was part of a larger storage portfolio joint venture investment held by the Account. Management has also focused on maintaining the Account's income returns through aggressive property management and leasing in combination with expense management. Management believes that these activities in combination with the repositioning strategy implemented in 2010 and 2011 are consistent with the Account's objectives and positively benefited the Account's performance. As of the third quarter of 2011, the Account's commercial property holdings were 91.9% leased as compared with 91.6% as of the second quarter of 2011. During the third quarter of 2011, the Account's real estate assets experienced a 1.67% income return and a 3.49% capital return. As shown in the graph below, returns for the third quarter of 2011 were the sixth consecutive quarter of positive income and capital returns.



Participant inflows were positive over entire third quarter of 2011, but significant outflows occurred in early August which were correlated with the uncertain economic climate and stock market volatility during the month. Given recent market volatility and the uncertain macroeconomic environment, Management has heightened its focus on maintaining the Account's cash position at a level that is sufficient to fully support TIAA's liquidity guarantee. Investment activities will include the active pursuit of new investment acquisitions with a focus on direct, privately owned real estate, along with liquid real estate-related securities. Potential acquisitions will continue to be evaluated in the context of overall Account objectives, with an emphasis on industrial, retail, and multi-family properties in order to rebalance the Account's exposure to the office sector, which has declined through 2011 as a result of Management's strategic efforts. Ninety percent of all office assets are now located in target markets. Management believes that the combination of repositioning objectives, which started in 2010 and continued through the first three quarters of 2011, coupled with a disciplined and strategic acquisitions program in the final quarter of 2011, should position the Account to benefit from the ongoing improvement in commercial real estate market conditions and investors' focus on major metropolitan markets. While commercial property prices have increased measurably from their lows in the latter half of 2009, Management believes that properties can still be acquired at prices that represent reasonable value particularly in comparison to replacement cost. Emphasis will continue to be given to institutional quality properties that have a strong occupancy history and favorable tenant rollover schedules.

Investments as of September 30, 2011

As of September 30, 2011, the Account had total net assets of \$13.0 billion, a 20.1% increase from December 31, 2010. The increase of the Account's net assets as of September 30, 2011 as compared to December 31, 2010 was primarily caused by the appreciation in value of the Account's wholly owned real estate properties and those owned in joint venture investments, purchase of eight real estate investments, as well as net participant activity into the Account during the period.

As of September 30, 2011, the Account owned a total of 103 real estate property investments (92 of which were wholly owned, 11 of which were held in joint ventures). The real estate portfolio included 36 office property investments (four of which were held in joint ventures and one located in London, England), 26 industrial property investments (including one held in a joint venture), 23 apartment complexes, 16 retail property investments (including five held in joint ventures and one located in Paris, France), one 75% owned joint venture interest in a portfolio of storage facilities, and one fee interest encumbered by a ground lease. Of the 103 real estate property investments, 30 are subject to debt (including seven joint venture property investments).

The outstanding principal on mortgage loans payable on the Account's wholly owned real estate portfolio as of September 30, 2011 was \$1.9 billion. The Account's proportionate share of outstanding principal on mortgage loans payable within its joint venture investments was \$1.6 billion, which is netted against the underlying properties when determining the joint venture investments fair value presented on the Consolidated Statements of Investments. When the mortgage loans payable within the joint venture investments are considered, total outstanding principal on the Account's portfolio as of September 30, 2011 was \$3.5 billion, which represented a loan to value ratio of 21.3%. The Account currently has no Account-level debt.

Management believes that the Account's real estate portfolio is diversified by location and property type. The Account's largest investment, 1001 Pennsylvania Avenue located in Washington, DC, represented 5.8% of total real estate investments and 4.4% of total investments. As discussed in the Account's prospectus, the Account does not intend to buy and sell its real estate investments simply to make short-term profits, although proceeds from sales of real estate investments do play a role in the Account's cash management generally. Rather, the Account's general strategy in selling real estate investments is to dispose of those assets that management believes: (i) have either maximized in value, (ii) have underperformed or face deteriorating property-specific or market conditions, (iii) need significant capital infusions in the future, (iv) are appropriate to dispose of in order to remain consistent with its intent to diversify the Account by property type and geographic location, including to reallocate the Account's exposure to or away from certain property types in certain geographic locations; and/or (v) otherwise do not satisfy the investment objectives or strategy of the Account. The Account will reinvest any sale proceeds that management doesn't believe it will need to pay operating expenses, fund other obligations (such as debt obligations and funding

commitments under limited partnership agreements) or to meet redemption requests (e.g., cash withdrawals or transfers).

The following charts reflect the diversification of the Account's real estate assets by region and property type and list its ten largest investments. All information is based on the fair values of the investments at September 30, 2011.

Diversification by Fair Value⁽¹⁾

	<u>East</u>	<u>West</u>	<u>South</u>	<u>Midwest</u>	<u>Foreign⁽²⁾</u>	<u>Total</u>
Office.....	22.7%	15.8%	9.3%	0.4%	2.3%	50.5%
Apartment.....	6.8%	5.6%	4.9%	0.0%	0.0%	17.3%
Industrial.....	1.3%	6.7%	4.4%	1.2%	0.0%	13.6%
Retail.....	2.9%	2.8%	7.6%	0.1%	1.9%	15.3%
Other ⁽³⁾	3.0%	0.2%	0.1%	0.0%	0.0%	3.3%
Total	<u>36.7%</u>	<u>31.1%</u>	<u>26.3%</u>	<u>1.7%</u>	<u>4.2%</u>	<u>100.0%</u>

⁽¹⁾ Wholly-owned properties are represented at fair value and gross of any debt, while joint venture properties are represented at the net equity value.

⁽²⁾ Represents real estate investments in the United Kingdom and France.

⁽³⁾ Represents interest in Storage Portfolio investment and fee interest encumbered by a ground lease real estate investment.

Properties in the "East" region are located in: CT, DC, DE, KY, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

Properties in the "West" region are located in: AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Properties in the "South" region are located in: AL, AR, FL, GA, LA, MS, OK, TN, TX

Properties in the "Midwest" region are located in: IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI

Top Ten Largest Real Estate Investments

<u>Property Investment Name</u>	<u>City</u>	<u>State</u>	<u>Type</u>	<u>Value (\$M)^(a)</u>	<u>Property as a % of Total Real Estate Portfolio</u>	<u>Property as a % of Total Investments</u>
1001 Pennsylvania Avenue	Washington	DC	Office	655.2 ^(b)	5.75	4.40
Four Oaks Place	Houston	TX	Office	416.4	3.66	2.80
Fourth and Madison	Seattle	WA	Office	379.1 ^(c)	3.33	2.55
780 Third Avenue	New York City	NY	Office	336.1	2.95	2.26
DDR Joint Venture	Various	USA	Retail	331.7 ^(d)	2.91	2.23
99 High Street	Boston	MA	Office	329.5 ^(e)	2.89	2.21
50 Fremont	San Francisco	CA	Office	327.6 ^(f)	2.88	2.20
425 Park Avenue	New York	NY	Land	320.0	2.81	2.15
The Newbry	Boston	MA	Office	291.8	2.56	1.96
The Florida Mall	Orlando	FL	Retail	283.6 ^(g)	2.49	1.90

^(a) Value as reported in the September, 30, 2011 Statement of Investments. Investments owned 100% by the Account are reported based on fair value. Investments in joint ventures are reported at fair value and are presented at the Account's ownership interest.

^(b) This property investment is presented gross of debt. The value of the Account's interest less the fair value of leverage is \$218.4M.

^(c) This property investment is presented gross of debt. The value of the Account's interest less the fair value of leverage is \$149.3M.

^(d) This property is held in a 85% / 15% joint venture with Developers Diversified Realty Corporation ("DDR"), and consists of 41 retail properties located in 13 states and is presented net of debt with a fair value of \$999.5 million.

^(e) This property investment is presented gross of debt. The value of the Account's interest less the fair value of leverage is \$190.2M.

^(f) This property investment is presented gross of debt. The value of the Account's interest less the fair value of leverage is \$136.5M.

^(g) This property investment is a 50% / 50% joint venture with Simon Property Group, L.P., and is presented net of debt with a fair value of \$186.0 million.

As of September 30, 2011, the Account also held investments in real estate limited partnerships representing 2.0% of total investments, real estate-related marketable securities representing 5.5% of total investments, and U.S. Treasury securities and government agency notes representing 16.0% of total investments.

