

LaSalle's ISA Outlook 2025: The Start of a New Cycle for U.S. Real Estate

Each year, LaSalle Investment Management (“LaSalle”), the advisor to JLL Income Property Trust and a global real estate investment manager with nearly \$90 billion of assets under management, publishes its Insights, Strategy and Analysis (ISA) Outlook, a comprehensive report that provides insights and forecasts for real estate markets and property types, offering strategic insights to help inform our investment decisions. In its ISA Outlook 2025, LaSalle notes that U.S. real estate appears to be on the verge of a new cycle, with interest rates down from peak levels and economic growth concerns fading, but also with some new risks on the horizon. We believe the landscape for real estate has improved since last year, which saw lower transaction volumes due to higher interest rates and challenging macroeconomic conditions.

Source: <https://www.lasalle.com/research-and-insights/isa-outlook-2025/>

This number reflects the assets under management of all of LaSalle's investment advisory affiliates and includes uncalled committed capital and cash. The above may be subject to change. As of June 30, 2024.

LaSalle sees considerable differences between this upcoming cycle and prior ones. Notably, interest rates are expected to remain higher, which will lead to a more moderate pace of value recovery. In addition, while the pace of capital flows to real estate is expected to pick up in 2025, conditions across real estate sectors and markets will likely remain uneven. These differences suggest that investing into the coming real estate cycle will not be a simple story of a “rising tide lifts all boats;” selecting outperforming sectors at market and sub-market levels is likely to add value. LaSalle's ISA Outlook 2025 follows several main themes that will influence our real estate decision-making, as well as sector by sector analysis of different property types.

ECONOMIC OUTLOOK

Falling Rates but Risks on the Horizon

While the summer and fall of 2024 saw growing optimism among real estate investors, uncertainty around long-term interest rates rose in the fourth quarter. Long bond rates have moved higher, even as the Fed started cutting interest rates.

The recent volatility is a reminder that we are no longer in a goldilocks environment. Pandemic-era reverberations continue as we adjust to a new normal that includes at least the fear of continuing higher inflation.

CAPITAL MARKETS

Best Market Entry Points Tend to be Early Cycle

Historically, the best entry points for investors tend to come early in the cycle, and the ISA Outlook predicts that 2025 will be the best year for entry into appraisal-based funds, and second best to 2024 for entry at market pricing. However, the research cautions that unless interest rates fall back to the low levels of the post-GFC period, pricing will not likely enable returns similar to those seen in the early years of previous cycles. Despite expectations for a strong vintage year, the ISA forecasts that transaction volume will grow slowly throughout 2025, as many sellers will delay sales expecting better values and fundamentals for 2026.

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BALANCING A PORTFOLIO

Real Estate Debt

The ISA Outlook notes that investors would be wise to weigh the potential upside from allocating to equity vs. the downside protection in a debt position. Today there are strong reasons for investors to allocate to debt. First, interest rates remain high relative to historic levels, which is a benefit to investors seeking high absolute current cash returns from debt investments. Second, there are structural tailwinds to private real estate debt investment as banks dial back direct mortgage activity in favor of providing cross-collateralized ‘back leverage’ to debt portfolios. Finally, debt is a good source of portfolio diversification as volatility remains elevated.

DISTRESS

The Capital Stack Hangover

The ISA Outlook indicates that some market segments and assets will remain stressed under any realistic outlook for economic growth and interest rates. Challenged capital stacks will not be cured by lower rates, and the “pretend and extend” approach to distressed assets will eventually require resolution. Distress in the U.S. office sector is rising fast, with U.S. residential and retail seeing some limited distress.

JLL Income Property Trust has observed many of these trends highlighted from this research report. The Fund saw significant valuation stabilization throughout the second half of 2024, with the income returns from its diversified portfolio of core real estate exceeding the minor valuation declines from independent appraisals.

As LaSalle’s ISA Outlook 2025 notes, navigating the current environment will require selectivity at the sector, market, and submarket levels. With more than \$400 million of “dry powder” available to make new investments, JLL Income Property Trust believes it is well positioned to invest opportunistically in this new real estate cycle.

This communication may contain forward-looking statements. Forward-looking statements are statements that are not descriptions of historical facts and include statements regarding management’s intentions, beliefs, expectations, research, market analysis, plans or predictions of the future. Because such statements include risks, uncertainties, and contingencies, actual results may differ materially from those expressed or implied by such forward-looking statements.

