

Transcript of
JLL Income Property Trust
JLL Income Property Trust 1Q26 Public Earnings Call
May 13, 2026

Participants

Allan Swaringen - President & Chief Executive Officer, JLL Income Property Trust
Gregg Falk - Chief Financial Officer, JLL Income Property Trust
Sean Nolan – Assistant Portfolio Controller, LaSalle Investment Management

Operator

On behalf of JLL Income Property Trust, I'd like to welcome you to the First Quarter 2026 Earnings Conference Call. This call is being recorded and our audience lines are currently in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions].

At this time, I'd like to turn the conference over to Sean Nolan [ph] from JLL Income Property Trust. Sean, please go ahead.

Sean Nolan

Welcome, everyone, to today's call.

Any statements made about future results and performance or about plans, expectations or objectives are forward-looking statements. Actual results and performance may differ from those included in the forward-looking statements as a result of factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, and in our other reports filed with the SEC. The Company disclaims any undertaking to update or revise any forward-looking statements.

In addition, all non-GAAP financial measures discussed during this call are reconciled to their most directly comparable GAAP financial measures in accordance with the SEC rules in our Form 10-Q for the quarter ended March 31, 2026.

Links to a transcript and audio replay of this call will be posted and available on our website, JLLIPT.com until May 20, 2026. For further information on the Company's performance, we invite you to review our Quarterly Report on Form 10-Q filed on May 7, 2026 and other filings which are available on the Company's website, as well as the SEC's website, sec.gov.

Now I would like to turn the call over to Allan Swaringen, Chief Executive Officer, and Gregg Falk, Chief Financial Officer. At the conclusion of their comments, we will open the call for questions.

Allan, if you'd like to begin?

Allan Swaringen

Thanks, Sean. Hello, everyone, and thank you for joining us for our first quarter earnings call.

Through 2025 and into the start of 2026 we continue to see upward momentum for real estate and for JLL Income Property Trust, with more than a year of positive performance and capital growth for the portfolio. The repricing effect of the previous three years appears to have concluded, and the “new dawn” forecasted last year seems to have brightened the landscape for real estate. Interest rates are on a path to historical norms with the Fed’s implementation of three rate cuts in the second half of last year, and we have seen transaction activity accelerate as a result.

As of March 31st, our portfolio aggregated to approximately \$6.7 billion dollars comprised of 139 core properties spanning the industrial, residential, healthcare, and grocery-anchored retail sectors, and includes over 7,000 residential units. The return of positive performance we saw towards the end of 2024 continued throughout 2025 and into 2026. For the quarter ending March 31st, we delivered a positive 1.4% income return, a negative 0.3% appreciation return for a total return of positive 1.1% on our M-I share class. A tenet of our longer term, core investment strategy is delivering durable income that helps temper the inevitable valuation fluctuations across normal real estate cycles. Quarterly dividends have now been paid for 57 consecutive quarters, with an average annual increase of 3.8% over that 14-year period. Durable income and modest appreciation across market cycles, from core stabilized assets, remain the cornerstones of JLL Income Property Trust’s investment thesis.

Before highlighting some of our specific first quarter accomplishments, I would like to begin today’s discussion by reviewing the economic environment in which we operated during the quarter.

The first quarter of 2026 was defined by heightened geopolitical uncertainty stemming from Middle East tensions, which disrupted global markets and oil flows. Despite this backdrop, the U.S. labor market surprised to the upside, adding 228 thousand jobs in Q1—a sharp reversal from Q4 2025's decline of 116 thousand jobs. The unemployment rate dipped 10 basis points, though this reflected labor force contraction rather than broad job creation. Average hourly earnings moderated to 3.5% year-over-year. Headline CPI accelerated to 3.3% year-over-year in March, driven by an 11% surge in energy costs, while core CPI remained more contained at 2.6%. Real GDP grew at a 2.0% annual rate in Q1, below expectations, as consumer spending slowed and inflation pressures mounted. Having implemented three 25-basis-point cuts in late 2025, the Federal Reserve held its benchmark rate steady at 3.50%–3.75% throughout the quarter, with the base case now pointing to possibly one or two additional cuts by year-end.

