JLL | INCOME PROPERTY TRUST

November 2023

# Third Quarter 2023 Review

## To Our Valued Stockholders

This year's disorderly environment (Fed interest rate policy, economic uncertainty, governmental dysfunction, political upheavals, to highlight just a few environments of disorder) has delivered three years' worth of disruptions in the span of only three quarters. Nonetheless, through this third quarter of 2023, we continued to carefully monitor economic conditions while steadfastly executing on our longer-term business objectives. As we've discussed in previous communications, the Federal Reserve began their upward push of interest rates in March of 2022, and have now increased rates to nearly unprecedented levels at a record pace.

Inevitably, core real estate valuations have experienced declines as the three critical appraisal inputs – going in yield, discount rate, and exit cap rate – are benchmarked to interest rates and accordingly, have followed their upward trajectory. These appraisal metrics, along with forecasted rent growth, are critical components of determining appraisal-based valuations - not just "cap rates". What is true for most property sectors, excluding the office and shopping mall sectors, is that market fundamentals remain broadly resilient as the US economy continues to deliver positive job and GDP growth. While no one can call the bottom of a market cycle, with the Fed signaling a likely end to rate hikes, we are optimistic about the outlook and opportunities in the coming year.

Like nearly every investor in the real estate industry – at least those who follow institutional valuation methodologies – we experienced softening in our valuations since the Fed's rate hikes began. But as we saw in September, and throughout the third quarter, our valuation declines, and NAV decline was the lowest it has been since the Fed started its campaign to combat inflation. When factoring in the distribution income component of our total return, for the third quarter our investors experienced a 0.83% negative return in our Class A shares, and a 0.64% negative total return in our Class M-I shares.

We view this environment as an opportunity to moderately shift our mindset from a mostly defensive posture to a more offense-oriented outlook. As we continue to realize net positive capital inflows, along with maintaining approximately $350 million of dry powder for future investing, we remain active investors while also continuing our patient and conservative investment approach. Through making selective strategic investments across our preferred property sectors, now with both equity and higher yielding private credit lending, we believe we can add accretive acquisitions to our portfolio and enhance long term value for our stockholders.

**Third Quarter Performance**

During the third quarter, our Class A shares recorded a total return of -0.83% comprised of 0.91% income return and -1.73% appreciation return. Trailing one-year, three-year,and five-year total returns for Class A shares were -8.75%, 8.32%, and 6.13%, respectively. Our ten year Class A return is 6.80% with a 3.38% standard deviation.

Class M-I Shares recorded a total return of -0.64% comprised of a 1.09% income return and a -1.73% appreciation return. Trailing one-year, three-year, and five-year total returns were -8.43%, 8.61%, and 6.72%, respectively. Our Class M-I since inception return is 7.14% with a 3.58% standard deviation.

Our portfolio continues to produce strong, stable cash flows that have allowed us to pay forty seven consecutive quarterly distributions and increase the distribution rate eight times, resulting in an average annual increase of 3.7%. Our REIT structure, along with our focus on tax efficiency, has resulted in our distributions being highly tax advantaged, with an average tax equivalent yield of



## Q3 2023 Key Highlights

**$7.0B**
Billion AUM

**137**
Properties

**27**
States

**47**
Markets

**95%**
Occupancy

**37%**
Leverage

6.7%. We continue to overweight the industrial and residential sectors – property types leading all other sectors in terms of rental growth rates – which has provided our stockholders with distribution growth offsetting the recent inflationary environment.

**Investment Activity**
JLL Income Property Trust ended the third quarter with 137 properties diversified by property type, tenants and geography. Our $7 billion portfolio is well leased across all property sectors with occupancy of 95%. Throughout 2023, we have been strategically focused on acquisitions in our preferred sectors of residential and industrial, and remain, as we were in 2022, an all-cash investor rather than relying on debt to fund acquisitions. Negative leverage has no place within our core investment portfolio.

In an opportunistic expansion to our direct real estate equity portfolio, we also recently closed on our first debt investment. Over the next few years, we intend to invest a meaningful allocation to floating rate, senior secured real estate loans that complement our equity investment portfolio and over time should enhance cash flow and our income returns.

