



2018

ANNUAL REPORT



INCOME
PROPERTY
TRUST

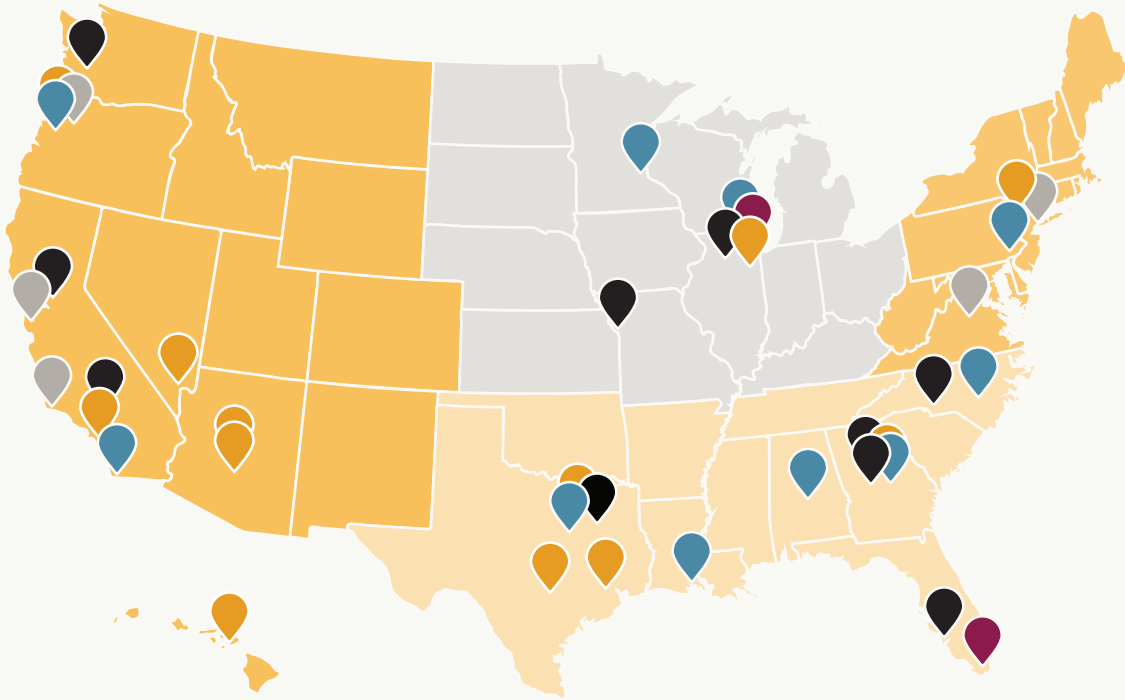


INCOME
PROPERTY
TRUST

CURRENT PORTFOLIO:

70 PROPERTIES ACROSS 19 STATES

12 APARTMENT COMMUNITIES, 28 INDUSTRIAL WAREHOUSES, 23 RETAIL CENTERS, 5 OFFICE BUILDINGS AND 2 PARKING GARAGES



Portfolio as of December 2018
For property details, visit jllipt.com



WEST

| | |
|---------------------------------------|----|
| Kierland Village Center | AZ |
| Silverstone Marketplace | AZ |
| 111 Sutter Street | CA |
| Dylan Point Loma | CA |
| Pinole Point Distribution Center (3) | CA |
| San Juan Medical Center | CA |
| Temecula Town Center | CA |
| Valencia Industrial Portfolio (5) | CA |
| Maui Mall | HI |
| Montecito Marketplace | NV |
| Jory Trail at the Grove | OR |
| Pioneer Tower | OR |
| Timberland Town Center | OR |
| South Seattle Distribution Center (3) | WA |

MIDWEST

| | |
|---------------------------------|----|
| 180 North Jefferson | IL |
| Aurora Distribution Center | IL |
| Chicago Parking Garage | IL |
| O'Hare Industrial Portfolio (7) | IL |
| Skokie Commons | IL |
| The Penfield | MN |
| Norfleet Distribution Center | MO |