Real estate capital markets built momentum ahead of the conflict with Iran, which weighed on investor sentiment in March but did not immediately translate into pricing shifts. Transaction volume increased 12.4% over Q1 2025 and 20.0% on a trailing annual basis. The Green Street All-Property Commercial Property Price Index rose 2.6% year-over-year as of March 2026, having recovered 7.9% from its December 2023 trough. Treasury yields ended the quarter 17 basis points higher, and Commercial Mortgage-Backed Securities spreads widened on lower-rated issuances as risk premiums repriced. A ceasefire announcement in early April has since improved the outlook, increasing the likelihood that the recent inflation spike proves temporary and supporting expectations for a gradual recovery in capital markets activity.

Our target sectors for investment showed broadly stable fundamentals in Q1. The U.S. apartment market saw seasonal improvement, with national vacancy declining 40 basis points to 5.0%, driven by strong lease renewal rates of 56.1%—well above the long-term average of 50%. Year-over-year asking rents remained slightly negative at -0.6%, though the construction pipeline continued its decline to 2.7% of existing stock, the fifth consecutive quarterly drop, with new deliveries of 66 thousand units the lowest in four years. Gateway markets with constrained pipelines such as San Francisco and Chicago continued to outperform; Sun Belt markets absorbing elevated supply remained under pressure. In the industrial sector, availability held flat for a second consecutive quarter at 9.3%, as moderated demand was offset by the lowest quarterly completions in over a decade. Asking rent growth edged up 0.6% year-over-year, though West Coast markets continued to face headwinds. Open-air retail vacancy ticked up 20 basis points to 6.3%, while asking rents grew 2.9% year-over-year, supported by scarce availability of quality space. Medical office remained stable with vacancy comfortably below 10%.

Looking ahead, geopolitical uncertainty remains the key near-term variable. If the ceasefire holds and the inflationary impact of energy costs proves temporary, the Federal Reserve is expected to resume its easing cycle later this year, which would support capital markets activity and borrowing conditions. Across Income Property Trust's target property sectors, declining supply pipelines continue to provide a

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favorable structural tailwind. Apartment and industrial construction pipelines are at multi-year lows setting the stage for improved fundamentals as new supply constraints persist through the remainder of 2026 and beyond. We remain focused on high-quality assets in supply-constrained markets, where stable cash flows and long-term appreciation potential are supported by current market dynamics. Having covered the industry-wide performance and market update, Gregg will now share a closer look at our portfolio's financial performance during Q1 before I continue. Gregg?

Gregg Falk

Thanks, Allan. We started the year off with total revenues of \$121 million dollars, as compared to \$102 million dollars from the same period in the prior year, which represents an 18% increase. The increase is primarily related to new acquisitions made in 2025 and 2026 and increases in rental rates. Year-to-date net income was \$17 million dollars compared to net loss of \$6 million dollars in the prior year. The increase in net income was primarily driven by our gain on sale from two residential properties sold in January, partially offset by non-cash unrealized losses on our DST Program.

Funds from Operations, or FFO, is a supplemental measure of operating performance used by the real estate industry, which most closely resembles GAAP net income. FFO for the quarter ended March 31st, was \$25 million dollars, an increase of \$3 million dollars from the same period in the prior year, primarily related to lower interest expense on our borrowings due to our continued paydown of debt. FFO was \$0.12 cents per share.

We also track adjusted funds from operations, or AFFO, as a supplemental measure of operating performance. AFFO is calculated as FFO adjusted for non-operating expenses and non-cash items. AFFO through March 31st was \$24 million dollars, a decrease of \$2 million dollars from the same period in the prior year, primarily related to lower interest income from our mortgage notes receivable as a result of the full repayment of the outstanding balances for three loans in late 2025. AFFO was \$0.12 cents per share.