Our initial loan investment was a $27 million floating rate first mortgage secured by an active adult apartment community located near Austin, Texas. This three-year, senior secured loan earns an interest rate of 2.95% over SOFR – the Secured Overnight Financing Rate. This investment has the potential to deliver a yield of between 7 to 8%. In an environment where banks and other debt sources have restricted lending activities, we see opportunities to invest accretively by filling a void in the debt capital markets as a first mortgage lender, a core competency of our firm with more than $5 billion of real estate loan originations.

**Balance Sheet/Dry Powder**
The leverage ratio on our portfolio remains at a conservative level of 37%. In this period of higher interest rates, we have been extremely cautious with debt, strategically de-levering the balance sheet starting in 2022 in anticipation of more challenging economic conditions. Our borrowings are 91% fixed-rate with a weighted-average interest rate of 3.3% and a weighted time to maturity of approximately 5 years, and we have limited near term debt maturities through the end of 2024. At the end of September, we had approximately $50 million of cash and liquid securities on our balance sheet and approximately $300 million of undrawn capacity on our line of credit. This affords us nearly $350 million of dry powder. This access to capital provides us the opportunity to make attractive acquisitions throughout the balance of this year and beyond. JLL Income Property Trust has also continued to meet 100% of stockholder requests for share repurchases. In the third quarter, our share repurchase limit was $161 million, and we received requests to repurchase approximately 50% of that capacity, all of which was fulfilled.

**Differentiated DST Platform**
In addition to direct share sales of JLL Income Property Trust, we continue to grow our investor base through our highly differentiated JLL Exchange platform, a sophisticated tax and estate planning solution for property owners that utilizes both a traditional 1031 like-kind exchange along with a potential 721 UPREIT exchange.

We launched the JLL Exchange platform in 2020 to provide institutional quality properties through a Delaware Statutory Trust (DST) structure, where owners of appreciated investment real estate can conduct a 1031 exchange by using proceeds from the sale of their real estate to acquire interests in a DST. After a required holding period, JLL Income Property Trust has an option to acquire the DST property, completing the full cycle transaction through a 721 UPREIT. The program offers investors the potential to reinvest sale proceeds into a highly diversified, institutionally managed REIT. JLL Income Property Trust benefits by attracting strategically aligned long-term investors through the 1031 exchange market.

**In Closing**
On a more somber note, we were all dismayed by the recent wildfires on Maui. Our hearts go out to all of the victims and their families, particularly in the town of Lahaina, which was decimated by the fires. Many of you know that we own a grocery-anchored shopping center in Maui – the Maui Mall Village. Our property was fortunately not damaged by the fires. As property owners in Maui, we are dedicated to helping the community recover and ultimately rebuild. We are active contributors to NAREIT Hawaii, which has undertaken a wide range of community-based efforts to assist the local population, and have also made space available at the Maui Mall Village for the Red Cross as a staging area for their relief efforts.

Our heartfelt sympathies also go out to everyone impacted by the crisis in the Middle East. These are tumultuous and uncertain times. Core real estate investments are often considered a safe haven during times of uncertainty. As long-term, patient investors, we view real estate as an all-cycle asset class, and will continue to explore opportunities to add to our portfolio and build value for our stockholders.

We thank you for your continued support.