Results of Operations

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010

Performance

The Account's total return was 10.2% for the nine months ended September 30, 2011 as compared to 7.2% for the nine months ended September 30, 2010. The Account's performance during 2011 reflects an increase in the aggregate net asset value of the Account's real estate property investments, including investments owned in joint ventures and limited partnerships, income from property investments and marketable securities, and an increase in unrealized gains on investments.

The Account's annualized total returns (after expenses) over the one, three, five, and ten year periods ended September 30, 2011 were 16.4%, -7.8%, -2.1%, and 3.8%, respectively. As of September 30, 2011, the Account's annualized total return since inception was 5.6%.

The Account's total net assets increased to \$13.0 billion at September 30, 2011 from \$9.6 billion at September 30, 2010. The primary driver of this 35.5% increase was net participant activity into the Account and the appreciation of the Account's invested assets.

Net Investment Income

The table below shows the results of operations for the nine months ended September 30, 2011 and 2010 and the dollar and percentage changes for those periods (dollars in millions, unaudited).

	For the Nine Months Ended September 30,		Change	
	2011	2010	\$	%
INVESTMENT INCOME				
<i>Real estate income, net:</i>				
Rental income.....	\$657.9	\$652.0	\$ 5.9	0.9%
Real estate property level expenses and taxes:				
Operating expenses	164.8	163.4	1.4	0.9%
Real estate taxes.....	82.4	88.2	(5.8)	-6.6%
Interest expense.....	81.2	79.8	1.4	1.8%
Total real estate property level expenses and taxes	<u>328.4</u>	<u>331.4</u>	<u>(3.0)</u>	<u>-0.9%</u>
Real estate income, net	329.5	320.6	8.9	2.8%
Income from real estate joint ventures and limited partnerships	72.9	69.5	3.4	4.9%
Interest	2.8	2.1	0.7	33.3%
Dividends.....	12.6	1.1	11.5	N/M
TOTAL INVESTMENT INCOME	<u>417.8</u>	<u>393.3</u>	<u>24.5</u>	<u>6.2%</u>
<i>Expenses—Note 2:</i>				
Investment advisory charges	39.4	36.5	2.9	7.9%
Administrative charges	21.8	15.1	6.7	44.4%
Distribution charges	6.3	4.2	2.1	50.0%
Mortality and expense risk charges	4.5	3.1	1.4	45.2%
Liquidity guarantee charges	16.8	9.3	7.5	80.6%
TOTAL EXPENSES	<u>88.8</u>	<u>68.2</u>	<u>20.6</u>	<u>30.2%</u>
INVESTMENT INCOME, NET	<u>\$329.0</u>	<u>\$325.1</u>	<u>\$ 3.9</u>	<u>1.2%</u>

N/M – Not Meaningful

Real estate rental income increased \$5.9 million or 0.9% during the first nine months of 2011 as compared to the comparable period of 2010. The increase was directly related to the acquisitions discussed above offset by property dispositions during the first and third quarters.

Operating expenses increased during the first nine months of 2011 as compared to the comparable period of 2010 by \$1.4 million, or 0.9%. The increase was driven by property acquisitions during the year offset by property dispositions.

Real estate taxes decreased \$5.8 million or 6.6% during the first nine months of 2011 as compared to the comparable period of 2010. The decrease in real estate taxes is a result of lower tax assessments at various properties and property dispositions offset by current property acquisitions.

Interest expense increased \$1.4 million, or 1.8% during the first nine months of 2011 as compared to the comparable period of 2010. The increase was attributable to mortgage loans payable having higher interest rates during the first nine months of 2011 as compared to the comparable period of 2010, as a result of debt obligations added during the third quarter of 2010 having higher interest rates than the debt obligations repaid during the same quarter.

Income from real estate joint ventures and limited partnerships increased \$3.4 million or 4.9% during the first nine months of 2011 as compared to the comparable period of 2010. The increase was attributable to increased distributions from the joint ventures and limited partnerships as a result of increased revenues.

Dividend income was \$12.6 million for the first nine months of 2011, an increase of \$11.5 million from the comparable period of 2010. The increase in dividend income solely relates to the Account's increased investment in real estate related securities held throughout the year, \$813.0 million as of September 30, 2011 as compared to \$274.7 million as of September 30, 2010.

The Account's expenses increased \$20.6 million or 30.2% during the first nine months of 2011 as compared to the comparable period of 2010. The increase in Account level expenses was primarily due to the increase in the Account's net assets as of September 30, 2011 as compared to September 30, 2010. The Account's net assets were \$13.0 billion at September 30, 2011 as compared to \$9.6 billion as of September 30, 2010, a 35.5% increase in net assets. Investment advisory, administrative and distribution charges are costs charged to the Account associated with managing the Account. These costs are primarily fixed, but generally correspond to the level of assets under management. During the current year these fixed costs have risen at a slower pace than the Account's net assets. Mortality and expense risk charges increased as a result of higher net assets; however, the overall basis point charge to the Account has remained at five basis points of net assets. The increase in the liquidity guarantee charge was associated with the six basis point increase effective May 1, 2011. See *Note 2—Management Agreements and Arrangements* to the financial statements included herein for further discussion related to these expenses.

Net Realized and Unrealized Gains and Losses on Investments and Mortgage Loans Payable

The table below shows the net realized and unrealized gains and losses on investments and mortgage loans payable for the nine months ended September 30, 2011 and 2010 and the dollar and percentage changes for those periods (dollars in millions, unaudited).

	For the Nine Months Ended September 30,		Change	
	2011	2010	\$	%
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND MORTGAGE LOANS PAYABLE				
<i>Net realized gain (loss) on investments:</i>				
Real estate properties.....	\$ (71.4)	\$ (1.2)	\$ (70.2)	N/M
Real estate joint ventures and limited partnerships.....	(10.6)	(156.7)	146.1	-93.2%
Marketable securities.....	5.0	—	5.0	N/M
Net realized loss on investments	<u>(77.0)</u>	<u>(157.9)</u>	<u>80.9</u>	<u>-51.2%</u>
<i>Net change in unrealized appreciation (depreciation) on:</i>				
Real estate properties.....	775.4	273.0	502.4	184.0%
Real estate joint ventures and limited partnerships.....	236.5	218.2	18.3	8.4%
Marketable securities.....	(92.0)	(2.2)	(89.8)	N/M
Mortgage loans receivable.....	—	3.7	(3.7)	-100.0%
Mortgage loans payable.....	<u>(6.9)</u>	<u>(42.1)</u>	<u>35.2</u>	<u>-83.6%</u>
Net change in unrealized appreciation on investments and mortgage loans payable.....	<u>913.0</u>	<u>450.6</u>	<u>462.4</u>	<u>102.6%</u>
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND MORTGAGE LOANS PAYABLE.....	<u><u>\$836.0</u></u>	<u><u>\$ 292.7</u></u>	<u><u>\$543.3</u></u>	<u><u>185.6%</u></u>

N/M – Not Meaningful

Real estate properties:

During the first nine months of 2011, the Account experienced net realized and unrealized gains on investments and mortgage loans payable of \$836.0 million compared to net realized and unrealized gain of \$292.7 million for the comparable period of 2010.

Net realized losses in the Account are due to the sale of real estate property and joint venture investments. See the *Recent Transactions* section herein for additional discussions regarding the sale of real estate property underlying the Account's investments in joint ventures.

Net unrealized gains in the Account are attributed to improved market conditions resulting in capitalization rate declines, higher market rents, and generally better occupancy levels. Additionally, the Account experienced foreign exchange gains of \$4.8 million from its two international properties during the first nine months of 2011 as compared to losses of \$18.7 million for the comparable period of 2010.

Real estate joint ventures and limited partnerships:

Real estate joint ventures and limited partnerships experienced net realized and unrealized gains of \$225.9 million for the first nine months of 2011 compared to net realized and unrealized gains of \$61.5 million for the comparable period of 2010.

Net realized losses in the Account are due to the sale of real estate property underlying the Account's investments in joint ventures. See the *Recent Transactions* section herein for additional disclosure regarding the sale of real estate property.

Net unrealized gains on joint ventures and limited partnerships were due to increases in value of the existing real estate assets underlying the investments due to improved market conditions resulting in capitalization rate declines, higher market rents, and generally better occupancy levels.

Marketable securities:

The Account's marketable securities position was \$3.2 billion, which was comprised of \$813.0 million of real estate related marketable securities and \$2.4 billion of other short term marketable securities, comprised of U. S. Treasury securities and government agency notes. The Account experienced net realized and

unrealized losses of \$87.0 million from marketable securities as a result of decreases in the value of its real estate related marketable securities as a result of overall equity market volatility experienced during the nine month period ended September 30, 2011.