Over the past few years we have been actively paying down our higher interest rate debt, substantially reducing our leverage ratio which stands at 30% at the end of Q1.

Stabilized occupancy remained strong through the first quarter of 2026 with the portfolio leased at 95% at March 31st. Our occupancies by segment were 97% for Industrial, 94% for Residential, 95% for grocery-anchored Retail, and 88% for our Healthcare portfolio. Maintaining higher occupancies through active tenant retention strategies continues to be a priority of our asset management team. The team has been focused on working with current and potential tenants to sign new and renewal leases. Trading lease term extension and early renewals in exchange for future lease execution risk has been a long-term strategy of our asset management team.

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Through the first quarter, we signed new and renewal leases for 260 thousand square feet, with a weighted average rent increase of 12% over the previous rental rate. One of the primary ways that we generate predictable, attractive income for distribution to stockholders is through long-term lease agreements with higher credit tenants. We also continue to strive to lengthen the weighted-average lease term of our overall commercial portfolio, which was 6 years at the end of the quarter. Through the first quarter, we reinvested approximately \$11 million dollars of capital improvements into our existing portfolio, all geared toward maintaining our higher occupancies.

Offering a reliable and attractive level of current income to our stockholders that steadily grows over time is a primary focus of JLL Income Property Trust. Monthly distributions for the second quarter of 2026 are payable to stockholders of record as of the close of business on April 23rd, May 22nd, and June 23rd. On an annualized basis, this gross distribution is equivalent to \$0.63 per share and represents a yield of approximately 5.6% on a NAV per share of \$11.24 as of the date of approval. All stockholders will receive monthly distributions of \$0.0525 cents per share less applicable share class specific fees and the annualized yields will differ based on share class. It is worth noting that we will have paid a consistently growing and reliable dividends for over fourteen years.

Since we launched our initial public offering in October of 2012, we have provided an income return of 4.6%, an appreciation return of 0.9%, for a total return of 5.5% over that 14-year period for our institutional share class.

Our total company NAV was approximately \$4.7 billion at the end of the first quarter. Our daily NAV methodology has delivered on our low volatility objective, as evidenced by our 3% standard deviation of share price over 14 years.

As an SEC registered company, JLL Income Property Trust holds annual stockholder meetings to seek approvals for various proposals, including the election of our majority independent board of directors, and occasionally other business. Our stockholder meeting is scheduled to be held virtually via internet webcast at 8:30 AM Central Time on June 11, 2026. Beginning in early April, we delivered to all stockholders a copy of our Annual Report and Proxy Statement and launched our Proxy solicitation outreach program. We need a majority of our shares of common stock voted in order to have a quorum for the stockholder meeting. We ask for your help in voting your shares or encouraging your clients to vote their shares.

Now, I'll hand the call back over to Allan to discuss our key first quarter activities.

Allan Swaringen

Thanks, Gregg.

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At the end of February we acquired West Boston Medical Center, a healthcare property located in Watertown, Massachusetts. This investment added 53 thousand square feet to our portfolio and is fully leased to one of the largest healthcare providers in the United States, with a newly signed 15-year lease containing 2.8% annual rent escalations. The purchase price was approximately \$32 million dollars.

During the quarter, we sold two properties. The first was a 319-unit apartment community located in the affluent suburb of McClean, VA for \$145 million. This investment generated a since-inception, levered, pre-fee IRR of 21%. Continuing with our recycling of capital strategy, we also sold a 180-unit luxury apartment community located in the upscale neighborhood of Point Loma, near San Diego, CA for \$91 million. The positive results of these dispositions were \$118 million of mortgage loans were retired, and \$100 million of capital for future investment was returned. These two dispositions were sold at a weighted average cap rate of 4.6% with the intention of reinvesting the proceeds into targeted investments at cap rates between 5.5% and 6.5%. This exemplifies our strategic approach to selling lower-yielding investments and recycling the capital into higher returning investments that should enhance portfolio performance in the future.