SOUTH

| | |
|-----------------------------------|----|
| Lane Parke Apartments | AL |
| South Beach Parking Garage | FL |
| Tampa Distribution Center | FL |
| Kendall Distribution Center | GA |
| Mason Mill Distribution Center | GA |
| Suwanee Distribution Center | GA |
| The District at Howell Mill | GA |
| The Reserve at Johns Creek Walk | GA |
| The Edge at Lafayette | LA |
| Charlotte Distribution Center | NC |
| DFW Distribution Center (2) | TX |
| Grand Lakes Marketplace | TX |
| Grand Prairie Distribution Center | TX |
| Oak Grove Plaza | TX |
| The Villas at Legacy | TX |
| Townlake of Coppell | TX |
| Whitestone Market | TX |

EAST

| | |
|---------------------------|----|
| The Huntington | MA |
| The Tremont | MA |
| 140 Park Avenue | NJ |
| NYC Retail Portfolio (12) | NY |
| AQ Rittenhouse | PA |
| Monument IV at Worldgate | VA |

Dear Fellow Stockholders:

I am pleased and proud to report that 2018 was a remarkable year for **JLL Income Property Trust**. Our entire organization focused and delivered on our most important goal – investment performance that exceeds expectations. In the process, we also achieved multiple milestones consistent with our position as the market-leading core, daily NAV REIT.

→ **Portfolio growth and reliable income:**

Quarterly dividends have been declared for 29 consecutive quarters, with an average annual increase of nearly 5% over that seven-year period.

→ **Active management of a broad, diversified real estate portfolio:**

Acquired three new properties and disposed of one of our largest properties securing its sale at \$227 million.

→ **Build trusted relationships with financial advisors:**

JLL Income Property Trust is utilized by nearly 3,000 financial advisors serving our nearly 13,000 stockholders across two dozen distribution partners spanning wirehouses, independent broker-dealers and registered investment advisors.

→ **Industry-leading corporate responsibility:**

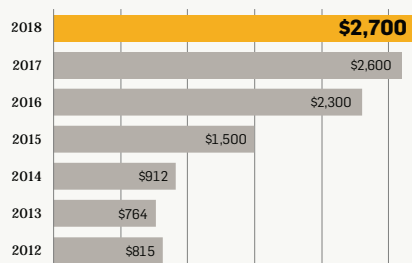
Awarded a four-star sustainability rating from GRESB, becoming the first NAV REIT to achieve this ranking by this leading global ESG benchmarking organization.

These milestones set the context for **JLL Income Property Trust's** 2018 results, which are among the strongest reported in our seven-year history. Stockholders of our advisory shares (M-I Class) realized a net of fees annual return of 8.3%, and holders of our brokerage shares (A Class) realized a net of fees annual return of 7.4%.

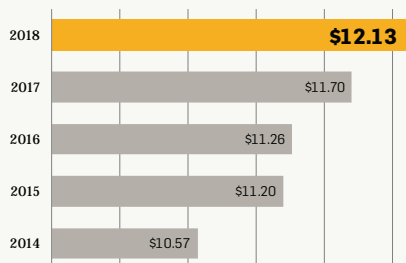
Outcomes that meet expectations

- *Institutional quality portfolio diversified by property type and geographic markets*
- *Lower volatility and correlation with the broader equity and fixed income markets*
- *Reliable and growing source of income for our stockholders*
- *Transparent valuations and opportunity for modest appreciation*
- *Exceptional investment performance in-line with what we believe are investor expectations*

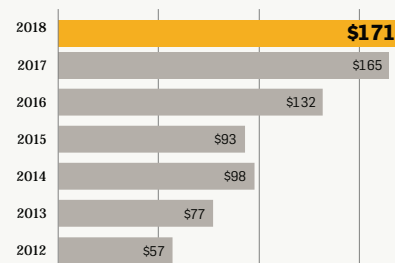
ASSETS UNDER MANAGEMENT (IN MILLIONS)



SHARE PRICE (CLASS M-I)



ANNUAL REVENUES IN MILLIONS)



Source: JLL Income Property Trust. Information represents fair value of properties as of December 31, 2018

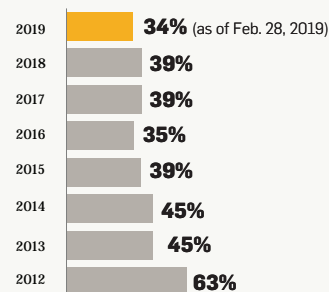
Note: All properties pictured are included in the JLL Income Property Trust portfolio.



