Tax Efficiency of REITs

JLL | INCOME PROPERTY TRUST

An investment in a Real Estate Investment Trust (REIT) like JLL Income Property Trust offers a range of potential benefits to investors – broad portfolio diversification, attractive current income and the opportunity for capital appreciation. In addition to these prospective benefits, one underappreciated but critically important characteristic of REITs is their tax efficiency.

REITs were created in 1960 by Congress to give individual investors the opportunity to invest in large-scale, diversified portfolios of income-producing real estate. As part of the legislation that created the REIT structure, some guidelines were put into place around tax treatment of REITs.

In order qualify as a REIT, the legislation states that a REIT must distribute at least 90% of its taxable income to investors. In exchange, REITs typically are exempt from paying any corporate income taxes because their earnings have been passed along as distributions. This allows investors to avoid the "double taxation" that applies to non-REIT corporate entities, which pay taxes at both the corporate and individual shareholder level. Further, another benefit to being taxed as a REIT is investor friendly tax reporting. REITs report dividends paid to stockholders on 1099-DIV forms that are required to be delivered to investors by February 15th.

This results in a highly tax advantaged situation for shareholders of REITs. In addition to not having to pay taxes as a REIT – the distributions we pay to stockholders also have certain tax advantages, and in some cases all or a portion of distributions paid may be exempt from taxation by stockholders. Distributions paid to stockholders are treated as one of three different types of income:

- **Return of capital (also known as non-dividend distributions)**
- **Capital gains**
- **Ordinary income**

Return of Capital
A portion of REIT distributions may be categorized as nontaxable return of capital. This occurs when the distribution includes operating profits that are sheltered from tax as a result of depreciation or amortization on properties owned by the REIT. Return of capital distributions are generally tax free to stockholders. They do, however, reduce the investor's cost basis in the REIT investment – which may increase the tax obligation when the investment is ultimately sold, typically at a lower tax rate. This deferral of the tax obligation can be an attractive tax planning tool for many investors as it effectively converts ordinary income into long-term capital gains, which are also generally taxed at a lower rate.

Ordinary Income
The portion of an investor's distributions received that is comprised of the REIT's operating profits will be categorized as ordinary income and is taxed at the investor's marginal income tax rate. Today, investors may receive preferential treatment on the ordinary income portion of the distribution, as the Tax Cuts and Jobs Act provides for a 20% deduction for pass-through business income, which includes REIT distributions.

Capital Gains
Another portion of REIT distributions may be treated as capital gains. This may occur when a REIT sells a property for a profit. The capital gain can be categorized as either short-term or long-term depending on the length of time the property was owned. As a REIT, which typically holds properties for two years or longer, a long-term capital gain may be realized, with gains taxed at either 15% or 20% depending on the individual's income tax bracket.

Tax Equivalent Yield

These tax advantages have the effect of increasing the equivalent distribution rate. "**Tax Equivalent Yield**" represents the required pre-tax yield for a fully taxable investment in order to earn an after-tax yield equal to that of a REIT, given the tax treatment of the REIT's distributions. The example below, utilizing a 4.5% distribution rate, shows the Tax Equivalent Yields at different levels of Return of Capital:

Tax Equivalent Yield Examples, Using Various Return of Capital Levels and a 4.5% Distribution Rate[1]

Return of Capital	0%	50%	100%
Taxable Equivalent Yields	4.50%	5.82%	7.14%

Long Term Generational Wealth Planning

When appreciated shares of a REIT are inherited, the heir receives a step-up in cost basis to the fair market value of the shares without having to pay taxes on the appreciation or the accumulated return of capital received over the years of ownership. This makes investing in REITs a smart potential strategy for long term estate planning.

[1] Return of Capital ("ROC") is not equivalent to Return of Principal. ROC is a tax designation which considers taxable income after non-cash, tax accounting adjustments such as depreciation and amortization. Investors should be aware that a REIT's ROC percentage may vary significantly in a given year and, as a result, the impact of the tax law and any related advantages may vary significantly from year to year. The hypothetical example is intended to show the likely effects of existing tax laws and is for information purposes only. There can be no assurance that the actual results will be similar to the example set forth herein or that JLL Income Property Trust, Inc. ("JLLIPT,") will be able to effectively implement its investment strategy, achieve its investment objectives, be profitable or avoid losses. While we currently believe that the estimations and assumptions referenced herein are reasonable under the circumstances, there is no guarantee that the conditions upon which such assumptions are based will materialize or are otherwise applicable. This example does not constitute a forecast, and all assumptions herein are subject to uncertainties, changes and other risks, any of which may cause the relevant actual, financial and other results to be materially different from the results expressed or implied by the information presented herein. No assurance, representation or warranty is made by any person that any of the estimations herein will be achieved, and no recipient of this example should rely on such estimations. The illustrative example does not include state or local taxes. Investors could be subject to state and local income taxes imposed by their state or municipalities which could lower the after-tax yield received by the investor. Distributions from a REIT are not guaranteed and may be sourced from non-income items including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. Certain non-cash deductions, such as depreciation and amortization, lower the taxable income for REIT distributions. The 50% ROC scenario reflects the following: straight-line depreciation can account for approximately 100% of a REIT's distributions; assuming a 4.5% distribution and a 40-year depreciable life, depreciation would amount to 2.5% annually; including additional non-cash deductions we estimate that 50% of distributions would be considered ROC. The 100% ROC scenario reflects the following: straight-line depreciation can account for approximately 50% of a REIT's distributions; assuming a 4.5% distribution and a 40-year depreciable life, depreciation would amount to 2.5% annually; including additional non-cash deductions we estimate that 100% of distributions would be considered ROC. The illustrative example does not reflect the impact of increasing net operating income ("NOI"); an increasing NOI from higher rents would reduce the amount of ROC. While NOI for commercial real estate has historically increased, past performance is not indicative of future results. After-Tax Yield is reflective of the current tax year which does not take into account other taxes that may be owed on an investment in a REIT when the investor redeems his or her shares. Upon redemption, the investor may be subject to higher capital gains taxes as a result of a depreciating cost basis due to the return of capital distributions. Calculations do not include state or local income taxes. After Tax Yields are based on the maximum federal tax rate for REIT's of 37%, exclusive of the Affordable Care Act tax. Taxable Equivalent Yield is the return that a taxable investment would need to generate to equal the after-tax yield received from a tax-free or tax-advantaged investment.

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.

This report is current as of the date noted, is solely for informational purposes, and does not purport to address the financial objectives, situation, or specific need of any individual reader. Opinions and estimates expressed herein are as of the date of the report and are subject to change without notice. Neither the information nor any opinion expressed represents a solicitation for the purchase or sale of any security. Economic or financial forecasts are inherently limited and should not be relied on as an indicator of future investment performance.
Past performance is no guarantee of future results. The returns shown in this document are intended to represent investment results for the Company for the period stated and are not predictive of future results. Nothing herein should be construed as a solicitation of clients, or as an offer to sell or a solicitation of an offer to invest in the Company. Such investments may be offered only pursuant to a prospectus. Certain information herein has been obtained from public and third party sources and, although believed to be reliable, has not been independently verified and its accuracy, completeness or fairness cannot be guaranteed.

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. 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 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.
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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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