Our portfolio diversification by property type at the end of Q1 was 36% Residential, 38% Industrial, 12% Grocery-anchored Retail, and 13% Healthcare. Our overall company leverage ratio was 30% at the end of Q1, approximately 96% of our borrowings are at a fixed interest rate and we have minimal debt maturities over the next few years. Our portfolio-wide weighted average remaining loan term is 4 years and our weighted average interest rate on outstanding borrowings is 4.2%. While our portfolio is substantially insulated from the current volatile interest rate environment, we intend to closely monitor rate movements and will employ leverage judiciously as and when it is accretive to target risk-adjusted returns. As an example, in March we closed on a \$19 million dollar accretive loan on West Boston Medical Center. This loan is at a fixed interest rate of 4.98% maturing in 2033, providing 7-years of term. Given West Boston Medical was acquired at an initial cap rate of 6%, this transaction demonstrates an important return to accretive leverage. Also in March, we entered into an amended and extended \$1 billion credit agreement. Our new credit facility with extension options now doesn't mature until 2031. Adding accretive debt and increasing our loan to value ratio over the next 12 to 24 months is one of our priorities to improve investment performance.

As for our stock transactions, we repurchased 100% of all redemption requests, approximately \$90 million dollars in shares pursuant to our share repurchase plan during the first quarter, which had a quarterly limit of \$119 million dollars. For over thirteen years, we have never had to limit share redemptions. Second quarter 2026 share repurchases will have a limit of approximately \$117 million dollars, which is 5% of our NAV as of March 31st. Stockholders should aspire to be long-term investors and hold our shares for seven to ten years or longer. Our share repurchase plan is available to stockholders subject to the quarterly limits and a twelve-month holding period.

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Entering 2026, our 14th year, our outlook is bullish, given several key indicators: pricing has reset and performance has turned positive; accretive leverage has returned alongside a surplus of lender interest for core assets; recent supply headwinds have shifted to tailwinds improving the fundamentals outlook. And finally, we currently have a record amount of liquidity and an aggressive 2026 business plan focused on one singular goal - improving investment performance this year and going forward. The fundamental reason for including real estate in a portfolio is long-term performance. Since inception from October 2012, JLL Income Property Trust has delivered attractive net of fees total returns of 5.5%, while consistently focusing on core, stabilized lower-risk investments.

JLL Income Property Trust continues to deliver a competitive current yield of approximately 5.6% all the while maintaining a high-quality portfolio of institutional-caliber investments. We are confident that we will continue to add value to our current portfolio and look forward to growing and further diversifying our investments throughout the remainder of the year.

As an institutionally sponsored real estate fund, JLL Income Property Trust was designed to be an all-cycle investment vehicle, providing the potential for attractive, tax-efficient current income, portfolio diversification, modest capital appreciation and wealth preservation across a wide range of economic conditions.

Thank you for your time and attention today and I hope you found our remarks informative. Operator, we would now like to open the call for questions.

Operator

Thank you. At this time, I will open the lines for your questions. [Operator Instructions]. The first question is coming from Jimmy McMahon [ph]. Jimmy, your line is live.

Q: Thank you. And thank you, Greg and Alan. I had a question regarding the new \$1 billion credit facility. Could you provide more detail on its pricing and term?

Gregg Falk

Allan, I'll go ahead and take that one. So entering 2026, we decided that it might be an opportune time for us to go out and get a renewal and extension of our credit facility. We could see that there were a significant amount of other credit facilities expected to go-to-market later in 2026. Market terms were very favorable and lenders had significant amount of capacity early in the year that may not be there later in the year. So we decided that now was the right time to do it.

So as a reminder, the \$1 billion credit facility is made up of \$600 million in revolving credit facility and \$400 million of term loans. We use this as kind of our checking account, the revolver portion, so that we can go out and borrow and repay on a day's notice. It really allows us to be very nimble when it comes to making acquisitions in

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the market. And we can also use it for any corporate activity as well. So it really gives us a great amount of flexibility, one of our better tools in the toolkit.