FINANCIAL HIGHLIGHTS AND KEY METRICS

- We acquired three properties in 2018, bringing our portfolio to 70 properties.
- Asset value increased 6.9%, from \$2.6 billion to \$2.7 billion.
- Revenues grew 3.5% year over year to \$171 million.
- The price of Class M shares increased from \$11.69 to \$12.12.
- Dividends per share increased 4% year over year to an annualized \$0.52
- Recognizing the later stages of the current cycle, continued deleveraging of our balance sheet resulted in a leverage ratio of 39% at year-end 2018, and further reduction to 34% as of February 28, 2019.

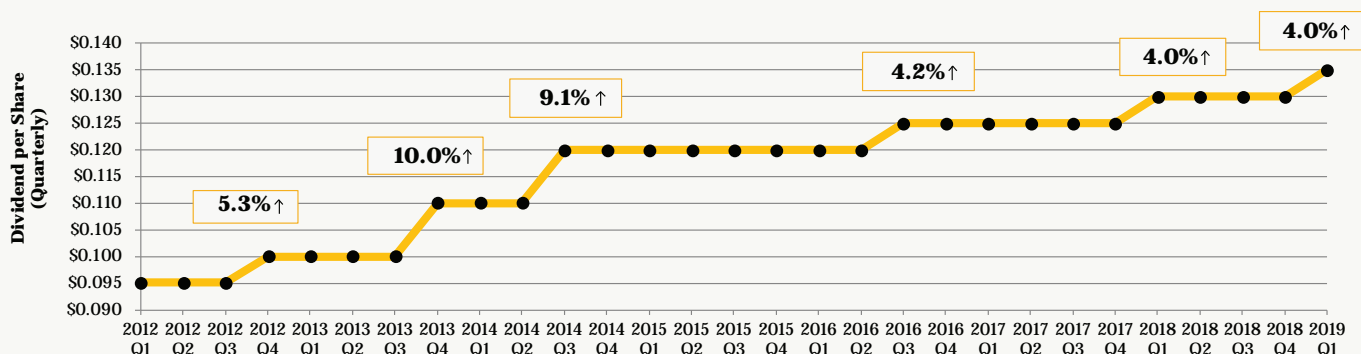
COMPANY LEVERAGE



Income Driven (by design)

Since the launch of **JLL Income Property Trust** in 2012, one of our primary investment objectives has been to provide reliable and growing distributions for stockholders in the form of our regular quarterly dividends. To achieve this goal over the long term, we take an active approach in every aspect of our daily business. We begin with the acquisition of carefully selected properties – diversified across property types and geographic markets – then add value through intensive asset management, and when necessary, capital reinvestment. Our time-tested business model is income driven by design.

Just recently, in March, our Board of Directors approved a 4% dividend increase for the first quarter of 2019 – from \$0.13 per share to \$0.135 per share. This is the sixth dividend increase in seven years and represents a 5.1% average annual increase over twenty-nine quarters.



As we seek to produce enduring wealth for our investors, we are pleased to report having paid out highly tax-efficient distributions to our stockholders. 99% of the distributions paid to our stockholders in 2018 qualify as a non-dividend distribution or non-taxable return of capital. In addition to durability of income distributions and preservation of capital, **JLL Income Property Trust** also strives to be a longer-term source of tax-advantaged income for our investors.

Over the last seven years, we have provided net of fees annualized total returns for our Class M and A shares of 7.3% and 6.7%, respectively. We continue to search for investment opportunities that will further diversify our portfolio, enable moderate NAV growth, and generate favorable risk-adjusted returns.

Note: All properties pictured are included in the JLL Income Property Trust portfolio.

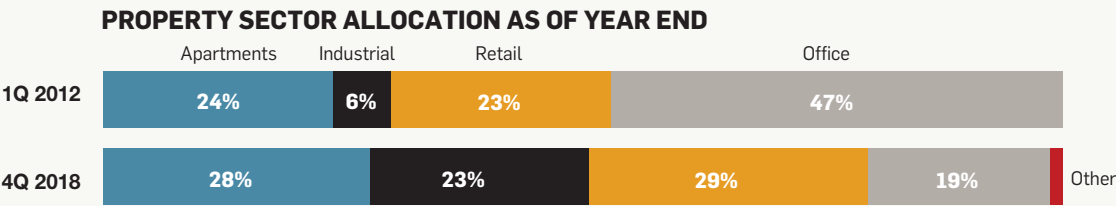


INVESTMENT STRATEGY

A unique aspect of our strategy, and we believe one of its greatest strengths, is our ability to shift property sector weightings and geographic market concentrations as our research and strategy team (our in-house intellectual capital) guides us toward (and sometimes directs us to avoid) certain sectors and markets that are likely to outperform given their view on current market conditions, and outlook for future trajectories.