Mortgage loans receivable:

During the year ended December 31, 2010 the Account settled in full its mortgage loan receivable investment at its face value.

Mortgage loans payable:

Mortgage loans payable experienced unrealized losses of \$6.9 million during the first nine months of 2011 compared to unrealized losses of \$42.1 million during the comparable period of 2010. Valuation adjustments to mortgage loans payable are highly dependent upon interest rates, investment return demands, the performance of the underlying real estate investment, and where applicable, foreign exchange rates. Of the \$6.9 million unrealized loss \$7.9 million was related to valuation decreases offset by \$1.0 million from foreign exchange adjustments as a result of a weakening U.S. dollar.

Three months ended September 30, 2011 compared to three months ended September 30, 2010

Performance

The Account's total return was 2.3% for the third quarter of September 30, 2011 as compared to 4.7% for the comparable period of 2010. The Account's performance during 2011 reflects an increase in the aggregate net asset value of the Account's real estate property investments, including investments owned in joint ventures and limited partnerships, income from property investments and marketable securities, and an increase in unrealized gains on investments.

Net Investment Income

The table below shows the results of operations for the third quarter ended September 30, 2011 and 2010 and the dollar and percentage changes for those periods (dollars in millions, unaudited).

	For the Three Months Ended September 30,		Change	
	2011	2010	\$	%
INVESTMENT INCOME				
<i>Real estate income, net:</i>				
Rental income.....	\$223.9	\$222.6	\$ 1.3	0.6%
Real estate property level expenses and taxes:				
Operating expenses.....	53.0	56.4	(3.4)	-6.0%
Real estate taxes.....	27.9	28.4	(0.5)	-1.8%
Interest expense.....	27.4	30.4	(3.0)	-9.9%
Total real estate property level expenses and taxes	<u>108.3</u>	<u>115.2</u>	<u>(6.9)</u>	<u>-6.0%</u>
Real estate income, net	115.6	107.4	8.2	7.6%
Income from real estate joint ventures and limited partnerships.....	19.8	28.1	(8.3)	-29.5%
Interest.....	0.7	1.0	(0.3)	-30.0%
Dividends.....	5.8	1.1	4.7	N/M
TOTAL INVESTMENT INCOME	<u>141.9</u>	<u>137.6</u>	<u>4.3</u>	<u>3.1%</u>
<i>Expenses—Note 2:</i>				
Investment advisory charges.....	13.2	13.6	(0.4)	-2.9%
Administrative charges.....	7.5	5.4	2.1	38.9%
Distribution charges.....	2.3	1.5	0.8	53.3%
Mortality and expense risk charges.....	1.6	1.1	0.5	45.5%
Liquidity guarantee charges.....	6.8	3.4	3.4	100.0%
TOTAL EXPENSES	<u>31.4</u>	<u>25.0</u>	<u>6.4</u>	<u>25.6%</u>
INVESTMENT INCOME, NET	<u>\$110.5</u>	<u>\$112.6</u>	<u>\$(2.1)</u>	<u>-1.9%</u>

N/M – Not Meaningful

Real estate rental income increased \$1.3 million or 0.6% during the third quarter of 2011 as compared to the comparable period of 2010. The increase was primarily a result of the property acquisitions during the second quarter of 2011, offset by property dispositions.

Operating expenses decreased during the third quarter of 2011 as compared to the comparable period of 2010 by \$3.4 million or 6.0%. The decrease in operating expenses is directly related to property dispositions during the quarter and during 2010, offset by increases in operating expenses related to property acquisitions during the quarter.

Real estate taxes decreased \$0.5 million or 1.8% during the third quarter of 2011 as compared to the comparable period of 2010. The decrease in real estate taxes is a result of lower tax assessments at various properties and property dispositions offset by current property acquisitions.

Interest expense decreased \$3.0 million or 9.9% during the third quarter of 2011 as compared to the comparable period of 2010. The decrease from the comparable quarter of 2010 was related to the write off of deferred financing costs associated with the extinguishment of debt during the third quarter of 2010.

Income from real estate joint ventures and limited partnerships decreased \$8.3 million or 29.5% during the third quarter of 2011 as compared to the comparable period of 2010. The decrease was attributable to decreased distributions from the joint ventures during the quarter as compared to the third of 2010.

Dividend income was \$5.8 million for the third quarter of 2011, an increase of \$4.7 million from the comparable period of 2010. The increase in dividend income solely relates to the Account's increased investment in real estate related securities held throughout the quarter, \$813.0 million as of September 30, 2011 as compared to \$274.7 million as of September 30, 2010.

The Account's expenses increased \$6.4 million or 25.6% during the third quarter of 2011 as compared to the comparable period of 2010. The increase in Account level expenses was due to the increase in the Account's net assets as of September 30, 2011 as compared to September 30, 2010. The Account's net assets were \$13.0 billion at September 30, 2011 as compared to \$9.6 billion at September 30, 2010, a 35.5% increase in net assets. Investment advisory, administrative and distribution charges are costs charged to the Account, associated with managing the Account. These costs are primarily fixed, but generally correspond to the level of assets under management. During the current year these fixed costs have risen at a slower pace than the Account's net assets. Mortality and expense risk charges increases as a result of higher net assets, however the overall basis point charge to the Account has remained at five basis points of net assets. The increase in the liquidity guarantee charge was associated with the six basis point increase effective May 1, 2011. See *Note 2—Management Agreements and Arrangements* to the financial statements included herein for further discussion related to these expenses.

Net Realized and Unrealized Gains and Losses on Investments and Mortgage Loans Payable

The table below shows the net realized and unrealized gains and losses on investments and mortgage loans payable for the third quarter of September 30, 2011 and 2010 and the dollar and percentage changes for those periods (dollars in millions, unaudited).

	For the Three Months Ended September 30,		Change	
	2011	2010	\$	%
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND MORTGAGE LOANS PAYABLE				
<i>Net realized gain (loss) on investments:</i>				
Real estate properties	\$ (62.1)	\$ 0.1	\$ (62.2)	N/M
Real estate joint ventures and limited partnerships	(2.1)	(3.5)	1.4	-40.0%
Marketable securities	1.3	—	1.3	N/M
Net realized loss on investments	<u>(62.9)</u>	<u>(3.4)</u>	<u>(59.5)</u>	<u>1750.0%</u>
<i>Net change in unrealized appreciation (depreciation) on:</i>				
Real estate properties	309.0	249.8	59.2	23.7%
Real estate joint ventures and limited partnerships	83.6	62.2	21.4	34.4%
Marketable securities	(142.4)	(2.3)	(140.1)	N/M
Mortgage loans receivable	—	2.3	(2.3)	-100.0%
Mortgage loans payable	<u>(6.4)</u>	<u>(7.8)</u>	<u>1.4</u>	<u>-17.9%</u>
Net change in unrealized appreciation on investments and mortgage loans payable	<u>243.8</u>	<u>304.2</u>	<u>(60.4)</u>	<u>-19.9%</u>
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND MORTGAGE LOANS PAYABLE	<u>\$ 180.9</u>	<u>\$300.8</u>	<u>\$(119.9)</u>	<u>-39.9%</u>

N/M – Not Meaningful

Real estate properties:

During the third quarter of 2011, the Account experienced net realized and unrealized gains on investments and mortgage loans payable of \$180.9 million compared to net realized and unrealized gains of \$300.8 million for the comparable period of 2010.

Net realized losses in the Account are due to the sale of real estate property investments. See the *Recent Transactions* section herein for additional discussions regarding the sale of real estate property underlying the Account's investments in joint ventures.

Net unrealized gains in the Account are attributed to improved market conditions resulting in capitalization rate declines, higher market rents, and generally better occupancy levels. Also, the Account experienced foreign exchange losses of \$25.4 million from its two international properties during the third quarter of 2011 as compared to losses of \$24.9 million for the comparable period of 2010.

Real estate joint ventures and limited partnerships:

Real estate joint ventures and limited partnerships experienced net realized and unrealized gains of \$81.5 million for the third quarter of 2011 compared to net realized and unrealized gains of \$58.7 million for the comparable period of 2010.

Net realized losses in the Account are due to the sale of real estate property underlying the Account's investments in joint ventures. See the *Recent Transactions* section herein for additional disclosure regarding the sale of real estate property.

Net unrealized gains on joint ventures and limited partnerships were due to increases in value of the existing real estate assets underlying the investments due to improved market conditions resulting in capitalization rate declines, higher market rents, and generally better occupancy levels.