The maturity date on the new facility is March of 2028. We have three one year extensions, which fully extended gets us out to 2031 as Allan mentioned during his comments. And the first extension is free for us. So it's really kind of a three year term with no extra cost. And then the fourth and fifth years come with a small extension fee. We were able to really negotiate some nice terms out of this compared to the existing facility that we retired.

We're saving about 15 to 20 basis points across all the different leverage levels. Our unused fees, we were able to get those to decrease by 5 basis points. And then we were able to get some relaxed covenants, really because we're viewed as low risk by the market. So with that, we're very pleased with the execution we got there. The facility went from nine banks to 10 banks. We had one bank that withdrew from the business, but we had two more that wanted to fill in. And we ended up being oversubscribed by about 45%. So that really gives us a lot of feel real good about going out and executing the accordion feature should we want to in the future to raise the facility from \$1 billion to \$1.3 billion.

Really, we were looked at by the market as being low leverage, having very high quality properties and having great sponsorship between both LaSalle and JLL that really gave them a lot of confidence in executing on this facility. So very happy that we got it done here early in the year and really gives us a long runway of knowing what types of borrowing capacity we have. Thanks for that question.

Operator

Thank you. And the next question will be from Jack Radley [ph]. Jack, your line is live.

Q: Thank you. You mentioned that the weighted average interest rate of the portfolio is 4.2%. I've got two questions. At today's rate, how accretive is the leverage on new acquisitions? And are there any property types for which the accretive leverage is maybe more favorable?

Allan Swaringen

Yes, I'll take that. So I would say broadly the interest rate cuts that the Fed provided at the end of last year were very helpful in terms of returning borrowing costs meaningfully below going in cap rates on high quality core real estate, which is normally the environment that real estate debt equity works in. But during the prior three years with the Fed funds rate being higher and cap rates slowly moving up and pushing values down. It was a very long period of time where it was very difficult to find accretive leverage, but we're very pleased to say that has returned.

I think the best example providing a little more color on the transaction that we talked about in our pre prepared remarks, whereas we recently bought very attractive

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medical outpatient building in Suburban Boston, West Boston Medical, very high credit healthcare system is the tenant long-term lease, attractive rent growth and bought that property kind of plus or minus about going in 6% cap rate going in yield of about 6% on our investment. And because we timed the market quite well, locking rate before kind of the activities in the Middle East started, we were able to lock in a seven year fixed rate loan just shy of about 5%. So almost 100 basis points accretion there.

We'd like to do a lot more of that. I will say that the Middle East kind of chaos is with rising energy costs and concerns about inflation. It has unfortunately moved us back to a little bit more of a volatile interest rate environment. The 10-year still is hovering in an attractive range of about 4 to 4.5, but it's much easier to construct our accretive leverage strategy when it's a little more stable and when it's closer to 4. So we're hoping for a cleanup of that Middle East of settling down of concerns about inflation and a little bit more attractive borrowing, but we're locking in those attractive spreads when we can and the West Boston transaction, is a great example of that.

Properties where we're finding better opportunities to finance attractively more so in the industrial space, also retail and healthcare in the medical outpatient buildings. Those are trading at somewhat more attractive cap rates than most residential properties today. So those are kind of our priorities as we go forward. Thanks for the question.

Operator

Thank you. The next question will be from Nick Angel [ph]. Nick, your line is live.

Q: Thank you, Allan and Greg. With your significant dry powder, can you comment on your acquisition pipeline and property types or markets you're targeting for this capital deployment? Thank you.

Allan Swaringen

Yes. So fortunately, because of a very strong kind of fourth quarter capital raise across our common shares and our DST program, we have kind of more or less in the range of about \$500 million of deployable capital for new investments. As you know, we've also and we talked about in the prepared remarks, we've been recycling capital in terms of selling the lower yielding assets and trying to redeploy that in higher yielding and higher target IRR investments. And that's caused us really for kind of a trade out of residential somewhat and more into the other property types.