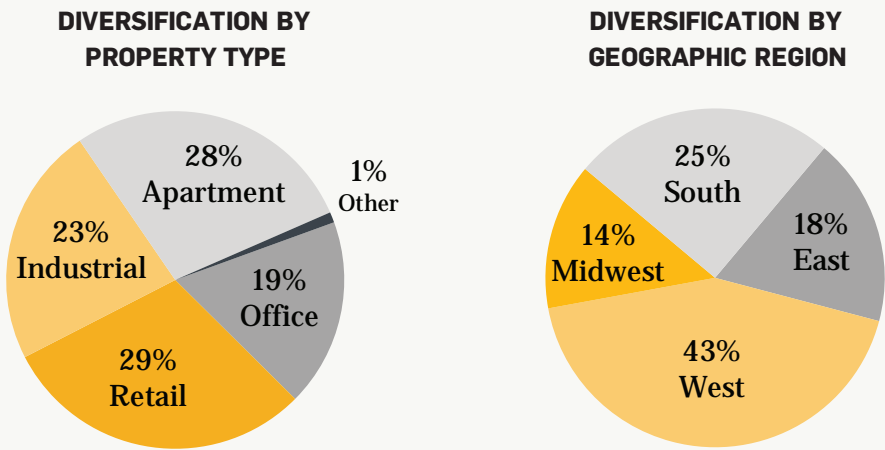
Actively managing our real estate portfolio

Broad diversification across property types is one of our foremost risk management tenets. Over the past six years we have expanded our holdings of industrial properties and significantly reduced our investments in office properties. Our grocery-anchored retail and apartment allocations have increased modestly.



This transformation reflects changes in real estate markets, demographics, population and consumer habits, as well as long-term business trends and our outlook for the future. To support our investment strategies and decisions, we harness the deep data resources and analytic rigor of LaSalle's Research & Strategy group. Similarly, we take a data-centric approach toward managing our portfolio of select core commercial real estate properties to achieve stability, diversification, current income, moderate NAV growth and favorable risk-adjusted returns.

At the end of 2018, our diversified portfolio can be segmented as:



Note: All properties pictured are included in the JLL Income Property Trust portfolio.



Outlook by property sector

All of our property acquisitions over the last six years have met our carefully developed investment criteria, with each one enhancing the quality of our portfolio.



- **Apartment:** A growing economy, resulting in record low unemployment and rising wages, along with extremely favorable demographics continues to provide strong and steady demand for rental housing across our markets. Dense population centers with sufficient household affluence and significant barriers to entry are critical to long term rent growth potential. Our core apartment strategy includes stabilized suburban apartment communities in top-rated school districts where properties have higher quality finishes and unique amenities.

With the impetus of these market drivers, we have acquired 11 new conventional market-rate apartment communities and sold six student-oriented properties, increasing our portfolio allocation from 24% to 28%. We anticipate increasing this allocation in the coming year.



- **Retail:** Our strategy is focused on well-located, grocery-anchored open-air retail centers and the ancillary necessity-based consumer services segment. This segment of retail has continued to generate stable income and high occupancy, and serves as a defensive element within our well-diversified portfolio. While retail in general is dealing with e-commerce related headwinds, notably affecting malls and power centers, it is important to note that net demand is still growing, and in particular grocery-anchored community centers have outperformed all other retail formats.

In our retail portfolio, we have acquired interests in 25 new properties and we have sold six properties, increasing our portfolio allocation from 23% to 29%. We anticipate maintaining this allocation in the coming year.



- **Industrial:** Fundamentals remain strong nationally in the industrial sector; however, the transparency around fundamentals means investor interest is strong as well, and pricing is often well above replacement cost. Strong consumer confidence, increased consumption, the ongoing shift to online purchasing and accelerated delivery expectations have provided a favorable environment for the industrial segment. Warehouse space has been in high demand as tenants seek to modernize their operations, improve logistical efficiencies, increase capacity and get closer to their customers.