Marketable securities:

The Account's marketable securities position was \$3.2 billion, which was comprised of \$813.0 million of real estate related marketable securities and \$2.4 billion of other short term marketable securities, comprised of U. S. Treasury securities and government agency notes. The Account experienced net realized and unrealized losses of \$141.1 million from marketable securities as a result of decreases in the value of its real estate related marketable securities as a result of overall equity market volatility experienced during the current quarter.

Mortgage loans receivable:

During the year ended December 31, 2010 the Account settled in full its mortgage loan receivable investment at its face value.

Mortgage loans payable:

Mortgage loans payable experienced unrealized losses of \$6.4 million during the third quarter of 2011 compared to unrealized losses of \$7.8 million during the comparable period of 2010. Valuation adjustments to mortgage loans payable are highly dependent upon interest rates, investment return demands, the performance of the underlying real estate investment, and where applicable, foreign exchange rates. Of the \$6.4 million unrealized loss, \$12.8 million was related to valuation increases and \$6.4 million from foreign exchange adjustments as a result of a strengthening U.S. dollar.

Liquidity and Capital Resources

As of September 30, 2011 and December 31, 2010, the Account's cash, cash equivalents and non-real estate-related marketable securities had a value of \$2.4 billion (18.4% and 22.3% of the Account's net assets at such dates, respectively). When compared to December 31, 2010, the Account's non-real estate-related liquid assets have decreased \$21.9 million. This decrease is primarily the result of decreased net participant activity into the Account (in particular, net participant transfers into the Account) in the third quarter of 2011.

Participant Activity

Third Quarter 2011 Compared to Second Quarter 2011

During the third quarter of 2011, the Account received \$497.3 million in premiums as compared to \$559.8 million received during the second quarter of 2011. Premiums received included \$314.8 million of participant transfers as compared to \$369.4 million during the second quarter of 2011. The Account had participant outflows of \$438.4 million during the third quarter of 2011 as compared to \$209.9 million during the second quarter of 2011, the vast majority of which was comprised of withdrawals and death benefits, which included \$317.9 million of participant transfers out of the Account.

First Nine Months of 2011 Compared to First Nine Months of 2010

During the first nine months of 2011, the Account received \$1.9 billion in premiums, which included \$1.3 billion of participant transfers into the Account. The Account had outflows of \$871.3 million in annuity payments, withdrawals and death benefits, which included \$542.9 million of participant transfers out of the Account. During the first nine months of 2010, the Account received \$1.7 billion in premiums, which included \$1.2 billion of participant transfers into the Account. The Account had outflows of \$645.6 million in annuity payments, withdrawals and death benefits, which included \$413.2 million of participant transfers out of the Account. See *Note 1—Organization and Significant Accounting Policies* of the consolidated financial statements as included herein.

Management believes that the reduction in transfers into the Account is primarily related to the transfer limitation on the Account which was effective March 31, 2011, as discussed in more detail in the paragraph below.

Effective March 31, 2011 (or such later date as indicated in the contract or contract endorsement) individual participants will be limited from making “internal funding vehicle transfers” into their Account accumulation if, after giving effect to such transfer, the total value of such participant’s Account accumulation (under all contracts issued to such participant) would exceed \$150,000. This limitation is subject to certain exceptions and currently impacts those participants with contracts issued in a jurisdiction that has approved the limitation. Management believes that, compared to periods prior to the transfer limitation being in effect, participant transfer inflow activity will continue to be tempered following the effective date of this limitation as jurisdictions approve such limitation.

Liquidity Guarantee

Primarily as a result of significant net participant transfers out of the Account during late 2008 and early 2009, pursuant to TIAA’s existing liquidity guarantee obligation, the TIAA general account purchased approximately \$1.2 billion of liquidity units issued by the Account in a number of separate transactions between December 24, 2008 and June 1, 2009. During the period June 2, 2009 through September 30, 2011, the TIAA general account did not purchase or redeem any additional liquidity units. As disclosed under “Establishing and Managing the Account—the Role of TIAA—Liquidity Guarantee” in the Account’s prospectus, in accordance with this liquidity guarantee obligation, TIAA guarantees that all participants in the Account may redeem their accumulation units at their accumulation unit value next determined after their transfer or cash withdrawal request is received in good order.

Net participant transfers out of the Account significantly slowed following the first quarter of 2009, and net participant transfer activity turned to inflows in early 2010, which has continued through the date of this report. As a result, while management cannot predict whether any future TIAA liquidity unit purchases will be required under this liquidity guarantee, it is unlikely that additional purchases will be required in the near term. However, management cannot predict for how long net inflows will continue to occur. If net outflows were to occur (even if not at the same intensity as in 2008 and early 2009), it could have a negative impact on the Account’s operations and returns and could require TIAA to purchase additional liquidity units, perhaps to a significant degree, as was the case in late 2008 and early 2009.

TIAA’s obligation to provide Account participants liquidity through purchases of liquidity units is not subject to an express regulatory or contractual limitation, although as described in the paragraph below, the independent fiduciary may (but is not obligated to) require the reduction of TIAA’s interest through sales of assets from the Account if TIAA’s interest exceeds the trigger point. Even if the independent fiduciary so requires, TIAA’s obligation to provide liquidity under the guarantee, which is required by the New York State Insurance Department, will continue. Management believes that TIAA has the ability to meet its obligations under this liquidity guarantee.

Whenever TIAA owns liquidity units, the duties of the Account’s independent fiduciary, as part of its monitoring of the Account, include reviewing the purchase and redemption of liquidity units by TIAA to ensure the Account uses the correct accumulation unit values. In addition, the independent fiduciary’s responsibilities include:

- establishing the percentage of total accumulation units that TIAA’s ownership should not exceed (the “trigger point”) and creating a method for reviewing the trigger point;

- approving any adjustment of TIAA's ownership interest in the Account and, in its discretion, requiring an adjustment if TIAA's ownership of liquidity units reaches the trigger point; and
- once the trigger point has been reached, participating in any program to reduce TIAA's ownership in the Account by utilizing cash flow or liquid investments in the Account, or by utilizing the proceeds from asset sales. If the independent fiduciary were to determine that TIAA's ownership should be reduced following the trigger point, its role in participating in any asset sales program would include (i) participating in the selection of properties for sale, (ii) providing sales guidelines and (iii) approving those sales if, in the independent fiduciary's opinion, such sales are desirable to reduce TIAA's ownership of liquidity units.

As of the date of this Form 10-Q, the independent fiduciary, which has the right to adjust the trigger point, has established the trigger point at 45% of the outstanding accumulation units and it will continue to monitor TIAA's ownership interest in the Account and provide further recommendations as necessary. As of September 30, 2011, TIAA owned approximately 9.0% of the outstanding accumulation units of the Account. In establishing the appropriate trigger point, including whether or not to require certain actions once the trigger point has been reached, the independent fiduciary will assess, among other things and to the extent consistent with the Prohibited Transaction Exemption (PTE 96-76) issued by the U.S. Department of Labor in 1996 with respect to the liquidity guarantee and the independent fiduciary's duties under ERISA, the risk that a conflict of interest could arise due to the level of TIAA's ownership interest in the Account.

The independent fiduciary is vested with oversight and approval over any redemption of TIAA's liquidity units, acting in the best interests of Real Estate Account participants. The independent fiduciary has indicated to management its intention to initiate systematic redemptions of the liquidity units held by the TIAA General Account at such times as it deems appropriate. The independent fiduciary currently intends to cause such redemptions only (i) if recent historical net participant activity has been positive and (ii) if the Account is projected to hold at least 22% of its net assets in cash, cash equivalents and publicly traded liquid non-real estate related securities, after taking into account certain projected sources and uses of cash flow into the Account. In addition, the independent fiduciary's intention is that redemptions over any given period would not exceed recent historical net participant activity. As of September 30, 2011 no liquidity units were required to be redeemed by the Account, which as of September 30, 2011 held 18.4% of its net assets in liquid non-real estate-related investments (along with its cash and cash equivalents).

In administering redemptions, the independent fiduciary has indicated to management that it intends to evaluate, among other things (i) projected acquisitions and dispositions of real estate and real estate related investments, (ii) participant inflow and outflow trends, (iii) the Account's net income and (iv) obligations to make debt service payments and pay principal balances of mortgages on Account properties. The independent fiduciary is vested with oversight and approval over any redemption of liquidity units owned by TIAA, acting in the best interests of Real Estate Account participants.

The independent fiduciary may authorize or direct the redemption of all or a portion of liquidity units at any time and TIAA will request the approval of the independent fiduciary before any liquidity units are redeemed. There is no guarantee that the independent fiduciary will cause redemptions in the near term and even if redemptions do commence, management cannot predict the time period over which such redemptions would continue. Further, neither management nor the independent fiduciary can predict when TIAA's liquidity units may be redeemed in full.