So strong buying pipeline transactions we closed recently, just earlier this week or maybe the end of last week, we closed on a very attractive long-term lease, nearly brand new warehouse property in Suburban Indianapolis, which is a very strong warehouse market. We closed the healthcare property, continuing to track some attractive retail grocery anchored or kind of near shadow grocery anchored. And the

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focus there is really these somewhat higher cap rates with durable cash flows and the potential for strong rent growth.

It's our view that cap rates are stable, but we're not expecting them to decline, especially with a volatile interest rate environment. So we believe valuation lift and recovery for us is going to be significantly driven by rent growth. And we're seeing that in those property sectors, especially industrial, we're seeing very long, very large lease trade outs and rent growth there.

Also in retail, we're seeing some nice lease trade outs as we hit some lease maturities. So we're going to focus on growing the income broadly, the fund is relatively low leverage at 30%. And we desire to push that up thoughtfully over time and continue to seize those opportunities when we can get kind of positive spread income from accretive leverage. Thanks for your question.

Operator

Thank you. [Operator Instructions]. And we did have another question coming from Richard Ross [ph]. Richard, your line is live.

Q: Good morning. I'm out in the field, so I'm going on memory, but I think you guys said that the FFO and AFFO for the quarter was \$0.12 and the distributions are closer to \$0.16. Can you discuss the relationship between the AFFO and FFO metrics and your distribution and specifically the durability and sustainability of the dividend in its current amount and potential growth?

Allan Swaringen

Gregg, I'll take that initially. And then if you want to add any more specifics, that's okay. Thanks for the question, Richard. Quarter-by-quarter, given seasonality and smoothing of rent income due to kind of lease rates that some of the lease trade outs we're getting, which are very attractive. They don't immediately fall into AFFO or FFO metrics, if there's some free rent periods.

So broadly, we're looking at kind of a rolling four quarters backwards and forwards in terms of setting our dividend policy. We review that every single quarter with our Board of Directors. We kept our dividend level really for about two years now. We generally aspire to grow it every 12 to 18 months. So I would say in a more normalized interest rate environment, and hopefully a lower interest rate environment, we were hoping to see if the analysis supports a dividend increase, but the volatility around interest rates right now probably makes us kind of hold with the current dividend policy for the foreseeable future, even though we're seeing very strong rent growth. Hopefully that covered everything on the outlook, Richard.

I will say we were very proud of our 14 years of growing dividends with nine dividend increases over that time period. We also just converted our quarterly dividend payments to monthly dividend payments to pay out investors more frequently. That's

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kind of been the industry trend out different than the publicly traded REIT market, the NAV REIT market, and that has moved to monthly dividends. So we adopted that policy and are paying out our level quarterly dividend every single month.

So hopefully I covered all of that. Greg, I don't know if you have anything else you want to add on that.

Gregg Falk

The only thing I'd add to that is that, our dividend policy also needs to follow kind of the IRS rules for REITs. And so, as Allan mentioned, we had a couple of sales in the first quarter that generated capital gains for the REIT. So our requirement to stay compliant with REIT rules is that we have to pay out at least 90% of our taxable income. And ideally we pay out 100% of our taxable income each year so that we avoid paying any taxes at the corporate level. So we're providing the money to the stockholders versus paying it to the IRS. So that also comes into consideration when we're developing our dividend policy going forward.

So thanks for that call -- the question, Richard.

Allan Swaringen

Thank you.

Operator

Thank you. [Operator Instructions]. And there are no other questions. And this concludes today's call. I will hand the call back to Allan Swaringen for closing remarks. Allan?

Allan Swaringen

Thank you, everyone, for joining us for our call today. We had a very strong first quarter and pleased with the results and the start of the New Year. We'll look forward to updating you after the second quarter later this year. Everyone have a great day. Thanks for your time today.

Operator

Thank you. This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.