In our industrial portfolio, we have acquired 27 new properties and sold two properties, increasing our portfolio allocation from 6% to 23%. We anticipate increasing this allocation in the coming year.



- **Office:** Long-standing concerns about the impact of volatility and high capital expenditures on the traditional office segments have not yet been addressed with lower pricing. We have taken an active approach to underweighting this sector, with the exception of medical office which remains as a good addition to a core investment portfolio due to its low-risk characteristics and better performance during economic downturns.

In our office portfolio, we have acquired three new office properties, and have disposed of 20 properties, decreasing our portfolio allocation from 47% to 19%. We anticipate decreasing this allocation in the coming year.

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BALANCE SHEET STRATEGY

JLL Income Property Trust strives to maintain a strong balance sheet with consistent access to capital, enabling us to preserve and protect the principal value of our portfolio investments no matter what capital market conditions prevail. Having a prudent capital structure through cycles affords financial flexibility, better access to capital and reduced interest rate risk. A strong, conservative, and flexible balance sheet preserves stockholder value during market dislocations, and provides the capacity to take advantage of opportunities when others may be capital constrained.

Reduced leverage late cycle

As we enter 2019, late-cycle warnings, macro-economic pressures, geopolitical risks, trade-war saber rattling and tech disruptions that could impact markets are increasing; many of these risks manifested themselves in the fourth quarter of 2018 with volatile equity and fixed income markets shining a bright light on the stable value and income durability of low leverage, core real estate. While these headwinds have been present for several years, no break in the multi-year run of strong core real estate performance has occurred. In general, real estate has continued to generate steady income while also holding or increasing in value. However, the 30-year period of "appreciation through rate compression" has likely run its course even though "lower for longer" has crept back into the popular vernacular when speaking about interest rates. Nonetheless, we remain vigilant for signs of late-cycle excesses and risk taking, which are not commensurate with expected returns.

Within our **JLL Income Property Trust** portfolio we have enforced a discipline upon ourselves learned through the painful experience of navigating higher leverage, floating rate, cross-collateralized loans secured by secondary market real estate through the Global Financial Crisis (GFC) (2007 to 2009). This experience (often referred to as grey hair) has led us to deleverage our portfolio over the last five years to 39% LTV at the end of 2018, and further reducing it to 34% LTV at the end of February. Our long-term vision for the portfolio must be aligned with our long-term capitalization of our real estate and modest leverage is a hallmark of our more conservative approach. With limited near-term debt maturities, we have a portfolio-wide weighted average remaining loan term of nearly seven years and our weighted average interest rate on borrowings is approximately 3.8%. We also pride ourselves on exclusively borrowing non-recourse and never cross collateralizing loans across multiple properties.