Upon termination and liquidation of the Account (wind-up), any liquidity units held by TIAA will be the last units redeemed, unless the independent fiduciary directs otherwise. The Account pays TIAA for the risk associated with providing the liquidity guarantee through a daily deduction from the Account's net assets.

The Account's net investment income continues to be an additional source of liquidity for the Account. Net investment income increased to \$329.0 million for the nine months ended September 30, 2011 from \$325.1 million for the comparable period of 2010. Total investment income increased as a result of increased income from joint ventures and limited partnerships, interest income, and dividend income, offset by higher Account expenses as a result of higher average net assets over the period.

As of September 30, 2011, cash and cash equivalents, along with real estate-related and non real estate-related marketable securities comprised 24.7% of the Account's net assets. The Account's liquid assets

continue to be available to purchase additional suitable real estate properties, meet the Account's debt obligations, expense needs, and participant redemption requests (i.e., cash withdrawals, benefit payments, or transfers).

As of September 30, 2011, \$765.3 million in principal amount of debt obligations will mature through September 30, 2012, all of which is related to the Account's share of debt associated with its investments in joint ventures. An aggregate of \$634.6 million in principal amount of debt obligations (which represents the Account's share) secured by a total of 30 properties in the Account's DDR Joint Venture investment matures in February 2012 and March 2012. In particular, 17 properties and a \$15.0 million letter of credit within the DDR Joint Venture investment secure \$471.8 million in principal amount of debt obligations (which represents the Account's share) maturing in March 2012 and effectively, as of September 30, 2011, the Account's net investment value in these properties was zero.

Management is evaluating the full range of options available to the Account in its capacity as an investor in these joint ventures. Management believes that the Account and the joint venture entities in which the Account invests will have the ability to address these non-recourse obligations in a number of ways, including among others, repaying the principal due at maturity, refinancing such debt, restructuring such debt, and/or electing to default on the loans secured by such properties if the joint ventures were unable to reach a satisfactory resolution with respect to such obligations.

Leverage

The Account may borrow money and assume or obtain a mortgage on a property (i.e., to make leveraged real estate investments). Also, to meet any short-term cash needs, the Account may obtain a line of credit that may be unsecured and/or contain terms that may require the Account to secure the loan with one or more of its properties.

The Account is authorized to borrow money in accordance with its investment guidelines. Under the Account's current investment guidelines, the Account's loan to value ratio (as defined below) is to be maintained at or below 30%. However, until December 31, 2011, the Account is authorized to incur and/or maintain indebtedness on its properties in an aggregate principal amount not to exceed the aggregate principal amount of debt outstanding as of the date of adoption of such guidelines in July 2009 (approximately \$4.0 billion). Such incurrences of debt from time to time may include:

- placing new debt on properties;
- refinancing outstanding debt;
- assuming debt on acquired properties or interests in the Account's properties; and/or
- extending the maturity date of outstanding debt.

In calculating this limit, only the Account's actual percentage interest in any borrowings is included, and not that percentage interest held by any joint venture partner. Further, the Account may only borrow up to 70% of the then-current value of a property, although construction loans may be for 100% of the costs incurred in developing a property. As of September 30, 2011 the Account did not have any construction loans. Also, at the time the Account (or a joint venture in which the Account is a partner) enters into a revolving line of credit, management deems the maximum amount which may be drawn under that line of credit as fully incurred, regardless of whether the maximum amount available has been drawn from time to time.

As of September 30, 2011, management has reduced the Account's ratio of outstanding principal amount of debt to total gross asset value (i.e., a "loan to value ratio") to less than 30% and intends to maintain its loan to value ratio at or below 30% (this ratio is measured at the time of incurrence and after giving effect thereto). The Account's total gross asset value, for these purposes, is equal to the total fair value of the Account's assets (including the fair value of the Account's interest in joint ventures), with no reduction associated with any indebtedness on such assets.

In times of high net inflow activity, in particular during times of high net participant transfer inflows, management may determine to apply a portion of such cash flows to make prepayments of indebtedness prior to scheduled maturity, which would have the effect of reducing the Account's loan to value ratio.

As of September 30, 2011, the Account's loan to value ratio was 21.3%.

Recent Transactions

The following describes property transactions by the Account during the third quarter of 2011. Except as noted, the expenses for operating the properties purchased are either borne or reimbursed, in whole or in part, by the property tenants, although the terms vary under each lease. The Account is responsible for operating expenses not reimbursed under the terms of a lease. All rental rates are quoted on an annual basis unless otherwise noted.

Purchases

Weston Business Center—Weston, FL

On August 26, 2011, the Account purchased an industrial property located in Weston, Florida, for \$84.8 million. The Weston Business Center (the “Property”) is a 679,918 square foot (“SF”) industrial park built in 1998 and 1999 comprised of four Class A warehouse distribution buildings on 10.4 acres in Weston, Florida. The four buildings represent 63% of the entire park, which consists of six buildings and 1,076,000 square feet. The buildings are 100% leased to six tenants. The three largest tenants are Anda, Inc. (152,176 SF), American Express (224,650 SF) and Office Depot (230,670 SF). Rental rates average \$7.21 per SF.

The Forum at Carlsbad—Carlsbad, CA

On September 9, 2011, the Account purchased a retail property located in Carlsbad, Florida, for \$183.3 million. The property is a premier grocery anchored lifestyle center in San Diego’s northwest county. Constructed in 2003 and located along El Camino Real in Carlsbad, CA, the property consists of 264,619 square feet of institutional quality retail space, divided among eight separate buildings, that were 99.1% leased at time of purchase to a variety of local and national retailers including: H&M (19,479 SF), Urban Outfitters (12,659 SF), Jimbo’s (18,000 SF), and Bed, Bath & Beyond (28,000 SF).

Sales

Oak Brook Regency Towers—Oak Brook, IL

On July 6, 2011, the Account sold an apartment building located in Oak Brook, Illinois for a net sale price of \$69.4 million and realized a loss from sale of \$20.3 million, the majority of which had been previously recognized as an unrealized loss in the Account’s consolidated statements of operations. The Account’s cost basis (excluding selling costs) in the property as of the date of sale was \$89.7 million according to the records of the Account.

Morris Corporate Center III—Parsippany, NJ

On July 7, 2011, the Account sold an office building located in Parsippany, New Jersey for a net sale price of \$107.3 million and realized a loss from sale of \$36.0 million, the majority of which had been previously recognized as an unrealized loss in the Account’s consolidated statements of operations. The Account’s cost basis (excluding selling costs) in the property as of the date of sale was \$143.3 million according to the records of the Account.

Storage Portfolio I, LLC—Various

On July 14, 2011, self storage warehouses located in Kansas City, KS, and Raytown, MS were sold by the Account’s Storage Portfolio I, LLC Joint Venture (the “Storage Portfolio”). The Account holds a 75.0% interest in the Storage Portfolio. The Account’s portion of the net sales price was \$2.2 million. The Account realized a loss from the sale of \$1.9 million, the majority of which had been previously recognized as an unrealized loss in the Account’s consolidated statements of operations. The Account’s portion of its cost basis (excluding selling costs) in the property at the date of the sale was \$4.1 million according to the records of the Account.

Champlin Marketplace—Champlin, MN

On September 21, 2011, the Account sold a retail building located in Champlin, Minnesota for a net sale price of \$12.7 million and realized a loss from sale of \$5.8 million, the majority of which had been previously recognized as an unrealized loss in the Account’s consolidated statements of operations. The Account’s cost basis (excluding selling costs) in the property as of the date of sale was \$18.5 million according to the records of the Account.

Financings

NA

Critical Accounting Policies

The consolidated financial statements of the Account are prepared in conformity with accounting principles generally accepted in the United States of America.

In preparing the Account's financial statements, management is required to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Determination of Investments at Fair Value: The Account reports all investments at fair value in accordance with FASB ASC 946, *Financial Services—Investment Companies*. With the adoption of the fair value option allowed under ASC 825, *Financial Instruments*, and at the election of Account management, mortgage loans payable are reported at fair value. The FASB has defined fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The following is a description of the valuation methodologies used to determine the fair value of the Account's investments and investment related mortgage loans payable.