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SHARE CLASS SPECIFIC FEES¹

	CLASS M-I SHARES (ZIPIX)	CLASS M SHARES (ZIPTMX)	CLASS A-I SHARES (ZIPIX)	CLASS A SHARES (ZIPTAX)
AVAILABILITY (Subject to appropriate requirements)	Through fee-based programs, wrap accounts, registered investment advisors, and other institutional and fiduciary accounts		Through brokerage and transactional-based accounts	
MINIMUM INITIAL INVESTMENT	\$1,000,000	\$10,000	\$1,000,000	\$10,000
SELLING COMMISSION²	None	None	Up to 1.50%	Up to 3.00%
DEALER MANAGER FEE³	None	0.30%	0.30%	0.85%

MANAGEMENT FEES⁴

FIXED FEE	Accrues daily in an amount equal to 1/365th of 1.25% of the NAV for each share class
PERFORMANCE FEE	Calculated for each share class as 10% of the total return in excess of 7% per annum on a calendar-year basis

¹ All Share Class Specific Fees are paid to the dealer manager and may be reallocated to participating broker-dealers. Select broker-dealers may have different appropriate standards, may not offer all share classes, and/or may offer JLLIPT at a different minimum initial investment. See the prospectus for more information.

² The Selling Commission is a percentage of the NAV per share paid on Class A and A-I shares on the date of purchase and may be reduced or eliminated for certain categories of purchasers. Commissions are paid on net investment amounts.

³ The Dealer Manager Fee accrues daily in an amount equal to 1/365th of the percentage of the NAV for such day on a continuous basis. The Dealer Manager Fee with respect to shares sold in a given offering will cease on the date on which the total underwriting compensation paid with respect to such shares equals 10% of the gross proceeds from the offering.

⁴ Paid to LaSalle Investment Management as advisor to JLL Income Property Trust.

SUMMARY OF RISK FACTORS

You should read the prospectus carefully for a description of the risks associated with an investment in JLL Income Property Trust (JLLIPT). Some of these risks include but are not limited to the following:

- Since there is no public trading market for shares of our common stock, repurchases of shares by us after a one-year minimum holding period will likely be the only way to dispose of your shares. After a required one-year holding period, JLLIPT limits the amount of shares that may be repurchased under our repurchase plan to approximately 5% of our net asset value (NAV) per quarter and 20% of our NAV per annum. Because our assets will consist primarily of properties that generally cannot be readily liquidated, JLLIPT may not have sufficient liquid resources to satisfy repurchase requests. Further, our board of directors may modify or suspend our repurchase plan if it deems such action to be in the best interest of our stockholders. As a result, our shares have limited liquidity and at times may be illiquid.
- The purchase and redemption price for shares of our common stock will be based on the NAV of each class of common stock and will not be based on any public trading market. Because valuation of properties is inherently subjective, our NAV may not accurately reflect the actual price at which our assets could be liquidated on any given day.
- JLLIPT is dependent on our advisor to conduct our operations. JLLIPT will pay substantial fees to our advisor, which increases your risk of loss. JLLIPT has a history of operating losses and cannot assure you that JLLIPT will achieve profitability. Our advisor will face conflicts of interest as a result of, among other things, time constraints, allocation of investment opportunities, and the fact that the fees it will receive for services rendered to us will be based on our NAV, which it is responsible for calculating.
- The amount of distributions JLLIPT makes is uncertain and there is no assurance that future distributions will be made. JLLIPT may pay distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital, offering proceeds and advances of the deferral of fees and expense reimbursements. Our use of leverage increases the risk of your investment. If JLLIPT fails to maintain our status as a REIT, and no relief provisions apply, JLLIPT would be subject to serious adverse tax consequences that would cause a significant reduction in our cash available for distribution to our stockholders and potentially have a negative impact on our NAV.
- While JLLIPT's investment strategy is to invest in stabilized real estate properties diversified by sector with a focus on providing current income to investors, an investment in JLLIPT is not an investment in fixed income. Fixed income has material differences from an investment in a non-traded REIT, including those related to vehicle structure, investment objectives and restrictions, risks, fluctuation of principal, safety, guarantees or insurance, fees and expenses, liquidity and tax treatment.
- Investing in real estate assets involves certain risks, including but not limited to: tenants' inability to pay rent; increases in interest rates and lack of availability of financing; tenant turnover and vacancies; and changes in supply of or demand for similar properties in a given market.
- You should carefully review the "Risk Factors" section of our prospectus for a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Except as otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
- This sales material must be read in conjunction with the prospectus in order to fully understand all the implications and risks of the offering of securities to which it relates. This sales material is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the prospectus.
- Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time.
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FORWARD-LOOKING STATEMENT DISCLOSURE

This literature contains forward-looking statements within the meaning of federal securities laws and regulations. These forward-looking statements are identified by their use of terms such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," "will," and other similar terms, including references to assumptions and forecasts of future results. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and other factors that may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks, uncertainties, and contingencies include, but are not limited to, the following: our ability to effectively raise capital in our offering; uncertainties relating to changes in general economic and real estate conditions; uncertainties relating to the implementation of our investment strategy; and other risk factors as outlined in our prospectus and periodic reports filed with the Securities and Exchange Commission. Although JLLIPT believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. JLLIPT undertakes no obligation to update any forward-looking statement contained herein to conform the statement to actual results or changes in our expectations.

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