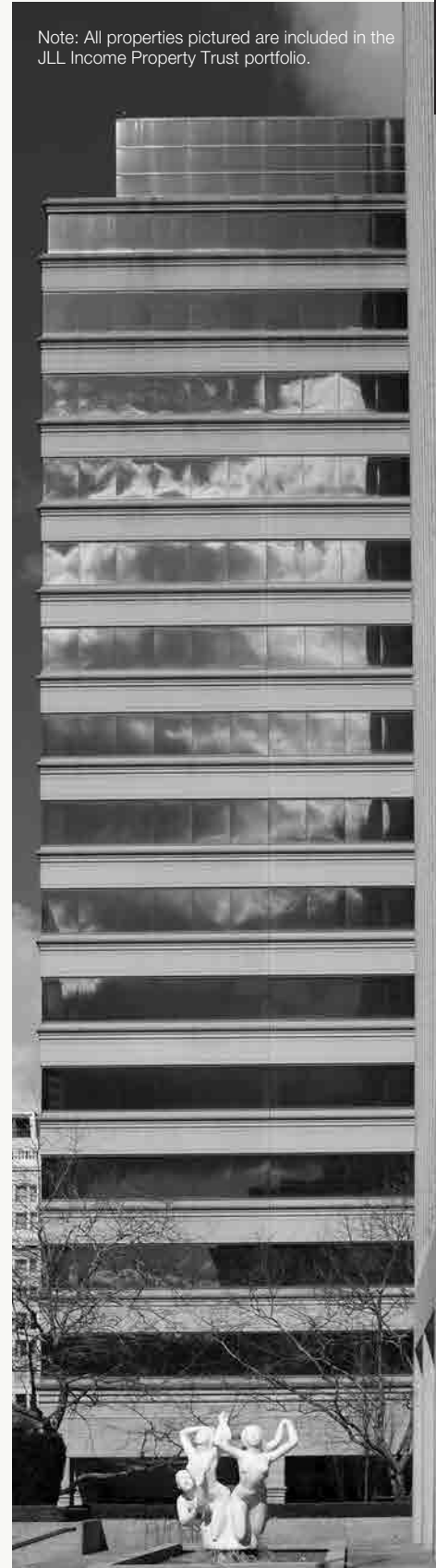
Debt and equity capital

In December we increased and extended our credit facility by \$100 million until Q2 2021. Our working capital facility now totals \$400 million, syndicated across seven world-class lending institutions and can be increased through an accordion feature to a total of \$650 million. Lastly, fixed-rate borrowing accounts for 96% of our debt, helping to insulate us from floating interest rate risks.

Since 2012, we have raised over \$1.7 billion of new capital as of February 28, 2019. With this capital, we have acquired interests in 68 new properties investing over \$2.1 billion and contributing to the growth of our asset base from \$800 million to \$2.7 billion. We have disposed of 34 properties generating \$640 million in sale proceeds – all trading within a narrow range of their most recent independently appraised valuations, affirming our appraisal-based NAV methodology. We have also repaid or refinanced \$475 million in higher interest rate and loan-to-value mortgages contributing to our reduced weighted average cost of debt and overall loan to value. Lastly, we have repurchased over \$390 million in shares at their daily NAV over the last seven years returning capital to stockholders who desired liquidity or chose to reduce their allocations to core real estate.

In mid-December last year, we agreed to sell 111 Sutter Street, a multi-tenant office property located in downtown San Francisco. This sale closed in February for \$227 million, or about \$800 per square foot. This property had been one of our best performing investments over the last seven years and resulted in an accounting gain of approximately \$107 million. That said, in today's market it is essential to be a timely seller and to harvest gains and reinvest in properties and markets that we believe represent better risk adjusted opportunities for our investors. Historically, San Francisco has been one of the most volatile office markets in the U.S. Proceeds from the sale were used to immediately pay-off our line of credit balance and will ultimately be reinvested across a number of other properties and geographic markets further diversifying **JLL Income Property Trust's** portfolio.

Note: All properties pictured are included in the JLL Income Property Trust portfolio.



OPERATIONS STRATEGY

Investing in both new and existing assets in our portfolio is fundamental to the execution of our strategy. During 2018, we invested approximately \$18 million dollars of capital improvements in our existing portfolio, all geared towards maintaining our higher occupancies.

In keeping with our core strategy, maintaining higher occupancies is an intensive area of focus for our asset management team. Our leasing activity was very strong in 2018 with over 660,000 square feet of new and renewal leases completed, resulting in an average 10.4% rent increase, a testament to our strong locations and higher-quality properties. Our weighted average lease duration at year end, excluding apartments, was 5.6 years.

Leasing highlights and key metrics

94%

Occupancy across the portfolio of properties.

660k

Square feet of space leased or renewed.

5.6Y

(excluding apartments)

Weighted Average Lease Term (WALT), an industry metric that indicates a low risk of vacancy across our portfolio of properties.

Environmental, Social and Governance

We recognize that real estate has a major impact on the environment, and we are focused on addressing global environmental challenges in very specific ways within the portfolio. We are committed to achieving and maintaining a leadership position in the real estate industry when it comes to environmental, social responsibility, and governance (ESG) practices.

JLL Income Property Trust is committed to incorporating ESG practices in all aspects of our business, both strategically and tactically. We continue to improve and enhance our policies and practices on issues from sustainability, to community engagement, to governance, and are externally recognized for our work in these areas.

JLL Income Property Trust's environmental and sustainability strategic program comprises four pillars:

- **Implementing operational best practices**, as specified by the LaSalle Green Guide.
- **An Environmental Management System (EMS) analytics platform** through our ULI Greenprint membership to measure, manage and act on sustainability data.
- **Industry certifications** including LEED® from the U.S. Green Building Council and ENERGY STAR® from the U.S. Environmental Protection Agency. Notably, **JLL Income Property Trust** pursues these certifications where we believe they will be accretive to investment performance.
- **Integrated sustainability reporting** through the Global Real Estate Sustainability Benchmark (GRESB), a leading global ESG benchmarking organization that recently awarded JLL Income Property Trust a four-star sustainability rating, becoming the first NAV REIT to achieve this ranking.