Valuation of Real Estate Properties—Investments in real estate properties are stated at fair value, as determined in accordance with policies and procedures reviewed by the Investment Committee of the Board and in accordance with the responsibilities of the Board as a whole. Accordingly, the Account does not record depreciation. Determination of fair value involves judgment because the actual fair value of real estate can be determined only by negotiation between the parties in a sales transaction. The Account's primary objective when valuing its real estate investments will be to produce a valuation that represents a reasonable estimate of the fair value of its investments. Implicit in the Account's definition of fair value are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates, and interest and inflation rates. As a result, determining real estate and investment values involves many assumptions. Key inputs and assumptions include rental income and expense amounts, related rental income and expense growth rates, discount rates and capitalization rates. Valuation techniques include discounted cash flow analysis, prevailing market capitalization rates or multiples applied to earnings from the property, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties. Amounts ultimately realized from each investment may vary significantly from the fair value presented.

Real estate properties owned by the Account are initially valued based on an independent third party appraisal, as reviewed by TIAA's internal appraisal staff and as applicable the Account's independent fiduciary at the time of the closing of the purchase, which may result in a potential unrealized gain or loss reflecting the difference between an investment's fair value (*i.e.*, exit price) and its cost basis (which is inclusive of transaction costs).

Subsequently, each property is appraised each quarter by an independent third party appraiser, reviewed by TIAA's internal appraisal staff and as applicable the Account's independent fiduciary. In general, the Account obtains appraisals of its real estate properties spread out throughout the quarter, which is intended to result in appraisal adjustments, and thus, adjustments to the valuations of its holdings (to the extent such adjustments are made) that happen regularly throughout each quarter and not on one specific day or month in each period.

Further, management reserves the right to order an appraisal and/or conduct another valuation outside of the normal quarterly process when facts or circumstances at a specific property change. For example, under certain circumstances a valuation adjustment could be made when the account receives a bona fide bid for the sale of a property held within the Account or one of the Account's joint ventures. In addition, adjustments may be made for events or circumstances indicating an impairment of a tenant's ability to pay amounts due to the Account under a lease (including due to a bankruptcy filing of that tenant). Alternatively, adjustments may be made to reflect the execution or renewal of a significant lease. Also, adjustments may be made to reflect factors (such as sales values for comparable properties or local employment rate) bearing uniquely on a particular region in which the Account holds properties. TIAA's internal appraisal staff oversees the entire appraisal process, in conjunction with the Account's independent fiduciary (the independent fiduciary is more fully described in the paragraph below). Any differences in the conclusions of TIAA's internal appraisal staff and the independent appraiser will be reviewed by the independent fiduciary, which will make a final determination on the matter (which may include ordering a subsequent independent appraisal).

The independent fiduciary, Real Estate Research Corporation, has been appointed by a special subcommittee of the Investment Committee of the Board to, among other things, oversee the appraisal process. The independent fiduciary must approve all independent appraisers used by the Account. All appraisals are performed in accordance with Uniform Standards of Professional Appraisal Practices, the real estate appraisal industry standards created by The Appraisal Foundation. Real estate appraisals are estimates of property values based on a professional's opinion. Appraisals of properties held outside of the U.S. are performed in accordance with industry standards commonly applied in the applicable jurisdiction. These independent appraisers are always expected to be MAI-designated members of the Appraisal Institute (or its European equivalent, Royal Institute of Chartered Surveyors) and state certified appraisers from national or regional firms with relevant property type experience and market knowledge. Under the Account's current procedures, each independent appraisal firm will be rotated off of a particular property at least every three years, although such appraisal firm may perform appraisals of other Account properties subsequent to such rotation.

Also, the independent fiduciary can require additional appraisals if factors or events have occurred that could materially change a property's value (including those identified above) and such change is not reflected in the quarterly valuation review, or otherwise to ensure that the Account is valued appropriately. The independent fiduciary must also approve any valuation change of real estate-related assets where a property's value changed by more than 6% from the most recent independent annual appraisal, or if the value of the Account would change by more than 4% within any calendar quarter or more than 2% since the prior calendar month. When a real estate property is subject to a mortgage, the property is valued independently of the mortgage and the property and mortgage fair values are reported separately (see "Valuation of Mortgage Loans Payable" below). The independent fiduciary reviews and approves all mortgage valuation adjustments before such adjustments are recorded by the Account. The Account continues to use the revised value for each real estate property and mortgage loan payable to calculate the Account's daily net asset value until the next valuation review or appraisal.

Valuation of Real Estate Joint Ventures—Real estate joint ventures are stated at the fair value of the Account's ownership interests of the underlying entities. The Account's ownership interests are valued based on the fair value of the underlying real estate, any related mortgage loans payable, and other factors, such as ownership percentage, ownership rights, buy/sell agreements, distribution provisions and capital call obligations. Upon the disposition of all real estate investments by an investee entity, the Account will continue to state its equity in the remaining net assets of the investee entity during the wind down period, if any, which occurs prior to the dissolution of the investee entity.

Valuation of Real Estate Limited Partnerships—Limited partnership interests are stated at the fair value of the Account's ownership in the partnership which is based on the most recent net asset value of the

partnership, as reported by the sponsor. Since market quotations are not readily available, the limited partnership interests are valued at fair value as determined in good faith under the direction of the Investment Committee of the Board and in accordance with the responsibilities of the Board as a whole.

Valuation of Marketable Securities—Equity securities listed or traded on any national market or exchange are valued at the last sale price as of the close of the principal securities market or exchange on which such securities are traded or, if there is no sale, at the mean of the last bid and asked prices on such market or exchange, exclusive of transaction costs.

Debt securities, other than money market instruments, are generally valued at the most recent bid price or the equivalent quoted yield for such securities (or those of comparable maturity, quality and type). Money market instruments, with maturities of one year or less, are valued in the same manner as debt securities or derived from a pricing matrix.

Equity and fixed income securities traded on a foreign exchange or in foreign markets are valued using their closing values under the valuation methods generally accepted in the country where traded, as of the valuation date. This value is converted to U.S. dollars at the exchange rate in effect on the valuation day. Under certain circumstances (for example, if there are significant movements in the United States markets and there is an expectation the securities traded on foreign markets will adjust based on such movements when the foreign markets open the next day), the Account may adjust the value of equity or fixed income securities that trade on a foreign exchange or market after the foreign exchange or market has closed.

Valuation of Mortgage Loans Receivable—Mortgage loans receivable are stated at fair value and are initially valued at the face amount of the mortgage loan funding. Subsequently, mortgage loans receivable are valued at least quarterly based on market factors, such as market interest rates and spreads for comparable loans, the liquidity for mortgage loans of similar characteristics, the performance of the underlying collateral and the credit quality of the counterparty. The Account's mortgage loans receivable were repaid in full during the year ended December 31, 2010.

Valuation of Mortgage Loans Payable—Mortgage loans payable are stated at fair value. The estimated fair value of mortgage loans payable are based on the amount at which the liability could be transferred to a third party exclusive of transaction costs. Mortgage loans payable are valued internally by TIAA's internal valuation department, as reviewed by the Account's independent fiduciary, at least quarterly based on market factors, such as market interest rates and spreads for comparable loans, the performance of the underlying collateral (such as the loan-to-value ratio and the cash flow of the underlying collateral), the liquidity for mortgage loans of similar characteristics, the maturity date of the loan, the return demands of the market, and the credit quality of the Account. Interest expense for mortgage loans payable is recorded on the accrual basis taking into account the outstanding principal and contractual interest rates.

See *Note 5—Assets and Liabilities Measured at Fair Value on a Recurring Basis* to the consolidated financial statements included herein, for further discussion and disclosure regarding the determination of the Account's investments fair values.

Foreign currency transactions and translation: Portfolio investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates prevailing at the end of the period. Purchases and sales of securities, income receipts and expense payments made in foreign currencies are translated into U.S. dollars at the exchange rates prevailing on the respective dates of the transactions. The effect of any changes in foreign currency exchange rates on portfolio investments and mortgage loans payable are included in net realized and unrealized gains and losses on real estate properties and mortgage loans payable. Net realized gains and losses on foreign currency transactions include disposition of foreign currencies, and currency gains and losses between the accrual and receipt dates of portfolio investment income and between the trade and settlement dates of portfolio investment transactions.

Accumulation and Annuity Funds: The accumulation fund represents the net assets attributable to participants in the accumulation phase of their investment ("Accumulation Fund"). The annuity fund represents the net assets attributable to the participants currently receiving annuity payments ("Annuity Fund"). The net increase or decrease in net assets from investment operations is apportioned between the accounts based upon their relative daily net asset values. Once an Account participant begins receiving lifetime annuity income benefits, payment levels cannot be reduced as a result of the Account's actual mortality experience. In addition, the contracts pursuant to which the Account is offered are required to

stipulate the maximum expense charge for all Account level expenses that can be assessed, which is not to exceed to 2.5% of average net assets per year. The Account pays a fee to TIAA to assume mortality and expense risks.