Sincerely,

Allan Swaringen | President and Chief Executive Officer

JLL | INCOME PROPERTY TRUST

# Portfolio Summary

## September 2023

**Residential**

26 Apartment Communities
4,000+ Single Family Homes
$\$2.9^{B}$ Portfolio Value

**Industrial**

59 Warehouses
$\$2.1^{B}$ Portfolio Value

**Grocery-Anchored Retail**

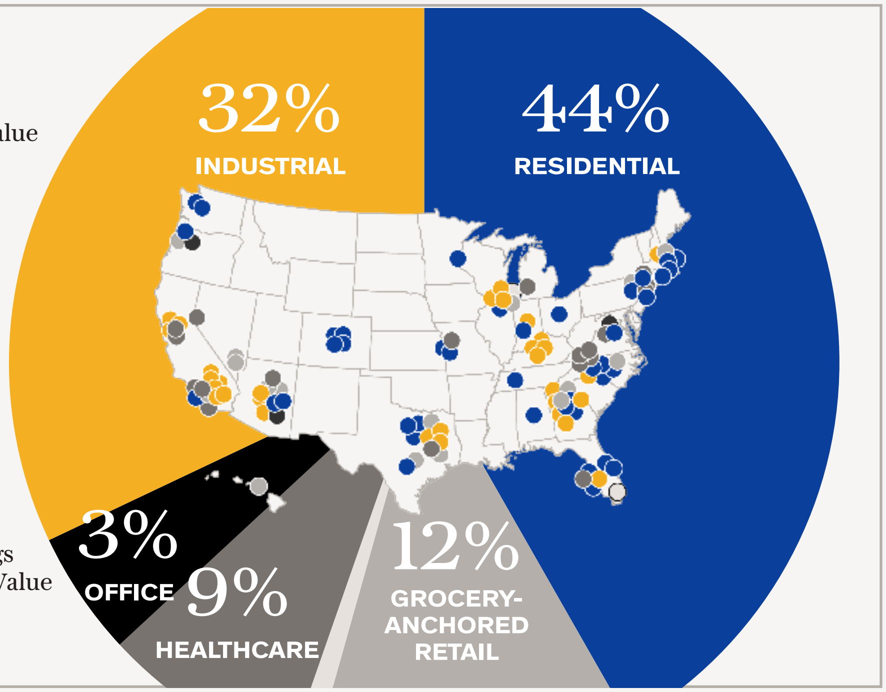
22 Shopping Centers
$\$789^{M}$ Portfolio Value

**Healthcare**

18 Medical Office Properties
5 Life Science Buildings
$\$621^{M}$ Portfolio Value

**Office**

3 Office Buildings
$\$222^{M}$ Portfolio Value




# Investment Highlight

**Austin, TX - Senior Secured Floating Rate Loan** **$27M**

Real Estate Debt Investment

Source: JLL Income Property Trust.
All statistics as of as of September 30, 2023.
Note: All properties pictures are included in the JLL Income Property Trust portfolio.

# 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 or offering proceeds. 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 commercial 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 commercial 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.
- This material is not to be reproduced or distributed to any other persons (other than professional advisors of the investors or prospective investors, as applicable, receiving this material) and is intended solely for the use of the persons to whom it has been delivered.
- JLLIPT may be subject to adverse legislative, regulatory, or administrative and judicial interpretative changes concerning taxes, which could increase its tax liability, reduce its operating flexibility and reduce the price of JLLIPT's common stock. Such changes may be enacted with retroactive effect. We cannot assure you that any such changes will not adversely affect the taxation of JLLIPT's stockholders. Any such changes could have an adverse effect on an investment in JLLIPT or on the market value or the resale potential of JLLIPT's assets. You should consult with your tax advisor with respect to the impact of any legislative, regulatory, or administrative and judicial interpretive changes concerning taxes on your investment in JLLIPT and the status of legislative, regulatory or other tax developments and proposals and their potential effect on an investment in shares of JLLIPT's common stock.

# 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.

**NAV CALCULATION AND RECONCILIATION**

This sales material contains references to our NAV. NAV is calculated in accordance with the valuation guidelines approved by our board of directors. NAV is not a measure used under generally accepted accounting principles in the United States ("GAAP"), and you should not consider NAV to be equivalent to stockholders' equity or any other GAAP measure. As of September 30, 2022, our NAV per share was $14.92, $14.93, $14.94, $14.90 and $14.90 per Class M-I, Class M, Class A-I, Class A and Class D shares, respectively, and total stockholders' equity per share was $9.25, $9.26, $9.26, $9.24 and $9.24 per Class M-I, Class M, Class A-I, Class A share and Class D shares, respectively. For a full reconciliation of NAV to stockholders' equity, please see the "Management's Discussion and Analysis of Financial Condition and Results of Operation—Net Asset Value" section of our annual and quarterly reports filed with the SEC, which are available at http://jllipt.com/sec-filings. For information on how we calculate NAV, see the "Net Asset Value Calculation and Valuation Guidelines" section of our prospectus. This literature must be read in conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the prospectus must be made available to you in connection with any offering. No offering is made except by a prospectus filed with the Department of Law of the State of New York. Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if the prospectus is truthful or complete, or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense. A copy of the prospectus for the JLL Income Property Trust offering can be obtained or viewed at www.jllipt.com.



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