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Partnering with tenants

Across our portfolio we prioritize tactical measures that improve energy conservation, enhance water recycling, and reduce emissions and our buildings' carbon footprints. Cool roofs and low-water solutions also improve the efficiency of our buildings. We often work side-by-side with tenants, and at select properties engage in financial partnerships that enable tenants to pay for the cost of environmental and sustainability improvements over time.

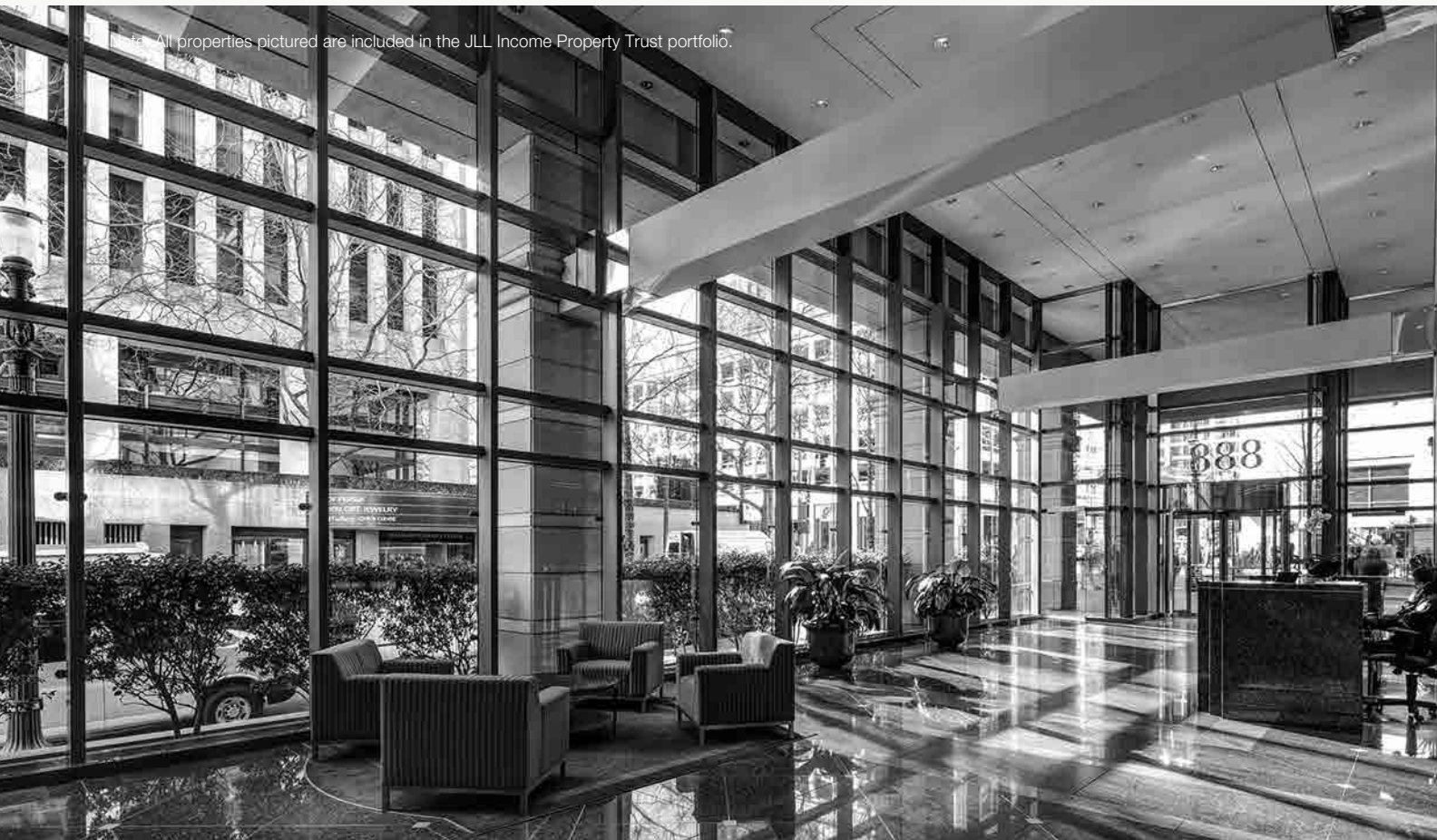
Community support

JLL Income Property Trust extends our corporate citizenship efforts into the communities in which we operate. In line with local regulations, many of our apartment communities apportion specified levels of affordable and low-cost housing units. We are proud to engage with and give back to our communities in many ways, most recently through a donation together with REIT Way Hawaii Charitable Giving Campaign to local Hawai'iian charities.