Accounting for Investments: The investments held by the Account are accounted as follows:

Real Estate Properties—Rent from real estate properties consists of all amounts earned under tenant operating leases, including base rent, recoveries of real estate taxes and other expenses and charges for miscellaneous services provided to tenants. Rental income is recognized in accordance with the billing terms of the lease agreements. The Account bears the direct expenses of the real estate properties owned. These expenses include, but are not limited to, fees to local property management companies, property taxes, utilities, maintenance, repairs, insurance, and other operating and administrative costs. An estimate of the net operating income earned from each real estate property is accrued by the Account on a daily basis and such estimates are adjusted when actual operating results are determined.

Real Estate Joint Ventures—The Account has limited ownership interests in various real estate joint ventures (collectively, the “Joint Ventures”). The Account records its contributions as increases to its investments in the Joint Ventures, and distributions from the Joint Ventures are treated as income within income from real estate joint ventures and limited partnerships in the Account’s Consolidated Statements of Operations. Distributions that are identified as returns of capital or capital gains or losses are recorded as unrealized gains and realized gains and losses, respectively. Income from the Joint Ventures is recorded based on the Account’s proportional interest of the income distributed by the Joint Ventures. Income earned but not yet distributed to the Account by the Joint Ventures is recorded as unrealized gains and losses.

Limited Partnerships—The Account has limited ownership interests in various private real estate funds (primarily limited partnerships) and a private real estate investment trust (collectively, the “Limited Partnerships”). The Account records its contributions as increases to the investments, and distributions from the investments are treated as income within income from real estate joint ventures and limited partnerships in the Account’s Consolidated Statements of Operations. Distributions that are identified as returns of capital or capital gains or losses are recorded as unrealized gains and realized gains and losses, respectively. Unrealized gains and losses are recorded based upon the changes in the net asset values of the Limited Partnerships as determined from the financial statements of the Limited Partnerships when received by the Account. Prior to the receipt of the financial statements from the Limited Partnerships, the Account estimates the value of its interest in good faith and will from time to time seek input from the issuer or the sponsor of the investment. Changes in value based on such estimates are recorded by the Account as unrealized gains and losses.

Marketable Securities—Transactions in marketable securities are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date within dividend income. Dividends that are identified as returns of capital or capital gains or losses are recorded as unrealized gains and realized gains or losses, respectively. Realized gains and losses on securities transactions are accounted for on the specific identification method.

Realized and Unrealized Gains and Losses—Realized gains and losses are recorded at the time an investment is sold or a distribution is received in relation to an investment sale from a Joint Venture or Limited Partnership. Real estate transactions are accounted for as of the date on which the purchase or sale transactions for the real estate properties close (settlement date). The Account recognizes a realized gain on the sale of a real estate property to the extent that the contract sales price exceeds the cost-to-date of the property being sold. A realized loss occurs when the cost-to-date exceeds the sales price.

Unrealized gains and losses are recorded as the fair values of the Accounts investments are adjusted, and as discussed within the *Real Estate Joint Ventures* and *Limited Partnership* sections above.

Net Assets—The Account’s net assets as of the close of each valuation day are valued by taking the sum of:

- the value of the Account’s cash; cash equivalents, and short-term and other debt instruments;
- the value of the Account’s other securities and other non-real estate assets;
- the value of the individual real properties (based on the most recent valuation of that property) and other real estate-related investments owned by the Account;

- an estimate of the net operating income accrued by the Account from its properties, other real estate-related investments and non real estate-related investments (including short-term marketable securities) since the end of the prior valuation day; and
- actual net operating income earned from the Account's properties, other real estate-related investments and non real estate-related investments (but only to the extent any such item of income differs from the estimated income accrued for on such investments),

and then reducing the sum by liabilities held within the Account, including the daily investment management fee, administration and distribution fees and certain other expenses attributable to operating the Account. Daily estimates of net operating income are adjusted to reflect actual net operating income on a monthly basis, at which time such adjustments (if any) are reflected in the Account's unit value.

After the end of every quarter, the Account reconciles the amount of expenses deducted from the Account (which is established in order to approximate the costs that the Account will incur) with the expenses the Account actually incurred. If there is a difference, the Account adds it to or deducts it from the Account in equal daily installments over the remaining days of the following quarter. Material differences may be repaid in the current calendar quarter. The Account's at-cost deductions are based on projections of Account assets and overall expenses, and the size of any adjusting payments will be directly affected by the difference between management's projections and the Account's actual assets or expenses.

New Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS No. 167"), which amends guidance related to the identification of a variable interest entity, variable interests, the primary beneficiary, and expands required note disclosures to provide greater transparency to the users of financial statements. In December 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which amended the Codification with the guidance contained in SFAS No. 167. In February 2010, the FASB issued ASU No. 2010-10, "Amendments for Certain Investment Funds," which defers the applicability of ASU No. 2009-17 in certain instances. These standards were effective on January 1, 2010 and did not result in a significant impact to the Account's financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements" which requires new disclosures related to transfers in and out of levels 1 and 2, and the separate disclosure of purchases, sales, issuances and settlements when reconciling activity in level 3. This ASU also amends prior disclosure requirements to call for the disaggregation of assets and liabilities into appropriate subsets, and the disclosure of valuation techniques and inputs for recurring and nonrecurring fair value measurements in levels 2 and 3. The new disclosure requirement for reconciling level 3 activity is effective January 1, 2011. All other new or amended disclosure requirements were effective January 1, 2010 for the Account and are reflected in the notes to the financial statements. These changes did not impact the Account's financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs", with the intention to converge fair value standards between U.S. GAAP and International Financial and Reporting Standards. This ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. Many of these amendments are being made to eliminate unnecessary wording differences between U.S. GAAP and IFRS. However, some could change how the fair value measurement guidance in ASC 820 is applied. Changes in applying fair value standards and additional disclosure requirements are effective on January 1, 2012. The Account is currently assessing the impact of applying the revised standards but does not anticipate a material impact to the Account's financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Account's real estate holdings, including real estate joint ventures and limited partnerships, which, as of September 30, 2011, represented 78.5% of the Account's total investments, expose the Account to a variety of risks. These risks include, but are not limited to:

- **General Real Estate Risk**—The risk that the Account’s property values or rental and occupancy rates could go down due to general economic conditions, a weak market for real estate generally, disruptions in the credit and/or capital markets, or changing supply and demand for certain types of properties;
- **Appraisal Risk**—The risk that the sale price of an Account property (*i.e.*, the value that would be determined by negotiations between independent parties) might differ substantially from its estimated or appraised value, leading to losses or reduced profits to the Account upon sale;
- **Risk Relating to Property Sales**—The risk that the Account might not be able to sell a property at a particular time for its full value, particularly in a poor market. This might make it difficult to raise cash quickly and also could lead to Account losses;
- **Risks of Borrowing**—The risk that interest rate changes may impact Account returns if the Account takes out a mortgage on a property, buys a property subject to a mortgage or holds a property subject to a mortgage; and
- **Foreign Currency Risk**—The risk that the value of the Account’s foreign investments, related debt, or rental income could increase or decrease due to changes in foreign currency exchange rates or foreign currency exchange control regulations, and hedging against such changes, if undertaken by the Account, may entail additional costs and be unsuccessful.

The Account believes the diversification of its real estate portfolio, both geographically and by sector, along with its quarterly valuation procedure, helps manage the real estate and appraisal risks described above.

As of September 30, 2011, 21.5% of the Account’s total investments were comprised of marketable securities which included high-quality publicly traded debt instruments (*i.e.*, government agency notes) and equity securities, primarily REIT securities. The Consolidated Statements of Investments for the Account sets forth the general financial terms of these instruments, along with their fair values, as determined in accordance with procedures described in *Note 1—Organization and Significant Accounting Policies* to the Account’s consolidated financial statements herein. The Account’s marketable securities are considered held for trading purposes. Currently, the Account does not invest in derivative financial investments, nor does the Account engage in any hedging activity.

Risks associated with investments in real estate-related liquid assets (which could include, from time to time, REIT securities and CMBS), and non-real estate-related liquid assets, including financial/credit risk, market volatility risk, interest rate volatility risk and deposit/money market risk.