Governance

The Board of Directors of **JLL Income Property Trust** is composed of seven diverse and highly accomplished executives who are dedicated to serving the best interests of our stockholders. Four of our directors are wholly independent of LaSalle Investment Management, our advisor, and JLL, our sponsor. Among other activities, the Board is responsible for directing and providing oversight of **JLL Income Property Trust's** management by reviewing strategy, approving and implementing governance policies, monitoring the performance of the advisor, and providing oversight of financial reporting and legal compliance.

JLL has been recognized as one of the "World's Most Ethical Companies" by the Ethisphere® Institute for the last 12 years. LaSalle has been a signatory to the United Nations backed Principles for Responsible Investment (PRI) since 2009, achieving an A+ in Strategy & Governance and A in Direct Investments – Property in its annual assessment for three consecutive years. As our advisor and sponsor, LaSalle and JLL guide many of our activities in these areas and ensure that **JLL Income Property Trust** operates with the same high standards for ethical business practices and sustainable investing within our portfolio.



2019 OUTLOOK

The commercial real estate market in the United States is in a favorable condition as we progress into 2019, and is expected to continue its strong performance into 2020. The most recent data on rents, occupancy rates, balance of supply and demand, and pricing all point to stable fundamentals and values.

However, the stability of the real estate markets does not extend to politics, the macro economy, or other asset classes, and each of these present risks that could disturb the stability of real estate. Job growth will remain a positive driver for real estate demand, although the pace will likely slow due to lower growth in the working age population and a low unemployment rate.

Looking ahead, we believe that the 30-year period of “appreciation through rate compression” is drawing to a conclusion. A gradual and gentle increase in interest rates will not lead to falling values if improving fundamentals allow rising rental income to offset small increases in discount or capitalization rates.

Regardless of the timing, we believe that capitalization rate expansion will likely be slower than during prior down cycles, as the era of low interest rates and low inflation is not over. Capital substitution for labor, the rise of the “gig economy,” and global trade have constrained wage-induced inflation. However, the impact of trade disputes in 2019–20 is unknown, possibly triggering cost-push inflation across a wide variety of finished goods, intermediate goods, commodities, and raw materials.

The tightening labor market may eventually drive many people back to work, as labor force participation has remained low for more than a decade. Our base case outlook shows the U.S. economy slowing gradually in 2019 and 2020. If economic growth tapers, rather than plunges, core real estate will perform well.

As for the outlook for **JLL Income Property Trust** in particular, we believe we are well-positioned to manage through cycles, and are indeed purposefully built to do so, with higher occupancies, longer lease durations in well-located and higher-quality properties leveraged responsibly.

THANK YOU

We are optimistic about what lies ahead for our performance given the strong economic and market trends, the quality of our portfolio, our strong balance sheet and the capabilities and commitment of our team. And though we cannot control external factors that may impact our business in the future, we will keep a pulse on legislation, world affairs and the overall economy and make adjustments as appropriate.

The success of **JLL Income Property Trust** is directly attributable to our loyal stockholders, our incredibly talented and committed colleagues across LaSalle and JLL, our expanding roster of supportive distribution partners and the growing community of financial advisors who place their trust in us. Thank you for your support.

Beginning in early April we will be mailing to all stockholders a copy of our Annual Report and Proxy Statement and launch our Proxy solicitation outreach program. We need a majority of our shares of common stock voted in order to have a quorum for this stockholders meeting. We ask for your help in voting your shares or encouraging your clients to vote their shares.

Our annual meeting scheduled for 8:30 a.m. Central Time on June 13, 2019 at the offices of JLL Income Property Trust, located at 333 West Wacker Drive, Chicago, IL, 60606.

Sincerely,



C. Allan Swaringen
President and Chief Executive Officer
March 29, 2019

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