- **Financial/Credit Risk**—The risk, for debt securities, that the issuer will not be able to pay principal and interest when due (and/or declare bankruptcy or be subject to receivership) and, for equity securities such as common or preferred stock, that the issuer’s current earnings will fall or that its overall financial soundness will decline, reducing the security’s value.
- **Market Volatility Risk**—The risk that the Account’s investments will experience price volatility due to changing conditions in the financial markets regardless of the credit quality or financial condition of the underlying issuer. This risk is particularly acute to the extent the Account holds equity securities, which have experienced significant short-term price volatility over the past few years. Also, to the extent the Account holds debt securities; changes in overall interest rates can cause price fluctuations.
- **Interest Rate Volatility**—The risk that interest rate volatility may affect the Account’s current income from an investment.
- **Deposit/Money Market Risk**—The risk that, to the extent the Account’s cash held in bank deposit accounts exceeds federally insured limits as to that bank, the Account could experience losses if banks fail. The Account does not believe it has exposure to significant concentration of deposit risk. In addition, there is some risk that investments held in money market accounts can suffer losses.

In addition, to the extent the Account were to hold mortgage-backed securities (including commercial mortgage-backed securities) these securities are subject to prepayment risk or extension risk (*i.e.*, the risk that borrowers will repay the loans earlier or later than anticipated). If the underlying mortgage assets experience faster than anticipated repayments of principal, the Account could fail to recoup some or all of its

initial investment in these securities, since the original price paid by the Account was based in part on assumptions regarding the receipt of interest payments. If the underlying mortgage assets are repaid later than anticipated, the Account could lose the opportunity to reinvest the anticipated cash flows at a time when interest rates might be rising. The rate of prepayment depends on a variety of geographic, social and other functions, including prevailing market interest rates and general economic factors. The market value of these securities is also highly sensitive to changes in interest rates. Note that the potential for appreciation, which could otherwise be expected to result from a decline in interest rates, may be limited by any increased prepayments. These securities may be harder to sell than other securities.

In addition to these risks, real estate-related equity and debt securities (such as REIT stocks and mortgage-backed securities) are subject to many of the same general risks inherent in real estate investing, making mortgage loans and investing in debt securities. For more information on the risks associated with all of the Account's investments, see the Account's most recent prospectus.

ITEM 4. CONTROLS AND PROCEDURES.

(a) The registrant maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the registrant's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the registrant's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and participation of the registrant's management, including the registrant's CEO and CFO, the registrant conducted an evaluation of the effectiveness of the registrant's disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act as of September 30, 2011. Based upon management's review, the CEO and the CFO concluded that the registrant's disclosure controls and procedures were effective as of September 30, 2011.

(b) Changes in internal control over financial reporting. There have been no changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter that materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There are no material legal proceedings to which the Account is a party, or to which the Account's assets are subject.

ITEM 1A. RISK FACTORS.

There have been no material changes from our risk factors as previously reported in the Account's Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. [REMOVED AND RESERVED].

ITEM 5. OTHER INFORMATION.

The Code of Ethics for TIAA's senior financial officers, including its principal executive officer, principal financial officer, principal accounting officer, or controller, and persons performing similar functions, has been filed as an exhibit to the Account's Annual Report on Form 10-K for the year ended December 31, 2010 and can also be found on the following two web sites, <http://www.tiaa-cref.org/public/prospectuses/index.html> and http://www.tiaa-cref.org/about/governance/corporate/topics/annual_reports.html.

ITEM 6. EXHIBITS

- (1) (A) Distribution Agreement for the Contracts Funded by the TIAA Real Estate Account, dated as of January 1, 2008, by and among Teachers Insurance and Annuity Association of America, for itself and on behalf of the Account, and TIAA-CREF Individual & Institutional Services, LLC.⁽⁵⁾
- (3) (A) Charter of TIAA.⁽⁸⁾
(B) Restated Bylaws of TIAA (as amended).⁽⁹⁾
- (4) (A) Forms of RA, GRA, GSRA, SRA, IRA Real Estate Account Endorsements,⁽²⁾ Keogh Contract,⁽³⁾ Retirement Select and Retirement Select Plus Contracts and Endorsements⁽¹⁾ and Retirement Choice and Retirement Choice Plus Contracts.⁽³⁾
(B) Forms of Income-Paying Contracts⁽²⁾
(C) Form of Contract Endorsement for Internal Transfer Limitation⁽¹⁰⁾
(D) Form of Accumulation Contract⁽¹¹⁾
- (10) (A) Independent Fiduciary Agreement, dated February 22, 2006, by and among TIAA, the Registrant, and Real Estate Research Corporation⁽⁴⁾
(B) Amendment to Independent Fiduciary Agreement, dated December 17, 2008, between TIAA, on behalf of the Registrant, and Real Estate Research Corporation⁽⁶⁾
(C) Custodian Agreement, dated as of March 3, 2008, by and between TIAA, on behalf of the Registrant, and State Street Bank and Trust Company, N.A.⁽⁷⁾
- *(31) Rule 13a-15(e)/15d-15(e) Certifications
- *(32) Section 1350 Certifications
- ** (101) The following financial information from the Quarterly Report on Form 10-Q for the periods ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Statements of Assets and Liabilities, (ii) the Statements of Operations, (iii) the Statements of Changes in Net Assets, (iv) the Statements of Cash Flows, and (v) the Notes to the Financial Statements

* Filed herewith.

** Furnished electronically herewith.

⁽¹⁾ Previously filed and incorporated herein by reference to the Account's Pre-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed April 29, 2004 (File No. 333-113602).

⁽²⁾ Previously filed and incorporated herein by reference to the Account's Post-Effective Amendment No. 2 to the Registration Statement on Form S-1 filed April 30, 1996 (File No. 33-92990).

⁽³⁾ Previously filed and incorporated herein by reference to the Account's Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed May 2, 2005 (File No. 333-121493).

⁽⁴⁾ Previously filed and incorporated herein by reference to Exhibit 10.(a) to the Annual Report on Form 10-K of the Account for the period ended December 31, 2005, filed with the Commission on March 15, 2006 (File No. 33-92990).

⁽⁵⁾ Previously filed and incorporated herein by reference to the Account's Current Report on Form 8-K, filed with the Commission on January 7, 2008 (File No. 33-92990).

⁽⁶⁾ Previously filed and incorporated herein by reference to the Account's Current Report on Form 8-K, filed with the Commission on December 22, 2008 (File No. 33-92990).

⁽⁷⁾ Previously filed and incorporated herein by reference to Exhibit 10.(b) to the Annual Report on Form 10-K of the Account for the fiscal year ended December 31, 2007 and filed with the Commission on March 20, 2008 (File No. 33-92990).

⁽⁸⁾ Previously filed and incorporated by reference to Exhibit 3(A) to the Account's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 and filed with the Commission on August 13, 2009 (File No. 33-92990).

⁽⁹⁾ Previously filed and incorporated by reference to Exhibit 3(B) to the Account's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 and filed with the Commission on August 13, 2009 (File No. 33-92990).

⁽¹⁰⁾ Previously filed and incorporated by reference to Exhibit 4(C) to the Account's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and filed with the Commission on November 12, 2010 (File No. 33-92990).

⁽¹¹⁾ Previously filed and incorporated by reference to Exhibit 4(D) to the Account's Pre-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed April 27, 2011 (File No. 333-172900).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant, TIAA Real Estate Account, has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 14th day of November, 2011.

TIAA REAL ESTATE ACCOUNT

By: TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

November 14, 2011

By: /s/ Roger W. Ferguson, Jr.
Roger W. Ferguson, Jr.
President and
Chief Executive Officer

November 14, 2011

By: /s/ Virginia M. Wilson
Virginia M. Wilson
Executive Vice President and
Chief Financial Officer

CERTIFICATIONS

I, Roger W. Ferguson, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of the TIAA Real Estate Account;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2011

/s/ Roger W. Ferguson, Jr.

Roger W. Ferguson, Jr.
President and Chief Executive Officer
Teachers Insurance and
Annuity Association of America

I, Virginia M. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the TIAA Real Estate Account;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2011

/s/ Virginia M. Wilson

Virginia M. Wilson
Executive Vice President and Chief Financial Officer,
Teachers Insurance and
Annuity Association of America

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Teachers Insurance and Annuity Association of America, do hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q of the TIAA Real Estate Account (the "Account") for the quarter ended September 30, 2011 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Account.

November 14, 2011

/s/ Roger W. Ferguson, Jr.

Roger W. Ferguson, Jr.
President and Chief Executive Officer,
Teachers Insurance and Annuity
Association of America

November 14, 2011

/s/ Virginia M. Wilson

Virginia M. Wilson
Executive Vice President and Chief Financial Officer,
Teachers Insurance and Annuity
Association of America

A signed original of this written statement required by Section 906 has been provided to the TIAA Real Estate Account and will be retained by the Account and furnished to the Securities and Exchange Commission or its staff upon request.